REPORT OF THE AUDITOR GENERAL

ON THE ACCOUNTS OF THE

BOTSWANA GOVERNMENT

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

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REPUBLIC OF BOTSWANA

Office of the Auditor General
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.

25 February 2014

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

Dear Sir,

In accordance with Section 124 (3) of the Constitution of Botswana, I have the honour to submit my Report on the audits of the accounts of the Government for the financial year ended 31 March 2013.

I have the honour to be, Sir,

R B Sebopeng
AUDITOR GENERAL

OFFICE OF THE AUDITOR GENERAL

VISION

To be the best performing supreme audit institution.

MISSION

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

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

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

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REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE BOTSWANA GOVERNMENT FOR THE YEAR ENDED 31 MARCH 2013

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 29 of the Finance and Audit Act (Cap. 54:01) 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 Finance and 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 Finance and Audit Act, I am required to carry out performance audits of the various entities of Government, local authorities and land boards to assess the extent to which value for money has been obtained in the use of the resources at the disposal of those entities.

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

3. **Extent of Audits**

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

4. **Submission of Accounts**

The Annual Statements of Accounts for the financial year ended 31 March 2013 were submitted to me by the Accountant General for the purpose of auditing, as required by Section 34 (2) of the operative Finance and Audit Act (replaced by Public Finance Management Act), within the time prescribed by the Act. This sub-section requires that the accounts and statements specified in the Second Schedule shall be submitted to me within 8 months after the end of the financial year. These accounts and statements were submitted to me well within the time prescribed by the Act.

5. **Auditor General's Certificate**

The examination of the Annual Statements of Accounts of the Botswana Government for the financial year ended 31 March 2013, which had been submitted to me in terms of Section 34 (2) of the Finance and Audit Act, has been completed and my Certificate thereon was transmitted to the Accountant General on 17 December 2013 for incorporation into these accounts in readiness for tabling before the National Assembly, in terms of Section 36 (1) of the Act.

6. **Submission of the Report**

In terms of Section 35 of the Finance and Audit Act, I am required to submit my report on the audit of the accounts and statements and related matters to the Minister responsible for finance within 12 months after the end of the financial year to which those accounts and statements relate, who shall cause them to be laid before the National Assembly.

I am pleased to report that I have been able to meet this requirement in respect of the annual report for the year ended 31st March 2013.

7. Matters After the Financial Year

Although this report covers the audit of the accounts of the Botswana Government for the financial year ended 31st March 2013, I have also included other matters which had taken place since that date and before the completion of writing this report. I have done so where I considered that it was necessary in the interest of timely reporting and early resolution of the matters raised. Additionally, this was done provided those matters had no implications on the year-end totals, but were merely concerned with issues of regularity and compliance.

8. Outstation Inspections

The conduct of outstation inspections of up-country offices to review their operations and compliance with laid down rules and regulations forms part of the programmed audits of the Ministerial accounts. However, in view of the countrywide spread of these offices it is not possible to visit all of them in any one year, but have to be done on a rotational basis. For purposes of reporting, in the year under review the following places were visited: Selebi-Phikwe, Bobonong, Mmadinare, Tutume, Masunga, Letlhakane, Orapa, Ramotswa, Kanye, Jwaneng, Mabutsane, Tsabong, Hukuntsi, Kang, Gantsi, Charleshill, and Mamuno.

The Botswana diplomatic missions are covered by officers during official overseas trips to attend conferences in the countries of residence. During the year under review a senior officer from the Office participated in training under the auspices of Japanese International Cooperation Agency (JICA) and at the end of it, took opportunity to audit the Botswana Mission in Tokyo.

II GENERAL

9. **Public Accounts Committee Meeting**

The Public Accounts Committee met for its 51st meeting in May 2013 to examine the Accounting Officers on the activities of their organisations during the financial year ended 31st March 2012, and to consider progress on matters raised in previous meetings of the Committee. The report of the Committee on these examinations has been laid before the National Assembly, in terms of the Standing Orders.

The Committee also met in September 2013 to examine, for the first time, the Accounting Officers of selected Ministries on the performance audit reports on specific areas of operation of their Ministries. At the time of writing this report, it was expected that the report of the Committee would be finalised shortly and submitted to the House.

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

The Statutory Bodies and State Enterprises Committee met for its second meeting in September 2012 to examine the accounts of the statutory bodies state enterprises for the financial year ended 31 March 2011. At the time of writing this report the Committee had not yet met on the accounts for the financial year ended 31 March 2012.

11. **Currency**

The monetary values in this report are in the Pula currency, except where expressly indicated. The year-end balances in foreign currencies are translated to the Pula equivalents at the applicable middle-market rate as at 31st March 2013. For the Botswana diplomatic missions, a fixed exchange rate for each host country, as determined by the Ministry of Finance and Development Planning, has been used throughout the year, unless advised by the Ministry.

12. **Public Finance Management Act**

The Public Finance Management Act (No. 17 of 2011) which replaced the Finance and Audit Act (Cap. 54:01) came into operation effective from the 1st April 2013. While this is so, the

Accountant General has intimated that she has been advised that notwithstanding that, the preparation of the accounts for the year ended 31 March 2013 are done during 2013/14, the applicable law remained the Finance and Audit Act. This has particular relevance to the preparation and submission of the Annual Statements of Accounts to me for audit, under Section 34 (2) of the Act, within 8 months after the end of the year, instead of 6 months required by the new Act.

III STATEMENT OF ASSETS AND LIABILITIES

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

Impresses

The break-down of the balance of outstanding imprests on the 31 March 2013 is as follows-

Travelling Imprests	16 728 714
Standing Imprests	817 032
District Imprests	39 180
	17 584 926

As in the past and despite the concerns of the Public Accounts Committee over the years, these accounts are still plagued by the spectre of overdue travelling imprests with some going as far back as 2004/05, or earlier. Out of the amount of P16 728 714 of travelling imprests, a total of P1 570 142 was overdue as well as P39 180 of the district imprests under the Ministries of Minerals, Energy and Water Resources, Health and Department of Administration of Justice. The details of these overdue travelling imprests are given under the Ministerial Section of this report.

With regard to the Standing Imprests, I have in the past suggested that these should be included in the Ministry of Finance and Development Planning year-end cash surveys because of the amounts involved and the restricted access to some of these imprests. The balance of P817 032 under these accounts as at 31 March 2013 which does not reflect the true position of the imprests is a case in point. This figure differs from the limits authorised for the various offices as indicated below. The negative figure of P295 as outstanding balance under the Ministry of Foreign Affairs and International Cooperation is obviously wrong.

Ministry of Agriculture (NAMPAAD)	20 000
DCEC	400 000
BDF	193 967
Total Standing Imprests	613 967

In this instance, I trust that action will be taken to bring these balances into line, and that in future my suggestion would be heeded.

IV CONSOLIDATED FUND

14. **Revenue Results**

The estimated revenue for the year was P43 782 159 590 and the actual collections were P43 115 298 636, resulting in a net of P666 860 954 under the estimate.

The comparative figures over the last 5-year period are shown below;

Year	Estimated Revenue	Actual Collections	Results
2008/09	29 842 311 380	32 043 966 370	+2 201 654 990
2009/10	27 646 465 310	32 331 578 347	+4 685 113 037
2010/11	30 093 784 540	35 487 256 213	+5 393 471 673
2011/12	40 727 610 610	41 736 167 190	+1 008 556 580
2012/13	43 782 159 590	43 115 298 636	-666 860 954

15. **Appropriation Act**

The Appropriation (2012/2013) Act (No. 1 of 2012) was passed by the National Assembly in March 2012, and assented to in the same month on 26th March 2012. The sum appropriated from the Consolidated Fund by this Act was P37 791 267 514.

16. **Supplementary Estimates**

Two resolutions of the National Assembly approved supplementary estimates during the year under review as follows –

(a) Financial Paper No. 2 of 2012/2013 – November 2012

Finance and Development Planning	26 353 830
Minerals, Energy & Water Resources	72 526 710
Defence, Justice & Security	14 641 040
Appropriations from Revenue	50 786 660
	164 308 240

(b) Financial Paper No. 3 of 2012/2013 – February 2013

Local Government & Rural Development 35 993 570

17. **<u>Supplementary Appropriation Act</u>**

The Supplementary Appropriation (2010/2011) Act (No. 3 of 2013) was passed by National Assembly in February 2013 and assented to in June 2013 to provide a further charge on the Consolidated Fund with P783 830 013 to meet expenditures incurred in excess of the amounts already appropriated for the services for the year ended 31st March 2011.

As stated in my previous report, in terms of Section 119 of the Constitution the Act should have been passed within 12 months after the end of the year in which those excess expenditures were incurred.

V DEVELOPMENT FUND

18. **The Appropriation Act**

The Appropriation (2012/2013) Act (No. 1 of 2012) authorized the Minister of Finance and Development Planning to issue a warrant for payment from the Development Fund in the sum of P10 058 200 000.

19. **Supplementary Estimates**

The Supplementary Estimates for Development Fund were approved as follows-

(a) Financial Paper No. 1 of 2012/2013 – July 2012

Youth, Sport & Culture	83 100 000

(b) Financial Paper No. 2 of 2012/2013 – November 2012

State President	47 240 000
Defence, Justice & Security	15 000 000
	62 240 000

VI OTHER STATEMENTS

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

The sum of money appropriated from the Consolidated Fund for the financial year under review to meet Ministerial expenditures was P37 791 267 514, and a total of P37 852 891 107 was warranted to the Accounting Officers in the Ministries and Departments of Government to finance the expenditures. Out of the warranted amounts the actual expenditures totalled P37 708 423 052, leaving unspent balance of P144 468 055, representing 0.04% of the warranted provisions. While this position stands, the expenditures of the following Ministries were in excess of the amounts appropriated by the National Assembly, to the extent shown, which would require supplementary appropriations to comply with statutory requirements.

Finance and Development Planning	8 738 889
Education and Skills Development	167 965 412
Minerals, Energy and Water Resources	47 399 573
Foreign Affairs and International Cooperation	4 558 129
Appropriations from Revenue	50 786 660

However, the undernoted Ministries/Departments had incurred unauthorised expenditures in excess of the warranted provisions, to the extent indicated, in contravention of the clear terms of the warrants issued to Accounting Officers by the Permanent Secretary, Ministry of Finance and Development Planning.

Education and Skills Development	249 980 412
Auditor General	526 934
Foreign Affairs and International Cooperation	4 567 629

The details of the performance of each Ministry are shown more clearly under the Ministerial Section of this report.

With regard to the statutory expenditures, covering Public Debt, Pensions, Gratuities and Compensations, Salaries of Specified Officers and other similar items, a sum of P5 517 241 340 had been set aside to meet those commitments. As at year-end a total of P7 235 414 888 had been warranted while actual expenditures resulted in the amount of P7 099 760 664, compared to P5 517 080 609 in the previous year.

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

The observations arising from the verification of the values of investments and loans made from the Special Funds are noted below-

(a) Citizen Entrepreneur Mortgage Assistance Equity Fund

The Fund Notarial Deed of Trust has been dissolved by the Minister with the instruction that all assets standing to the credit of the Trust be transferred to Citizen Entrepreneurial Development Agency by 28 February 2013. In consequence of the dissolution, no investments of the Fund existed on 31 March 2013.

(b) National Petroleum Levy Fund

The investments of the Fund reflected as P126 551 568 includes P15 000 000 originally invested in irredeemable bonds in a mining company which has since been delisted from the Botswana Stock Exchange and has no operations in Botswana. The investment has now been converted to ordinary shares in an associated company with operations in Australia. In the circumstances I consider that uncertainty hangs over the safety and security over this investment as envisaged by the terms of the Fund Order regarding investments of the Fund.

(c) Public Debt Service Fund

(i) Selibe-Phikwe Town Council – P80 000

This loan has been fully repaid, leaving a small overpaid balance of P310 which should be adjusted and cleared from this Statement.

(ii) De Beers – P570 000 000

I have not been able to obtain explanation for the non-payment of the instalment due in this year.

(iii) Botswana Development Corporation – P279 000 000

Similarly, on this loan no explanation could be offered for the non-payment of the instalments due since 2010, when the repayments should have commenced.

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

Although this loan had the features of a long-term loan with a 15-year grace period, repayments commencing 2023 (not 2016), and final redemption date in June 2028, it was initially accounted for as a short-term advance and classified under Statement No.15 (Advances). Following my comment and that of the Public Accounts Committee the loan has since been transferred to this Fund, although it is not certain whether the normal terms of the Fund of a 2-year grace period and interest capitalisation during the grace period had been considered.

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

The observations and comments arising from the audits of the accounts of Special Funds for the year ended 31st March 2013 are made below under the respective special funds-

(a) National Electrification Fund

In terms of the Fund Order (Statutory Instrument No. 27 of 2010) establishing the Fund, the accounts of the Fund are to be audited by an independent auditor appointed with my approval and that of the Accounting Officer. I gave my approval for the audit of the 2010/11 accounts and such approval was to run for a minimum of 3 years for the appointed auditors.

As mentioned in my report for last year, the audited accounts for 2011/12 had not been included in the Annual Statements of Accounts because the audit had not been completed. In the year under review, the audit had still not yet been finalised at the time of writing this report, and they are still not included, while the unaudited accounts for 2012/13 are included.

It would be desirable if the annual audits of the Fund accounts are done in time so that the audited accounts are presented to the Public Accounts Committee through the Annual Statements in the relevant year of account.

(b) Tropical Forest Conservation Fund

In my report for last year, I had stated that in view of the inactivity of the Fund in deference to a company which was registered under the Companies Act to carryout similar activities, the Board of Directors had suggested to the Permanent Secretary that the Fund should be dissolved and the balance of P20 000 standing to the credit of the Fund be transferred to the company. This has since been done by transfer of the balance from the Fund, although a dissolution order has not yet been issued by the Minister of Finance and Development Planning, in terms of Section 28 of the Finance and Audit Act.

(c) Vocational Training Fund

The Vocational Training Act (Cap 47:04) provides that the audited accounts of the Vocational Training Fund shall be incorporated into the Annual Statements of Accounts of the Accountant General. The accounts for the financial year 2012/13 have not been included in the Statements, for the fourth year running, as management responses on the audit observations raised were awaited at the time of writing this report.

(d) Botswana Innovation Hub

The Fund was established by Statutory Instrument No. 34 of 2010 for the purpose of promoting innovation through technology, products and business, development in the private sector by providing cash grants to companies and organisations registered with the Hub and to universities and research organisations.

As stated in my last report the Fund has been inactive since inception, except for the initial start-up grant of P12 000 000 contributed by Government. The activities of the Hub are correctly funded from the Development Fund.

(e) National Environment Fund

The Fund was established by Statutory Instrument No. 70 of 2010 for the provision of finance to promote activities designed to conserve, protect and manage Botswana environment.

The Fund came into operation in the year under review with appointment of the National Environmental Fund Board to administer the affairs of the Fund, as provided for in the Fund Order. In this year the revenue collected was P17 500 330, while the expenditure was P3 927 on account of Board members travelling and sitting allowances claims.

(f) National Road Safety Fund

In terms of the Road Safety Committee Regulations (Statutory Instrument No.102 of 1976) the purpose of the Fund is to receive and safeguard moneys which are to meet the financial obligations of the National Committee whose object and function is to promote road safety in Botswana.

An examination of expenditures from the Fund had indicated instances where payments totalling P4 794 781, had been made which I did not consider were directly relevant to the purposes of the Fund, and should have been more appropriately financed from the recurrent budget. These expenditures related to such purposes as refurbishment, electrification and partitioning of the Department of Road Transport and Safety offices in various stations in the country.

I have drawn the attention of the Accounting Officer to this observation, but at the time of writing this report I had not received her response or comment.

(g) National Disaster Relief Fund

The expenditure of P5 762 654 from the Fund for the year ended 31st March 2013 included belated payments to the tune of P92 500 as relief compensation to residents of Makabanyane and Thotayamarula in Molepolole district, at the rate of P2 500 per person, to victims of a disaster that was stated to have occurred as far back as 1994/95. While the occurrence of the disaster at that time may not be in doubt, it is nevertheless disheartening to note that relief measures to assist victims in distress from the impact of a disaster could be so delayed, by as much as 18 years, that those compensation payments no longer relate to the ravages of the disaster.

Furthermore, I have not been able to obtain any explanation regarding the nature of compensations the payments related to, at the rate of P2 500 per person across board for a total of 37 disaster victims.

(h) Tertiary Education Development Fund

In my report for the previous year, I had pointed out that I did not consider that it was proper to fund the operational costs of the Botswana International University of Science and Technology from this Fund whose purpose, in terms of the Fund Order, is to provide development finance for the University. The payment of expenditures to meet the operational costs of the University, in my view, should be made from the recurrent budget of the University, normally funded from a Government subvention, among other sources.

However, in the year under review a total of P103 738 000 was paid from the Fund in respect of operational costs of the University in the amounts of P40 392 000 for the year under review and P63 346 000 as an adjustment of payment previously transacted through the accounts of the Fund from a Deposit Account.

On the accounts presentation the figures of expenditure and income in the Income Statement are inflated by inclusion of contra entries on both sides of the accounts. The actual expenditures for the year totalled P948 626 216 while no income had accrued to the Fund in the year under review, resulting in an excess of expenditure over income of P948 626 216.

(i) Pension Liability Service Fund

When a decision was taken last year to exclude the Pension Fund accounts from Government accounts a balance of P1 113 422 640 had remained in the Fund. It has been explained that this balance is retained in this Fund, rather than transferred to the Consolidated Fund, to cater for any residual pension matters related to transfers to the Pension Fund. I am however unable to appreciate why part of the balance cannot be transferred to the Consolidated Fund, as most of the transfer issues have been resolved, at this stage.

(j) Prisons Rewards and Fines Fund

The payment of P78 790 on account of grants included an amount of P51 000 as grant to Prisons XI football club for the payment of salary to a coach for a period of 6 months at the rate of P8 500 per month, with the possibility of an extension. As a welfare fund for members of staff, I do not consider that the engagement of a coach was appropriate to the purposes of the Fund to justify this payment.

It was noted that officers who leave the service shortly after they had been issued uniform and before the expiry of a 2-year period, are required to pay a sum of money calculated on the unexpired period from the 2-year limit and that those amounts recovered totalled P11 418 in the year under review, and were credited to the Fund. I am of the view that such moneys should be paid into the Consolidated Fund.

Furthermore, I have not been able to obtain satisfactory explanation regarding the accrued source of the "Interest on Investment (BBS)"of P6 865 appearing in the Income Statement, as distinct from the dividends of P2 162 from the Paid-Up Indefinite Shares held in Botswana Building Society.

(k) BDF Rewards and Fines Fund

The more significant comments from the audit of the accounts are noted below-

(i) Income

The receipts of P912 120 included an amount of P513 220 in respect of proceeds from charter of BDF aircrafts. The Ministry of Finance and Development Planning have since issued a ruling that in future this revenue should accrue to the Consolidated Fund, and not to this Fund.

I have not been able to verify the balance of P398 900 in the absence of any documentation relating thereto, and no explanation offered from the officers concerned.

(ii) Expenditure – P102 306

The above figure classified under "Miscellaneous Expenses" included a balance of P86 171 for which there was no supporting documentation nor explanation regarding its source. Consequently, I could not vouch the expenditure as a correct charge to the Fund.

(l) Levy on Alcoholic Beverages Fund

In terms of Clause 12 of the Fund Order establishing the Fund, I am to appoint an independent auditor to audit the accounts of the Fund at the end of every financial year. I have appointed the auditors for 2009/10 and the audit has been completed and I am yet to appoint for 2010/11, 2011/12 and 2012/13, after completion of the tender process.

In view of the difficulties experienced in paying the auditors in the past, I have arranged for the Ministry of Health under which the Fund operates to undertake the responsibility of payment of the auditors. The auditors would be appointed for a three-year period to clear the backlog up to 2012/13 and be appointed for a further three year ensuing period of up to 2015/16.

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

In terms of the Fund Order I am the appointing authority of the auditor for the accounts of the Fund. In my report for last year I had stated that the audit for 2009/10 accounts would proceed after the resolution of initial hitches and after that the work would start on subsequent years, regrettably this has not happened because of some delays in the appointment.

In view of the seriousness of this matter and the delays in carrying out the audit, I have now set in motion steps to appoint the auditors to clear the backlog up to 2012/13 as well as for the three years following.

(n) Citizen Entrepreneurial Mortgage Assistance Equity Fund

Despite my repeated comments and concerns of the Public Accounts Committee, the Board of Trustees had not submitted audited accounts of the Fund since those for the financial year ended 31st March 2006. In consequence, the Public Accounts Committee have not had the opportunity to examine the accounts and to be apprised of the activities of the Fund during the period to-date.

However, the Fund Notarial Deed of Trust has been dissolved by the Minister with the instruction that all assets standing to the credit of the Fund be transferred to Citizen Entrepreneurial Development Agency by 28th February 2013. The accounts of the Fund for the year ended 31st March 2006, although outdated, should not have been included in these Statements because they had been overtaken by events.

(o) National Petroleum Levy Fund

In the year under review, as in previous years, the operations of the Fund had resulted in excess of expenditure over income because of high slate payments and consulting professional fees relative to the receipts. The two main items of expenditure totalled P273 559 172 against receipts from oil companies and interest income of P101 773 160. In view of this unsatisfactory state of affairs at year-end, the value of the Fund had been reduced from P368 235 587 to P175 386 471. At the current rate of operation, the future going-concern status of the Fund may be doubtful.

(p) Road Levy Collection Fund

The observations from the audit of the Fund accounts are below-

(i) Expenditure

I have not been able to carry out a verification of the expenditure figure of P25 831 384 because of the unavailability of the vouchers supporting the payments, despite my waiting for a few days for search and production of these documents. The expenditure is therefore unvouched in the accounts.

(ii) Income

In view of the significant discrepancy between the figure of cash with Accountant General as at 31st March 2013 and the closing balance used for the calculation of interest on cash with Accountant General, there is doubt about the accuracy of the interest income of P1 536 496 in the Income Statement.

(q) Tourism Industry Training Fund

Despite my repeated suggestions in the past, the officers responsible for the accounts have not maintained the necessary records to support and facilitate the verification of the figures in the financial statements. The maintenance of a spreadsheet listing all the tourist enterprises, would be a useful record for the monitoring of the payment and receipts of levies by the tourist enterprises. In the absence of such a record and the inadequacies of the paying-in vouchers, I have not been able to verify the accuracy of the figure of P13 485 595 representing the levies received.

(r) Police Rewards and Fines Fund

The undernoted observations arose from the audit of the accounts of the Fund.

Income

(i) I have not been able to obtain an explanation for the receipt into the Fund of an amount of P527 943 as a share of profits from an insurance company, in the absence of any investments from the Fund in that industry. The only asset in the Fund accounts was Cash in the Bank with Accountant General on which interest has been paid.

(ii) An amount of P41 530 was credited to the Fund as refund of training fees received from a training college. The circumstances of this credit could not be clarified.

(iii) Another receipt of P16 000 was credited to the Fund as 50% of an officer's sitting allowance for attendance at Board meetings. The policy is that all fees accruing to public officers for attendance at Board meetings should be paid into the Consolidated Fund as Government revenue.

Expenditure

(i) As explained in previous meeting of the Public Accounts Committee, medical expenses incurred on public officers in circumstances connected with their official duties are chargeable to public funds. The amount of P82 414 included in the expenditure figures of the Fund should have been so treated.

(ii) The expenditure figure also included an amount of P22 200 as legal fees on behalf of a police officer in circumstances in which it was not clear why this cost was not borne by Government, if related to performance of duty, or personally by the officer, if not.

(s) Guardians Fund

In the preparation and submission of the accounts of the Fund, the Accountant General had omitted the control account of the depositors transactions which has over the years been part of the Fund accounts presentation. This is an essential account for the recording of all transactions related to the Funds deposited with the Master of the High Court as trustee accounts. I am not aware of the justification for this omission. There should be at least a footnote for the information of the Public Accounts Committee for this departure from what has been normal accounting treatment.

(t) Road Traffic Fines Fund

The audit of the Fund accounts had elicited the following comment and observations

Income

(i) In the year under review, the sharing of the proceeds of traffic fines between the Fund and the Consolidated Fund had still not complied fully with the formula set out in the Road Traffic Fines Fund Order (Statutory Instrument No 40 of 2001) because of the accounting of all judicial fines into one composite account. Furthermore such sharing as was done was on half-yearly basis rather than quarterly, as prescribed by the Fund Order.

(ii) The income figure of P15 463 591 included refunds of P983 720 from Botswana Defence Force for purchase of vehicles and P5 435 705 for police volunteer wages. It was noted that the Fund had continued to be used to provide advances as short-term bridging finance for expenditures appropriate to recurrent budgets of other Departments, which could lead to confusion and loss of financial control under these circumstances.

Expenditure

(i) The payments made to special constables and police volunteers by way of bridging finances awaiting provision of funds under the recurrent budget totalled P6 241 999, but the reimbursement was only P5 435 705 resulting in a subsidy under these payment of P806 294 from the Fund in the year under review.

(ii) In my report for last year, I had taken issue with the purchases of motor vehicles from the Fund on the basis that these were not traffic-offences detecting devices, but the Commissioner had maintained and submitted to the Public Accounts Committee that the purchases were appropriate to the Fund. While the justification may be made in support of this contention, I am of the view that the Commissioner in other respects, uses the Fund to supplement provision under the recurrent budget such as in the continued purchase of vehicles (P14 745 088) and in the purchase of bicycles (P445 900) for use in general police duties, rather than traffic-related purposes.

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

The balance of P116 831 257 from foreign sources under these deposits as at 31st March 2013 is net of debit balances totalling P169 419 374, representing unclaimed funds from donors responsible for project financing, as follows-

Kuwait Fund for Arab Economic Development	96 641 866
Regional Environment Education Programme	463 659
International Bank for Reconstruction and Dev.	146 804
Global Fund	7 169 513
United Nations High Commission for Refugees	205 537
International Bank for Reconstruction and Dev.	64 791 995
	169 419 374

Some of the above items have been outstanding from the previous years.

24. **Statement of Other Deposits – (Statement No 14**

(a) Contractors' Retention Deposits

In the year under review, most Ministries had made efforts to submit the year-end analyses of the contractors' retention deposits held by them, although the standard of preparation of these analyses still required some improvements. In some cases the submissions did not show the listing of the contractors with the respective amounts of the deposits held; while others were summaries of the transactions in the ledger accounts. In the case of the Ministry of Education and Skills Development, there were numerous transfers to the Consolidated Fund amounting to P2 924 082 relating to the period from 2003 to 2009. My view is that in such cases, the deposits should be released to the contractors immediately on expiry of the defects liability periods rather than wait until expiry of the 5-year period and routinely clear the balance to revenue. The defunct Ministries of Works and Transport and of Communications, Science and Technology are inexplicably listed under these accounts with balances of P15 831 721 and a debit of P29 751, respectively.

The importance of submitting the correct analyses of the year-end deposit balances is that it helps in the audit verification of the true extent of these liabilities; and also serves as an indication that the contractors retention deposits are being properly monitored with respect to accounting and timely releases on expiration of the liability period.

(b) Deposits – Other

The balance of the deposit accounts attributable to this category was P463 206 722 including the balances of the old defunct Ministries of Works and Transport and of Communications, Science and Technology and debit balances totalling P36 501 121. I have previously pointed out that these accounts are not maintained and monitored to the required standard of accounting, and the presence of the aforementioned balances in these accounts are but examples. I have commented elsewhere regarding the numerous cases of taxes deducted from payments which have been held by the Ministries far beyond the periods prescribed by the Income Tax

Act, some of which have, in the process, gone out of control. The debit balances in these accounts indicate accounting errors or over-withdrawals of the deposit balances, which is unlikely with the taxes withheld, if remitted timeously to the tax authorities, as required by law.

In view of my repeated comments in the past, I am yet to see improvements in the proper maintenance of these accounts by the various Ministries and departments of Government.

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

The accounting and monitoring of these accounts require greater attention to achieve improvements in timely recoveries to avoid dormant balances with possibilities of write-offs as well as to ensure proper accounts classification. The balance of P158 216 787 as at 31st March 2013 included and is net of the undernoted items-

(a) Credit balances of P101 498 750, comprising misclassified items which should have been posted to deposit accounts (such as Interns Savings and Police Recruits accounts) and cumulative credits under Students Sponsorship Loan recoveries totalling P85 089 398. There are also items of losses of cash with inexplicable credit balances.

(b) Balances under the old Ministries of Works and Transport (P257 705) and of Communications, Science and Technology (P110 284 dr. and P744 cr.) should have been transferred to the appropriate Ministries for certainty of ownership and accountability. Strangely enough, the total of items under the Ministry of Communications, Science and Technology has increased from P86 198 last year to P110 284 this year.

(c) Non-moving balances amount to P26 504 114 covering periods from 2004/05 to-date under various Ministries. All non-moving balances should be promptly investigated and appropriately dealt with.

This is one area of Government accounts which requires constant monitoring to avoid losses of public funds through uncollected debts.

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

The verification of the balances under this Statement revealed weaknesses in the maintenance and monitoring of the various cash and bank accounts which cast doubt on the overall accuracy of the cash assets reflected in the year-end accounts. As in previous years, the weaknesses related mainly to lack of timely reconciliations of the accounts to achieve accurate and reliable accounts presentation. The main findings are summarised below-

(a) Instances had been noted where year-end Treasury Cashier General Ledger balances differed from the Boards of Survey cash count results which had not been reconciled and adjusted. In some cases, these resulted from casting errors in the Boards of Survey reports.

(b) No accounting action had been taken to clear the old balance of P236 705 from the local currency bank account previously operated by the Botswana diplomatic Mission in Harare. The bank account was closed many years back, hence the ledger balance is not represented by cash in the bank.

(c) In my previous report I drew attention to three Electronic Funds Transfer accounts of P40 000 000 each which had been opened in that year and had not been operational for the whole of the year. These accounts had not been operational during the year under review. However, the Accounting Officer had informed the Public Accounts Committee that they would be in use during the 2013/14 financial year.

(d) The balances of the bank accounts operated by the Treasury Cashiers had not been reconciled up-to-date. Some of these had been last reconciled on various dates ranging from December 2007 to December 2012. It was further reported that the bank statements for Electronic Funds Transfer Accounts operated by the Treasury Cashiers had not been received from the commercial banks concerned.

(e) As in the past, the balances of the accounts of the revenue collections through the commercial banks by the use of Point-of-Sale facilities had still not been reconciled, leaving the operation of these facilities open to manipulation. The proper monitoring of these accounts, primarily reconciliation, is all the more important with the ever increasing resort to the use of this facility in revenue collections.

(f) In the design of the operation of the Point-of-Sale facilities the arrangement was that the commercial banks would remit to Government the collections whenever they reached an amount of P10 000. This rule is not complied with as the Statement reflects outstanding balances with the banks far in excess of this limit.

(g) The long outstanding matter of the deposit of P117 970 739 with the Botswana Building Society which was transferred to Botswana Asset Privatisation Holding way back in May 2010 was still reflected in this Statement as part of the Government cash assets. Consistent with this treatment, an estimate of P11 797 070 had been made for the receipt of dividends from this source in the year under review.

(h) Last year, I had commented that the various bank accounts operated by the Accountant General had not been regularly reconciled, including the main Remittances Account. The purported reconciliation of this bank account for the year under review is unclear and unacceptable as, among other things, it included a reconciling item of P79 331 119.57 described as "Unreconciled Amounts", which is still to be investigated. The year-end General Ledger balance under this account was P1 319 164 491.

In view of the numerous balances which have not been verified for lack of reconciliations and the inclusion of balances not related to these accounts, I am unable to certify the correctness of the amount of P5 740 589 306 as the true value of the cash asset held by Government as at 31st March 2013.

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

The breakdown of the Government contingent liabilities comprising guarantees on parastatal borrowings, public officers borrowings under the motor vehicle/residential property schemes and other undertakings as at 31st March 2013 was as follows-

Parastatal borrowings	6 646 532 595
Public Officers borrowings	442 515 517
Non-Interest Bearing Notes	354 658 990
	7 443 707 102

The public officers borrowings had continued to present challenges of default loans which government had to make good to the commercial banks, with right of recourse to the defaulter debtors.

Sadly, the recoveries from the defaulters is very slow, possibly reflecting the pace of monitoring and follow-up of the cases, as some of the cases date as far back as 2004/05. The table below illustrates the state of these cases as at 31st March 2013.

Arrears of Defaulters' Loans

Year	Residential Property	Motor vehicle	Total
2004/05	191 489	286 911	478 400
2005/06	154 167	185 707	339 874
2006/07	1 600 177	1 230 171	2 830 348
2007/08	225 678	184 714	410 392
2008/09	373 553	259 315	632 868
2009/10	584 991	266 205	851 196
2010/11	142 518	49 003	191 521
2011/12	557 566	307 106	864 672
2012/13	996 163	1 682 002	2 678 165
	4 826 302	4 451 134	9 277 436

The routine comment is that these cases are being followed up through the Attorney General, including the very old ones going back to 2004/05.

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

The register maintained by the Accountant General for the recording of Government interest in commercial undertakings, statutory bodies and international organizations is incomplete and needs to be updated as an independent and substantive record of these important and valuable assets of Government. For example, the following assets are not included in this register:

African Export-Import Bank	- Equity Investment Callable Capital
Banyana Farms (Pty) Ltd	- Capital Contribution
Botswana Telecommunications Corporation	- Nteletsa 2 Global Connectivity
Debswana	- 100 Shares Government Contribution to Cut 8
Botswana Privatisation Asset Holdings	- Capital Contribution

The footnote that Botswana Privatisation Assets Holdings had not submitted confirmation of Government capital contribution in their organisation and that previous years' figures were therefore used is a clear admission that reliance is placed on the submission for the preparation of this Statement. This should not be the case, where the Government register is maintained up-to-date.

The figures in the Statement differ from those submitted by Bank of Botswana in respect of the following Agencies:

- Multilateral Investment Guarantee Agency
- International Development Association

The Government capital contribution to Shelter Afrique should read 839 000 shares, and not 839.

29. **<u>Statement of Arrears of Revenue – (Statement No. 19)</u>**

In my report for last year, I had commented on the tardiness with which public officers followed-up the collections of Government revenue debts, which very often accumulated and resulted in abandonments. In the year under review, this trend had persisted and can be illustrated by indicating that out of the total amount of P35 744 023 which was outstanding at the beginning of the year from previous years, only a paltry amount of P6 694 436, representing 19%, was collected and P558 680 was abandoned, leaving a balance of P28 484 024 to be carried forward to the next year. It was disconcerting to note that private telephone charges, which have crept into these accounts by default in the light of the terms of General Orders, had continued to form a significant portion of this indebtedness. These are shown in more detail below:

General Orders, governing the conditions of service of public officers, permit public officers to make private calls from official telephones strictly on condition that they pay for these calls promptly on receipt of telephone accounts. Disappointingly, this concession is not reciprocated by compliance by public officers resulting in undue accumulation of debts and inevitable abandonments. The table below shows the state of these accounts across the Ministries as at 31st March 2013, including those that had been cleared by abandonments.

Ministry	Balance 01/04/12	Collections 2012/13	Abandonments	Current Year Arrears	Balance 31/03/13
National Assembly	5 480	4 973	507	17 796	17 796
State President	114 577	53 126	-	4969	111 142
MFDP	79 454	49 110	25 409	14 288	19 223
MOESD	66 353	30 083	3 535	776	33 511
MLGRD	31 792	29 382	-	47 399	49 809
MMEWR	116 552	29 823	-	33 942	120 670
Health	51 810	28 579	8 456	10 770	25 545
Auditor General	19 828	-	-	-	19 828
MOFAIC	23 467	19 545	-	156 441	160 359
MIST	28 101	16 487	8 000	2 663	6 276
MT &C	36 521	4 407	18 810	73 210	86 521
MDJS	741 643	525 585	35 785	447 065	627 338
	1,315,578	791,100	100,502	854,041	1,278,018

I am concerned that as long as public officers do not make vigorous follow-up for the timely recoveries of Government debts, the spectre of losses of Government revenues arising from abandonments will continue to haunt these accounts.

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

The reconciliations of the values of unallocated stores held by Government at each year-end as in this Statement of the Department of Supply and in the accounts of the Accountant General had over the years been the subject of comment in my successive reports. The explanations have always differed from one year to the next, without the actual reconciliations being achieved. In one year (2011) the differences in the figures were attributed to the data take-on exercise of 2004 although the comments on these accounts pre-dated that period. In his latest written submission to the Public Accounts Committee, the Accounting Officer had simply given a one-line comment that read "*The reconciliations have been carried on to investigate the discrepancy* ---------------." I am not aware whether any conclusions had been reached after these investigations.

For the year under review, the value of unallocated stores as submitted by the Department of Supply was P34 869 645 as at 31st March 2013, while the accounts of the Accountant General reflected a figure of P40 202 228 as on that date, with another figure of P52 958 845 referred to as Stock Transfers. These figures are still without reconciliations

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

TABLE A – LOSSES OF CASH

Reported During the Year Under Review

A review of the cases reported during the year of account had indicated that, as I commented last year, there is still considerable delay in the detection and reporting of cases to the Ministry of Finance and Development Planning by the line Ministries. In the present case, some of the reported cases date as far back as the year 2000 through to 2010.

Altogether there were 9 cases in 5 Ministries, with a loss amount of P499 773 which were reported during the year under review. Out of this amount, a total of P154 574 was recovered while P87 268 was written off, leaving a balance of P257 931 for further follow-up.

Reported in Previous Years

In his written submission to the 51st meeting of the Public Accounts Committee the Accounting Officer had informed the Committee that, as a measure to improve the reporting and processing of loss cases, he had planned visits to the Ministries to sensitise the officers concerned on the importance of expeditious treatment of losses which occur in their Ministries. This is a welcome development and it is hoped that it will go some way in bringing about improvement in this area. While I agree with the Accounting Officer's submission that the responsibility to report loss cases lies with Accounting Officers in the line Ministries, I do not accept his contention that his involvement is only in processing the write-off requests. It is, indeed, his responsibility and duty, under the Finance and Audit Act, to consider, assess and determine the appropriate action to be taken in all cases of losses reported to him, under the terms of Financial Instructions and Procedures. This is the essence of reporting losses to the Ministry responsible for finance.

In my report for the previous year, I had commented, and illustrated by examples, on the unsatisfactory standard of presentation of this Statement, which did not give clear status of the cases under the reporting: status/comments, in some cases, losses were simply a repeat of previous year's comments, sometimes indicating progress such as "recoveries ongoing", even where there was none. The Accounting Officer in his response had only given general comments as indicated above, but had not commented on this aspect. It is therefore not surprising that the same weaknesses in reporting had persisted in the year under review, as illustrated by the examples below-

Ministry	Loss Amount	Status/*Comments*
State President	73 094	Recover from terminal benefits "*Recoveries from salary continues*" in 2011/12 (No change in figures this year)
Ministry of Education and Skills Development	84 490	Payment on-going "*Payment on-going*" in 2011/12 (No change in figures this year)
Ministry of Lands and Housing	81 893	Referred to Attorney General "*Recoveries on-going*"" in 2011/12
Ministry of Health	4 320	To recover from salary "*To recover from salary*" in 2011/12 (No recoveries made this year)

Unless the Accounting Officer takes the lead, with the necessary promptings and follow-ups, the standard of financial management and supervision with reference to losses would remain low with resultant losses to the public revenue arising from these cases. Delays in finalising loss cases, as exemplified by very old cases dating back to 1992, will remain a feature of these accounts, despite my repeated concerns and those of the Public Account Committee in the past.

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

TABLE B- LOSSES OF STORES

General

In the year under review, the format of reporting of the losses of these assets has been varied significantly from those of previous years with the result that vital information relating to the disposal or status of the cases is not disclosed. The cases are disposed of by recoveries, write-off or a combination of both, but in this case where the disposal is by a combination of both the details of the amounts involved are not provided in the tables, and in other cases the amounts are omitted altogether. The summary totals of the amounts written-off from losses reported in previous years and of amounts recovered from losses reported during the year are not readily available for the information and appreciation of the Honourable Members of the Public Accounts Committee.

Reported During the Year Under Review

There were altogether 327 cases of losses of stores reported to the Ministry of Finance and Development Planning during the year under review with a loss amount of P1 071 683. Out of this amount, losses to the value of P510 433 are shown as having been written off, but there is no indication of the extent to which the losses to public funds had been abated by recoveries. In other cases, losses are shown as having been finalised without indication of the manner of disposal or finalisation.

Reported During Previous Years

As in the case of losses reported during the year above, there was little attention paid to the preparation and presentation of this Statement. The Statement is devoid of meaning in that cases are finalised and closed with part recoveries and no indication of the basis on which the balances of the losses had been dealt with, leading to closure of the cases, and in other losses cases are reported as finalised without recoveries or write-offs indicated.

33. **Accidents to Government Motor Vehicles**

In the year under review, the public revenues had continued to sustain losses arising from accidents to Government motor vehicles. According to the report submitted to me by the Permanent Secretary, Ministry of Finance and Development Planning a total of 351 motor vehicles had been involved in accidents with a damage cost of P5 322 906. Out of this figure, a total of 143 cases were finalised by surcharge action in the amount of P1 005 413 and by write-off to public funds in the amount of P949 593. The balance of 208 cases with a damage cost of P3 367 901 were pending as at year-end.

A review of the 328 cases (adjusted to 324) pending at the end of the previous year had indicated that a total of 312 had been disposed of by surcharges totalling P2 781 571 and P2 883 018 written off to public funds, leaving a balance of 12 cases with a damage cost of P151 416. This reporting has almost accounted for the original 501 cases of accidents reported last year without any mention or indication that any compensation was or might be recoverable from third party motorists who might have caused the accidents to Government vehicles.

I have in the past repeatedly commented that the reporting of vehicle accidents without mention of the extent to which the accident losses were abated by recoveries from third parties was incomplete. However the Ministry of Finance and Development Planning have been steadfast in their disinclination to provide this information, for the benefit of the Public Accounts Committee. Their contention is that the recoveries from third parties are made by the Attorney General. However, the omission of this information results in a misrepresentation of the values of damage costs written-off to public funds by inclusion of values recoverable from third parties.

While the Permanent Secretary had submitted to me a summary report of accidents to Government motor vehicles which were reported to him during 2012/13, with damage loss of P5 322 906, he had not included this information in the Annual Statements of Accounts, along with other losses of monies and stores, for the completeness of reporting of all losses and appreciation of Honourable Members of the National Assembly.

VII MINISTERIAL ACCOUNTS

PARLIAMENT

34. **Warranted Provision**

The utilisation of funds warranted to Parliament for the financial year ended 31st March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over+ Under- Expenditure	%
National Assembly	80 625 300	78 591 657	-2 033 643	3
Ntlo ya Dikgosi	6 383 070	5 912 493	- 470 577	7
	87 008 370	84 504 150	-2 504 220	3

The actual expenditure of the department of Parliament for the year was P84 504 150, recording a budget utilisation of 97% of the warranted provision and an increase of 15% over the previous year's expenditure.

35. **Non-moving Travelling Imprests**

The undernoted travelling imprests which had been issued to officers of the Department for official travel had not been accounted for, and had been non-moving since 2010/11 to-date.

Department	No. of cases	Amount
National Assembly	2	13 802

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

An audit of the accounts of the National Assembly revealed instances in which the Honourable Members did not, in all cases, compensate Government fully or timeously for the cost of the utilities consumed in their official residences, as set out in the Conditions of Service. The extent of departure from the conditions is indicated below:-

(a) The arrangement is that the costs of water and electricity used by a member should be borne by the member in full. It was however noted that there were some members who owed for the cost of electricity used for various periods dating back to January 2011, the earliest, amounting to P183 943.

(b) In the case of water consumed, currently it is not possible to bill members individually because of one common meter for the Parliamentary Village complex. Consequently, members enjoy this utility on government hospitality. It is suggested that steps are taken to ensure that appropriate recoveries are made from the members in line with their conditions of service.

(c) In respect of telephone usage members pay $^2/_3$ of all metered calls and for all identifiable private calls. It was however found that arrears of contributions from members in respect of private usage had accumulated to the extent of P28 700 dating back to April 2012. The understanding is, and prudence would require, that payment for private usage of this facility would be made promptly on receipt of telephone accounts.

(d) In addition, there was no systematic recording of the receipts and issues of scratch and dial cards used in telephones at the constituency offices to provide a comprehensive record of the usage of these items, as only issues were accounted for, and not receipts.

I have addressed these and other matters to the Accounting Officer but at the time of writing this report she had not responded or commented.

STATE PRESIDENT

37. **Warranted Provision**

The utilisation of funds warranted to the above Ministry for the financial year ended 31st March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over+ Under- Expenditure	%
State House	7 956 960	7 718 911	-238 049	3
Office of the President	122 155 205	116 145 161	-6 010 043	5
DPSM	119 293 893	114 781 923	-4 511 970	4
Former President-QKJM	2 766 230	2 518 112	-248 118	9
BDF	-	43 955	+43 955	
NACA	43 811 050	39 262 808	-4 548 242	10
Former President-FGM	3 609 450	2 704 907	-904 543	25
Information Services	46 625 727	43 469 220	-3 156 507	7
Broadcasting Services	134 959 210	138 162 207	+3 202 997	2
Govt. Printing & Publishing Services	52 778 000	50 349 221	-2 428 779	5
National Strategy Office	14 648 828	14 112 706	-536 122	4
Govt. Strategy Dev. Office	-	-2 823	- 2 823	-
	548 604 553	529 266 309	-19 338 244	4

The warranted provision for the year under review was P548 604 553, compared to P492 976 410 in the previous year, recording an increase of P55 628 143 (11% increase). The actual expenditure for the year was P529 266 309, leaving an unspent balance of P19 338 244, representing 4% of the warranted provision, compared to 7% in the previous year. The Office of the Former President (FGM) has continued to maintain a high unspent balance of 25% of the warranted amount compared to 18% in the previous year and 17% in the year before. The accounting transactions of departments which have been phased out of the Ministry such as BDF and Government Strategy Development Office should not appear under the Ministry without notice and adjustment.

Although the year-end balance of P19 338 244 was available under the Ministry, the Department of Broadcasting Services had overspent the funds sub-warranted to it by a substantial amount of P3 202 997, contrary to the terms of the sub-warrant.

38. **Non-Moving Travelling Imprests**

The undernoted travelling imprests which had been issued to officers of the Ministry for official travel had not been accounted for, and had been non-moving since 2011/12 financial year to-date.

Department	No. of cases	Amount
Office of the President	1	3 253
DPSM	2	1 850
DCEC	1	6 261
	4	11 364

MINISTRY OF FINANCE AND DEVELOPMENT PLANNING

39. **Warranted Provision**

The utilisation of funds warranted to the above Ministry for the financial year ended 31 March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over+ Under- Expenditure	%
Headquarters	593 709 225	584 239 797	-9 469 428	2
Accountant General	213 140 240	208 693 020	-4 447 220	2
Supplies	128 892 280	127 158 566	-1 733 714	1
CSO	53 128 205	51 894 584	-1 233 621	2
Financial Intelligence Agency	4 357 300	3 626 342	-730 958	17
	993 227 250	975 612 309	-17 614 941	2

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

40. **Non-moving Travelling Imprest**

The undernoted travelling imprests which had been issued to officers of the Ministry for official travel had not been accounted for, and had been non-moving since 2011/12 financial year to-date.

Department	No. of cases	Amount
Headquarters	3	3 369
Supplies	4	16 541
CSO	1	4 242
	8	24 152

41. **Dividends from Public Enterprises**

For the year under review the estimated revenue from this source was a total of P827 497 070, and the actual revenue was P1 545 944 446, resulting in an over-collection of P718 447 376, or under-estimation of the same amount. Ironically, of all the 3 public enterprises that paid the dividends, apart from the Bank of Botswana, the other two, namely, Botswana Telecommunications Corporation and Botswana Savings Bank, had not been included in the revenue estimates for possible dividends receipts in the year of account.

A review of the revenue collections under this revenue item over the last 5-year period had indicated a consistent under-estimation in reducing amounts, as indicated below:-

Year of Account	Estimated Revenue	Actual Revenue	Under Estimation
2008/09	1 412 162 020	1 438 814 338	63 347 682
2009/10	1 088 258 550	1 107 701 524	19 442 974
2010/11	866 510 000	760 559 828	(105 950 172)
2011/12	605 410 990	986 344 613	380 933 623
2012/13	827 497 070	1 545 944 446	718 447 376

The estimated revenue for the financial year 2012/13 included an amount of P11 797 070 in respect of Government cash deposit with Botswana Building Society, which was transferred to the Botswana Privatisation Asset Holding way back in May 2010, and should not be part of Government Accounts.

42. **<u>Accounting for Taxes Deducted by Ministries</u>**

The accounting for the taxes, be they withholding, PAYE or tax on contract gratuities, deducted from payments made by Ministries is far from satisfactory. The principal concern is the failure or neglect by Ministries to remit timeously the taxes deducted and held to the Botswana Unified Revenue Service within the two weeks prescribed by the Income Tax Act, leading to errors and confusion in these accounts. As at the 31st March 2013, there was a total of P17 220 115, including debit balances, under both withholding, PAYE and other taxes which should not be found in these accounts, if regularly reconciled and timeously remitted to BURS. The list also included outstanding amounts under the phased out Ministries of Works and Transport and of Communications, Science and Technology as well as inexplicable items of assessed taxes, indicating little care paid to these accounts.

When this matter had been raised in the past, the Public Accounts Committee, in their report to the National Assembly on the 2010/11 accounts, had recommended that the Ministry of Finance and Development Planning should take the matter up with the Ministries and Departments of Government with a view to bringing the whole matter under proper control and bring these taxes to account as revenues of the state. However, this does not appear to have been done as the situation has persisted in the year under review, three years after it had been first raised.

43. **<u>Old Non-Moving Advance Accounts</u>**

The Statement of Advance Accounts (No 15) has over the years carried dormant balances involving large sums of money on which no action had been taken, either to recover or to write off the amounts concerned. One such amount of P6 212 271 related to returned cheques under the old Department of Customs and Excise, now part of Botswana Unified Revenue Service.

The other amount (with inexplicable slight variations from one year to the next) was in respect of losses of cash on which there had not been any follow-up over the years because these were very old accounts. As at 31 March 2013, the balance of these accounts was P2 017 644 (2012: P1 893 935).

I am of the view that action should be taken to clear these amounts from the accounts as they, with their dormancy, distort the total of the balances under these accounts.

44. Provision of Security Services in Treasury Cashier Offices

The Ministry of Finance and Development Planning, through the Office of the Accountant General, entered into an agreement with a security company for the provision of security services in 36 Treasury Cashier offices throughout the country. The contract period is 24 months, commencing 1st May 2013 and terminating 31st March 2015 at a contract price of P1 696 149.50 for the 24 months' period. The obligations of the contractor under the agreement are set as follows-

(a) Provision of 24-hour security services at the premises by providing protection to property and people. The services shall include guarding and patrolling the premises.

(b) Employment of appropriate technical skills and methods which are normally required for the class of security services for which he is engaged.

(c) Installation of security alarms

(d) Provision of maintenance service for the alarms

(e) Response with reasonable speed to any remote signal and identification of the premises.

The contractor is based in Jwaneng and does not have offices in the areas where the country-wide Treasury Cashiers are located. It is unlikely that the contractor would perform the above duties with the diligence, efficiency and economy which is contemplated in this agreement, and is therefore doubtful whether Government would obtain value for money. I understand that it is envisaged that in the event of an emergency the services of Botswana Police Service would be sought, while the response of the contractor is awaited, which may be anytime later. It is common cause that the Police would in any case react on any matter reported to them, but it should also be understood and appreciated that they are not on stand-by for purposes of this contract.

In this case, I am unable to appreciate the rationale for the engagement of a contractor in circumstances under which it is clear that he would not be able to carry out the terms of his engagement, given the lack of spread of the contractor and the duties entailed.

MINISTRY OF LABOUR AND HOME AFFAIRS

45. **Warranted Provision**

The utilisation of funds warranted to the above Ministry for the financial year ended 31 March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over+ Under- Expenditure	%
Headquarters	89 384 927	86 338 485	-3 046 442	3
Immigration & Citizenship	124 052 340	119 691 435	-4 360 905	4
Labour & Social Security	46 719 710	45 809 926	-909 784	2
Gender's Affairs	17 128 800	16 817 744	-311 056	2
Civil & National Registration	47 590 450	47 102 197	-488 253	1
National Internship	74 477 333	72 732 198	-1 745 135	2
	399 353 560	388 491 986	-10 861 514	3

The actual expenditures for the Ministry for the year under review was P388 491 986, representing 97% of the warranted provision, compared to P354 144 846, representing 99%, in the previous year. The Ministry total is a fair reflection of the performance of the Departments with funds utilisation ranging from 96% to 99%.

46. **Non-Moving Travelling Imprests**

The undernoted travelling imprests which had been issued to officers of the Ministry for official travel had not been accounted for and had been non-moving since various dates of the year under review.

Department	No. of cases	Amount
Headquarters	1	1 471
Labour & Social Security	2	15 095
Gender Affairs	2	11 494
Civil & National Registration	1	6 260
	6	34 320

47. **<u>Suspected Misappropriation of Public Funds – Department of Labour and Social Security, Gaborone</u>**

A special investigation, instigated by the Treasury Cashier's query with the Department of Labour and Social Security, carried out in June 2013 into the revenue collections at the Department office in the Main Mall, Gaborone by the internal audit staff of the Ministry had revealed that an appointed revenue collector had not accounted to the Treasury Cashier for the revenue collections under her custody. She had been appointed to collect fees for applications for and renewals of work permits and moneys for workers compensations and industrial disputes. By virtue of her appointment the revenue collector had been issued a receipt book by the Treasury Cashier as far back as December 2011, but had never presented that receipt book to the Treasury Cashier to either account for the collections or declare non-collections, as required by Financial Instructions and Procedures. The internal audit investigations had however disclosed that the collector had in fact collected a total of P80 440 on that receipt book, which had not been remitted to the Treasury Cashier.

According to the report of the internal auditors, in explanation, the revenue collector had admitted to having used the money for her own personal purposes, and had offered to pay the money back in two months.

Apart from the officer having been relieved of the revenue collection duties and the matter reported to the Police, I am not aware of any further action taken with regard to the recovery of the amount and disciplinary action taken against the officer, nor the outcome of the Police investigations.

MINISTRY OF AGRICULTURE

48. **Warranted Provision**

The utilisation of funds warranted to the above Ministry for the financial year ended 31 March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over+ under- Expenditure	%
Headquarters	207 983 752	207 242 816	-740 936	0.4
Crop Production	148 696 541	147 549 266	-1 147 275	1.0
Agricultural Research	78 036 751	77 662 416	-374 335	0.5
Animal Production	78 820 224	78 540 961	-279 263	0.4
Extension Services Coordination	28 200 999	27 902 428	-378 571	1.3
Agric. Bus. Promotions	26 388 960	25 817 263	-571 697	2.0
Veterinary Services	367 908 698	366 225 808	-1 682 891	0.5
Agricultural Res Statistics & Policy Dev	8 658 196	8 590514	-67 682	0.8
	944 774 120	939 531 470	-5 242 650	1.0

In the year under review the Ministry expenditure totalled P939 531 470 out of the warranted provision of P944 774 120, recording a 99% warranted funds utilisation. This performance compares favourably with the previous years, which was 97% of the funds warranted to the Ministry

49. **Non-moving Travelling Imprests**

The undernoted travelling imprests which had been issued to officers of the Ministry for official travel had not been accounted for, and had been non-moving since 2004/05 financial year to-date.

Department	No. of cases	Amount
Headquarters	1	312
Animal Health & Production	1	15 617
Crop Production	5	4 541
Agricultural Research	2	2 202
Agricultural Business Promotions	1	3 447
Veterinary Services	6	10 932
	16	37 050

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

As at 31 March 2013 there was an outstanding balance of P1 239 000 from the sale of live cattle to Zimbabwe, reflected in the Statement of Arrears of Revenue. Despite a follow-up reminder forwarded by the Accounting Officer, in January 2013, this balance had still not been settled at the time of writing this report.

51. **Poverty Eradication Programmes – Backyard Gardens**

The Poverty Eradication Programme is centred at the Office of the President under the general direction of the Coordination Unit in that Ministry. The implementation of the Backyard Garden component is however assigned to the Department of Crop Production in the Ministry of Agriculture. For this purpose, the Department is authorised to incur expenditure for the procurement of materials and other expenses against the vote under the Office of the President.

I have carried out a review of the operation of the Backyard Garden projects, through interviews with Ministry Headquarters personnel and visits to selected centres, namely Moshupa, Kanye, Letlhakane, Machaneng and Palapye with particular reference to the procurement function. The purpose of the review was to assess the extent to which appropriate accounting procedures are applied to the materials purchased to ensure that the security and safety of these materials are adequately safeguarded, and that these materials are used strictly for the purposes of the projects.

My main finding indicated that the stores accounting as laid down in Supplies Regulations and Procedures, in all the centres visited was practically non-existent, with possibilities of losses, through dishonesty or otherwise, without detection or notice.

The purchasing of all Backyard Garden materials is done centrally at Ministry Headquarters for deliveries to various centres throughout the country, without so much as advice to the centres of the materials and quantities that they should expect to receive. Our observation from visits to the centres, was that there were large stocks of materials, possibly beyond requirement, suggesting most likely over-purchasing. For example, at Palapye gumpoles (treated and untreated, some already cracked) were estimated at over 3 000, wheelbarrows 250, shade nets 153 and gutters 439. On receipt of the materials the centres do not raise any accounting records to record the quantities received and maintain the balance of each item of stores at any point in time. In view of this, it was considered pointless during the visits to the centres to carry out a stocks verification check as there were no ledger balances to agree the physical stores count with. It is pertinent to mention that there are large stocks of the various materials for these projects, comprising 5 000-litre water tanks and accessories, water pipes, galvanised fence wire, spades, rakes, wheelbarrows, corner poles, gum poles, and so on.

In the light of the foregoing, I am concerned that unless steps are taken to introduce proper accounting procedures for these stores, the management of these stores is likely to go completely out of hand, leading to losses and issues of misuse and abuse. The situation would be exacerbated by the fact that most of these stores are slow-moving and likely to remain in stock for long periods of time without the support of any accounting records.

MINISTRY OF EDUCATION AND SKILLS DEVELOPMENT

52. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over+ Under- Expenditure	%
Headquarters	966 416 178	943 497 764	-22 918 415	2
Vocational Training	479 263 628	423 418 412	-55 845 215	12
Tertiary Edu. Financing	2 013 882 290	2 149 431 741	+135 549 451	7
Out of School Education	128 298 284	123 959 028	-4 339 256	3
Curriculum Dev & Eval	25 547 170	20 557 525	-4 989 645	20
Teaching Service Mgt	2 756 617 890	3 001 107 517	+244 489 627	9
Pre- & Primary Education	50 007 740	43 399 591	-6 608 149	13
Secondary Education	1 019 978 830	994 698 764	-25 280 066	2
Teacher Training & Dev.	209 776 460	204 387 092	-5 389 368	3
Technical Services	24 351 420	21 500 864	-2 850 556	12
Info. Comm. & Media	13 916 920	12 079 069	-1 837 851	13
Educational Planning & Res	10 800	10 656	-144	-
	7 688 067 610	7 938 048 022	+249 980 412	3

The Ministry had overspent the warranted provision by P249 980 412 and the approved budget by P167 965 412 and had not sought supplementary funding to avert this unsatisfactory state of affairs. The over-expenditures arose from 2 major high-budget departments of the Ministry, namely Departments of Tertiary Education Financing and Teaching Service Management. Unless the departments in the Ministries exercise due care and diligence in the management of their financial affairs, this unsatisfactory situation will continue to haunt Government accounts.

53. Non-Moving Travelling Imprests

The undernoted travelling imprests which had been issued to officers of the Ministry for official travel had not been accounted for, and had been non-moving since 2004/05 to-date.

Department	No. of cases	Amount
Headquarters	7	68 566
Vocational Training & Education	6	36 017
Tertiary Education Financing	1	2 270
Out of School Education	1	4 246
Teaching Service Management	29	136 536
Pre-and Primary Education	4	7 063
Secondary Education	20	79 764
Teacher Training & Development	1	777
Technical Services	2	2 879
	71	338 118

54. **Unauthorised Bank Account with a Commercial Bank**

During its 51st meeting in May 2013, the Public Accounts Committee examined the Accounting Officer on the operation of a bank account which the Committee had learnt had been opened with a commercial bank for the purpose of facilitating former students' repayments of their loans under the Government Sponsorship Loan Scheme. The Committee was not happy with the revelation that the account was unauthorised as it had not been approved by the Accountant General, as required by Financial Instructions, and was not recorded in the books of accounts of Government.

In line with the recommendation of the Public Accounts Committee and on the request of the Accounting Officer, I have since carried out the audit of the said bank account, covering the period of its inception in May 2011 to July 2013. My audit had established that the account was opened in May 2011 for the aforesaid purpose with the condition that no withdrawals would be permitted from the account, except for bank charges and periodic remittances of accumulated deposits to Government at quarterly intervals. The main findings on the actual operation of the bank account were noted as follows:-

(a) As at 31 July 2013, the account had a credit balance of P3 545 053, including donor funds of P1 698 886 towards the Ministry's Top Achievers Scholarship initiative. The balance of P1 846 167 related to students' loan repayments which had not been adjusted to Government accounts, as agreed with the Bank. With regard to the donor funds, I suggested that these be transferred to appropriate accounts through which their use can be monitored and accounted for.

(b) The individual repayments forming part of the balance of P1 846 167 had not been linked to their debtor account balances, as there were no such records maintained in the Ministry, thus defeating the object of the bank account arrangement.

(c) There was an error of a deposit of P3 960 198.40 into the account which was due to BURS on account of withholding tax, that was subsequently adjusted as P3 980 198.40, resulting in an over-debit of P20 000 which has not been correctly settled.

It is hoped that, following the audit, the Accounting Officer would take steps to regularise this account in consultation with the Accountant General.

In my view, as evidenced by the foregoing observations, the Accounting Officer has no control over the operation of the bank account which did not serve the purpose for which it was established. Over time, the purported use of this current bank account, at the current rate, would result in insurmountable problems of accumulated students' repayment deposits that cannot be accounted for against their indebtedness to Government.

55. **Students' Grant/Loan Scheme**

In the year under review it became evident that the Ministry had still not taken action to bring the students' debtor accounts under the grant/loan scheme under proper control. The balances reflected under these accounts over the years had almost doubled in this year, and had accumulated credits totalling P85 089 398, which could not in all cases be matched to corresponding debits under the students' debtor accounts, which totalled P89 626 735 as at 31st March 2013. In her submission to the 51st meeting of the Public Accounts Committee, the Accounting Officer admitted that the accounting treatment applied to these accounts was wrong and undertook to meet with the Accountant General to put these accounts right.

In another case involving Students Advance Loan-Scheme, these accounts have consistently shown a credit balance over the years, and the circumstances of these credits could not be explained. As at 31st March 2013, the balance was P3 129 740 as reflected under Statement No.15 of the Annual Statements of Accounts.

While I accept the Accounting Officer's latest undertaking, I am nevertheless concerned that it has taken far too long for these important matters to be given the attention that they deserve, involving large sums of money as they do.

56. **Students Allowances Payable Account**

In my report for the previous year I had raised issue regarding the operation of the account maintained with the First National Bank for the payment of students allowances, with reference to monitoring of the payments and reconciliations of the account.

In the year under review the credit balance of P515 378 022 related to the students payments made through the bank account, reflected under Statement No 14 as at the end of the previous year, had been cleared. However, despite repeated attempts, I have not been able to obtain clarification of how this balance, large as it is, had been disposed of. Similarly, I have not obtained comment on the current treatment of the bank account which was previously the subject of adverse comment with regard to proper maintenance and monitoring, including the Ministry's inability to provide details of disbursements made into the accounts.

I am concerned that with the continued neglect to bring the operation of this bank account under proper control, there is a lot that could go wrong without notice which could result in losses of considerable sums of money.

57. **In-School Alcohol and Drug Use and Abuse Prevention Programme**

The programme, which is funded from the Levy on Alcoholic Beverages Fund as an initiative to combat use and abuse of alcohol and drugs in schools, was hitherto operated as a special fund, although it had not been formally established as such. However, effective from this year, this approach has been discontinued, and the programme will in future be operated under a deposit account. The balance of the Fund transferred to the deposit account at year-end was P2 436 659.

The audit of the accounts for the year under review had indicated purchases of a number of items of camping equipment for use in programme-related activities. These included, stewing pots, cooler boxes, camping stretchers, camping tents, beds and mattresses, buckets and torches, excluding those that would have been bought in previous years. Upon inquiry regarding accounting for and location of storage of these items of stores, it was stated that these were on permanent issue to officers implementing the programme and were kept at their residences, because of lack of storage space.

This state of affairs is manifestly as undesirable as it is out with the requirements of Supplies Regulations and Procedures. In these circumstances, the possibility of conversion of these items to personal use, inadvertently or otherwise, without realisation, cannot be ruled out.

MINISTRY OF TRADE AND INDUSTRY

58. **Warranted Provision**

The utilisation of funds warranted to the above Ministry for the financial year ended 31 March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over+ Under- Expenditure	%
Headquarters	425 720 051	421 304 832	-4 415 219	1
Cooperative Development	32 932 490	28 924 185	-4 008 305	12
Trade & Consumer Affairs	24 187 355	22 066 724	-2 120 631	9
Industrial Affairs	15 446 010	14 830 696	-615 314	4
International Trade	12 413 803	11 993 360	-420 443	3
Registrar of Companies and Intellectual Property	15 403 880	14 283 966	-1 119 914	7
	526 103 590	513 403 763	-12 691 826	2

The budget of the Ministry for the year under review was substantially reduced from P733 035 790 last year to P 530 003 590 in this year primarily because of the reduction in the grants to the state enterprises under the Ministry portfolio. Out of the approved budget of P530 003 590, an amount of P526 103 590 was warranted to meet the Ministerial expenditures, and the actual expenditure was P513 403 763, leaving unspent balance of P12 699 827, representing 2% of the warranted provision, compared to P26 948 155, representing 4% in the previous year.

MINISTRY OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT

59. **Warranted Provision**

The utilisation of funds warranted to the above Ministry for the financial year ended 31 March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over+ Under- Expenditure	%
Headquarters	173 074 384	164 251 078	-8 823 307	5
Social Services	733 483 520	726 830 344	-6 653 176	1

Local Govt. Dev & Planning	7 171 730	6 644 869	-526 861	7
Primary Health Care Services	25 061 197	23 442 595	-1 618 602	6
Local Govt. Finance & Procurement	3 041 322 030	2 993 166 688	-48 155 342	2
LGSM	24 626 390	21 028 708	-3 597 682	15
Tribal Administration	292 279 909	288 213 272	-4 066 637	1
Technical Services	9 704 550	8 690 560	- 1 013 990	10
	4 306 723 710	4 232 268 113	-74 455 597	2

The performance of the Ministry in the year under review is consistent with that of previous year recording a funds utilization of 98% in both years. The Department of Local Government Service Management which had overspent the sub warranted funds in the previous year had shown significant improvement in this year with 15% of unspent funds.

60. **Non-moving Travelling Imprests**

The undernoted travelling imprests which had been issued to officers of the Ministry for official travel had not been accounted for, and had been non-moving since 2011/12 to-date.

Department	No. of cases	Amount
Headquarters	3	16 763
Social Services	4	12 429
Primary Health Care	2	3 340
Local Govt Finance & Procurement	1	10 236
Local Govt. Service Management	2	6 866
Tribal Administration	3	14 924
	15	64 557

61. **Audit Inspection – Department of Local Government Finance and Procurement Services (Food Relief Services), Tsabong**

An audit inspection carried out at the Food Relief Services depot in Tsabong had revealed that large quantities of various foodstuffs had been damaged and condemned as unfit for human consumption for which a Condemnation Certificate had been issued. The reasons for these damages and unfitness for human consumption were varied, and, in my view, some of these damages (losses) could have been avoided with better management of the storage facilities and conditions. It was noted that the warehouse used for the storage of the foodstuffs was old and dilapidated with possibilities for rats, birds and other pests to access the foodstuffs. The items which were condemned and the reasons thereof are given below-

Item Description	Quantity	Unit of issue	Reason
Tsabotlhe packing	15	5.5kg	Damaged
Tsabana	11	2.5kg	Damaged
Stewed steak	4	3.1kg	Dented Cans
Maize Meal (Precooked)	1066	5.5kg	Expired
Delta Fresh milk	7	340ml	Damaged
Ecco Beef	6	3.1kg	Dented
Malutu Meal	3	5.5kg	Expired
Tsabana	5	2.5kg	Damaged by rats
Delta Fresh milk	48	330ml	Gnawed by rats
Sunflower Oil container	25	750ml	Damaged
Phofu sorghum	26	25kg	Weevil infestation
Delta Fresh milk	1694	340ml	Rats infestation
Delta Fresh milk	246	340ml	Rodent damage
Sorghum supplementary Feeding	72	25kg	Weevil infestation

In my report for last year, I had commented on similar losses elsewhere in other stations. This is a matter for concern looking at the magnitude of the cases and factors occassioning these losses as well as the amount of money involved in the purchases of the foodstuffs for the feeding scheme annually. For example, in the year under review a total of P310 079 341 was spent on the purchase of these commodities.

62. **<u>Audit Inspection – Department of Local Government Finance and Procurement Services (Food Relief Services), Letlhakane</u>**

An audit verification of the ledger balances of stocks on hand of the various items of foodstuffs against physical stocks, carried out in June 2013, revealed significant discrepancies which indicated an unsatisfactory standard of accounting for these stores. This situation is a matter for concern as it carried with it the risk that items of foodstuffs may disappear, through fraud or otherwise, without trace or detection, resulting in losses that cannot be accounted for. The result of the audit findings are given below to illustrate the concern.

Food Items	Unit of issue	Ledger Balance	Physical Balance	Discrepancy
Stew steak	3.1kg	4 604	4 590	- 14
Tsabana	2.5kg	8 020	8 060	+ 40
Malutu	5.5kg	2 600	2 712	+ 112
Sugar beans	50kg	229	233	+ 4
Milk	340mls	14 514	16 846	+2 334

I drew the attention of the Accounting Officer to these discrepancies as reflecting the general state of the accounts, in August 2013, but at the time of writing this report I had not received his comments.

MINISTRY OF MINERALS, ENERGY AND WATER RESOURCES

63. **Warranted Provision**

The utilisation of funds warranted to the above Ministry for the financial year ended 31 March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over+ Under- Expenditure	%
Headquarters	131 406 904	125 948 198	-5 458 706	4
Geological Surveys	41 639 938	39 228 091	-2 411 847	6
Water Affairs	250 497 088	235 956 400	-14 540 688	6
Mines	14 298 320	11 582 424	-2 715 896	19
	437 842 250	412 715 113	-25 127 137	6

Although the budget of the Ministry had been substantially reduced from P985 147 540 in the previous year to P365 315 540 in the year under review, the performance of the Ministry was satisfactory with 94% utilisation. The major item of expenditure in the previous year was the Electricity Tariff Subsidy to the Botswana Power Corporation which accounted for P508 000 000 of the Ministerial expenditures.

As in the previous year the Department of Mines had enjoyed generous financial provision as reflected in the 81% budget utilisation, compared to 83% in the previous year.

64. **Non-moving Travelling Imprests**

The undernoted travelling imprests which had been issued to officers of the Ministry for official travel had not been accounted for, and had been non-moving since 2009/10 to-date.

Department	No. of cases	Amount
Headquarters	1	4 229
Geological Surveys	3	-6 949
Water Affairs	6	2 894
	10	174

MINISTRY OF HEALTH

65. **Warranted Provision**

The utilisation of funds warranted to the above Ministry for the financial year ended 31 March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over+ Under-Expenditure	%
Headquarters	531 130 959	524 889 020	-6 241 939	1
Policy Planning Monitoring	13 380 397	12 474 166	-906 231	7
Health Sector Relations	146 253 697	146 028 231	-225 466	0.2
Clinical Services	2 986 475 054	2 943 639 354	-42 835 699	1
Public Health	86 857 270	83 556 037	-3 301 233	4
AIDS Prevention & Care	379 951 867	364 097 472	-15 854 395	4
Health Inspectorate	4 367 906	3 950 701	-417 205	10
	4 148 417 150	4 078 634 981	-69 782 169	2

In the year under review the Ministry performed satisfactorily in the utilisation of warranted funds with year-end unspent balance of P69 782 169 out of warranted provision of P4 148 417 150, representing 98%, compared to 93% in the previous year.

66. **Non-moving Travelling Imprests**

The undernoted travelling imprests which had been issued to officers of the Ministry for official travel had not been accounted for, and had been non-moving since various dates from 2004/05 to-date.

Department	No. of cases	Amount
Headquarters	2	9 035
Health Manpower	8	34 277
Hospital Services	11	42 429
Primary Health Care	6	-10 554
Technical Support	1	82
Health Sector Relations	2	4 867
Clinical Services	143	508 659
Public Health	5	37 941
AIDS Prevention & Care	1	2 954
	179	629 690

67. **Audit Inspection – Mahalapye Hospital**

An audit inspection carried out at the above hospital brought to light some weaknesses and shortcomings in the management of the affairs of the hospital, the main ones of which were the following:

(a) A contractor who was engaged to install a digital X-Ray machine in the Dental Clinic, as far back as 2008, had failed to complete the installation to the required operational level. I am informed that the machine remains non-operational to-date. Discussions with the officers concerned had indicated that no action had been taken against the contractor although he had been paid the full amount of the contract. While it is doubtless that there was some imprudence in paying the contractor any amount of money before job completion, I am nevertheless of the view that action should be taken to bring the machine into use, and the issue of payment before job completion followed up.

(b) The hospital did not maintain a rations ledger to record items of foodstuffs which were handled through the hospital kitchen. Without this record there can be no control over these stores nor any supervisory checks exercised over their utilisation, which could lead to losses of these attractive items of stores without trace or detection.

(c) There have been administrative lapses with regard to the recoveries for the private usage of official telephone facilities. Although the amounts involved are relatively small, but a total of P17 589 which had been outstanding from staff members for well over a year had still not been recovered at the date of the inspection, contrary to the clear terms of General Orders that these debts should be paid promptly on receipt of the telephone accounts. It is completely inexcusable for officers to be allowed to owe these debts for so long without recourse to deduction from salaries, as provided for in General Orders, and I have repeatedly commented on this indifference to the laid down rules and regulations in the past.

I addressed the Accounting Officer on the above matters in January 2013, but despite the lapse of considerable time I had still not received his comments at the time of writing this report.

68. **Construction of Staff Houses – Institute of Health Sciences, Gaborone**

The Ministry had engaged a contractor for the construction of 24 staff houses in Block 6 in Gaborone for the Institute, at a contract price of P28 852 981. The contract period was 480 calendar days commencing in December 2008 with a completion date in April 2010.

After commencement the contractor had not been able to complete the project within the contract period, for reasons of poor performance, and was given an extension of time to February 2011, with penalty charges of P3 084 984. However, despite the time extension the contractor could still not complete the project. In April 2012, the Department of Building and Engineering Services took a decision to award the works to another contractor to speed up project completion, but the contractor had obstructed this course of action, although he was not achieving any progress. The upshot of all this was that in July 2012, the contractor suspended work and moved from site. At this point he had already been paid P30 849 848. Following protracted discussions which were not fruitful and the Department of Building and Engineering Services attempt to terminate the contract, the contractor declared a dispute, and the matter has been referred to legal counsel.

So far [January 2014] the project has had considerable time- and cost-overruns, with still more money to be spent to carry the project to completion. It is now a matter for conjecture as to how much longer it is going to be before all the outstanding issues surrounding the project completion will be resolved.

69. **<u>Audit Inspection – Institute of Health Sciences, Francistown</u>**

A recent follow-up with the Office of the Accountant General on the audit inspection carried out at the above Institute in May 2013 confirmed that a number of officers who occupied institutional houses had not paid rentals for various periods between December 2011 and January 2014 (date of writing this report). The rental arrears covering this period totalled P34 099. This accumulation was a direct result of failure by public officers responsible for these matters to ensure that casualty returns were issued for deductions to be made from the salaries of the officers concerned; alternatively, to follow-up on rental payments by cash.

A further check on these revenue debts had disclosed that these arrears had not been disclosed in the Annual Statements of Accounts of the Accountant General for the year ended 31 March 2013. The omission had rendered the Accounting Officer's submission of arrears of revenue in respect of his Ministry incomplete to that extent.

70. **<u>Audit Inspection – Nyangabgwe Referral Hospital, Francistown</u>**

An audit inspection carried out at the Nyangabgwe Referral Hospital gave rise to the following audit observations:

(a) A review of the operation of the agreements entered into for the provision of services at the hospital had indicated the undernoted shortcomings and weaknesses:

(i) A contractor was engaged for the provision of cleaning services, grounds maintenance and porter services for a period of 24 months, running from December 2011 to November 2013, at a contract sum of P5 978 166. It was a condition of the contract that the contractor would provide a performance bond equivalent to 10% of the contract sum, i.e P597 817. In the event, the contractor had never honoured this requirement, and yet was allowed to continue with the contract.

(ii) A scrutiny of the tender documents had shown that the contract would also include pest control services at the rate of P2 000 per month. It was therefore surprising to note that another contractor was engaged and paid P19 376 for the provision of this service. From discussions with hospital management it was intimated that this amount would be recovered from the first contractor to the extent that it constituted a duplicate payment.

(iii) In another instance, a contractor was engaged and paid P38 261 for collection of refuse during the financial year 2012/13. Management could not produce a copy of the contract supporting the provision of these services, when requested to do so.

(b) The Government desire, as expounded through the Public Service Generic Standards, is that suppliers to Government Ministries and departments should be paid promptly on receipt of the invoices, in any case not later than 10 days. During the inspection it was found that supplier invoices, amounting to P228 635 had not been paid for periods of up to 5 months, in disregard of the laid down instructions.

(c) At the time of audit, out of a complement of 36 vehicles on charge to the hospital, only 17 were in use while the balance of 19 were said to be at Central Transport Organisation (CTO) for repair services. It was understood that the 19 vehicles had been with CTO for various periods ranging from August 2011 to April 2013. I consider these periods unreasonably long which would impact adversely on the efficiency of the hospital insofar as transport services are concerned.

(d) At the time of inspection, hospital management had prepared a schedule of expired drugs which totalled P114 893 in value. These drugs represent a loss which has to be written-off.

I drew the Accounting Officer's attention to these matters in August 2013, and at the time of writing this report I had not received his comments.

ADMINISTRATION OF JUSTICE

71. **Warranted Provision**

The utilisation of funds warranted to the Department of Administration of Justice for the financial year ended 31 March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over + Under- Expenditure	%
Admin. of Justice	140 264 930	135 827 038	-4 437 892	3

The year-end unspent balance was P4 437 892, representing 3% of the warranted provision, compared to P6 527 353, representing 5% in the previous year.

72. **Non-moving Travelling Imprests**

The undernoted travelling imprests which had been issued to the officers of the department for official travel had not been accounted for, and had been non-moving since 2004/05 to-date.

Department	No. of cases	Amount
Administration of Justice	22	60 616

In addition, 4 officers had outstanding travelling imprests which had been drawn from district offices as far back as financial year 2004/05, totalling P33 817. These have repeatedly been commented on in previous years, and yet no action has been taken to deal with these cases.

ATTORNEY GENERAL'S CHAMBERS

73. **Warranted Provision**

The utilisation of funds warranted to the above Chambers for the financial year ended 31 March 2013 is indicated below-

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Department	Warranted Provision	Actual Expenditure	Over+ Under Expenditure	%
Attorney General	140 877 260	131 297 839	-9 579 421	7

The Chambers has shown some consistency in the utilisation of funds warranted to the department, recording 93% budget utilisation in this year compared to 94% in the previous year and 93% in the year before.

74. **Non-moving Travelling Imprests**

The undernoted travelling imprests which had been issued to officers of the Attorney General's Chambers for official travel had not been accounted for, and had been non-moving since 2011/12 to-date.

Department	No. of cases	Amount
Attorney General	3	13 572

OFFICE OF THE AUDITOR GENERAL

75. **Warranted Provision**

The utilisation of funds warranted to the above Office for the financial year ended 31 March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over Expenditure	%
Auditor General	41 040 330	41 567 264	+ 526 934	1

The actual expenditure for the Office was P41 567 264 against the warranted provision of P41 040 330 which recorded an over-expenditure of P526 934 over the warranted provision and under-expenditure of P523 066 below the approved estimates. The items of expenditure which contributed to the over-expenditure are the following-

Item	Warranted Provision	Actual Expenditure	Over Expenditure
Allowances (Salaries & Wages)	3 715 730	4 524 343	808 613
Office Supplies	1 190 000	1 193 804	3 804
Allowances – Training	385 000	393 927	8 927

76. **Non-moving Travelling Imprests**

The undernoted travelling imprests which had been issued to an officer of the Office of the Auditor General for official travel had not been accounted for, and had been non-moving since 2009/10 to-date.

Department	No. of cases	Amount
Auditor General	1	29 288

MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION

77. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over+ Under- Expenditure	%.
Headquarters	56 022 830	55 802 990	-219 840	0.40
Washington	20 185 280	20 175 392	- 9 888	0.05
New York	25 528 410	25 516 877	-11 533	0.05
London	24 197 840	24 184 657	-13 183	0.05
Lusaka	6 278 580	6 178 375	-100 205	1.60
Brussels	20 707 050	20 698 799	-8 251	0.04

Stockholm	14 777 370	14 766 361	-11 009	0.07
Harare	10 352 650	10 330 001	-22 649	0.22
Windhoek	7 670 840	7 655 652	-15 188	0.20
Beijing	18 685 250	18 675 140	-10 110	0.05
Geneva	31 023 780	32 244 730	+1 220 950	4.00
Pretoria	11 962 620	12 027 352	+64 732	0.55
Johannesburg	9 764 730	10 251 266	+486 536	5.00
Cape Town	4 519 194	6 453 698	+1 934 504	43.00
Tokyo	21 598 720	21 593 185	-5 535	0.03
Addis Ababa	10 696 970	10 675 507	-21 463	0.20
Nairobi	9 719 940	9 711 698	-8 242	0.08
Canberra	15 322 680	16 631 311	+1 308 631	9.00
New Delhi	14 043 320	14 028 568	-14 753	0.11
Abuja	12 642 980	12 566 419	-76 561	0.61
Brasilia	17 463 830	17 599 271	+135 441	0.78
Kuwait	5 971 480	5 923 253	-48 227	0.81
Maputo	5 214 626	5 228 096	+13 470	0.30
	374 350 970	378 918 599	+4 567 629	1.22

This has not been a good year for the Ministry insofar as the management of its finances and expenditure control were concerned, in that the year-end results showed over-expenditures of P4 567 629 over the warranted provision of P374 350 970 and of P4 558 129 over funds appropriated by the National Assembly of P374 360 470. The over-expenditures had occurred at the undernoted Botswana Diplomatic Missions which had overspent their sub-warranted funds to the extent indicated.

Mission	Warranted Provision	Actual Expenditure	Over Expenditure
Geneva	31 023 780	32 244 730	1 220 950
Pretoria	11 962 620	12 027 352	64 732
Johannesburg	9 764 730	10 251 266	486 536
Cape Town	4 519 194	6 453 698	1 934 504
Canberra	15 322 680	16 631 311	1 308 631
Brasilia	17 463 830	17 599 271	135 441
Maputo	5 214 626	5 226 096	13 470

78. **Non-moving Travelling Imprests**

The undernoted travelling imprests which had been issued to officers of the Ministry for official travel had not been accounted for, and had been non-moving since 2010/11 to-date.

Department	No. of cases	Amount
Headquarters	3	30 116
Nairobi	2	36 000
Maputo	1	81 464
	6	147 580

79. **Late Submission of Mission Accounts**

In the year under review the submission and processing of the Mission accounts into the main accounts of the Accountant General was late and in other cases slow in the extreme. An attempt to commence the programmed audit of the Mission accounts as late as June 2013 was handicapped by the unavailability and lack of readiness of these accounts. The explanation offered by the Ministry was the incompleteness of the accounting records and the difficulties in bringing the reconciliations to a conclusion. The notable example, and extreme case, was that of the Cape Town Consulate which was closed as far back as September 2012, but whose accounts had still not been finalized by June 2013. The Maputo Mission accounts, for the 6 months of its existence to 31st March 2013, were also reported to be having reconciliation hitches which delayed the transmission of the accounts to the Accountant General for processing. This state of affairs reflects badly on the standard of accounting applied to these accounts.

The register maintained for the receipt and discharge of the accounts files from the Missions had indicated that, in the main, the accounts were received within the regular and acceptable 2 to 3 weeks of the end of the month. The delays in the finalization of the accounts would seem to have occurred between the Ministry accounting unit and the Office of the Accountant General. The Accounting Officer's submission to the 51st meeting of the Public Accounts Committee was that this was a temporary phase in view of the proposed roll-out of the GABS system to the Missions so that they operate on a real time basis, although he did not indicate the time-frame within which this was envisaged to be achieved.

The late submission and processing of Mission accounts has implications on the accounts of other Ministries who have blamed their unreconciled accounts on the late arrival of these accounts, where payments had been made by the Missions on their behalf.

80. **Audit of Accounts – Botswana Consulate, Cape Town**

The Botswana diplomatic Mission in Cape Town was closed at the end of September 2012, but certain transactions had been continued to the end of the financial year. Following the audit of the accounts of the Mission up to 31 March 2013 the undernoted observations were raised for the Accounting Officer's comments and clarifications.

(a) Although the date of closure of the Mission was 30th September 2012, the accounts had been maintained through to financial year-end at 31st March 2013. As at that date the actual expenditure was P6 453 698 against the warranted provision of P4 519 194, resulting in an over-expenditure of P1 934 504, contrary to the terms of the sub-warrant.

(b) In view of its closure, the Mission had paid a penalty fee of P452 543, equivalent to 5-months rental to February 2013, for premature termination of the lease of the property used for the Chancery. I consider that the Mission should have used the termination clause in the lease agreement by giving appropriate notice and saved this expenditure which contributed to the over-expenditure of P1 095 874 under the Property Rents and Rates vote.

A further payment of P48 183 to lawyers in legal fees in connection with the lease termination would not have been necessary.

(c) In a similar situation, locally recruited staff were paid a total of P57 235 in salaries in lieu of notice of termination of service, representing the equivalent of one month's pay. Had the Mission given the staff due notice of termination of service this payment which contributed to the over-expenditure under the salaries vote would have been averted.

(d) Out of the total security deposits of P232 155 held by the lessors of the properties leased by the Mission, only P30 670 had been refunded at the time of departure of Mission staff, leaving a balance of P201 485. I have requested to be advised of arrangements made for the follow-up of the collection of these outstanding deposits in the absence of any diplomatic staff in Cape Town, and of any progress made in this regard.

(e) It had been noted that the furniture and equipment which was used in the office had been transferred to the newly established Mission in Mozambique. I have however not been able to obtain any information regarding the disposal of household goods and effects which were used in the residences occupied by the Mission staff, including any unserviceable supplies which the Mission might have held. I had also requested to be apprised of the rationale for the transfer of the Mission vehicles to Johannesburg, which presumably already had a complement of its own motor vehicles.

(f) In another instance, the Mission had continued to pay storage costs of household goods in Botswana for an officer who had been transferred to the United States of America in circumstances in which I considered that the responsibility should have been passed on to the Ministry Headquarters. In this connection, I have suggested that the use of warehouses under the Department of Supplies should be investigated as they become vacant with the cessation of the unallocated stores function in the Ministry of Finance and Development Planning.

(g) The Mission subscribed to a medical aid scheme to cover the medical needs of all Mission staff, at a cost of P49 000 per month. In addition, a payment of P800 was made each month to cover the vitality products for the diplomatic staff. In my view these products related more to cosmetic and personal health choices of individuals rather than their medical requirements and the cost should be borne by officers themselves.

In view of the seriousness of some of the matters raised, I am concerned that the Accounting Officer has taken time to respond to my audit observations.

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

The audit of the accounts of the above Mission for the 5-months of its existence in the year under review, had indicated a number of instances of weaknesses and shortcomings with regard to the observance and compliance with the laid down financial and accounting requirements: payment vouchers were undated and not supported by documents justifying the payments; in other cases, payment vouchers were authorised by officers for payments to themselves. These instances rendered the audit tedious and inconclusive in the verification of the payments in question. Other significant matters raised from the audit are summarised below-

(a) The Mission was funded by means of a virement warrant from the budget approved for Cape Town Consulate after its closure in September 2012. However, the total warranted to both Missions was P9 733 820 which exceeded the approved budget of P7 226 200 by P2 507 620. I have not been able to ascertain the source of this additional funding. This was not good for the Mission in the short period after its establishment.

Furthermore, the Mission expenditure was P5 228 096, against the warranted provision of P5 214 626, resulting in over-expenditure of P13 470.

(b) The cash book was maintained in such a manner that the month-end balance was contrived to agree with the bank statement balance by omission of unpresented cheques, giving the impression that the cash book was written up at the end of the month from the cheque book. The purported bank reconciliation certificate was spurious and unnecessary.

(c) There had been difficulties in verifying the payment of claims by officers who had used their own vehicles to travel to Maputo on posting, because of inadequacies in the support documents and the use of incorrect forms which did not provide particulars of claim, such as distance travelled and the rate used. The claims had included the cost of fuel which is embedded in the kilometreage rate.

(d) In another instance, a senior officer had claimed refund of P7 847 for a return flight ticket from Gaborone to Maputo for his spouse's visit from 4th to 6th December 2012 (3 days), under the terms of General Orders. The General Order in question however provides that such visit should be for a minimum duration of 21 days.

(e) The audit had noted instances of purchases of household goods and office equipment from the Republic of South Africa. In this regard I anxiously await the Accounting Officer's confirmation of the disposal of household goods in the residences in Cape Town, which I had expected would be transferred to Maputo, especially for those officer (s) who were posted to this Mission from Cape Town.

Following the audit of the accounts of this Mission, I am of the view that the standard of financial and accounting awareness needs to be improved to achieve fair treatment of these accounts.

82. **Audit of Accounts – Botswana High Commission, Lusaka**

The audit of the accounts of the above Mission for the financial year ended 31st March 2013 gave rise to a number of observations which I addressed to the Accounting Officer, in August 2013, for his consideration and comments.

I have since received his comments and explanations on the matters raised, but the following are those that I consider merit further comment and reflection:

(a) The Ministry budgetary submissions to the Ministry of Finance and Development Planning in successive years, had been inflated cumulatively by the inclusion of requests from the Missions of items for which there were no requirements for actual expenditures. For example, in the case of the Lusaka Mission, there was no requirement for funds for rentals, as there were no leased properties by the Mission, nor was there need for industrial class employee wages as the Mission had no such employees. The effect of such inclusions is illustrated in the table below which reflected the actual expenditure results set against the budget.

Financial Year	Approved Estimates	Actual Expenditure	% Budget Utilisation
2012/13	7 133 460	4 895 301	**69**
2011/12	6 898 020	6 629 612	96
2010/11	6 826 060	5 439 461	**80**
2009/10	6 456 050	4 943 087	**77**
2008/09	6 002 590	5 612 409	93

(b) A review of the Mission monthly expenditures over the last 2 years had indicated a significant upsurge of expenditures in the month of March in both financial years through purchases of office and household goods and equipment and representational items. While the justification for some of the expenditures in the month of March which may be in doubt may not be conclusively disputed, but the consistency of occurrence and volume of transactions in that month would create an impression of a motivation to mop up the year-end balances through unplanned expenditures. The Accounting Officers explanation was that all the expenditures were in line with the budgetary requirements. This is accepted, but with some reservations as I am unable to appreciate the disproportionately higher expenditures for the month of March over the 2-year period: in 2011/12 the March expenditure figure was P739 030 against the monthly average of P296 172 for the eleven months while 2012/13 the March figure was P897 714 compared to monthly average of P403 684.

(c) Contrary to established Government policy of self-insurance over all its assets, the Mission had taken out a commercial insurance policy to cover household items in the residences and for properties in the Chancery at an annual premium of P18 346 for an assured sum of P2 301 766. I have sought the Accounting Officers' explanation for this departure from established policy, which, in any case, excluded other assets, such as Mission motor vehicles and properties.

(d) On the issue of motor vehicles, I have inquired about the inclusion of non-Mission vehicles with diplomatic registration numbers in the fuel supplies billing to the Mission, and the explanation for acceptance of the invoices for payment is yet to be received.

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

The audit of the accounts of the above Mission had indicated that, consistent with my general comment that the budgetary allocations to Missions were somewhat inflated, its expenditures over the last 5-year period had been consistently far below the approved estimates, as illustrated by the table below:

Financial Year	Approved Estimates	Actual Expenditure	% Utilisation
2012/13	21 508 250	12 012 894	**56**
2011/12	20 984 030	18 391 240	87
2010/11	21 063 140	13 549 850	**56**
2009/10	23 839 610	18 928 290	**70**
2008/09	10 480 060	7 226 021	**61**

84. **Requests for Retroactive Authority Not Approved**

In November 2013 the Accounting Officer wrote to the Board Chairperson of the Public Procurement and Asset Disposal Board to request for retroactive authority for hospitality services rendered without approval, so that payments could be made to the service providers. The services related to provision of hotel accommodation, in 3 instances in the total amount of P151 508 for officers who had been recalled from overseas missions and in the fourth instance for provision of conference and reception facilities during the Botswana – Mozambique Joint Permanent Commission for Cooperation, in the amount of P184 648.

The Accounting Officer's explanation for the request was that the request could not be considered by the Ministerial Tender Committee because the Ministry did not have sufficient funds in all the three relevant votes of, staff transfers, service charges and official receptions at the time that the services were required. Although savings had been identified elsewhere the necessary virements could not be made in time for consideration by the Committee.

The Board nevertheless turned down the request in terms of Section 44 (3) of the Public Procurement and Asset Disposal Act which provides that retroactive approval may be granted where the procurement was urgent and necessary to protect life or the environment. It now remained for the Accounting Officer to seek the assistance of the Permanent Secretary, Ministry of Finance and Development Planning to facilitate the payments to the service providers, while the provision of services remained unauthorised.

In the circumstances of these applications, I am unable to appreciate why the Accounting Officer could not provide funds into the relevant votes by virements, if, as he stated, savings had been identified in other votes from which these virements could have been made, especially as these virements are approved internally by the Accounting Officer. In this respect it is to be noted that while payments have to be made to the service providers, for legal reasons, the procurement of the services, albeit on a retroactive basis stands disallowed.

85. **Rental Security Deposits**

In the year under review the accounts of the rental security deposits held by the lessors of the properties occupied by the Botswana Diplomatic Missions had continued to show lack of reconciliation and monitoring to reflect the true state of affairs of these accounts at any point in time. As at 31 March 2013 the detailed listing by the Ministry of the rental deposits held by the lessors gave a total of P3 093 290, against the general ledger balance of P3 535 983, without even an attempt at reconciliation of the two figures. In the case of the Cape Town Mission with a listed balance of P201 485, this balance should have been recovered during the closure of the Mission in September 2012.

As I commented in my last report, persistent differences and errors in the accounts which are not reconciled and or corrected timeously render the accounts inaccurate and are likely to lead to losses of public funds.

INDEPENDENT ELECTORAL COMMISSION

86. **Warranted Provision**

The utilisation of funds warranted to the Commission for the financial year ended 31 March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over+ Under- Expenditure	%
Independent Electoral Commission	40 793 640	39 435 181	-1 358 459	3

It is gratifying to note that the Commission had achieved a satisfactory performance of 97% budget utilisation in the year under review, compared to previous years which had recorded 48% in 2006/07, 60% in 2008/09, 70% in 2010/11 and 62% in 2011/12, indicating excess funds to requirements.

In the year under review, the approved estimates had been significantly reduced and still provided sufficient funding for the Commission's expenditure requirements.

87. **Non-moving Travelling Imprests**

The undernoted travelling imprests which had been issued to officers of the Commission for official travel had not been accounted for, and had been non-moving since 2009/10 to-date.

Department	No. of cases	Amount
Independent Electoral Commission	2	4 207

OFFICE OF THE OMBUDSMAN

88. **Warranted Provision**

The utilisation of funds warranted to the Office of the Ombudsman for the year ended 31 March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over+ Under- Expenditure	%
Ombudsman	14 137 990	13 959 058	-178 932	1

The budgetary performance of the Office has been satisfactory recording an expenditure of P13 959 058, representing 99% of the approved and warranted provision compared to 95% in the previous year. There were no noted over-expenditures.

MINISTRY OF LANDS AND HOUSING

89. **Warranted Provision**

The funds warranted to the Ministry for the financial year ended 31 March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over+ Under- Expenditure	%
Headquarters	425 550 316	421 597 285	-3 953 031	0.90
Housing	118 142 930	117 491 905	-651 025	0.60
Surveys & Mapping	30 467 967	29 398 833	-1 069 134	4.00
Town & Regional Planning	21 998 797	19 923 840	-2 074 957	9.4
Lands	50 247 281	49 245 855	-1 001 426	2.00
Registrar of Deeds	7 635 500	7 029 583	-605 917	8.00
Technical Services	6 299 469	6 004 304	-295 165	4.7
	660 342 260	650 691 604	-10 861 574	1.5

The Ministry has had a fair performance in the utilisation of warranted funds, with year-end unspent balance of P9 650 656 out of a warranted provision of P660 342 260. The departmental utilisation ranged from 91% to 99%.

90. **Non-Moving Travelling Imprests**

The undernoted travelling imprests which had been issued to officers of the Ministry for official travel had not been accounted for, and had been non-moving since various dates during 2012/13 to-date.

Department	No. of cases	Amount
Housing	1	698
Surveys and Mapping	2	3 756
Registrar of Deeds	1	3 749
	4	8 203

91. **Government Office Block in Kgale Mews, Gaborone**

In my report for the financial year ended 31st March 2010 I had reported that a Government office block which had been bought as far back as 2005 in Gaborone International Finance Park, Lot 181 (Kgale Mews) had some structural defects which rendered it uninhabitable, and that it had remained vacant ever since. In the year under review the situation had not changed in terms of the defects being remedied and some Government department taking occupation of the office space. The Ministry of Trade and Industry and Independent Electoral Commission which had been identified to occupy these premises have since secured office space elsewhere. The Independent Electoral Commission name-board which had already been prominently placed alongside the building has now to be removed.

My latest inquiries on the current status of the building and any proposed course of action to be taken had indicated that, by a savingram dated 11 September 2013, the Director of Building and Engineering Services had proposed that a condition-survey be undertaken by an appointed team of consultants to determine the extent of the remedial works to be carried out and the cost thereof. While I accept that remedial action has to be taken to bring the building into use, I am concerned at the delay that had taken place since purchase in 2005 and the matter was addressed by the Public Accounts Committee through my 2010 report. Meanwhile, Government office accommodation remains as acute as ever and the only resort being leased office space, at considerable cost.

92. **Structural Defects in Government Office Blocks – Gaborone International Finance Park**

Almost at the same time that the office block at Plot No. 181 Kgale Mews was purchased, Government had also purchased 2 other office blocks across the road from that first one, which were then occupied by my Office and the Department of Police Services and by the Department of Wildlife and National Parks, respectively, on a lease basis. Shortly after purchase these office blocks had started to show signs of defects or deterioration which reflected on the structural integrity of the buildings. These defects were characterised by progressive structural cracks on the floors and walls in a number of places which created a feeling of insecurity on the part of officers working in these buildings.

In regard to my Office I later reported the matter to the Ministry of State President who sent officers of the Ministerial Technical Unit to carry out a condition assessment on the building for possible repairs and maintenance. The report of the Technical Unit was not conclusive but pointed to a possible inadequacy of design and poor quality of construction, and suggested a structural analysis by an engineer to establish whether the foundations were suitable for the buildings. Subsequent to the Technical Unit's report, trusses on the northern part of the building snapped resulting in the roof tiles caving in and causing damage to the ceiling and panic among members of staff. The specialist who was engaged to investigate the incident also pointed to serious construction defects.

My concern at this time, with the turn of events, is whether these properties had been a worthwhile investment as a long-term solution to the acute shortage of office accommodation in Government. This also raises the question of the extent to which due diligence checks had been carried out by the appropriate authorities before the deals involving the acquisition of these long-term assets were concluded. In the circumstances, I see the reversion to leased office space by my Office and the Department of Wildlife and National Parks as a foreseeable prospect, as these buildings become inhabitable in so short a time after their purchase.

MINISTRY OF ENVIRONMENT, WILDLIFE AND TOURISM

93. **Warranted Provision**

The utilisation of funds warranted to the above Ministry for the financial year ended 31 March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over+ under- Expenditure	%
Headquarters	101 898 784	94 532 697	-7 366 087	7
Wildlife & National Parks	158 565 683	156 821 467	-1 744 216	1
Tourism	16 116 672	16 029 956	-86 716	1
Meteorological Services	47 666 237	44 818 222	-2 848 015	6
Sanitation & Pollution Control	15 761 669	15 179 548	-582 121	4
Forestry & Range Resources	76 619 944	69 293 910	-7 326 034	10
Environmental Affairs	15 424 240	14 642 628	-781 612	5
NMMAG*	19 437 310	18 201 526	-1 235 784	6
	451 490 539	429 519 955	-21 970 584	5

*National Museum, Monuments and Art Gallery

The performance of the Ministry in this year is consistent with that of the previous year. The expenditure in this year amounted to P429 519 955, which accounted for 95% of the warranted funds, compared to P412 454 317, representing 94% funds utilisation in the previous year.

94. **Non-moving Travelling Imprests**

The undernoted travelling imprests which had been issued to officers of the Ministry for official travel had not been accounted for, and had been non-moving since 2011/12 to-date.

Department	No. of cases	Amount
Headquarters	2	35 656
Wildlife and National Parks	2	6 990
NMMAG*	1	12 211
	5	54 857

*National Museum, Monuments and Art Gallery

INDUSTRIAL COURT

95. **Warranted Provision**

The utilisation of funds warranted to the above Court for the financial year ended 31 March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over+ Under- Expenditure	%
Industrial Court	22 434 240	21 627 475	-806 766	4

The budgetary allocation for the Industrial Court for the year under review was P22 466 040, compared to P16 690 050 in the previous year, representing an increase of 35%. Out of the approved budget for the year an amount of P22 434 240 was warranted ending with an expenditure of P21 627 475, leaving P806 766 unspent balance.

96. **Non-Moving Travelling Imprests**

The undernoted travelling imprests which had been issued to an officer of the Industrial Court for official travel had not been accounted for, and had been non-moving since some date during the year to-date.

Department	No. of cases	Amount
Industrial Court	1	7 913

MINISTRY OF YOUTH, SPORT AND CULTURE

97. **Warranted Provision**

The utilisation of funds warranted to the above Ministry for the financial year ended 31 March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over+ Under- Expenditure	%
Headquarters	106 210 387	105 172 135	-1 038 251	1
National Library Services	31 600 075	30 735 723	-864 353	3
Sports & Recreation	34 447 028	33 955 099	-491 929	1
National Archives & Records Services	10 193 195	9 464 485	-728 710	7
Arts & Culture	22 532 919	22 062 544	-470 375	2
Youth	68 522 679	67 537 268	-985 414	1
	273 506 283	268 927 254	-4 579 029	2

Out of the approved budget of P277 373 670, only P273 506 283 had been warranted to the Ministry while the actual expenditure at year-end was P268 927 254, leaving an unspent balance of P4 579 029, representing 2% of the warranted provision, compared to P6 683 510, representing 3% of the warranted provision in the previous year.

98. **Non-moving Travelling Imprests**

The undernoted travelling imprests which had been issued to officers of the Ministry for official travel had not been accounted for, and had been non-moving since 2010/11 to-date.

Department	No. of cases	Amount
Sports and Recreation	3	15 936

99. **Youth Development Fund, Jwaneng**

An examination of the records pertaining to the operation of the Youth Development Fund in the Jwaneng region had indicated that, as in other regions reported on in the previous year, the monitoring and mentoring of the projects undertaken by the youth from the Fund was far from satisfactory: the level of arrears on the loan components of the grants was unacceptably high as was the incidence of projects collapse. Out of the grants disbursed in the period from 2009/10 to 2012/13, totalling P682 213, only P71 641 had been repaid as at 31 July 2013, while the arrears totalled P230 192, and at least three projects with loan values of P116 624 and arrears of P62 561 had collapsed.

This is yet another illustration that the operation of this Fund needs to be carefully monitored and the youth granted loans from it be given proper guidance and mentoring so that the objectives of the Fund are achieved. Unless this is done, it can be expected that the substantial amounts of money devoted to this programme would be of very little benefit to the scheme as a whole, and the moneys expended on it a complete loss.

The accounting for the loan component of these disbursements, whereby recoveries are credited to revenue, need to be revised.

MINISTRY OF INFRASTRUCTURE, SCIENCE AND TECHNOLOGY

100. **Warranted Provision**

The utilisation of funds warranted to the above Ministry for the financial year ended 31 March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over+ Under- Expenditure	%
Headquarters	95 642 412	91 400 947	-4 241 465	4
Building & Engineering Services	228 175 547	213 759 378	-14 416 169	6
Research, Science & Technology	5 982 618	5 525 048	-457 570	8
Radiation Protection	9 431 340	9 042 307	-389 033	4
	339 231 917	319 727 680	-19 504 237	6

The performance of the Ministry in the year under review is consistent with that of the previous year with a budget utilisation of 94% of the warranted provision, compared to 96% of the previous year.

101. **Non-moving Travelling Imprests**

The undernoted travelling imprests which had been issued to officers of the Ministry for official travel had not been accounted for, and had been non-moving since various dates during the year under review to-date.

Department	No. of cases	Amount
Headquarters	1	648
Building and Engineering Services	6	8 993
	7	9 641

MINISTRY OF TRANSPORT AND COMMUNICATIONS

102. **Warranted Provision**

The utilisation of funds warranted to the above Ministry for the financial year ended 31 March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over+ Under- Expenditure	%
Headquarters	213 381 564	209 842 052	-3 539 513	2
Road Transport & Safety	102 588 577	96 360 991	-6 227 586	6
Central Transport Org	778 751 730	760 527 943	-18 223 787	2
Telecoms & Postal Services	9 311 856	8 087 396	- 1 224 460	13
Roads	457 364 680	430 820 686	-26 543 994	6
Information Technology	349 288 560	342 596 280	-6 692 280	2
	1 910 686 967	1 848 235 347	-62 451 620	3

The unspent balance of the funds warranted to the Ministry at year-end was P62 451 620, representing 3% of the warranted provision, compared to P72 985 207, representing 5% of the warranted provision in the previous year.

103. **Non-Moving Travelling Imprests**

The undernoted travelling imprests which had been issued to officers of the Ministry for official travel had not been accounted for, and had been non-moving since 2011/12 to-date.

Department	No. of cases	Amount
Central Transport Organisation	3	8 320
Roads	1	2 760
	4	11 080

104. **Landing Fees – P1 278 353**

Despite repeated comments in my previous reports and discussions in the meetings of the Public Accounts Committee, this item is still reflected in the Statement of Arrears of Revenue as an outstanding matter although no collections are made nor provision made in the Estimates of Revenue to indicate expectation of receipts from this source.

In the circumstances, I am of the view that the Accounting Officer should take such action as is necessary to bring this matter to finality and clear this balance from the accounts.

105. **Upgrading of Weighbridge and Associated Works at Pioneer Gate Border Post, Lobatse**

In May 2007 the Ministry, through the Department of Roads, awarded a tender to a contractor for the upgrading of weighbridge, paving of parking bays and construction of office and residential accommodation at Pioneer Gate border post, at a contract price of P14 886 802. The contract was for a period of 9 months commencing 10 July 2007 and ending on 9 March 2008. A week after he had mobilised on site and commenced work, the contractor was instructed by the employer to stop for one month while the employer resolved some land issues with other authorities. It was hoped and expected that the stoppage would be for a short time, but some 8 months later the contractor had still not been given instructions to recommence the works.

In consequence of the continued project delay the contractor issued a contract termination notice in March 2008, effective from 1 April 2008, in terms of the relevant clause of the conditions of contract. The contractor then submitted a claim for compensation for loss of profit and overheads in the amount of P4 424 885. This was followed by drawn out discussions and negotiations which were finally amicably settled in the amount of P3 495 195 in September 2012, on the understanding that the payment would be made net of the advance of P1 488 680 made to the contractor. The total cost to Government would be the settlement amount plus unascertained charges paid to other parties, such as consultants and engineers.

Currently, the major issue of concern over this aborted tender is the wasted expenditures which resulted from failure by officers of the Ministry to take timely action to terminate as soon as it was realised/decided it was no longer desired to proceed with the project. It is not even clear to me why the project was put up to tender before the crucial issue of the land had been clarified, in the first place. As matters stand, the opportunity for the provision of this facility as well as the project funds have been lost through failure to implement the project during the relevant Plan period.

106. **<u>Audit Inspection – Department of Roads, Tsabong</u>**

An audit inspection carried out at the above Department, in July 2013, brought to light instances of lapses with regard to compliance with laid down rules and regulations. These lapses entailed possible losses to the public revenue, as indicated below-

(a) Although the Department had receivable revenue in the form of private telephone charges, there was no appointed revenue collector for the due collection of this revenue, which resulted in the accumulation of arrears dating back to January 2011, and totalling P1 793. The non-collection of these charges could possibly account for under-collections under this item in this year as well as in the previous year.

(b) I have in the past repeatedly commented on items of stores which are issued to public officers on short term loans which are not or never returned on time. During this inspection, a similar trend had been noted where issues had been made as far back as 2011 which had still not been returned to-date, some of which had high attraction for conversion to personal use, such as water tanks, drums, spades, rakes, tarpaulin, mattresses, and so on.

As I had not received the Accounting Officer's comments at the time of writing this report, I am not aware of action, if any, taken to deal with these matters.

107. **Outstanding Travelling Imprests – Former Department of Civil Aviation**

The age-analysis report of Non-Moving Advances as at 31st March 2013 submitted to me by the Accountant General had indicated that on that date there were outstanding cases of travelling imprests owed by 4 officers of the former Department of Civil Aviation totalling P15 726, and classified under the old Ministry of Works and Transport. This outstanding matter should be followed up and the amounts accounted for in the books of accounts.

108. **Audit Inspection – Central Transport Organisation, Maun**

An audit inspection carried out at the above station revealed the following matters:

A. PLANT

(a) A grader which had been sent to Gaborone in 2012 for repairs by a private garage had come back without those repairs having been carried out to a satisfactory standard as the grader had remained unusable, although an amount of P1 062 977 had been paid to the garage. From enquiries made, it transpired that there had not been any effective follow-up on the situation of the grader after advice by the garage representative not to use the grader as it might seize the engine. As far as I am aware the grader is still not in use.

(b) There were long delays in the settlement of supplier invoices amounting to P93 082, as in the instances where invoices dating back to September 2012 running up to March 2013 (6 months) had not been paid until 2013/14 financial year. This is not only contrary to Government policy of payment of suppliers within 10 days, but also has the effect of the commitments of one financial year encroaching into the provisions of the following year.

(c) An attempt to carry out a physical verification of equipment was hindered by the unkempt condition of the stockyard which was covered with over-grown grass. This situation has exposed the equipment to the risk of fire and enhanced deterioration.

B. <u>AUTO</u>

(d) None of the 20 vehicles which had been sub-contracted to private garages for repairs and maintenance on various dates between September 2010 and January 2011, had been returned to the Central Transport Organisation at the time of audit in April 2013. This matter had been raised in the past before the Public Accounts Committee in another instance, and the Accounting Officer had undertaken to rationalise the sub-contracting arrangement by blacklisting the errant sub-contractors.

(e) In other instances, the vehicles which had been sent to Central Transport Organisation for repairs had experienced long delays in being attended to before being returned to the departments. For example, at the time of the audit, there were over 200 vehicles in the yard which had been awaiting repairs for long periods for up to 12 months.

(f) A cash count check had revealed a number of cheques valued at P95 452, due to suppliers which had become stale, some dating back to 2012. As far as I could ascertain these cheques had never been replaced, further, indicating long delays in paying suppliers.

I drew the attention of the Accounting Officer to the above audit observations, and his comments were yet to be received at the time of writing this report.

MINISTRY OF DEFENCE, JUSTICE AND SECURITY

109. **Warranted Provision**

The utilisation of funds warranted to the Ministry for the financial year ended 31 March 2013 is indicated below-

Department	Warranted Provision	Actual Expenditure	Over+ Under- Expenditure	%
Headquarters	126 719 187	123 822 156	-2 897 031	2.00
BDF	2 018 723 258	2 017 439 651	-1 283 607	0.06
Police	1 330 142 187	1 325 228 429	-4 913 759	0.37
Intelligence &Security	217 246 000	217 169 682	-76 318	0.04
Prisons	269 408 321	251 698 654	-17 709 667	7.00
DCEC	53 890 742	53 372 046	- 518 696	1.00
	4 016 129 694	3 988 730 618	-27 399 077	1.00

The approved estimates for the Ministry was P3 999 062 100 while the warranted provision was P4 016 129 694. The increase in the warranted provision over the approved estimates is accounted for by the supplementary request of the Directorate on Intelligence and Security of P14 641 040 approved through Financial Paper Number 2 of 2012/13. The actual expenditure was P3 988 730 618, representing 99% funds utilization.

110. **Non-moving Travelling Imprests**

The undernoted travelling imprests which had been issued to officers of the Ministry for official travel had not been accounted for, and had been non-moving since 2011/12 to-date.

Department	No. of cases	Amount
BDF	5	33 633
Police	2	2 863
DCEC	1	1 543
	8	38 039

111. **Redundant Motor Spare Parts – Botswana Defence Force, Mogoditshane**

During a recent audit of the accounts and records of the Botswana Defence Force at the Mogoditshane Barracks, it was found that large stocks of spare parts had been purchased for engines and gear boxes for Landrovers, models V8 and TD5, as far back as 2011, at a tender price of P2 103 003. In response to audit enquiries on why these items had been non-moving since purchase it was explained that the engines and gear boxes for which they had been purchased had since been disposed of. By this action these items of stores had been rendered redundant from the onset and the expenditure on their purchase unproductive and fruitless.

In these circumstances, in my view, consideration should be given to the disposal of these spare parts by sale to mitigate the loss likely to result from this stock-holding and to relieve the valuable storage space taken up by these stores. Needless to say, this course of action has become necessary because of lack of proper planning and coordination between the relevant sections dealing with these matters, a sure recipe for wasteful expenditures and losses.

112. **Audit Inspection – Department of Prisons and Rehabilitation, Kanye**

An audit inspection carried out at the above station revealed instances of poor standard of stores accounting which could lead to losses of stores without detection or notice, as in the following cases:-

a) A least 35 gas cylinders of 48kg weight were in use by the station but had not been accounted for in any form of stores records, as is prudent and is also a requirement of Supplies Regulations and Procedures.

b) Drugs which were received into the Prisons Clinic were not recorded and accounted for systematically through the recording of receipts and issues to safeguard against any possible misuse or abuse.

c) A test check of drugs in stores indicated instances of expired drugs which had not been separated from the other drugs and disposed of.

I drew the attention of the Accounting Officer to the above weaknesses, but at the time of writing this report I had not been advised of any action taken to deal with these matters.

113. **Audit Inspection – Botswana Police Training College, Otse**

An audit inspection carried out at the above College gave rise to observations which I considered required attention by the Accounting Officer, the main ones of which were the following:-

(a) At the inception of the College clinic in 2001 it was furnished with, among other items an anaesthetic machine and a baby incubator on the assumption that these items would be required and used. In the event, the use of the theatre and maternity unit had never become necessary and these items had become surplus to requirements, and, in my view, should be considered for transfer to other service units of Government.

(b) There was no systematic recording of the receipts and issues of drugs supplied to the College clinic. It is important, and needs no emphasis, that these valuable items of supplies should be fully accounted for in an appropriate record to ensure that there is an audit trail in the handling of these supplies.

The attention of the Accounting Officer has been drawn to these and other matters, but at the time of writing this report her comments had not been received.

114. **Audit Inspection – Botswana Police Service, Tsabong**

An audit inspection carried out at the above Police Station had found that out of the 14 police staff houses, 13 had been unoccupied for a period of, at least, 5 years because they were inhabitable, with structural defects characterized by extensive cracks. It was explained that the condition of the houses had been reported to the Department of Building and Engineering Services much earlier on, who inspected the houses and submitted their report to the Commissioner of Police with a recommendation to demolish and build.

I addressed this, and other observations to the Accounting Officer in October 2013, but as I had not received her response at the time of writing this report, I am not aware of what action is proposed to be taken on these houses in the face of reported shortage of houses in the District.

VIII LOCAL GOVERNMENT AUTHORITIES

115. The laws governing local government authorities require me to audit all local authorities and the land boards. The same laws require that these entities prepare and submit their accounts to me by the 30 June each year, that is three months after the end of the financial year for which the accounts relate, for auditing purposes.

For the financial year ended 31 March 2013; the performance of land boards with regard to submission of the accounts was satisfactory in that they had all met the statutory requirements.

Regarding the local authorities only eight (8) had to date submitted their accounts for the financial year ended 31 March 2013. The remaining eight (8) had submitted their accounts for earlier periods up to 2011/12. These remaining eight would need to make efforts to bring submission of their accounts up-to-date.

As I indicated in my previous report, most of the local councils had submitted their accounts, albeit not all on time, but I have not been able to keep pace with the audits and still have substantial backlog to clear, dating back to 2010/11.

The land boards are all up to date and have submitted accounts up to 2013. I have not been able to complete the audit of these accounts, while I am yet to audit all 12 of the 2012/13 accounts of the local authorities. 21 reports relating to 2008/09 accounts have been submitted to various local councils and land boards for tabling at full council and land board meetings, after which they will be available to the Local Authorities Public Accounts Committee for examination of the Chief Executive Officers. It is expected that the Chief Executive Officers of councils and land boards will be examined on 2008/09 accounts in the February and March 2014 sitting.

Although Local Authorities Public Accounts Committee meets regularly in each year to examine the Chief Executive Officers on the accounts of their councils and land boards, there is need for the audited accounts to be made ready and available well in time for the examinations to be current. The current situation under which the Committee is still examining on the 2008/09 accounts is not satisfactory. An all out effort has to be made by all concerned to ensure that the presentation of audited accounts to the Committee is achieved in the very near future.

IX PERFORMANCE AUDIT

116. In addition to the financial audits which I am required to undertake on the public accounts of the Government, local authorities (councils), land boards and selected parastatals, I am also required by Section 7 (2) of the Public Audit Act (No. 15 of 2012) to conduct performance audits on these entities, to assess the extent to which value for money had been achieved in the use of resources at the disposal of officers or these entities. I am required to submit my reports on these audits to the appropriate Minister. With respect to performance audits of local authorities and land boards these reports are submitted to the chief executive officers who shall cause them to be tabled to the full councils or land boards, as the case may be in terms of Section 68 (11 and 12) of the Local Government Act (No. 18 of 2012).

The objective of performance audit is to ascertain whether organisational goals are being achieved in the most economic, efficient and effective way, and to report those findings to management. The audit assists management to streamline their work based on identified operational gaps and suggested steps to be undertaken to improve efficiency and effectiveness of service delivery.

Although the Office had carried out Performance Audit in the past, it was until September 2013 that the Public Accounts Committee held its inaugural examination of accounting officers on the following performance audit reports:

- Provision of Extension Services by the Department of Crop Production -Ministry of Agriculture;
- Maintenance of Secondary Schools by the Department of Technical Services - Ministry of Education and Skills Development;
- Management of Public Debt - Division of Development and Budget (Ministry of Finance and Development Planning);
- Implementation of the National Policy on Housing by the Department of Housing - Ministry of Lands and Housing; and
- Procurement of Medical Equipment and Surgical Instruments by the Department of Clinical Services - Ministry of Health.

Arrangements are yet to be made in future to enable the Local Authorities Public Accounts Committee to examine accounting officers on the performance audit reports tabled in the local authorities and land boards.

During the year under review, I conducted five performance audits; three (3) on entities of the Central Government and two (2) on local authority entities. These are:

- Management of Sand and Gravel Mining Operations by the Department of Mines – Ministry of Minerals, Energy and Water Resources;

- Management of the Gaborone Western Bypass – Metsimotlhabe and Gaborone – Tlokweng Boarder Post Roads: Infrastructure Upgrading Project by the Department of Roads – Ministry of Transport and Communications;

- Management of Public Debt by the Division of Development and Budget -Ministry of Finance and Development Planning;

- Efficiency and Effectiveness of the Public Procurement and Asset Disposal System by Lobatse Town Council; and

- Efficiency and Effectiveness of the Public Procurement and Asset Disposal System by North West District Council.

X PARASTATALS

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

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

118. **Air Botswana**

The financial statements of Air Botswana for the financial year ended 31 March 2013 were audited by Messrs Pricewaterhouse Coopers, Certified Public Accountants, who were appointed by me in terms of Section 22 (2) of Air Botswana Act (No.4 of 1988).

2.0 Accounts

2.1 Qualified Audit Opinion

In the opinion of the auditors:

The airline had not separately identified the significant components of its aircraft, which is required for the determination of depreciation in accordance with the requirements of the International Accounting Standard 16 ("Property, Plant and Equipment"). Had this requirement been complied with, the annual depreciation charge, the accumulated depreciation balance and net book value of property, plant and equipment may have been stated at significantly different values.

Except for the possible effect of the matter referred to above, the financial statements presented fairly, in all material respects, the financial position of Air Botswana as at 31 March 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in the manner required by the Air Botswana Act (Cap 74:07).

2.2 Financial Results

In the year under review, the airline recorded a loss of P74.45 million, compared to a loss of P47.12 million reported in the previous year. The revenue for the year including other income and finance income was P331.42 million, compared to P278.61 million in the previous year; while expenditure was P405.87 million from P325.73 million in the previous year.

2.3 Working Capital

The working capital position of the airline as at 31 March 2013 showed current assets of P82.33 million and current liabilities of P205.34 million, giving a net current liabilities position of P123.01 million. The going-concern status of the airline is dependent on continued Government support.

3.0 Management Letter

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

3.1 Unutilised Tickets

The auditors noted inconsistencies in computation of write-back of unutilised tickets and their related taxes at year-end. The unutilised ticket liability account consists of unflown tickets that have not gone past one year, excluding tickets which were sold as non-refundable. The airline did not match the taxes liability with the tickets not flown as at year-end.

In response management noted the auditors' recommendation and stated that a reconciliation of ticketing data from the revenue accounting system was reconciled to the general ledger and a true unflown ticket liability (UTL) was established and supported by a ticket listing. The difference between the general ledger balance and true ticket liability, which was mainly comprised of highly restricted expired tickets, was written back as sundry revenue. While the write-back was not supported by a detailed ticket list, the risk of over/understating liability or possible fraud, were minimized by the UTL reconciliation which had been tested by the auditors.

3.2 Disclosure of Turnover in VAT Returns

The auditors observed that VAT returns submitted to BURS were filed by completing the columns relating to standard supplies and the VAT returns did not disclose zero-rated sales with respect to route revenue generated from the international transport services rendered by the airline. Furthermore, the airline had been calculating and paying training levy on standard supplies disclosed in the VAT returns submitted to BURS and hence no training levy was paid on the zero-rated supplies. Therefore, since training levy came into effect on 1 October 2008, there was a potential liability to BOTA arising out of under-paid training levy and interest thereon of P1.9 million.

Management in response agreed with the auditors' finding and stated that BOTA and BURS had been engaged and undertook to disclose zero-rated supplies in the VAT return and calculate training levy appropriately in future.

3.3 Withholding Tax

The auditors had observed that the airline did not deduct withholding tax on rent paid as required by BURS.

In response management indicated that service providers had been engaged in an effort to start withholding the tax on rent paid.

3.4 Francistown Sales Office Delayed Bankings

The auditors noted an instance of fraud committed at Francistown sales office as there was a pattern of persistent late banking, banking for a particular day was done in instalments by using the collections for different days. The banking deposits were not matched to sales regularly.

In response management indicated that the fraud was picked up and alarm raised. Daily sales returns are submitted to Sales and Audit sections for checking and reconciled before passing to Treasury for accounting of all banked cash.

3.5 Property, Plant and Equipment

The auditors observed that:

(a) The airline's assets were not tagged for ease of identification.

(b) At year-end, the asset register was not updated with movements for the year, and adjustment made during the year were not processed.

(c) There were a number of differences between the general ledger opening balances (cost & accumulated depreciation) and the financial statements although the net book value was correct.

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

(e) The airline did not separate the components of the aircrafts owned (except for one aircraft ATR 72-500) for the purpose of estimating useful lives and depreciation of each of the major components identified in compliance with the requirements with IAS 16. Depreciation was computed for each aircraft as a unit without considering if other components such as engines, airframe, and landing gears had different useful lives.

(f) The airline was making losses and also projected a loss in the next financial year, triggering the fact that assets might be impaired. Management did not perform impairment assessment as required by IAS 36. According to the auditors' independent impairment assessment, value-in-use calculations resulted in negative cash flows while fair value less costs-to-sell was higher, hence fair value less costs-to-sell was used. The auditors could not determine whether the buildings were impaired or not as the fair value was not ascertained.

In response management indicated that:

(a) A company was engaged to assist with asset verification and bar coding and reconciliation, with a view to come up with assets management system by March 2014.

(b) The Assets Register had been kept up-to-date throughout the year. There was an oversight in the previous audit whereby late adjustments were not accounted for in the Register.

(c) The journal adjustments made were not included, but trial balance and assets schedule balanced.

(d) The assets management system would address the auditors' observation on rotables. It had been management practice to charge full year depreciation in the year of acquisition and no charge in the year of disposal. The recommendation would be assessed and corrective action taken.

(e) They had noted the auditors' finding on componentisation and had made efforts to engage with the manufacturers but were still awaiting a response.

(f) Management had performed value-in-use calculation on all aircrafts as they were deemed to be high value assets. The result of this calculation was negative cash flow on ATR 42-500 only, hence the need to determine the recoverable amount based on fair-value less costs. Impairment assessment would be performed on relevant assets annually.

3.6 Employee Personal Files

The auditors noted instances where some personal files did not have all the critical documents such as appointment and resignation letters.

In response management indicated that they had noted the auditors' finding and that all files were being migrated to a new filing system to ensure proper handling of personal files.

119. **Botswana Railways**

In terms of Section 21 of the Botswana Railways Act (Cap 70:01), the Organisation is required to submit the accounts to me for audit within 4 months of the end of the financial year. The Organisation had sought and was granted an extension of time for the accounts of the year ended 31st March 2013. The draft accounts were submitted to me in May 2013 and at the time of writing this report the audit had not been finalised since the audit of the accounts for the year ended 31st March 2012 had not been concluded. This was so because the accounts had also not been finalised since the accounting treatment for certain expenditures relating to the refurbishment of some of its assets were yet to be resolved.

I trust that the exercise in hand would be completed shortly so that going forward the audited accounts would be laid before the National Assembly within the time-frame envisaged by the Act.

120. **Botswana Power Corporation**

The financial statements of the Botswana Power Corporation for the financial year ended 31 March 2013 were audited by Messrs Deloitte and Touché, Certified Public Accountants, who were appointed as auditors by the Board in terms of Section 22 (2) of the Botswana Power Corporation Act (Cap 74:01).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Botswana Power Corporation as at 31 March 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in a manner required by the Botswana Power Corporation Act (Cap 74:01).

Emphasis of Matter

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

(a) Going-Concern

The Corporation had incurred a loss for the year of P1.25 billion (2012: P1.12 billion) after a tariff subsidy of P871.00 million (2012: P508.00 million). The Board believed that the Corporation would receive on-going support from the Government.

(b) Consolidation of Subsidiary

The Corporation had not prepared consolidated financial statements as the directors believed that the subsidiary, BPC Lesedi (Pty) Ltd, was neither quantitatively or qualitatively material in the context of the financial statements.

2.2 Financial Results

The financial performance of the Corporation resulted in a loss of P1.25 billion before gains on revaluation of property, plant and equipment of P868.75 million, compared to a loss of P1.12 billion recorded the previous year. The loss was a result of expenses of P4.48 billion exceeding income of P3.23 billion. The Corporation had a tariff subsidy grant of P871 million from the Government.

2.3 Working Capital

The working capital position of the Corporation as at 31 March 2013 showed current assets of P1.19 billion and current liabilities of P3.73 billion, giving a net current liabilities position of P2.54 billion. The going concern status of the Corporation is dependent on continued Government support.

3.0 Management Letter

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

3.1 Prior Year Matters

The auditors observed an apparent lack of meaningful progress in resolving prior year audit findings: out of 53 items, 15 (28.3%) were resolved, 11 (20.8%) were partly resolved and 27 (50.9%) were unresolved. This situation exposes the Corporation as it may ultimately suffer financial losses.

In response, management stated that measures had been put in place to address emerging risks within the control environment and it led to a significant improvement in bank and cash, inventory and procurement, management accounting and payroll areas. However challenges were still experienced in areas such as accounts payables, consumer financed projects and billing, primarily because of volume of transactions and the post-system implementation issues.

Auditor General's Comment

I trust that all these matters would be resolved in the very near future.

3.2 Bank and Cash

The auditors observed the following:

- An amount of P507 457.34 had been paid outside the system because there was an error in SAP that could not permit the goods received note to be matched to the invoice. Therefore no entries were made in the payables ledger to recognize the liability and when the payment was made the cash book and payables were not credited and debited, respectively, to release the liability.

- Also included in the reconciliation was an amount of P160 029.30 which was wrongly credited by the bank into the Corporation's account.

- The Corporation used a wrong rate to convert the foreign currency account balance and the un-presented cheques to Pula currency at year-end.

In response, management stated that the reconciliation issue had been resolved and would ensure that the correct exchange rate is used to translate balances at year-end.

3.3 Reconciliation of Prepaid Clearing Account

The auditors observed that there was no evidence that the prepaid electricity clearing account was being reviewed on a regular basis to ensure the completeness and accuracy of the accounting records. This was considered critical since the Corporation was migrating its consumer debtors to the prepaid platform. The account had unsubstantiated debit and credit amounts of about P22 million and P10 million, respectively, relating to the Corporation’s own prepaid selling points. There were also invalid amounts in the listing.

Management in response indicated that the SAP final reconciliation and listing of this account was awaiting a report from the consultants which took time. Although the final balances were already reconciled in Excel spreadsheets, (which are used for paying commission on a monthly basis), adjustments in SAP could not be made prior to verifying the completeness of the sales value due to issues of pending sales. The Corporation has now reduced the number of vendors to 6 super vendors and the Corporation’s offices which minimises the number of banking transactions into one prepaid banking account. All the vendors had banked into one or two bank accounts and some did not indicate the correct contract account, hence delaying in adjusting the system balance to the approved manual reconciliation which was used to pay commission.

3.3 Recovery of Trade Receivables

The auditors observed that the Corporation had continued to make efforts to reduce its debtors, though the level of outstanding aged debtors was still considered very high. The moving of most of the domestic and other commercial debtors to the prepaid platform would make the already outstanding debtors balance less likely to be recovered.

In response, management acknowledged the auditors' finding and added that collection of the domestic and small customers balance was more drawn-out due to their economic status and mobility from one place to another. Conversion to prepaid was a long term strategy to stop the growth of their debt. The amounts would be eventually collected as acknowledgements of debts were signed during the conversion to prepaid when relaxed terms were given to avoid delaying the project. Collections for the current year billings were generally satisfactory which resulted in reduced debtors.

3.4 Duplicate Customer Accounts

The auditors observed that the Corporation had opened two accounts for customers resulting in a large number of customers with credit balances amounting to P47.70 million (2012: P48.81 million) due to the recording of sales invoices in one account and the payment in another account. In the prior year when the auditors had raised the issue, management indicated that an exercise was ongoing to clean up all duplicate contract accounts by using only meter numbers as reference numbers as opposed to contracts.

In response, management stated that although there were still a few historical cases of two accounts for the same customer, the issue noted by the auditors related to instances where one contract account was reported under two general codes, say domestic debtors and Rural Collective Scheme, or government debtors and Hire Purchase. The system had been programmed to allow receipt of payment even when there was no invoice, hence in some cases payment was automatically allocated to the consumption general ledger code before the customer brought evidence that payment was for a quotation relating to connection of service. Management had resolved that customers could not be sent back when making a payment and hence manual adjustments were made after confirming the receipt with the customer.

3.5 Processing and Matching of Receipts from Debtors

The auditors observed four cases where reconciliation of the small works contractors' age analysis ran from the SAP accounting system and the ledger reflected payments from debtors that had not been processed timely for up to five months by the accounting department as at 31 March 2013.

In response, management stated that one month time lag in allocation was reasonable, given the nature of the Corporation's business. However, any time lag exceeding one month had been identified as reconciling items due to absence of narration in bank statements.

Auditor General's Comment

The management response is noted, although it does not address the issue of how they propose to deal with the backlog of up to five months raised by the auditors, to process receipts for small works contractors.

3.6 Billing Adjustments and Errors

The auditors noted an overall decrease in the level of billing reversals during the year under review as the error rate on sales was 6%, compared to 15% in the previous year. However, the auditors stated that management need to continue improving on the accuracy of their billings and thereby enhance reliable financial reporting. Some of the long-outstanding debtor's balance may be due to the fact that the bills were not processed accurately hence customers disputed them. Adjustments and errors mainly arose due to the following factors which could be addressed by management:

- Accounts which were continuously estimated with no actual meter readings; and
- Accounts with incorrect billing factors.

In response, management stated that the reduction by over 60% of billing adjustments reflected the effect of converting domestic customers to prepaid, thereby eliminating estimated bills which may need to be adjusted. Practically, an electricity utility would never be able to read all meters in a billing cycle but use estimates from past trends, to bill customers and confirm actual readings at set intervals. Management believed that the current year trend of 6% was within acceptable levels and showed an improvement from the past year.

3.7 Customer Accounts with Continuous Estimates

The auditors observed that customers were billed P25.85 million based on estimates for a continuous period of more than twelve months during the period under review, the earliest going back to November 2009. The Corporation's policy dictates that customers should not be billed based on estimates for more than three billing periods without investigating the reasons and ensuring that actual meter readings were obtained and used to enhance the accuracy of the billings.

In response, management stated that when conversion to prepaid started, meter reading resources were strategically redeployed to the project as it would ultimately result in a reading and credit control collection in one go. Hence some customers who had not been read in a long time could not be focused on but expected to clean up all backlog of long estimated accounts and achieve 99.9% actual readings. The prepaid conversion would unlock resources to focus on actual readings.

3.8 Reconciliation of Lime Stone, Heavy Furnace Oil and Light Diesel

The auditors noted the following differences when they carried out a reconciliation of inventory to cost of sales which management could not explain, indicating that they were not reconciled:

	General Ledger Balance	Expected Amount	Difference
Lime Stone	17 947 816	22 465 797	4 517 981

Heavy Furnace Oil	7 633 233	5 537 759	-2 095 463
Light Diesel	21 455 501	22 193 617	738 116

In response, management noted the auditors' finding and stated that they would enforce existing controls such as reconciliations to ensure they operate effectively.

3.9 <u>Property, Plant and Equipment</u>

The auditors review of Property, Plant and Equipment revealed the following weaknesses:

- The consultants engaged to perform valuation of property, plant and equipment found that labelling of equipment was not up to standard, access to some distribution sub-stations was open, considerable oil leakages from some transformers, some properties not listed in the assets register and difficulty in obtaining details on properties.

- A supplier was paid twice an amount of ZAR11.43 million in July and August 2012 and the Corporation had not been refunded at the time of audit.

- Some residential houses were referred to by location without proper description and quantity.

- Title deeds or lease agreements were not availed for Selibe-Phikwe Depot and Transmission, Ghanzi Technical and Customer Service, and Kasane Depot.

In response, management acknowledged the auditors findings and stated that:

- The Corporation would put procedures in place to ensure adherence to the consultants' recommendations.

- The Corporation became aware of the overpayment within a month and the contractor was notified to repay the money. However, the contractor did not repay the money and then the Corporation held two payments due to the contractor amounting to P5.69 million. The same issue was raised with the contractor at a site meeting in February 2013 and thereafter the Corporation decided to offset the balance of the overpayment against future payments due to the contractor.

- The Corporation maintained two assets registers, one indicating quantities and the other indicating asset values. Efforts were made during the valuation process to align the two registers.

- Title deeds were in the name of Botswana Government and the process was ongoing to change ownership to the Corporation.

3.10 Trade and Other Payables

The auditors review of trade and other payables revealed the following weaknesses:

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

- As was the case in the previous year, some supplier accounts were still not reconciled at year-end. There were also five invoices amounting to P618 257 which had not been accrued.

- P159 million of the P171 million National Electricity Standard Connection Levy collected during the year had not been remitted to Government at year-end.

- Six employees' leave liability differed with those reflected in the SAP system due to untimely capturing of leave information from manual documents into SAP.

- The Corporation had no policy to limit the number of leave days accumulated by employees over time and consequently, seventeen employees had accumulated leave days in excess of 90 days, the highest being 139.

- Withholding tax amounting to P785 968 had not been remitted to BURS for more than three months as at year-end. There were debit balances in the withholding tax payable account amounting to P176 993 relating to ten suppliers.

- The closing balance of P25.87 million at year-end, which was also the same as that of the previous year, relating to eight completed Consumer Financed Projects (CFP) had not been transferred to CFP Recoveries account.

- There were long outstanding reconciling items referred to as ''unprocessed invoices'' relating to three suppliers which had not been processed as far back as July 2011.

Management in response acknowledged the auditors findings and stated that:

- The accounts payable module would be enhanced to incorporate foreign exchange year-end revaluation. Translation losses/gains did not pose significant risk on the commercial operations of the Corporation as management had adopted a risk based approach on its internal control systems.

- Given the high volume of suppliers and limited resources, the Corporation performed reconciliations on a sample basis based on frequency of supply. The cases cited by auditors related to on-going projects whose transactions were processed outside the system as they were work-in-progress and usually statements were not provided. Suppliers would be engaged with the view to confirm their outstanding invoices on monthly basis.

- Late remittance of the levy had nothing to do with the control environment but the Corporation’s financial position.

- Other than the remote offices where leave information took some time to be received by Headquarters for processing, there was a general improvement in processing of leave days. Automation of leave would address the issue.

- In an effort to curb excessive accumulation of leave, leave plans were to be completed by all employees, leave management was to be part of performance assessment criteria and capping of leave was included in the new conditions of service that management stated would be implemented on 1st October 2013.

- The long outstanding reconciling items related to invoices that were in dispute as the suppliers were not able to provide proof of delivery.

121. **<u>Water Utilities Corporation</u>**

The financial statements of Water Utilities Corporation for the financial year ended 31 March 2013 were audited by Messrs Deloitte & Touché, Certified Public Accountants, who were appointed by the Corporation in terms of Section 25 (2) of Water Utilities Corporation Act (CAP 74:02).

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 Water Utilities Corporation as at 31 March 2013, and its financial performance and its 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 4 of the financial statements which stated that title to the land and buildings acquired by the Corporation from the Department of Water Affairs and the Ministry of Local Government, under the Water Sector Reforms Project, had not yet been transferred to the Corporation. The Corporation anticipated that the title to the assets would be transferred in time.

Auditor General's Comment

It is hoped that the exercise would be completed in the near future. I have expressed a similar sentiment in my previous report when the Corporation had made this undertaking.

2.2 Financial Results

In the year under review, the Corporation recorded a loss of P191.06 million, compared to P541.60 million (Restated) in the previous year. The reduction in the magnitude of the loss would mainly be due to significant increase in revenue from P579.67 million to P790.78 million (36%), while the expenditure had remained relatively stable at P1.16 billion against P1.13 billion in the previous year (3%).

During the year the Corporation had received from Government a tariff support subsidy of P200 million.

2.3 Working Capital

The working capital position of the Corporation as at 31 March 2013 showed current assets of P754.72 million and current liabilities of P260.88 million, giving a net current assets position of P493.84 million.

3.0 Management Letter

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

3.1 Un-Invoiced Plots

The auditors noted that the number of un-invoiced plots kept increasing from year-to-year, which was a clear indication of deterioration of controls in the billing cycle. The revenue from un-invoiced plots was estimated at P17 million for the year under review, from P10.3 million in the prior year. Even if these plots were billed at a later stage, recoverability of these amounts was doubtful due to the higher aggregated debt levels and the time lapse before they were eventually billed. Management was advised to put in place procedures to ensure that all exception reports relating to un-invoiced plots were cleared and that the process should be monitored by Senior Management.

In response, Management indicated that a team in billing section had been established to address these, and that the process would be later established and enforced at Management Centres. The planned SAP training would also assist as some of these were as a result of wrong creation of customer data in the system.

3.2 Uploading of Water Sector Reforms Property, Plant and Equipment onto SAP Fixed Assets Register

The auditors noted that motor vehicles acquired under the Water Sector Reform Phase IV were taken over more than a year ago but were still being accounted for on excel spreadsheets, which was susceptible to error. The auditors further noted from discussions with management that the delay in uploading the vehicles was caused by the non-completion of the verification of assets. The SAP system provides a permanent record of the assets which is integrated into the reporting system, making it difficult to manipulate as compared to excel spreadsheets where details of the assets can be amended without a trail, thereby making the assets susceptible to misappropriation.

In response management stated that they kept manual records before uploads into SAP to ensure that correct information was uploaded. Management further indicated that they would ensure that the vehicles were uploaded accordingly by January 2014.

Auditor General's Comment

Management's undertaking is noted.

3.3 Accounting for Projects

The auditors noted that there were no procedures in place to ensure that only qualifying expenditure was capitalised and that completed projects were capitalised at once. Non-qualifying expenditure amounting to P6.26 million had not been expensed while some projects dating as far back as 2009 were still recorded as work-in-progress although they had been completed and used by the Corporation.

In response management stated that the idea behind not expensing the non-qualifying expenditure was to ensure all costs relating to particular projects were reported at any given point in time. They would closely monitor and ensure they were expensed accordingly. Management also stated that they would ensure completion certificates were availed on time for all completed projects.

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

The Corporation did not review the useful lives of property, plant and equipment as per the requirements of IAS 16. The auditors noted that assets with an original cost of P48 million and currently in use were held at nil book value. This confirmed that management was not robustly reviewing the useful lives and residual values of all assets categories in the fixed assets register on an annual basis. Such non-compliance with the requirements of International Financial Reporting Standards may result in the misstatement of the depreciation charge and the property, plant and equipment balance in the annual financial statements.

Management in response stated that they would ensure compliance accordingly.

3.5 Outstanding Title Deeds

The auditors noted that the Corporation owned a number of properties for which it had not obtained title deeds. This included items of property owned before implementation of the Water Sector Reforms and all property acquired in terms of the Water Sector Reforms. The auditors discussion with management revealed that the process to obtain the title deeds had started, and that progress was slow as some of the processes were outside the control of the Corporation.

In response management stated that the process took long and that they continued making follow-ups to obtain the title deeds.

3.6 Consumer Deposits not Receipted

The auditors noted that there were amounts deposited by customers in the Corporation's bank accounts that were not receipted and credited to customer accounts but shown on the year-end bank reconciliation statements as reconciling items. A number of these items related to online payments by consumers and some dated as far back as 2009/2010 financial year-end. The reason for not receipting these amounts was largely due to insufficient details of deposits on bank statements to allocate them to customer accounts, and consequently, the significant transactions of this nature were noted on the FNB Gaborone current account with a total of P4.8 million. The auditors acknowledged that management had made significant effort to resolve this issue as evidenced by the decrease in amounts in comparison to the previous year reconciling amount of P22 million.

In response management undertook to continue further investigating these in detail to clear them off by March 2014.

3.7 Level of Debtors and Bad Debts Provision

The auditors noted that there had been a significant increase in accounts receivable and the level of provisioning for bad debts over the past few years. The provision for bad debts which represented debts that were over 90 days and/or balances in dispute increased from P16.5 million in 2009 to P144 million in the current year. The auditors also noted that some of the long outstanding amounts were due from the Government. Below is an analysis of movement over the years:

Year	Total Accounts Receivable	Provision
2009	113 819 276	16 475 000
2010	188 648 478	50 435 000
2011	259 735 303	108 242 000
2012	270 544 031	124 489 000
2013	426 146 000	144 112 000

The increase in the bad debt provision is indicative of problems with debt collection. Financial losses incurred as a result of non-collection of outstanding balances are unsustainable going forward. The auditors advised management to monitor and follow-up accounts receivable more vigorously and that billing should be done timeously with follow-up procedures such as disconnections applied on an on-going basis.

3.8 SAP Programme Change Controls

The auditors noted that during the year under review there was a programme change and a master file change that were not properly implemented – configuration of the debtor's module and uploading of the revised tariffs after the May 2012 tariff increase. After an attempt to re-configure the aged debtors report to produce a report which would also reflect non-consumer debtor balances, the balances reflected on the aged debtors report were different from the actual balances in SAP, rendering the previous aged debtors report unusable. The revised tariffs in May 2012 were uploaded including VAT. However the system was programmed to charge VAT, resulting in overstating revenue by VAT amount as well as overstating VAT on this amount. The auditors advised management to observe the formalised testing and approval procedures for any SAP programme/master file change as these were key controls in an automated environment.

In response management stated that they would exercise diligence in future to ensure that all tariffs input were correct.

3.9 Generic Account Reconciliations

The auditors noted that before migration of the individual plots taken over under the Water Sector Reforms to SAP, transactions affecting these plots were recorded on manual/E-Dams records and the transactions posted to the SAP generic accounts. The reconciliations should have been prepared on a monthly basis as a control procedure but this was only done as a year-end procedure despite the auditors having raised the issue in prior years and the Corporation having been involved in the Water Sector Reforms project for a number of years. A considerable amount of time was spent by the auditors together with management on the reconciliations. Below are the material transactions/errors noted when investigating the variances between the manual/E-Dam records and the SAP generic accounts.

Phase	Description of Transaction/Error	Amount
Phase IV	Invoices not captured in the SAP generic Accounts	1 156 459
Phase V	Invoices posted to the wrong accounting period	4 705 507

As at the conclusion of the audit, the auditors also noted that a variance of P1.8 million between the manual records and generic accounts had not been resolved. Proper reconciliations of the account balances between the two systems would ensure that all debtor billings and receipts have been accounted for. Preparing these reconciliations on a regular basis also ensures that errors are identified and corrected timeously.

In response management stated that all generic accounts would be investigated and closed off by February 2014 and that a team had been established that was currently working on all debtor balances.

3.10 Delays in Billing

The auditors noted that the Corporation was lagging behind with billing, with majority of the bills for the period December

2012 to March 2013 only being processed in May and June 2013, just before the planned commencement of the year-end audit. In addition, bills amounting to P43 million relating to the 2012/2013 financial year were processed in the 2013/2014 financial year because the ledger for the period under review had already been closed. This amount was accrued in the financial statements for the year ended 31 March 2013. Late billings would result in late payments by consumers which impacts negatively on the Corporation's cash flow.

Management in response indicated that the whole process from Meter Reading to Billing was being reviewed and that the issue in billing delays was a combination of a number of factors in the billing process.

3.11 Penalties and Interest Charges by BURS

The auditors observed that penalties amounting to P8.48 million and interest charges of P3.71 million for late submission of returns to BURS were provided for under the current financial year. Such costs can be avoided by submitting returns on time.

Management in response stated that the penalties and interests provided for related to previous dates going as far back as 2002. A letter had since been written to the relevant authorities requesting for a waiver on these costs. Management also assured that in the current financial year, the returns and payments were done on time and that they would ensure that the status quo was maintained.

3.12 Managing of Assets Taken Over Under the Water Sector Reforms (WSR)

The auditors observed that when assets were transferred to the Corporation by the various Councils and the Department of Water Affairs under the WSR, a supporting list was provided. An independent valuation was then performed on behalf of the Corporation, and the assets were capitalised based on this valuation. The auditors noted discrepancies between the listings of assets taken over as supplied by the relevant authorities and the amounts recorded in the ledger per the valuations. No effort was being made to reconcile the assets taken over per the take-over documents supplied by the relevant authorities to the independent valuation reports. A detailed reconciliation of motor vehicles per the fleet register and the valuation reports revealed that 166 vehicles worth P46.62 million taken-over under the Water Sector Reforms Phase III to V had not been included in the valuation reports which were then used to upload the assets in the ledger. In addition, 14 vehicles valued at P3.63 million in the valuation reports could not be physically verified, which indicated that the vehicles in question may not be in the Corporation's custody. The Corporation may be losing assets during the take-over process as the process was not being effectively managed.

In response, Management indicated that the exercise to reconcile all vehicles was to be completed by January 2012 [query 2014]. An exercise to do a physical verification of all assets would be conducted during 2014/15.

3.13 Long Outstanding Items in Accrual Accounts

The auditors noted long outstanding items in accrual control accounts, some dating back to 2009, that had not been cleared. Significant items were noted in the following accounts:

Account Number	Description	Balance
191100	GR/IR Accrual	1 723 737
177300	Miscellaneous Accrual	2 416 242
176400	Sametsi Savings Scheme	1 381 478

In response management stated that they would put a plan in place to address the long outstanding items in all control accounts.

3.14 Accumulated Leave in Excess of 60 Days

The auditors noted a total of 138 employees who had accumulated leave in excess of 60 days, some of them having accumulated as many as 135 days. This had exposed the Corporation to a liability of P9.47 million. Additionally, this was an indication of long uninterrupted periods of service without taking leave which is a fraud risk factor.

Management in response stated that the Policy on leave accumulation would be enforced as of 31 March 2014: employees with days exceeding 60 would forfeit the excess.

3.15 Delays in Processing of Goods Received Notes

The auditors noted that motor vehicles worth P7 million that were procured during the year under review were only recorded in May 2013. The assets were therefore not accounted for in the fixed assets register at year-end. Late recording of assets exposes the assets to misappropriation.

In response management acknowledged the auditors finding and stated that in future they would ensure compliance.

122. **Botswana Meat Commission**

The financial statements of the Botswana Meat Commission for the financial year ended 31 December 2012 were audited by Messrs Deloitte & Touché, Certified Public Accountants, who were appointed by the Commission in terms of Section 20 (3) of the Botswana Meat Commission Act (Cap 74:04).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The consolidated and separate financial statements gave a true and fair view of the consolidated and separate financial position of Botswana Meat Commission as at 31 December 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter – Going-Concern

Without qualifying their opinion, the auditors drew attention to Note 26 of the financial statements, which indicated that the Group and Commission incurred a total comprehensive loss of

P290.90 million (2011: P233.49 million) and P287.91 million (2011: P228.42 million), respectively. In addition, the total liabilities of the Group and Commission exceeded the total assets by P374.04 million (2011: P83.15 million) and P437.99 million (2011: P150.09 million), respectively. These conditions indicate the existence of a material uncertainty over the Group's and Commission's ability to continue as a going concern.

Auditor General's Comment

The auditors had made a similar comment in the previous year.

2.2 Financial Results

In the year under review, the Group and Commission recorded a total comprehensive loss of P290.90 million and P287.91 million, respectively, compared to P233.49 million and P228.42 million, respectively, in the previous year, P87.82 million in the year before and P87.69 million in the year before that. The total income for the Group was P806.62 million while expenditure was P1.1 billion. The revenue for the Group increased from P659.16 million in the previous year to P766.92 million in the year under review, representing 16.3% increase. Livestock and meat costs were P617.38 million (2011: P508.14 million) while production and administration costs were P363.28 million (2011: P311.72 million) in the year under review, recording a significant increase of 21.5% and 16.5%, respectively.

2.3 Working Capital

The working capital position of the Group as at 31 December 2012 showed current assets of P241.12 million and current liabilities of P217.63 million, giving a net current assets position of P23.49 million. The total liabilities exceeded the total assets by P374.01 million. The liabilities totalled P794.45 million of which P666.80 million were borrowings, representing 84%.

The going-concern status of the Group and Commission was dependent on continued Government support, establishment of regional markets and increasing supply into the European Union market.

3.0 Management Letter

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

3.1 Control Weaknesses

The auditors observed that significant control weaknesses identified in the previous year's audit remained unresolved. These included, amongst others, non-reconciliation of intercompany balances and control accounts, non-review of useful lives and residual values of property, plant and equipment, under-deducted VAT input, absence of formal contract between BMC Lobatse and Gluckman Family Trading (Pty) Ltd, statutory records not up-to-date and inadequate segregation of duties. The Commission, Table Bay Cold Storage (Proprietary) Limited, BMC Importers and Exporters (Proprietary) and IT General Computer controls were either partially implemented or not implemented at all. Botswana Meat Commission remained exposed to financial losses while these control issues remain unattended.

3.2 Inadequate Supervisory Controls

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

Management in response indicated that they had put in place a time schedule for closing of GL modules and GL reconciliations on monthly basis. They mentioned that some of the differences noted by the auditors were mainly on account of classification. They gave example of intercompany accounts balance in management accounts that were classified differently to annual financial statements disclosure. Going forward they indicated that they would align management accounts as close as possible to annual financial statements format. Management further indicated that the new finance structure which was implemented recently was mainly to address the segregation of duties.

3.3 Allocation of Receipts from Debtors to the Respective Debtor Accounts

The auditors noted several receipts from various customers amounting to P4.6 million and some of which dated back to 2002, which had not been allocated to the appropriate outstanding invoices at year-end. This resulted in misstatement of receivables and payables balances reported in the financial records, and could also lead to disputes and fraudulent sales may occur without detection.

Management in response indicated that the said amount, which could not be allocated due to its nature, included security deposits received from various customers amounting to P1 million in Lobatse, P1.19 million in Francistown and an over payment from Government amounting to P1.08 million.

Auditor General's Comment

As this is a prior year matter, I consider that it is taking too long to resolve. The Government overpayment of P1.08 million, which is identified, should have been dealt with appropriately.

3.4 Intercompany Balance Reconciliation

The auditors noted significant uncleared differences between the Francistown/Lobatse intercompany account and the Lobatse/Maun intercompany accounts. In addition, BMC IMPEX intercompany balance was also not reconciled. An adjustment of P5 million had to be processed to reverse revenue in the current year with respect to the difference identified in the BMC IMPEX intercompany account, while a write-off of P1 million was recognised with respect to the Lobatse/Francistown intercompany account. If intercompany reconciliations are not performed on a regular basis, the Commission is exposed to the risk of fraud or error which may go unnoticed.

Management in response indicated that a new procedure would be implemented for allocation of SA sales and that the intercompany accounts reconciliations were up-to-date up-to March 2013.

3.5 Reconciliation of Control Accounts

The auditors noted that a number of control accounts had not been appropriately reconciled and followed up and the auditors could not be provided with reconciliations of some control account balances.

Management in response stated that long outstanding items in the suspense account related to the period from 2008, the proposal was to write-off these long outstanding amounts. The goods received suspense account/accrual account was not updated as it should be with monthly transactions. Training had been arranged to ensure that users understood how the system operates and be able to address all system related issues if any. For prepayments, management indicated that the account referred to was for Francistown and that emphasis was placed on solving Lobatse issues in 2012 and that focus would now be on cleaning Francistown control account.

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

Auditors noted that the Commission did not perform a formal reassessment of the residual values and useful lives of its property, plant and equipment as per the requirement of International Accounting Standard (IAS) 16. There were no formal procedures in place for the review of the useful lives and residual values of property, plant and equipment. Such non-compliance with the requirements of International Financial Reporting Standard (IFRS) may result in the misstatement of property, plant and equipment as reflected in the annual financial statements.

Auditors also noted that assets currently in use and with an original aggregate cost of P72 million were held at nil book values. This underscores the fact that management was not robustly reconsidering the useful lives and residual values of all assets categories in the fixed assets register on an annual basis.

Management in response indicated that BMC had already engaged the consultants last year to value the Commission's assets and a preliminary report was submitted for management review. Management was in the process of rebuilding the fixed assets register.

3.7 Details of Assets in Fixed Assets Register

Auditors noted that the fixed assets register did not contain sufficient details of assets to enable physical identification of some of the Commission's assets. Although the register had assets numbers, these had not been tagged on the physical assets, resulting in the assets being unidentifiable. There was a risk that assets may go unaccounted for, or may be misappropriated, and such acts may never be detected if the fixed assets register is not in a proper state.

Management in response indicated that they were in the process of cleaning the fixed assets register to match assets physically verified to the assets register with clear descriptions.

3.8 Title Deeds Not Up-to-Date

The auditors noted that the Commission still had properties in its Lobatse fixed assets register that were still under the name "Bechuanaland Protectorate Abattoirs Limited". In addition, title deeds for a number of properties were not availed. The Commission may not be able to prove ownership of property whenever necessary to do so. Furthermore, the title deed for plot 6206 in Francistown had not been transferred from previous owner's name, Atrium (Pty) Ltd.

In response Management stated that an advert was issued soliciting consultants to carry out the audit relating to Commission's immovable property. This exercise was expected to be completed within 2 months from the date of award of the contract.

Auditor General's Comment

This is a long outstanding matter. What is the current position?

3.9 Reconciliation of Value Added Tax (VAT) Balances

The auditors review of VAT returns and VAT control accounts reconciliation revealed the following:

- A total of P11 million on intercompany purchases made from Lobatse was inadvertently netted off against vatable revenue in the Lobatse VAT returns instead of being added together with other purchases in the VAT input section of the returns.

- Due to the delays in processing transactions, there were errors on returns amounting to P2.2 million which were only rectified in February 2013 but related to the period October 2012 to December 2012. Revised VAT returns had to be done as a result.

- The Mainline Carriers VAT liability in the ledger as at 31 December 2011 differed to the expected liability per the VAT returns by an unexplained difference of P51 256.

These issues indicate that the controls around reconciliation and review of the VAT balances, reconciliations and returns were inadequate. There appeared to be little or no thorough review of the VAT reconciliations and returns. Poor controls in this area could attract heavy penalties and interest from the BURS. In addition, the Commission could lose a lot of money if BURS rejects VAT input submissions made late. Similar errors had also been identified and reported in the prior year audit.

In response management noted the auditors' finding and indicated that intercompany purchases would be added to other purchases and not netted off against sales. A revised return was filed when an error was noted on a VAT return in February 2013. In addition to that, management stated that from April 2013 returns, deadline for sign-off would be the 18th to give the supervisor time to review and make any corrections, if need be.

3.10 <u>Write-Offs of Unreconciled Differences</u>

The auditors observed that management processed a number of adjusting journals to write-off differences and balances that they could not provide explanations for. Management took a decision to write-off these amounts as they were taking long to investigate, validate and be cleared. Some of the instances noted were as follows:

- Bank Reconciling Items P5 096 110
- Stores Accrual Accounts P3 091 700
- Inter-branch Account P1 000 000
- Impex Inter-company Account P5 000 000
- Property, Plant and Equipment P7 935 905

In addition to the above, the auditors noted that a total of P18 million of long outstanding reconciling items on the bank reconciliations statements were also written-off in the prior year. Writing off such significant amounts without thorough exhaustive investigations may conceal fraud and error.

Management in response indicated that:

- Bank reconciliation items are balances which were written-off in the prior year in the audit adjustments and were brought back in the current year as they were only effected in the general ledger. So the idea was to clear them in the cash management system.

- Stores differences were due to the GRV listing to the account balance in GL account. This difference had arisen from several years mainly on account of interface errors between the stores module to Oracle and also not clearing the outstanding items periodically. Currently this was addressed both from systems side and also from the reconciliation side.

- The fixed assets opening balances as per the 2011 financial statement did not agree to the Trial Balance and also the fixed assets register was not up-to-date. This was highlighted as the reason for the difference between the fixed assets GL balances to fixed assets register. The fixed assets register was being rebuilt and the write-offs were required to bring the accounts to a clean sheet.

3.11 Invalid Bank Reconciling Items

The auditors, after review of year-end bank reconciliation statements, noted invalid reconciling items amounting to P529 000 and long outstanding reconciling items. These exceptions were an indication that bank reconciliation statements were not being reviewed in sufficient detail on a timely basis.

In response management indicated that they had made significant progress during the period under review in preparing accurate bank reconciliations up to March 2013. The invalid items as noted by the auditors refer to the outstanding amounts in the remittance account which were mainly on account of errors.

3.12 Incorrect Inventory Valuation

The auditors noted that the stewed steak product was valued at selling price at year-end instead of cost. An audit adjustment of the misstatement at year-end was P9.5 million. Additionally, they noted that canned products had been valued using the selling price less cost-to-sell without due consideration of the cost of producing the products as required by IAS 2. It would appear that senior management had not appropriately reviewed the inventory valuation calculations.

Management in response noted the auditors' findings and indicated that due care and caution would be exercised during valuation of inventory. A cost of production model would be developed to value the cost of cannery goods.

3.13 Remittance of Government Levy

Auditors noted that ever since the 2010 financial year, Maun abattoir had not been remitting the P30 levy per head of cattle slaughtered by the abattoir to Government, as per the "Cattle

Export and Slaughter Levy Regulations (Statutory Instrument No 11 of 2010).

In response management indicated that a decision was taken in 2010 not to remit the amount, but there was no official correspondence to that effect. However, a decision had since been made to remit the amount to Government.

Auditor General's Comment

The decision to resume the remittance of the levy is noted, it nevertheless remains uncertain who authorised the discontinuation of the remittance of the levy during the period in question.

3.14 Submission of Income Tax Returns – Mainline Carriers

The auditors noted that Mainline Carriers had not submitted any income tax returns to BURS in respect of the 2010 tax year. Income tax computations had not been done for the past five years and no SAT payments had been made to BURS for any tax liabilities for all the tax periods.

In response management noted the auditors' finding and indicated that the recommendations would be implemented. They indicated that they were currently preparing the Mainline Carriers Financial Statements for the period 2007 – 2012 which were not audited for the past 6 years. The tax matters would be addressed on completion of the audit.

3.15 Amounts Retained from Employees

The auditors observed that the Commission had P221 000 relating to amounts retained from employees when they left the employment of the Commission. The amount was retained to be used in attending to any damage to the Commission's assets which were given to the employees while they were still working for the Commission. The period for withholding the money was three months after which, if no issues were noted, the money would be paid back to the former employees. However, it was noted that a balance of P196 000 related to amounts retained from prior years.

In response management agreed that the P196 000 related to previous years and that the current practice was to make the payment after 3 months from the date the employee left the Commission. The proposal was to take this old balance to sundry income as there were no claimants.

Auditor General's Comment

In my view, such unclaimed wages would be subject to the application of the Administration of the Estates Act (Cap 31:01) as it relates to the operation of the Guardians Fund.

3.16 Access to Producer Pay Rate and Grade Update Menus

The auditors noted that there were users who had been wrongly assigned access rights allowing them to update prices on the integrated system. In addition, some users had access to both price rates maintenance and grades master file, which violated the principles of segregation of duties. Unauthorised access to change prices can result in inaccurate prices being used which may lead to loss of revenue. Allowing users to have access to both prices and grades poses a segregation of duties risk as users could perpetrate fraud which may not be detected.

Management in response indicated that access would be restricted to only those who need it.

3.17 IT General Computer Controls

The auditors observed that the Carton Weighing Station Four Quarter (CWS FQ) terminal in the de-boning room allowed manual input of weights, thus overriding the scale weight. This exposes the Commission to the risk of fraud as unauthorised manual adjustments may be made.

In response management noted the comment, and indicated that the manual use would be restricted.

3.18 Administrator Access on Foodchain

The auditors noted that a user, who was a production controller, had developer access on FoodChain system. Inappropriate developer access on system can lead to unauthorised changes which could have a significant impact on financial statements.

Management in response noted the auditors' finding and indicated that access would be restricted to the appropriate users.

3.19 Assignment to Price List Maintenance on Foodchain

The auditors observed that there were 21 users with access to perform maintenance on Price Master (Load pricelist from excel), who did not require this access.

Management in response indicated that access would be restricted to appropriate users only.

123. **Botswana Agricultural Marketing Board**

The financial statements of the Botswana Agricultural Marketing Board for the financial year ended 31 March 2013 were audited by Messrs Ernst & Young, Certified Public Accountants, who were appointed by the Board in terms of Section 16 (3) of the Botswana Agricultural Marketing Board Act (Cap 74:06).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of the Botswana Agricultural Marketing Board as at 31 March 2013, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in the manner required by the Botswana Agricultural Marketing Board Act, 1974 (Cap 74:06).

2.2 Financial Results

The financial operations of the Board for the year resulted in a profit of P2.09 million, compared to P1.14 million in the previous year. The profit for the year was mainly attributable to income of P178.82 million (comprising revenue of P175.01 million, other income of P2.21 million and finance income of P1.60 million), while expenditure was P176.73 million (comprising cost of sales of P136.79 million, operating expenses of P39.46 million and finance costs of P473 437).

2.3 Working Capital

The working capital position of the Board as at 31 March 2013 showed current assets of P129.06 million and current liabilities of P86.96 million, giving a net current assets position of P42.10 million.

2.4 Dividends

The Board had proposed a dividend of P522 894 to Government for the accounts of 2012/13 financial year. During the year under review the Board paid a dividend of P285 742 but this had not been reflected in the accounts of Government as received.

3.0 Management Letter

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

3.1 Cash Book Reconciliations

The auditors noted that the cash book reconciliations had not been prepared on time for the Pitsane, Pandamatenga, Moshupa and Gaborone West depots. This may result in losses of cash which may not be detected in time.

In response management indicated that the cash reconciliation statement (CRS) completion may be delayed if there was a query as the investigations would be taking place when there was a shortage, surplus or some missing supporting documents. The process can hinder the processing of the next CRS while waiting for the correct balance from the previous CRS.

3.2 Delays in Capturing Manual Invoices into the System

The auditors noted that there were instances were manual invoices were raised by the depots on sale of products, which should be captured once the system is restored but they observed delays capturing manual invoices for the Francistown, Maun, Gaborone West and Pitsane depots.

In response management indicated that there was an upgrade of the system during the financial year which resulted in downtime and made the operations accumulate manual invoices but they would ensure that all the manual transactions are processed within the times stipulated in procedures.

3.3 Stock Reconciliations

The auditors observed that there were no stock reconciliations performed for the variances between the stock counted (weekly) and the Accpac quantities for the Maun branch.

In response management indicated that stock reconciliation was done on a weekly basis and that management would ensure that a form was raised to show how the corrections of variances were done.

3.4 Grading Reports on Purchases

The auditors observed that there were no grading reports on some of the purchases made during the year. The auditors felt that the production may not be purchased at the correct prices since these were determined by the type of grade.

In response management indicated that all products were graded before purchasing and that it would ensure that all grading reports were properly documented and attached to the Goods Received Notes.

3.8 Expired Lease Agreements

The Auditors noted that the lease agreements for Tutume, Serowe, Machaneng, Letlhakane and Kanngwe depots had expired for periods ranging from 7 to 20 months at the time of audit. Management had confirmed that action was being taken to renew the leases.

Auditor General's Comment

It is my view that prompt action should be taken to regularise all important documents, such as lease renewals, on a timely basis.

3.11 Stock Variances

The auditors, while reviewing the stock records maintained during the year, observed some discrepancies between the physical stock, the stocks per the sales system and the stocks per the ledger (Accpac).

In response management indicated that there was an upgrade of the system during the financial year so had downtime which led to accumulation of manual invoices but would ensure that manual transactions are processed within the times stipulated in the procedures.

3.12 Strategic Grain Reserve (SGR)

a) VAT on Bank Transactions

The auditors noted that there was a long outstanding balance in the trial balance of P27 170 being VAT charged by the Stanbic Bank on transactions. Though management had explained that Strategic Grain Reserve (SGR) was exempt from tax per the letter dated 26 October 2009 received from BURS, the auditors noted that the letter only referred to Botswana Agricultural Marketing Board (BAMB) and made no mention of SGR. Therefore, the auditors did not believe that the SGR was covered and the amount should be written off as there was no sufficient proof that it was recoverable from BURS or the Bank.

In response management indicated that the amount would be expensed as suggested by the external auditors.

b) Errors in Accounts Payable

The auditors noted a credit balance of P25 000 that related to prior year audit fees which had already been settled under BAMB on behalf of SGR. In addition there was a credit balance of P2 661.81 described as "Sundry Debtors" shown as a liability. The auditors suggested that these liabilities should be derecognised as they were unsupported as at year-end.

In response management indicated that they had noted the auditors' observation.

124. **Botswana National Productivity Centre**

The financial statements of the Botswana National Productivity Centre for the financial year ended 31 March 2013 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Centre's Board of Directors in terms of Section 16 (2) of Botswana National Productivity Centre Act, (No. 19 of 1993).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of Botswana National Productivity Centre as at 31 March 2013, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Centre for the financial year ended 31 March 2013 resulted in a deficit of P12.55 million, compared to P2.13 million (adjusted) in the previous year. The reason for the increase in the deficit was mainly due to modest increase of income from P35.41 million in the previous year to P35.79 million in the current year, whilst the expenditure had shown a significant increase from P39.61 million to P49.75 million.

2.3 Working Capital

The working capital position of the Centre as at 31 March 2013 showed current assets of P16.46 million and current liabilities of P15.45 million, giving a net current assets position of P1.01 million.

3.0 Management Letter

3.1 Physical Verification of Property, Plant and Equipment

In my previous report I had stated that the auditors had commented that the Centre did not carry out an annual verification of property, plant and equipment and that this exposed the Centre to the risk of loss without detection. The management had undertaken to carry out these verifications in future. In the audit of 2012/13, the auditors had confirmed that the verification had been done for the year under review, and recommended that the management should continue to do so in future.

125. **Botswana Postal Services**

The financial statements of the Botswana Postal Services for the year ended 31 March 2013 were audited by me in pursuance of Section 21(2) and (3) of the Botswana Postal Services Act (Cap 72:01).

2.0 Accounts

2.1 Audit Opinion

In my opinion:

The financial statements of the Botswana Postal Services (the Post) presented fairly, in all material respects, its financial position as at 31 March 2013, and its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards.

Emphasis of Matter

Without qualifying the audit opinion, attention is drawn to Note 25 of the financial statements which indicated that the Group and the Post incurred a loss of P76.11 million (2012: P4.38 million) and P76.29 million (2012: P3.57 million), respectively, and had net current liabilities of P5.95 million and P2.7 million, respectively. The Government, as the shareholder of the Post, had committed to provide the necessary financial support to the Post to ensure it continued as a going concern. The Board believed that the Post would receive on-going support from the Government.

2.2 Financial Results

a) Botswana Postal Services

In the year under review, the Post recorded a loss of P76.29 million, compared to P3.57 million reported in the previous year. Expenditure was P310.02 million in the current year, compared to P210.72 million in the previous year, representing 47% increase. Notable increases were recorded in administrative expenses, other operating expenses, restructuring costs and finance costs which totalled P189.32 million compared to P110.61 million last year.

b) Group (Comprising Botswana Postal Services and Botswana Couriers (Pty)Ltd)

The financial performance of the Group for the year under review showed a loss of P76.11 million compared to P4.38 million recorded in the previous year. In the current year, expenditure (comprising cost of sales, administrative expenses, other operating expenses, finance costs, restructuring costs and taxation) increased from P232.28 million to P320.92 million.

This is the fourth year in a row that the Group had been making losses. However, it should be noted that a non – recurring item of P50.14 million in respect of staff rationalisation exercise had contributed significantly to the loss of the Post in the year under review.

2.3 Working Capital

The working capital position of the Group as at 31 March 2013 showed current assets of P147.46 million and current liabilities of P153.41 million, giving a net current liabilities position of P5.95 million. The going-concern status of the Group was dependent on continued Government support.

3.0 Management Letter

The following are the matters that were raised in the management letter and responses of the management thereto:

3.1 Creditors Not Paid Within 90 Days

Included amongst local creditors were those with balances amounting to P133 556 which had not been paid within 90 days, contrary to stipulated Post's credit terms. Failure to honour invoices as they fall due may create a negative reputation for the Post which may adversely affect business relations with suppliers.

In response management agreed with the audit finding and stated that they would endeavour to ensure that all suppliers were paid according to the payment terms in the purchase orders and contracts.

3.2 Bank Reconciliations

There were reconciling items in the following accounts of the Post which were more than 3 months old on which action should have been taken with a view to their clearance from the reconciliation statements:

- Standard Chartered USD Current Account had 3 reconciling items that totalled P91 850;

- Barclays Salaries Account had 4 items that amounted to P27 575; and

- Barclays Current Account bank reconciliation had a net payments balance of P458 422, being net of outstanding deposits and payments. There were also receipts amounting to P251 826 in the bank statement which were not recorded in the cash book.

In response management stated that they were in constant engagement with the banks to improve on the coding, referencing and capture of transactions in order to address these issues as they arose monthly.

3.3 Expired Contracts for Mail and Staff Transporters

It was noted that some of the contracts that the Post had entered into for transport of staff and mail had expired but service continued to be rendered and payments made without renewal/extension of such contracts. In the absence of a binding contract, amicable dispute resolution may be compromised and payments made for services not rendered.

In response management stated that there were delays in renewal of the transporters contracts due to restructuring of the Transport Department and that for business continuity, the same transporters continued to provide service at the same rates. New contracts had since been entered into post year-end.

3.4 Western Union – Commission

Inconsistencies were noted in the Settlement Account Profit Allocation reports generated from the Voyager System which were used for posting the commission earned by the Post into the general ledger.

In response management agreed with the audit finding and stated that they had already formally requested for an Independent Audit Accreditation Certificate for the Voyager System from the Western Union so as to gain assurance of the credibility of the reports generated from the system and obtain reasonable explanations of any inconsistencies.

3.5 Bulk Mail Credit Limit

It was noted that the Post did not adhere to credit limits in some instances. The First National Bank had a credit limit of P165 000 but the balance in their account was P333 692 while Mailing Services had a credit limit of P360 000 but the balance in their account was P818 064.

Management in response stated that they were in the process of reviewing credit limits as it had been noted that there had been significant increases in the volumes handled for clients. They further stated that they were in the process of finalising the new credit policy which would lead to the review and better management of credit awarded to customers.

126. **Botswana Telecommunications Corporation**

The financial statements of Botswana Telecommunications Corporation for the financial year ended 31 March 2013 were audited by Messrs Ernst & Young, Certified Public Accountants, who were appointed by me in terms of Section 20 (2) of the Botswana Telecommunications Corporation Act (Cap 72:02), as read with Section 31 of the Finance and Audit Act (Cap 54:01).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The consolidated financial statements presented fairly, in all material respects, the financial position of the Corporation as at 31 March 2013, and of its financial performance and its cash-flows for the year then ended, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act (Cap 42:01).

2.2 Financial Results

In the year under review the financial operations of the Corporation showed a net profit of P273.65 million, compared to a profit of P375.59 million in the previous year. The profit for the year arose from income of P1.41 billion.

2.3 Working Capital

The working capital position of the Corporation as at 31 March 2013 showed current assets of P721.23 million and current liabilities of P309.38 million, giving a net current assets position of P411.85 million.

2.3 Dividends

The Corporation paid the dividend of P59.22 million to the Government for the financial year 2011/12

3.0 Management Letter

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

3.1 VAT on Stale Invoices

The auditors noted that VAT input tax amounting to P227 034 could not be claimed on a number of invoices as the invoices were more than 4 months old.

In response Management indicated that regular supplier statement reconciliations and follow-ups on outstanding orders would be made as well as address delays internally.

3.2 Recording of Interconnect Traffic

The auditors observed that the Corporation experienced problems with its interconnect systems during the year as it relied on traffic measurements of another service provider to calculate monthly interconnect provisions and had not validated with another service provider the traffic interconnection produced in April 2013. Therefore

Corporation had not invoiced non of the service providers for the whole year and invoicing was only done subsequent to year-end in May 2013.

Management in response stated that it had experienced problems with the interconnect systems due to introduction of Huawei Switch which led to wrong interconnect figures. The problem had since been resolved.

3.3 Reconciliation of Bank Accounts

The auditors observed the following:

- Reconciling items comprising debits of P1.04 million and credits of P5.09 million from seven bank accounts had no supporting documents.

- Some long outstanding items going as far back as November 2003.

- Items in the suppliers' reconciliation going as far back as 2006.

In response management stated that the unsupported items related to direct payments made by customers without sufficient details and to dishonoured cheques, but the majority of these items had been cleared.

Auditor General's Comment

While I accept management submission on progress with reconciliations, I consider that it would have been helpful if the items cleared and those that remained had been quantified to indicate the extent of progress made in this important matter.

3.4 Collection of Delinquent Balances

The auditors noted that in prior years the Corporation had engaged external debt collectors to assist with collection of long outstanding delinquent balances but no progress was made with the balance of P32 million, representing 22% of trade debtors, during the financial year under review.

In response Management stated that a tender was in process to appoint debt collectors by October 2013.

3.5 Use of Expired Key Contracts

The auditors noted that, as in the prior year, the Corporation was still making reference to expired Mascom and Orange interconnect contracts, and Mascom and Orange site rental leases which expired on 28th February 2013 and Lot Kagiso Unit 23 (Water Utilities) which expired on 30th November 2011.

In response Management agreed with the auditors' recommendation and stated that contracts were tracked to ensure action was taken to renew them on time. An addendum to the interconnect contracts had been prepared and sent to the operators but others declined to sign due to a dispute on the interpretation of the Botswana Communications Regulatory Authority ruling. Management approved the sub-lease of Lot Kagiso Unit 23 on 2nd April 2013 but could not be finalised pending the renewal of the parent lease by Water Utilities Corporation.

3.6 Credit Balances in Receivables Accounts

The auditors noted credit balances totalling P5.34 million in receivables which needed to be investigated before further action could be taken.

In response Management stated that investigations would be carried out to determine the source of the credit balances and allocate them to correct customer accounts. A recommendation to clear the credit balances would be made where information cannot be found.

3.7 PABX Debtors

The auditors noted long outstanding PABX and ISP broadband rental debtors amounting to P7.5 million going as far back as 2003 and that there were no follow-ups being made on the amounts and no proper controls appeared to be in place to ensure the amounts were being received and recorded in the ledger.

In response Management stated that the debtors were presented to the Finance and Audit Committee for write-off but the justification was to be enhanced for the October 2013 write-off exercise.

Auditor General's Comment

It is the duty of management to monitor all debtor accounts and take necessary action on those that fall behind, such as those going back to 2003, without prompt from external auditors. I accept the point that earlier action was taken for write-off, but for those debtor accounts going back to 2003 action should have been taken much earlier, especially where large amounts are involved.

3.8 Disaster Recovery Plan

The auditors raised an observation about the Corporation not having a documented disaster recovery plan and the management stated that preliminary work had started on the formulation of a Disaster Recovery Plan which is linked to the on-going Business Continuity Management Strategy which would address the entire company's responses to potential disruption to its business and, would start in March 2014.

3.9 IT Security Policy

The auditors noted that the Corporation had no IT security policy in place to address, among others, issues of information confidentiality, integrity or availability.

Management commented that the IT security policy had been prioritised through its inclusion in the on-going quick wins projects to be delivered through the Accelerated Change Programme.

127. **Botswana Housing Corporation**

The financial statements of the Botswana Housing Corporation for the financial year ended 31 March 2013 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed as auditors by the Corporation in terms of Section 24(3) of Botswana Housing Corporation Act, (CAP 74:03).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly in all material respects, the financial position of the Corporation as at 31 March 2013, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and in a manner required by the Botswana Housing Corporation Act, (CAP 74:03).

2.2 Financial Results

In the year under review, the Corporation recorded a surplus of P34.92 million compared to P50.41 million in the previous year. Expenditure increased from P353 million in the previous year to P498.30 million in the year under review, representing 41%, while the revenue increased from P342.49 million in the previous year to P465.35 million in the current year, representing 36% indicating that the increase in expenditure was proportionately higher than the revenue which may have accounted for the reduction in the surplus. The major increase in expenditure was in the cost of sale of houses which increase by 70% from P137.87 million to P235 million.

2.3 Working Capital

The working capital position of the Corporation as at 31 March 2013 showed current assets of P1.20 billion and current liabilities of P595.21 million which resulted in a net current assets position of P606.35 million.

2.4 Dividends

In my last report I had indicated that the Corporation had been advised, in 2009, that the dividends were not to be paid in cash for a period of 3 years, but by provision of affordable houses to Government. The arrangement has not yet been effected while the dividends continued to accumulate in the books of the Corporation. As at 31 March 2013 the cumulative figure was P72.09 million, including proposed dividend of P12.60 million in respect of 2012/13 financial year.

3.0 Management Letter

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

3.1 Slow-Moving and Loss-Making Inventories

The auditors observed that the Corporation had not been able to sell some of its housing inventories within a reasonable period of time after completion. Slow-moving completed housing inventories valued at P113.64 million out of the P165.72 million, representing 69%, were older than two years. Furthermore, there were instances in Gaborone, Jwaneng and Mahalapye projects where the Corporation had to sell below cost its housing inventories valued at P45.66 million and consequently had recognised an impairment provision of P2.21 million against these projects. The strategic direction of the Corporation was to increase its effort on constructing houses for sale rather than for renting, therefore, timely disposal of housing inventory was key for the Corporation to meet its strategic goal. Furthermore, the working capital position of the Corporation was negatively affected by these slow moving housing inventories which had caused the Corporation to source temporary funding through overdraft facilities, which had contributed to increasing finance costs.

In response, Management indicated that the losses stated above were brought about by their decision to sell the properties at below cost in order to release the capital locked in them as sales were very slow. Management further indicated that they continued to review the prices with a view to ensuring that there was a balance between cost recovery prices and market prices. For all new projects, the Board had now prescribed that 50% of the projects should be pre-sold prior to ground breaking.

3.2 <u>Title Transfers Relating to Sale of Properties to Government</u>

The auditors observed that there were significant delays in titles being transferred on sale of properties to Government and its related entities and that such delays were caused by apparent lack of willingness on the part of the Government entities to action the title transfers. While the auditors believed the offers made by the Corporation and subsequent implicit acceptance by Government entities, through purchase orders and payments, created a binding contract that sufficiently transferred risk and rewards incidental to ownership, enabling the Corporation to recognise sales revenue; it could still have the potential to bring administrative inconveniences in cases of potential contingent liabilities, where a third party could challenge the Corporation as it remained to be the 'owner' per the title deed.

In response Management indicated that there had been some progress in getting Government entities to sign the transfer documents. Through several correspondences between the Corporation, Ministry of Education and Skills Development and the Legal Services Division of the Department of Lands, there had been movement with regard to the transfer of properties purchased by the Ministry. Approximately 654 houses had been purchased by the Ministry from 2006 to-date. Between April and May 2013, an instruction was given to effect transfer of 326 units and hence transfer documents for 170 units (Tlokweng 62, Jwaneng 48 and Gantsi 60) should be ready for submission by end of July 2013 while the balance would be acted upon. Management further indicated that they were aware of other properties purchased by Government (Office of the President) but not yet transferred which would be attended to in the financial year 2013/2014. Management would further ensure that Government signed the sales agreement before taking occupation of the houses.

3.3 Write–off of Bad Debts

The auditors observed that during the year under review, management had written off P6.2 million worth of debtors that had previously been provided for. Based on explanations from management, these write-offs related to unidentified and unsupportable debtor balances, including balances that were carried forward from the Corporation's legacy system.

In response management indicated that this was a correction of transactions which had not been properly accounted for in the system. The transactions were done to correct the debtor balances and a thorough investigation was carried out before the adjustments were made.

3.4 Properties Without Title Deeds

The auditors noted a number of properties, amounting to approximately P55 million as of 31 March 2013, where the Corporation did not hold a title deed. As per the auditors' discussion with management, it was indicated that there had not been any disputes/litigations challenging the Corporation's ownership of these properties, and also Management believed that the matter was an administrative issue which could successfully be remedied without delay.

While disclosure of this matter is made in the financial statements, it is expected that steps would be taken to obtain the title deeds as soon as possible.

3.5 Vacant Properties

The auditors noted that 185 properties were vacant in the year under review compared to 363 in previous year, representing 1.7% and 3.4% of the rental property portfolio, respectively.

Management in response stated that the market had not been able to absorb all the units in new developments especially in Serowe, Mahalapye and Francistown and this led to higher than desired vacancy rates. The properties have now been earmarked for sale through the Tenant Purchase Scheme and some to be offered to Government in place of dividend.

128. **Botswana Savings Bank**

The financial statements of the Botswana Savings Bank for the year ended 31 March 2013 were audited by Messrs KPMG, Certified Public Accountants, who were appointed by the Board in terms of Section 4 (1) of the Botswana Savings Bank Act, (CAP 56:03).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Bank as at 31 March 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in the manner required by the Botswana Savings Bank Act, (CAP 56:03) and Banking Act, (CAP 46:04).

2.2 Financial Results

The financial operations of the Bank for the year ended 31 March 2013 showed an increased profit for the year of P19.92 million compared to P18.55 million in the previous year. The profit for the year was made up of income of P130.93 million and expenditure of P111.01 million.

2.3 Working Capital

The working capital position of the Bank as at 31 March 2013 showed current assets of P538.34 million and current liabilities of P27.94 million, giving a net current assets position of P510.40 million.

3.0 Management Letter

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

3.1 Bankers Realm Reconciliation

The auditors observed that the banking system (Bankers Realm) was not reconciled on a monthly basis to the reporting system (Accpac) for the loans and savings products, resulting in debit differences of P3.95 million (2012: P1.03 million) on the saving products and credit differences of P471 000 (2012: P3.62 million) on the loan products.

Management in response indicated that the matching of ACCPAC to Bankers Realm started in the previous year, with matching being done for periods as far back as 2011 and the difference had reduced for loans while it had slightly gone up for savings. Management was in the process of migrating to a new banking system (BR.Net) which would be integrated to the reporting system (ACCPAC) and was expected to eliminate the monthly differences between Bankers Realm and ACCPAC. Management would perform monthly reconciliations between the two systems going forward.

3.2 Bank of Botswana Account Reconciliation

The auditors noted that the cash book balance per the Bank of Botswana account reconciliation did not agree to the general ledger by P447 000 (debit) (2012: P502 000 (debit)).

In response, management indicated that the variance was subsequently reduced from P447 000 to P8 000 as at May 2013, and that the residual balance would be written off.

3.3 Dormant Reserves

The auditors observed that reconciliation of the dormant accounts reserves in Bankers Realm was not performed and hence accounts that were previously taken to dormant reserves were not reversed out to different savings products in the current year when they were reactivated.

In response, management noted the auditors' observation and indicated that necessary action would be taken to ensure that the dormancy reserve account was reconciled regularly at least on a monthly basis. All accounts that were activated shall be reversed out of dormancy account and respective savings accounts credited. Control measures shall be put in place to ensure that authorisation of transactions on these accounts was restricted to a fairly senior level.

3.4 Bankers Realm Sub-ledger

The auditors observed that the detailed loans listing for certain loan and savings products did not agree with the trial balance as there was a difference of P17 963 and P1.87 million for Loans & Advances and Deposits, respectively.

Management in response indicated that the difference between the sub-ledger and the trial balance was under investigation and amendments would be made during migration to the new system by July 2013.

3.5 Overdrawn Balances

The auditors noted that although the Bank did not offer overdraft facilities, P2.1 million (2012: P2.8 million) of the savings accounts were overdrawn at the reporting date.

In response, management indicated that some accounts were resolved while others were written off, thereby reducing the balance. The resolution process was continuing and also measures would be put in place to prevent any new accounts into overdrawn position.

Auditor General's Comment

It would be useful if management had indicted the extent of resolved items and the balance remaining at the time of their response for better appreciation of efforts made in this regard.

3.6 Suspense Accounts

The auditors noted a series of suspense accounts with a net difference of P7.4 million in Bankers Realm for which there was no reconciliation or monitoring.

In response, management indicated that the Bank had allocated all suspense accounts in the Core Banking System to respective Departmental Heads who are responsible for the monitoring of transactional activity in these accounts, including ensuring that regular reconciliations are performed. In future, the Bank would strengthen reporting mechanisms to ascertain that reconciliations were regularly performed for all suspense accounts.

3.7 Employee Leave Days

The auditors observed instances of employee leave days not accurately captured into the unique payroll system.

In response, management indicated that the payroll system was being upgraded to include electronic leave application which should eliminate any omissions.

3.8 Bank Signatories

The auditors observed that two ex-employees were signatories to the Bank's account held with Capital Bank while another two were signatories to the account held with First National Bank.

In response, management indicated that the occurrence of the issue was highly regretted especially as they had done all within their means to get signature mandates refreshed with all bankers. Management would issue new signatory mandates and withdraw old ones with all its bankers.

3.9 Staff Loans

The auditors observed that one staff member who left the employ of the Bank on 7 February 2013 was still appearing in the staff loans listing at year end. His account with a balance of P127 993 was still being charged interest at the staff rate of 5% which was only adjusted on 9 May 2013.

In response, management indicated that mechanisms to prevent a recurrence of a similar instance would be introduced and there would be coordination between HR, IT and Credit functions.

Auditor General's Comment

In addition to the mechanisms made for the future, the management should have stated the current status of the loan with respect to the loan repayments.

3.10 Negative Amounts in the Loan Book

The auditors observed that P448 023.55 was overpaid in 5of the loan product accounts which should be reclassified to Deposits.

In response, management noted the delay in processing customer refunds which was largely attributed to backlogs but most of the balances were reduced drastically by end of May 2013. Most of the Bank's loan customers do not operate transactional or savings accounts hence delays in processing the refunds emanating from challenges in sourcing the beneficiary's bank details. In future, the Bank shall consider persuading all customers who obtain loans with the Bank to open savings accounts.

3.11 Long Outstanding Reconciling Items

The auditors noted long outstanding deposits totalling P49 539 in the First National Bank account reconciliations at year-end dating as far back as 2011.

In response, management indicated that it had engaged its bankers on this matter by sending a list of unknown deposits but it took time for the bankers to assist. It has now been agreed that going forward, no deposit should be taken without proper reference otherwise it would be returned to the depositor.

3.12 VAT Returns

The auditors observed that VAT Returns for April-May were submitted after the due date.

In response, management indicated that it would ensure that VAT Returns were submitted on time.

3.13 Unclaimed Cheques

The auditors observed that unclaimed cheques amounted to P1.99 million at year-end (2012: P3.3 million) and some were very old.

In response, management indicated that efforts were ongoing to clear the balances by December 2013.

Auditor General's Comment

My latest enquiries, in January 2014, had indicated that the unclaimed cheques had not all been cleared as at 31 December 2013. Management explained that there still remained a balance of P1.5 million.

3.14 Dividends

The Bank declared a dividend of P4.98 million on the accounts of the financial year ended 31 March 2012. During the year Government received P5.69 million relating to the accounts of 2011/12 (P1.05 million) and 2012/13 (P4.64 million), which were paid gross without deduction of withholding tax on the mistaken belief that the tax-exempt status of the Bank had a bearing on the dividends.

129. **Botswana Tourism Organisation**

The Botswana Tourism Organisation is established under the Botswana Tourism Organisation Act (Cap 42:10) to regulate the tourist industry and to promote its development. In terms of Section 22 (2), the audited accounts are to be submitted to the Minister who shall cause them to be laid before the National Assembly, in terms of Section 24 of the Act.

The accounts for the year ended 31 March 2013 have been audited and were awaiting Board approval at the time of writing this report.

130. **Botswana National Sports Council**

The financial statements of the Botswana National Sports Council for the financial year ended 31 December 2012 were audited by Messrs

Grant Thornton, Certified Public Accountants, who were appointed by the Council in terms of Section 15(3) of Botswana National Sport Council Act (CAP 60:01).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of the Botswana National Sports Council as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Council recorded a surplus of P24.27 million compared to P12.09 million in the previous year. The increase in the net surplus for the year was mainly due to Government grant which increased from P73 million in the previous year to P83.79 million in the year under review, an increase of 14.77%. This is the main source of revenue to the Council. The expenditure for the year under review was P68.92 million, out of which P32.86 million was distributions to affiliates and associates, representing 47.7%.

2.3 Working Capital

The working capital position of the Council as at 31 December 2012 showed current assets of P4.42 million and current liabilities of P9.83 million, which resulted in a net current liabilities position of P5.41 million.

This position is a continuation from the previous year, and is an unhappy situation as it puts the going-concern status of the Council into doubt.

3.0 Management Letter

3.1 Fair Value of the Land and Buildings (National Stadium)

The following issues were observed by the auditors during the audit of land and buildings:

- The Council had adopted the revaluation model for its land and building category and the accounting policy as per the Finance and Procedures Manual states that valuation by an external independent valuer would be carried out every five years. The last revaluation was done in 2007 for which a value of P38.5 million was attached to the land and buildings of the Council, the substantial part being the National Stadium structure.

- The Government had undertaken the refurbishing of the National Stadium since 2009 and hence the fair-value remained unchanged while the work was in progress. As at 31 December 2012, the Government had spent P72 million towards the renovations which had been capitalised in the books in addition to the fair value as at 31 December 2007.

- The Council had not derecognised the building with fair-value earlier adopted as per the requirements of IAS 16. Instead, the amounts incurred by the Government had been capitalised as an addition. On further enquiry, the auditors were informed that the Council did not de-recognise the asset since the structure did not undergo any changes as the additions represented only additional structures/facilities put up by the Government.

The revaluation model is usually adopted to determine fair-values of properties where there is a reliable market and there are willing sellers and buyers which may not be the case with the National Stadium. The Council was therefore advised to consider changing the accounting policy for its land and buildings to cost model.

In response management stated that the stadium was handed over to Government for renovation in 2009, two years after revaluation, and was yet to be officially handed back to the Council. The Council was given permission to occupy the offices in the stadium so as to reduce rental costs paid to Botswana Bureau of Standards while the stadium continued to be renovated by Government.

Auditor General's Comment

The auditors observations and management representations are noted.

3.2 Reconciliation of the Ledger and Source Records

The auditors noted that there was no evidence of reconciliation of the assets register with the general ledger. As a result of this, non-reconciling differences between the two were noted for which appropriate explanations could not be obtained.

In response management stated that the assets register had been a challenge for the Council as there was movement in the fixed assets at the time of renovating the stadium and re-occupying it. Management undertook to look into possibilities of engaging a consultant to conduct physical verification of all Council's fixed assets and include them in the assets register and ACCPAC.

3.3 Alignment of Finance and Procedures Manual to IFRS

The auditors noted that the Council's accounting policy contradicted the policy as per the signed financial statements with respect to recognition of grant income. The policy in the finance manual states that "government grant is recognised upon receipt of funds from Government of Botswana", while the financial statements policy states that "operating grants are recognised in the income statement in the period in which the related expenditure is incurred". Grants received for which related projects have not commenced are included in the current liabilities as deferred income.

In response management stated that they would meet to discuss the matter and ensure alignment of the Council finance manual to the IFRS.

131. **Botswana Bureau of Standards**

The financial statements of Botswana Bureau of Standards for the financial year ended 31 March 2013 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Council in terms of Section 8 (2) of the Standards Act, (CAP 43:07).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors,

The financial statements gave a true and fair view of the financial position of the Botswana Bureau of Standards as of 31 March 2013, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review the Bureau recorded a net loss of P54.76 million compared to a surplus of P10.97 million in the previous year. The loss arose from expenditure of P89.77 million against income of P11.31 million. In the year under review the Government grant had been reduced from P63.68 million last year, to P10.77 million this year which accounted for the loss, since this is the main source of revenue for the Bureau.

2.3 Working Capital

The working capital position of the Bureau as at 31 March 2013 showed current assets of P21.72 million and current liabilities of P13.35 million, giving a net current assets position of P8.37 million.

3.0 Management letter

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

3.1 Physical Verification of Property Plant and Equipment

The auditors observed that management had not carried out a physical verification of property, plant and equipment which is a vital control in order to safeguard assets and avoid misuse of such assets.

In response management stated that at the time of audit the physical verification exercise was not done owing to non-availability of the bar code scanner and norming software. However a new bar coding system and reader were being implemented with a view to reporting physical verification by the 30th September 2013.

Auditor General's Comment

In my last report I had stated that the auditors had indicated that the results of the physical verification of assets had not been availed to them due to an error in the system used to capture the verification details. In response, management had stated that the system had failed to upload the data required even with the assistance of the consultant and that the matter had been referred to the supplier to do software repairs and maintenance. The latest intimation is that the matter has still not been resolved.

132. **Botswana Examinations Council**

The financial statements of the Botswana Examinations Council for the financial year ended 31 March 2013 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed as auditors 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 gave a true and fair view of the financial position of Botswana Examination Council as at 31 March 2013, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by the Botswana Examinations Council Act, 2002.

2.2 Financial Results

The financial operations of the Council for the financial year to 31 March 2013 showed a surplus of P11 million, compared to P14.80 million in the previous year. The reduction in the surplus was due to an increase in expenditure from P198.42 million in the previous year to P207.36 million in the current year, representing 4.5% while income increased from P213.23 million in the previous year to P218.37 million, representing 2.4%.

2.3 Working Capital

The working capital position of the Council as at 31 March 2013 showed current assets of P89.28 million and current liabilities of P16.67 million, giving a net current assets position of P72.61 million.

3.0 Management Letter

The auditors issued a management letter and the points raised by the auditors were of concern to management and did not merit inclusion in this report.

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

The financial statements of Public Enterprises Evaluation and Privatisation Agency for the financial year ended 31 March 2013 were audited by Messrs PricewaterhouseCoopers, Certified Public

Accountants, who were appointed by the Board, in accordance with Clause 14.1 of the Agency's Articles of Association, as read with Section 191 of the Companies Act (Cap 42:01).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of the Public Enterprises Evaluation and Privatisation Agency as at 31 March 2013, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Agency recorded a surplus of P1.25 million, compared to a deficit of P296 197 (Restated) reported again in the previous year. The Government grant, which is the main source of revenue recorded a significant increase of P4.4 million, representing 18%. The operating expenses on the other hand increased from P25.49 million last year to P28.29 million in the year under review, recording a modest increase of 10%.

2.3 Working Capital

The working capital position of the Agency as at 31 March 2013 showed current assets of P26.73 million and current liabilities of P27.47 million, giving a net current liabilities position of P742 766.

The current liabilities included a balance of grants deposited with the Agency for the Botswana Telecommunications Corporation and the National Development Bank privatisation projects amounting to P22.64 million and P550 000, respectively.

3.0 Management Letter

The auditors issued a management letter and the matters raised did not merit mention in this report.

134. **Motor Vehicle Accident Fund**

The financial statements of the Motor Vehicle Accident Fund (Fund) for the financial year ended 31 December 2012 were audited by Messrs KPMG, Certified Public Accountants, who were appointed by the Board in terms of Section 18 (2) of the Motor Vehicle Accident Fund Act (Cap 69:02).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors,

The financial statements presented fairly, in all material respects, the financial position of the Motor Vehicle Accident Fund as at 31 December 2012, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

The financial operations of the Fund for the year ended 31 December 2012 showed a reduction in surplus for the year from P134.74 million in the previous year to P130.04 million in the current year. The surplus for the year arose from operating income of P269.05 million and share of profit from associates of P2.57 million on one hand and expenses of P141.58 million on the other. Furthermore, other income (net) substantially increased from P2.69 million in the previous year to P128.32 million in the current year mainly due to net fair value gains on available-for-sale investments. Therefore the Fund ended with a total comprehensive income of P258.36 million during the year under review compared to P137.43 million in the previous year.

2.3 Working Capital

The working capital position of the Fund as at 31 December 2012 showed current assets of P748.53 million and current liabilities of P182.63 million, giving a net current assets position of P565.90 million.

3.0 Management Letter

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

3.1 Botswana Building Society Interest Rate

The auditors noted that the system calculated interest rate on BBS Paid-UP shares at 11% when the actual rate had reduced to 10.81% during the year. The change had not been updated in the SAP system.

Management in response indicated that the interest rate change in SAP was a configuration issue and the implementation partner would be engaged to effect change from the effective date. It was anticipated that the exercise would be concluded by the end of the second quarter. The difference was corrected at year-end.

3.2 Fair Value of Staff Loans

The auditors observed that staff loans were issued at below market interest rates and the fair value determination was not done on the loans to reflect the impact of the below market interest rate. The fair value adjustment required was estimated at P6.09 million spread over a range of 2 to 20 years loan repayment periods.

Management in response acknowledged the auditors' recommendation and indicated that they would ensure that staff loans were measured at fair value. Furthermore, that the annual amortisation unrealised cost was P304 311.15 for an approved staff complement of 84.

135. **Botswana Training Authority**

The financial statements of the Botswana Training Authority for the financial year ended 31 March 2013 were audited by Messrs Deloitte and Touché, Certified Public Accountants, who were appointed by the Board, to carry out the audit.

The appointment of auditors of statutory bodies is normally provided for in the statute establishing the entity. In the case of the Botswana Training Authority there has been either an omission or oversight in the Vocational Training Act, (No. 22 of 1998). In the event, the appointment has been made by the Board of Directors.

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 Training Authority as at 31 March 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Legal and Regulatory Requirements

The auditors pointed out that the Authority did not comply with Paragraph 28 (1) of the Vocational Training Act, (No. 22 of 1998) which requires the Board to submit to the Minister of Education and Skills Development, within a period of six months after the end of the financial year or within such longer period as the Minister may approve, a comprehensive report on its operations during such year together with the auditor's report and the audited accounts published in such manner as the Minister may specify.

2.2 Financial Position

The financial position of the Authority for the period to 31 March 2013 showed a surplus of P2.10 million (before P9.36 million Gain on Revaluation of Properties), compared to a deficit of P2.24 million in the previous year. Income decreased from P55.17 million in the previous year to P51.57 million in the current year while expenditure also decreased from P57.41 million in the previous year to P49.46 million in the current year. There was a notable decline in the Government grant from P26.58 million in the previous year to P22.67 million. The staff costs and research and consultation expenses, declined from P36.24 million to P33.14 million and from P5.64 million to P2.47 million, respectively.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2013 showed current assets of P33.83 million and current liabilities of P21.93 million, giving a net current assets position of P11.90 million.

3.0 Management Letter

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

3.1 Long Outstanding Receipts on the Current Account Bank Reconciliation

The auditors noted that there were long outstanding reconciling items amounting to P68 003 in the cash book which had not been cleared to the bank account at the time of the audit. Reconciling items totalling P63 092 related to customers with insufficient funds in their bank accounts and P5 907 related to a case of misappropriation of funds by a cashier.

Management in response indicated that at the time of audit, the on-going disciplinary case of misappropriation was at appeal stage with the Board. Management agreed with the auditors' finding on dishonoured cheque payments and was to present to the Board in October 2013 for write-off of the amount.

3.2 Provision for Doubtful Debts

The auditors observed that management did not provide for doubtful debts relating to the outstanding amounts for renewal of accreditation fees over 90 days old amounting to P76 681. However, management was confident that the debts would be recovered in due course although the Authority did not have an accounting policy in place which could be used as a guide for making provisions for all potential doubtful debts.

Management in response indicated that a policy on doubtful debts was in process of being submitted to the Board for approval. Outstanding debtors would be followed up and a recommendation for write-off made once all processes have been exhausted.

3.3 BOTA Office Project

The auditors noted that there was an amount of P3.18 million which represented the balance of funds from the capital grant received from the Ministry for the purpose of constructing the Authority's head office. The office project was officially completed in 2010 and these excess funds have been approved by the Ministry to be used in the development of the Botswana National Vocational Qualification Framework (BNVQF). However, management had resolved to utilise the grant for the purpose of funding the on-going repairs and maintenance of the Authority's head office but had not yet obtained approval from the Ministry.

In response Management agreed with the auditors' finding and stated that the decision to use the funds for repairs and maintenance of the building followed the Board's instruction in February 2013.

Auditor General's Comment

Management had undertaken to write to the Ministry by 4 October 2013 seeking authority to utilise the grant for repairs and maintenance of the Authority's head office.

3.4 Fixed Assets Tagging

The auditors noted that the Authority did not carry out periodic physical verification of its assets or tag the assets to facilitate easier identification.

In response Management stated that tagging and verification exercise had initially been planned but was deferred to allow the consultants to focus on year-end depreciation computations for the fixed assets following the revision on the assets useful lives in the 2011/12 financial year.

3.5 Information Technology (IT) Environment

The auditors noted that:

- The password policy document used to guide the implementation of password security in applications was still in draft pending board approval. Without a password policy access controls to information resources may not be implemented appropriately and consistently.

- There was no evidence of review of user access rights to ensure that access given to users remains appropriate and thereby limiting possibility of inappropriate access to the system and data.

- The change management policy to guide how changes are to be performed on IT systems and hardware and also provide guidance on the development of new systems was still in draft pending Board approval. The absence of a change control procedure may result in proper authorizations not followed during system updates while the absence of a system development procedure may result in an oversight of defined system development procedures during the development of new systems as well as lack of continuity knowledge of the system development cycle.

In response, Management stated that the draft policies were going through the approval processes.

136. **Tertiary Education Council**

The financial statements of the Tertiary Education Council for the financial year ended 31 March 2013 were audited by Messrs Ernst & Young, Certified Public Accountants, who were appointed by the Council in terms of Section 32 (2) of Tertiary Education Act, (CAP 57:04).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of the Tertiary Education Council as at 31 March 2013, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards, and in the manner required by the Tertiary Education Act, (CAP 57:04).

2.2 Financial Results

The financial operations of the Council for the financial year to 31 March 2013 resulted in a deficit of P105 404, compared to a deficit of P515 896 in the previous year. The revenue for the year was P33.33 million and was funded mainly by Government grant of P26.99 million, compared to revenue of P29.83 million in the previous year, including Government grant of P23.18 million. The expenses were P33.44 million in the current year and P30.35 million in the previous year.

2.3 Working Capital

The working capital of the Council as at 31 March 2013 showed current assets of P29.15 million and current liabilities of P27.36 million, giving a net current assets position of P1.79 million.

3.0 Management Issues

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

3.1 Guaranteed Loans

The auditors noted that management had been authorising personal loans to the limit of the individual officers' gratuity amount so as to minimise the Council's exposure to losses in the event employees leave employment without settling their debts.

However, it was observed that one officer's personal loan balance was more than the gratuity balance.

Management in response acknowledged the auditors' observation and highlighted that the loan applications were approved on the basis of the individual's ability to clear the loan at the end of the contract and not the gratuity balance at the time of application. In the case mentioned by the auditors, the staff member's projected terminal gratuity would be more than sufficient to clear the loan balance.

3.2 Pre-Approval of Cheque Payments

The auditors when reviewing the cut-off for cheque payments noted that the last cheque on 31 March 2012 was number 8633 amounting to P2 408. However, they observed that cheque number 8760 amounting to P1 500, though dated 31 March 2012 related to a service for the review of a programme whose contract was signed on 20 April 2012 and a payment voucher prepared on 24 April 2012.

Management in response acknowledged the auditors' observation and undertook to review and strengthen existing controls on cut-off procedure. They further stated that the cheque was backdated since it related to an assignment which was concluded before year-end and whose expenditure should have been accrued for.

3.3 Late Remittance of Withholding Tax

The auditors noted that withholding tax (WHT) on consultancy fees paid to foreign based consultants was paid late to BURS. In one instance the WHT amounting to P18 346.39 due on 15 May 2012 was paid to BURS on 14 June 2012 and in another instance, the WHT amounting to P15 916.08 due on 15 February 2013 was paid to BURS on 8 March 2013.

Management in response acknowledged the auditors' finding and stated that it had made effort to improve the timely remittance of both WHT and VAT. The above two cases were due to information technology system failure which took long to be rectified.

3.4 Inadequate Inventory Count Procedures

During the year-end inventory count, the auditors noted the following discrepancies:

- There were no documented inventory count instructions to detail the inventory count procedures to be followed;

- The inventory items were not labelled; and

- There was damaged inventory identified on the count which was not separated from the other inventory items.

Management in response acknowledged the auditors' observation and indicated that they would ensure that an inventory management procedure was developed.

3.5 Inventory Variances

The auditors during the inventory count noted significant variances between physical inventory and balances in the inventory ledgers.

Management in response acknowledged the auditors' observation and undertook to ensure that systems controls would be strengthened.

4.0 Human Resource Development Advisory Council (HRDAC) - Budget

HRDAC was established by a Presidential Directive (CAB 19 (B) 2009) in July 2009 to drive the implementation of the National Human Resource Development Strategy. The budget of the HRDAC during the financial year under review was administered by the Tertiary Education Council and P12.76 million was used to meet operating expenses while an amount of P7.09 million, representing unutilised funds, was held by TEC as at 31 March 2013.

137. **Non-Bank Financial Institutions Regulatory Authority**

The financial statements of the Non-Bank Financial Institutions Regulatory Authority for the financial year ended 31 March 2013 were audited by Messrs Ernst & Young, Certified Public Accountants, who were appointed by the Authority 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 Authority as at 31 March 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in the manner required by the Non-Bank Financial Institutions Regulatory Authority Act, 2006.

2.2 Financial Results

In the year under review the Authority recorded a substantial increase in surplus from P6.36 million in the previous year, to P15.97 million in the current year. The surplus for the year arose from revenue of P46.15 million and finance income of P360 424 while expenses amounted to P30.54 million. The government grants substantially reduced from P21.48 million in the previous year to P0.50 million in the current year since the supervisory levies which were effected through Statutory Instrument No. 11 of 2012 formed a substantial part of the Authority's income.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2013 showed the current assets of P27.91 million and current liabilities of P3.79 million, giving a net current assets position of P24.12 million.

3.0 Management Letter

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

3.1 Unallocated Receipts

The auditors observed that not all receipts from the regulated entities had been satisfactorily matched and allocated as the deposits made into the Authority's bank account did not have sufficient reference details to facilitate the tracing of the entities that would have made the deposits into the Authority's bank account. The unallocated receipts account had a balance of P324 879 as at March 2013.

In response, management acknowledged the auditors' observation and indicated that the issue emanated from either delays or non submission of supporting documents. Going forward, management has designed a form to enable regulated entities to enter critical information that would assist the Authority to keep track of all direct deposits.

3.2 Payroll Clearing Account

The auditors noted that payroll control account which should be nil at month-end, had a balance of P124 602 at 31 March 2013, indicating that timely reconciliations were not being done.

In response, management stated that both cash and non-cash earnings were routed through the payroll system and reconciliations are now prepared regularly and timeously.

3.3 Withholding Tax on Consultancy Fees and Rentals

The auditors noted delays in the remittance of withholding tax to BURS relating to the following:

- Withholding tax for payment effected on 8 January 2013 for consultancy fees was only paid on 13 April 2013.

- Withholding tax amounting to P11 210.64 relating to rentals at 31 March 2013 on the new Authority premises had not been paid by 15 April 2013.

Management in response acknowledged the auditors' observation on withholding tax on consultancy fees and stated that it was an isolated case which the Authority would ensure it does not recur. As regards the withholding tax on rentals, controls were in place to ensure that the tax was applied and remitted to BURS on time.

3.4 <u>Long Outstanding Levy Amounts</u>

The auditors noted that the Authority had long outstanding supervisory levy amounts from a number of regulated entities at 31 March 2013 and that an allowance for impairment amounting to P1.87 million was recognised. Furthermore, 4 of the International Financial Services Centre entities with withholding tax levy balances had not communicated with the Authority to confirm their operational status.

In response, management stated that the large accounts receivables balances at year-end related to asset managers who had resisted the introduction of supervisory levies and challenged the approved rates. The asset managers have since settled the amounts owing after their appeal to have the rates reviewed by the Ministry of Finance and Development Planning for 2013/14 financial year succeeded. Measures were put in place to follow-up levies due and this led to a significant reduction in the accounts receivable balance.

3.5 <u>Waiver on Levies</u>

The auditors noted that one of the IFSC registered companies was granted a waiver on levies amounting to P30 806.01 by the Authority in terms of Section 26 of Non Bank FIRA Act. However, there were delays in the Regulatory Department submitting the approved supporting documentation to the Finance Department to effect the adjustment in the records in a timely manner.

In response management acknowledged the auditors' finding.

3.6 Authority's Exposure to Guarantee Scheme

The auditors noted a significant reduction in the Authority's exposure to the Botswana Building Society guarantee loan scheme in which the employees' loans were guaranteed loan up to 85% of the outstanding balance at any point in time.

In response management indicated that the Authority had resolved to move from the guaranteed loan scheme facility to an unguaranteed one. Significant progress was made in transferring the loans by the year-end except for two which were ultimately transferred by July 2013.

3.7 ADB Project Account

The auditors noted that certain non-project deposits amounting to P2 789.60 had been made into ADB account in February 2013. Management indicated that the funds could be licence fees or levies, and since the bank had not furnished the Authority with supporting details, relevant allocations could not be effected.

In response management acknowledged the auditors' findings and indicated that the Authority had not communicated the project account to the regulated entities but had informed the bank of the transactions and the controls. Regulated entities are engaged regularly to ensure that deposits are correctly allocated to the correct account.

3.8 Computation of Levy Payable for Micro-Lenders.

The auditors noted three instances where micro-lenders' loan books were not reconciled with the loan book details used to compute the levy payable. In these cases a significant difference arose which resulted in the levy charged being lower.

In response management indicated that micro-lenders were required to submit loan book value returns by the 15th day subsequent to each month-end and since such returns were based on unaudited results, there may be adjustments subsequent to the audit. The Authority is empowered by Statutory Instrument No. 11 of 2012 to impose penalties in cases where a misstatement leads to under collection of supervisory levy. A reconciliation would be done after the financial year-end for billings which were estimated, and also review regulations to make audits mandatory.

138. **National Development Bank**

The financial statements of the National Development Bank for the financial year ended 31 March 2013 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Board in accordance with the provisions of Section 19 (2) of the National Development Bank Act (Cap 74:05).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of the Bank as at 31 March 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in the manner required by the National Development Bank Act (Cap 74: 05).

2.2 Financial Results

The audited financial statements for the year ended 31 March 2013 showed a profit of P45.66 million compared to P40.43 million in the previous year. During the year, interest income was P202.20 million, while interest expense was P43.66 million.

2.3 Working Capital

The working capital position of the Bank as at 31 March 2013 showed current assets of P234.20 million and current liabilities of P270.07 million, giving a net current liabilities position of P35.86 million.

2.4 Dividends

A dividend of P11.41 million had been proposed to be paid to Government in respect of the accounts of 2012/13. The dividend of P10.11 million in respect of the accounts for financial year 2011/12 was not paid until April 2013.

3.0 Management Letter

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

3.1 Loans and Advances

a) Credit Customer Balances

The auditors noted instances of credit balances on loans and advances which arose from the following:

- Incorrect allocations to the customer account or product codes in the loan book.

- Continuous deductions being made from customer account subsequent to the loan being repaid in full.

In response management stated that accounts management had been intensified and properly resourced. The monitoring function had been set up with one of its core responsibilities being to deal with credit balances.

b) Write-off of Bad Debts

The auditors noted that the Bank did not take measures to write-off loans on time, instead loans were kept in the active portfolio for a prolonged period of time although they were non-performing.

In response management stated that the Bank was implementing projects that would ensure availability of data and timely write-offs by completion of quarter 2, in order to address the issue raised by the auditors.

c) Customer Statements

The auditors noted that the Bank was still unable to generate customer statements from its existing system on a regular basis.

In response management stated that the Bank had decided to send customer statements to clients half-yearly, with the first batch sent in January 2013 and the next batch would be dispatched in August.

3.2 Withholding Tax Payments (WHT)

The auditors noted that in paying the Withholding Tax due on dividend declared to its shareholder, the Bank paid with a rate of 15% instead of 7.5%.

In response management stated that they would claim from BURS by 31st July 2013 and funds would be forwarded to Botswana Government upon receipt. Management further stated that the Bank would tighten controls around implementation of changes in regulations such as rates.

3.3 Bank Reconciliations

The auditors observed significant delays in capturing deposits made into the bank account to the ledgers due to lack of supervision and review. Furthermore, this resulted in transactions not captured accurately and reconciliations not being reviewed on a timely basis.

In response management stated that bank queries and transaction postings to the ledger would be reviewed weekly with each staff member and a list of outstanding items would be identified for immediate action.

139. **<u>Botswana International University of Science and Technology</u>**

The financial statements of Botswana International University of Science and Technology for the financial year ended 31 March 2013 were audited by Messrs Mazars, Certified Public Accountants, who were appointed as auditors by the University Council in terms Section 19(1) of the Botswana International University of Science and Technology Act, (Cap 57:05).

2.0 <u>Accounts</u>

2.1 <u>Audit Opinion</u>

In the opinion of the auditors,

The financial statements presented fairly, in all material respects, the financial position of the Botswana International University of Science and Technology as at 31 March 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by the Botswana International University of Science and Technology Act, (57:05).

2.2 <u>Financial Results</u>

In the year under review, the University recorded a surplus of P71.10 million, compared to a deficit of P15.88 million (Restated) reported in the previous year. The Government subvention, which is the main source of income, increased from P10.95 million in the previous year to P127.09 million in the year under review.

This figure has to be reconciled with the one in Government accounts of P41.83 million paid as P40.39 million from the Tertiary Education Development Fund and P1.44 million from the recurrent budget.

2.3 <u>Working Capital</u>

The working capital position of the University as at 31 March 2013 showed current assets of P183.74 million and current liabilities of

P30.94 million, giving a net current assets position of P152.80 million.

3.0 Management letter

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

3.1 Maintenance of the Fixed Asset Register

The auditors observed the following weaknesses regarding the maintenance of fixed assets:

- The balances of fixed assets in the General Ledger, differed from those in the assets register;
- The fixed assets register was maintained on an Excel spreadsheet which was not updated soon after an asset was purchased;
- The assets were not coded for easy identification;
- There was no identification of the location of the fixed assets in the fixed assets register; and
- No reconciliation of the fixed assets register was done as stipulated in Clause 15.1.5 of the University's Financial Regulations.

Management in response agreed with the auditors' observation and stated that they had put in place a process to ensure that the assets register was updated simultaneously with acquisitions when payments were made for assets purchased. The University's operations had over the past year moved from Botswana Examinations Council building to Oodi College of Applied Art (OCAAT) and from the main building in OCAAT to porta cabin offices and laboratories. In this movement it was not possible to record assets locations in the register. While assets were recorded in the assets register, the codes were not recorded as required, owing to manpower constraints. Management undertook to perform a regular reconciliation of the fixed assets register to the general ledger by December 2013.

3.2 Missing Plots from the Assets Register

During the verification of assets through the assets register the auditors had noted that 5 plots had been omitted from the assets register. These plots included the main campus and four plots at Extension 7.

Management agreed with the auditors observation and undertook to take corrective action immediately.

140. **Botswana Institute of Chartered Accountants**

The financial statements of Botswana Institute of Chartered Accountants for the financial year ended 31 December 2012 were audited by V K Verma & Associates, Certified Public Accountants, who were appointed by the Council in terms of Section 53 (2) of the Accountants Act, (Cap 61:05).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of the Botswana Institute of Chartered Accountants as at 31 December 2012, and its financial performance, its changes in equity and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and in a manner required by the Accountants Act, (Cap 61:05).

2.2 Financial Results

In the year under review the Institute recorded a surplus of P657 010 compared to P40 543 (Restated) reported in the previous year. Income increased from P8.70 million (Restated) in the previous year to P12.29 million in the current year while expenditure increased from P8.66 million (Restated) in the previous year to P11.63 million in the current year. The Institute received Government grant of P2.95 million.

2.3 Working Capital

The working capital position of the Institute as at 31 December 2012 showed current assets of P2.43 million and current liabilities of P3.84 million, giving a net current liabilities position of P1.41 million. The liabilities of P3.84 million included subscriptions paid in advance of P1.34 million.

3.0 Management Letter

The auditors issued a management letter and the points raised by the auditors were of concern to management and did not merit mention in this report.

141. **Local Enterprise Authority**

The financial statements of the Local Enterprise Authority for the financial year ended 31 March 2013 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Board in terms of Section 25 (2) of the Small Business Act (Cap 43:10).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the Authority as at 31 March 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Small Business Act (Cap 43:10).

2.2 Financial Results

The financial results of the Authority, for the year to 31 March 2013 showed a deficit of P59.00 million, compared to P5.28 million in the previous year. The Government grant, as the main revenue source, declined from P134.86 million in the previous year, to P78.79 million in the current year while other operating and finance income increased marginally from P5.68 million in the previous year to P6.97 million in the current year. On the other hand, expenditure decreased from P145.82 million in the previous year to P144.76 million in the current year.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2013 showed current assets of P12.25 million and current liabilities of P15.15 million, giving a net current liabilities position of P2.90 million. This is an unsatisfactory situation as it indicates technical insolvency.

3.0 Management Letter

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

3.1 Cash and Bank Balances

The auditor observed the following:

- The cash received from customers at the branches was not banked on daily basis.

- The bank reconciliations prepared for branches and head office contained numerous differences, though not material, no steps had been taken to resolve long reconciling items and stale cheques at year-end.

Management in response noted the auditors finding and stated that cash received from customers was banked in line with the finance policy and that appropriate action would be taken for non-compliance. Management also undertook to ensure that the long outstanding reconciling items and stale cheques were investigated and resolved.

3.2 Property, Plant and Equipment

The auditors noted that some assets in the Fixed Assets Register had no code reference.

Management in response stated that the fixed assets verification which started in February 2013 had not been completed as only 2 officers were involved in the exercise and it was expected that it would be completed in the current financial year to address the issue of coding.

3.3 Oracle Post Implementation Consultancy Fees

The auditors noted that the Authority had provided for consultancy fees amounting to P702 912 for Oracle Post Implementation review even though all the stages of work had not yet been completed as at year-end. As per the IAS 37, the Authority is only liable to pay for the expense when a service has been rendered.

Management in response noted the auditors' finding and recommendation and undertook to ensure that there was compliance with the accounting standard (IAS 37 Provisions, contingent liabilities and contingent assets)

142. **University of Botswana**

The financial statements of the University of Botswana for the financial year ended 31 March 2013 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Council in terms of the University of Botswana Act, (Cap 57:01).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements presented fairly, in all material respects, the financial position of the University of Botswana as at 31 March 2013, its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the University recorded a deficit of P102.89 million compared to a surplus of P272.11 million (Restated) in the previous year. The Government subvention was significantly reduced from P732.47 million in the previous year to P362.16 million in the year under review, representing a decrease of 50.6%. The total income was P10.44 million which included tuition (P394.30 million) and finance income (P119.59 million) in addition to the Government grant.

2.3 Working Capital

The working capital position of the University as at 31 March 2013 showed current assets of P2 061.76 million and current liabilities of P395.36 million, giving a net current assets position of P1 666.40 million.

3.0 Management Letter

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

3.1 Fixed Asset Register for Land and Buildings

The auditors noted that land and buildings were not included in the fixed assets register as there was no register for this purpose. The summary report that was used by the University did not have a comprehensive breakdown of individual buildings.

They also noted an unreconciled difference of P831 457 between the fixed assets register and the general ledger.

In response management indicated that the application of the new iERP system would address the matters raised by the auditors.

3.2 Year-end Accruals

The auditors noted that goods received vouchers were not raised timeously to enable the University to make accruals based on goods received vouchers, while in some cases goods received vouchers were raised long after goods and services were received.

In response management accepted the auditors' finding and indicated that they were already working towards centralized receiving. The challenge was that there was no suitable single facility where all goods destined for the University could be delivered.

3.3 Staff Debtors

The auditors noted that there were no formal procedures in place to recover long outstanding loans from staff members who had resigned from the University. This resulted in the University writing off a sum of approximately P1 million in respect of irrecoverable staff loans and advances during the year under review. The auditors also noted that certain receivable balances from the staff were referred to the legal services more than five years ago and that legal services had failed to recover the outstanding balances.

In response management stated that recovery procedures were in place and that it was unfortunate that sometimes legal proceedings took time. Some former employees were dismissed and their benefits were not enough to cover debts. Significant amounts had been recovered over time so far.

Auditor General's Comment

It would be appreciated if management had indicated progress made in recovering the outstanding amounts to reduce the total indebtedness of "over P1 million", and what action they propose to take on the remaining debts.

3.4 Students Debtors

The auditors noted that the ITS system did not provide an option to generate an age-analysis for student debtors; accordingly, the monitoring of these balances had been difficult and inefficient. A high number of students' credit balances had been identified but not followed up as to the reasons for their existence.

In response management stated that they were in the process of implementing a new iERP system that would provide an option to generate an age analysis for students' debtors. Council had approved write-off of long outstanding balances and immediate action would be taken to ensure that it was implemented.

3.5 Students Fee Structure

The auditors noted the following weaknesses in the ITS billing system:

- The ITS system fee structure had active subjects accounts with zero fee value.

- Some subjects in the ITS system were not linked to any of the cost centres.

The above anomalies resulted in multiple manual entries being made in the ITS system student accounts to correct the errors in billings thus increasing the potential for fraud or error.

In response management stated that subject fees would be verified to ensure that all subject fees were correct and that the inactive subject accounts would be deleted from the fee structure.

3.6 Rental Income from Outside Parties

The auditors noted that the University was not collecting rental income from some outside parties for using the University properties and that the monthly rentals were not reflected in the agreements.

Management stated that immediate action would be taken to normalize lease agreements that lacked crucial information.

3.7 Writing–off Abandoned Projects

The auditors noted that an amount of P9 741 647 for abandoned projects in the government grant fund account was written-off during the year under review, mainly for the cultural village and Maun campus development.

In response management stated that out of the above amount only P2.5 million related to the design of a suspended project while the rest of the money related to the design of Maun Master Plan, refurbishment of a rented property and demolition of tennis courts. Management further stated that they consider that these were not assets but expenses.

Auditor General's Comment

This may be so, but management have not commented on why the projects were abandoned after so much money had been spent on them, as alleged by the auditors.

3.8 Information Technology - General Controls

The auditors identified a number of control deficiencies and of particular concern, were the following:

- IT strategy was not formalized and approved by the relevant authority.
- Disaster Recovery and Business Continuity Plans were not in place.
- The IT Security Policy was not in place.
- Change control policy was not formally approved, no evidence of approval obtained for changes implemented, and change control meeting minutes were not available.

- There was a high likelihood of unauthorized changes being implemented since Information Technology System Developers had access to the production environment for implementing changes.

- ITS Account and Password settings were insufficient.

- 314 computers were without antivirus software while 19 had not received latest updates.

Auditor General's Comment

Management had not responded to the observations made by the auditors.

143. **Competition Authority**

The financial statements of the Competition Authority for the financial year ended 31 March 2013 were audited by Messrs Ernst & Young, Certified Public Accountants, who were appointed by the Competition Commissioners in terms of Section 23 of the Competition Act, 2009.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of the Competition Authority as at 31 March 2013, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards, and the Competition Act, 2009.

2.2 Financial Results

In the year under review the Authority recorded a net surplus of P3.36 million compared to P3.13 million in the previous year. The income for the year under review comprised Government subvention. Government subvention of P23.20 million, which is the main source of revenue of P23.20 million, and other income of P1.46 million,0 while the expenditure amounted to P21.31 million.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2013 showed current assets of P8.10 million and current liabilities of P2.82 million, giving a net current assets position of P5.28 million.

3.0 Management Letter

The auditors had issued a management letter and the issues raised were concerned with matters of detail of internal control environment and accounting system and did not merit mention in this report.

144. **Civil Aviation Authority of Botswana**

The Board of the Civil Aviation Authority of Botswana appointed me the auditor on 26th November 2012 in terms of Section 37 (1) of the Civil Aviation Act (Cap 71:04) for a three year period commencing with the audit of the accounts of the financial year ended 31 March 2012 and ending in 2013/14. While this was the case the accounts for the financial year ended 31 March 2012 were not submitted to me for audit until July 2013, that is 16 months after financial year-end. As this period is outside that prescribed by Section 37 (1) of the Civil Aviation Act (Cap 31), which stipulates 4 months, the approval of the Minister had been obtained for the extension. The accounts for the year ended 31 March 2013 are already late for submission for audit in terms of the Act.

It is hoped that efforts will be made to bring all matters of these accounts up-to-date as this situation has persisted since inception of the Authority in 2009.

145. **Public Procurement and Asset Disposal Board**

The financial statements of the Public Procurement and Asset Disposal Board for the year ended 31 March 2013 were audited by me, having been 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 my opinion:

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 2013, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Board recorded a profit of P5.00 million, compared to P1.03 million reported in the previous year. The income of the Board for the year was P40.15 million out of which P35.51 million, including capital grant of P4.24 million, was Government grant. The other sources were contractor registration fees and interest income.

2.3 Working Capital

The working capital position of the Board as at 31 March 2013 showed current assets of P13.86 million and current liabilities of P6.81 million, giving a net current assets position of P7.05 million.

3.0 Management Letter

3.1 Staff Debtors

It was noted that the outstanding amount owed by staff as at 31 March 2013 of P1.12 million included an amount of P3 855 in respect of an emergency loan owed by an officer who had resigned from service. This is a long standing debt which I considered may not be recovered.

In response management stated that the officer had been advised of debt but he disputed the debt. They however said that they were still to make a decision.

146. **Botswana Technology Centre**

The draft financial statements of the Botswana Technology Centre for the financial year ended 31 March 2013 were audited by Messrs KPMG, Certified Public Accountants, who were appointed by the Board in terms of Section 191 of the Companies Act (Cap 42:01). Although the audit was completed the accounts had yet to be approved and signed by the Board of Directors.

Basis of Preparation of Financial Statements

The Government of Botswana directed that Botswana Technology Centre and Rural Industries Promotions Company (Botswana) be rationalised in order to focus the research agenda in the country as well as to optimise research output in terms of science and technology products and services. The merger had been approved and was expected to take place in the next financial year. Accordingly the financial statements have been prepared on a liquidation basis.

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The draft financial statements gave a true and fair view of the financial position of Botswana Technology Centre as at 31 March 2013, and its financial performance and its cash flows for the year then ended, on a non-going concern basis.

2.2 Financial Results

In the year under review, the Centre recorded a loss of P16.20 million compared to a profit of P33.39 million in the previous year. The Centre derived revenue from its own resources amounting to P2.04 million. Operating expenditure was P18.24 million in the year under review, compared to P51.40 million in the previous year.

2.3 Working Capital

The working capital position of the Centre as at 31 March 2013 showed current assets of P15.06 million and current liabilities of P12.87 million which resulted in a net current assets position of P2.19 million.

3.0 Management Letter

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

3.1 Terminated Employees in Payroll

The auditors observed that two terminated employees had not been removed from the payroll timeously and had received salaries for two months after termination.

In response management explained that the officers were working as Information Support Assistants based in Letlhakeng and Hukuntsi Kitsong Centers which were to be transferred to Botswana Post. The Centre was not informed when Botswana Post hired the officers and continued to pay them salaries for two months up-to April 2013 when they received information that the two officers had been employed by Botswana Post which had also paid them salaries for March and April 2013. Management indicated that they tried to recover the money from the former officers but nothing bore fruit. It was therefore resolved that the money be recovered from their earned gratuity and leave pay and the balance be written-off.

Auditor General's Comment

My latest enquiries had indicated that the total salary paid to the two employees was P16 812.46. The Centre had confirmed that P5 273.46 was recovered and P11 539 written-off.

147. **Botswana Privatisation Asset Holdings**

The Botswana Privatisation Asset Holdings was incorporated by Government of Botswana on 23 January 2008 to collect, receive and hold the portion of assets from privatised entities on its behalf.

The financial statements of Botswana Privatisation Asset Holdings for the financial year ended 31 March 2013 were audited by Messrs Grant Thornton, Certified Public Accountants, who were appointed by the Board in terms of Section 191 of the Companies Act, (CAP 42:01).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements gave a true and fair view of the financial position of Botswana Privatisation Asset Holdings as at 31 March 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Company showed a profit of P13.03 million, compared to P11.75 million in the previous year. The revenue for the year under review was from dividends of P14.24 million, compared to P12.46 in the previous year, representing an increase of 14%. Investment revenue for the year under review decreased to P16 194 from P399 623 in the previous year. Operating expenses increased from P1.10 million in the previous year to P1.27 million in the year under review, representing 15%.

2.3 Working Capital

The working capital position of the Company as at 31 March 2013 showed current assets of P2.15 million and current liabilities of P4 444, giving a net current assets position of P2.14 million.

3.0 Management Letter

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

3.1 Deduction of Withholding Tax on Dividends/Interest Paid

The auditors observed that communication from BURS dated 15 March 2012 outlined that the Company is exempt from tax as per the Second schedule of Income Tax Act, Chapter XVIII. However, the auditors noted that an amount of P545 482.72 was withheld by BBS from the dividends and paid over to BURS. The auditors advised management to engage BBS on the issue once again to avoid any future withholding tax deductions and also to initiate the process to recover the above amount already remitted to BURS.

In response, management indicated that they met with BURS on 23rd August 2013 to seek clarification on the Company's tax exemption status. Management observed that there seemed to be a lack of harmony between the provisions of Section 58 and the Seventh Schedule of the Income Tax Act which casts an absolute liability on the company which is paying the dividend, in this case BBS, to withhold and pay the tax withheld to the Government, and Chapter 52 and the Second Schedule of Income Tax Act, which stipulates that any Special Purpose Vehicle company formed by the Government is exempt from tax for any tax year. BURS were still working on bringing into line the two and shall communicate their position to management.

3.2 Annual Returns

The auditors observed that the annual returns for the year 2012 were rejected by the Registrar of Companies, stating that the return compiled related to company limited by shares instead of company limited by guarantee. Further, they also raised objections on the lack of disclosure of amount guaranteed by the members in case of liquidation. The auditors observed that prior year returns were accepted by the Registrar of Companies even though they were filed in the same manner as the one rejected. Management was advised to take immediate steps to normalise this long pending dispute.

In response management indicated that the Registrar of Companies picked the error when the 2012 return was submitted. Management had since engaged with the Registrar who confirmed that the company formation forms needed to be corrected to reflect the amount to be contributed by the members in the event of winding-up and that the same information need not be reflected in the Constitution. The relevant form was in place, safe for having been completed with words “as required” instead of a Pula amount. Management also indicated that the Board would at its next sitting be requested to sanction an amount to be reflected in the forms and that the annual returns would then be completed and filed accordingly.

3.3 Bank Signatories

From the review of the bank confirmation, the auditors noted that one of the former directors was included as part of the signatories despite having resigned from the Board of Directors two years back. The auditors suggested that management should take immediate steps to rectify this to ensure the Company’s authorized signatories are kept up-to-date.

In response management indicated that it would at the next Board meeting request for a Board resolution to update the Company’s authorising mandate held with the bank.

3.4 Accounting System

The auditors observed that the Company used excel workbooks to maintain books of accounts which expose the Company to risks such as lack of audit trail, lack of continuous record and potential data corruption. Further, it is general practise and a requirement under the Companies Act, especially for a public interest company of its size, to have a proper accounting system.

Management responded that they were running a pilot in ACCPAC for the Company. If successful, management shall implement and fully utilize the accounting system and that the 2013 audited financial accounts would be used as opening balances for 2014 financial year.

148. **Botswana College of Agriculture**

The financial statements of the Botswana College of Agriculture for the financial year ended 31 March 2013 were audited by Messrs Deloitte & Touché, Certified Public Accountants, who were appointed by the Governing Council in terms of Section 8 (2) of the Botswana College of Agriculture Act, (CAP 57:02).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of the Botswana College of Agriculture as at 31 March 2013, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

During the year under review, the College recorded a surplus of P217 353, compared to a deficit of P6.72 million in the previous year. The surplus for the year arose from tuition fees of P39.82 million, Government subvention of P77.79 million, other operating income of P19.23 million and finance income of P272 360 on one hand and expenses of P136.89 million on the other.

2.3 Working Capital

The working capital position of the College as at 31 March 2013 showed current assets of P35.66 million and current liabilities of P46.51 million, giving a net current liabilities position of P10.85 million. The current liabilities include development funds not yet utilised and prepaid tuition income of P2.17 million and P9.69 million, respectively.

3.0 Management Letter

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

3.1 Assets in the Meat Industry Training Institute (MITI)

The auditors observed that only the land and buildings out of the assets in MITI acquired by the College at the end of financial year 2011/2012 had been included in the College's fixed assets register. Thus, property, plant and equipment and capital grants were understated in the College's accounting records to the extent of P588 176 which was the fair value of the assets not accounted for as assessed by an independent valuer.

Management in response stated that the valuation was not yet complete and the assets would be taken on into the fixed assets register when the report became available.

3.2 Land without Title Deeds

The auditors noted that the land on which the College is located belongs to the Government of Botswana. The College was still in the process of obtaining title deeds for some portions of the land valued at P50.6 million out of a total land value of P123.6 million included in the College's fixed assets register.

In response Management stated that the College had been in contact with the Department of Lands since 2011 to survey the remaining land so that title deeds could be processed. The College had made written follow-ups on the matter but responses from the Department were not forthcoming.

3.3 Leave and Gratuity Provision Calculations

The auditors identified errors, in the calculation of the leave provision and the gratuity provision at year-end resulting from inaccurate number of leave days outstanding for some of the employees.

In response Management stated that there was an error in capturing values into the spreadsheets for calculating leave provision and gratuity provision. The College was considering automation of leave pay and gratuity calculations so that the general ledger is updated automatically.

149. **Botswana Investment and Trade Centre**

The Botswana Investment and Trade Centre (Centre) was established by the Botswana Investment and Trade Centre Act, 2011 in order to promote, attract, encourage and facilitate local and foreign investments in Botswana. The Botswana Export Development and Investment Authority and Botswana International Financial Services Centre were merged to create the Centre.

The inaugural financial statements of the Centre for the financial year ended 31 March 2013 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Board in terms of Section 19 of the Botswana Investment and Trade Centre Act, (No. 12 of 2011).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of the Botswana Investment and Trade Centre as at 31 March 2013, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and Section 19 of the Botswana Investment and Trade Centre Act, 2011.

2.2 Financial Results

In the year under review the Centre recorded a loss of P33.57 million which resulted from revenue of P49.51 million and expenditure of P83.07 million. The revenue mainly comprised Government grant (P10.27 million), fair value gain on investment properties (P25.55 million) and rental income (P6.76 million). Expenditure largely related to staff costs (P32.36 million) administrative expenses (P31.22 million), public relations expenses (P8.17 million) and Global Expo expenses (P6.29 million).

2.3 Working Capital

The working capital position of the Centre as at 31 March 2013 showed current assets of P36.52 million and current liabilities of P8.27 million, giving a net current assets position of P28.25 million.

3.0 Management Letter

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

3.1 Timeliness of Account Reconciliations and Reviews

The auditors observed that the account reconciliations, (especially for receivable and payables balances) were not prepared or reviewed on a timely basis during the year.

In response management accepted the auditors' recommendation and further stated that the finalisation of the reconciliations and schedules were affected by the finalisation of the 2012 which was complex due to the merger which occurred during the financial year. Improvements have already been put in place.

3.2 Global Expo Revenue Reconciliation

The auditors noted that management had not reconciled the total number of stalls rented out during Global Expo exhibition to the total amount of invoices raised and space allocated.

In response management accepted the auditors' recommendation and further stated that an officer had been dedicated to this task to make follow-ups of the outstanding invoices in order to ensure timely processing and reconciliation of Global Expo transaction.

3.3 Management of Petty Cash Float

The auditors noted that petty cash expenses incurred by foreign branches had not been updated timely in the General Ledger (GL). Evidence of frequent petty cash counts was not available.

In response management stated that petty cash was replenished on a frequent basis and that it was properly authorised. All petty cash was put in a lockable secure area and only one officer was given access to the safe. Management would perform petty cash spot checks on yearly basis.

150. **Botswana Vaccine Institute Limited**

The financial statements of the Botswana Vaccine Institute for the financial year ended 31 December 2012 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed by the Board in accordance with Section 191 of the Companies Act (Cap 42:01).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of the Institute as at 31 December 2012, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

During the year under review, the Institute recorded a profit of P4.87 million, compared to a loss of P4.96 million in the previous year. The profit for the year arose from income of P92.63 million and expenses of P87.75 million.

The revenue of P93.14 million was mainly derived from the sale of vaccines, with minor contribution from cattle sales, rental income, donations and other income amounting to P0.57 million.

2.3 Working Capital

The working capital position of the Institute as at 31 December 2012 showed current assets of P84.68 million and current liabilities of P56.39 million, giving a net current assets position of P28.29 million.

3.0 Management Letter

3.1 Previously Reported Matters

The auditors observed that the Institute had adequately addressed most of the prior year issues except the following.

These matters are now over 12 months old, and management had not given an update to indicate their current status.

a) Receivables amounting to P129 000 were outstanding for more than 90 days at 31 December 2011, and were still outstanding as at the reporting date.

b) Though the Institute had settled obligations secured against its residential properties with Barclays Bank of Botswana, the mortgage had not been released by the Bank.

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

The financial statements of the Botswana Institute for Policy Development Analysis for the financial year ended 31 March 2013 were audited by Messrs KPMG, Certified Public Accountants, who were appointed by the Institute in terms of the Deed of Trust (MA 16/95).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The financial statements gave a true and fair view of the financial position of the Botswana Institute for Development Policy Analysis as at 31 March 2013, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Institute recorded a surplus of P1.17 million, compared to P2.16 million in the previous year and a deficit of P2.27 million in the year before and a deficit of P0.65 million in year before that. The Government grant, which is the main source of income, increased from P12 million in the previous year to P17.12 million in the current year. This increase has probably accounted for the improvement in the performance of this Institute in the year of account.

2.3 Working Capital

The working capital position of the Institute as at 31 March 2013 showed current assets of P11.66 million and current liabilities of P6.91 million, which resulted in a net current assets position of P4.75 million.

3.0 Management Letter

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

3.1 Supplier Invoices Paid Twice

The auditors observed that suppliers' invoices and supporting documents were not crossed out or stamped as paid upon presentation and approval for payment. Three invoices amounting to P144 844 were paid twice as a result. The management was advised that documents supporting payments should be cancelled or marked as 'paid' when the related payment is approved for release to avoid similar errors and irregularities.

The management responded that the double payment for two of the payments was a result of the payment system error as the system continuously indicated that the payment had not gone through, hence the second payment was processed. The management also indicated that the control system detected the overpayment before the audit and that the error was duly corrected. The double payment on gratuity tax, which was also detected by the system, was later corrected with authority from BURS.

Auditor General's Comments

The management response is noted and their early detection and correction of the errors is appreciated. However, the main point is that there should exist an internal control/payment system that would altogether avert the occurrence of any errors. Errors in any accounting system are the greatest enemies of any organisation.

3.2 Expired Service Agreement

The auditors observed that the service agreement between the Institute and Secretariat of Vision 2016 expired in 2009 and had not yet been renewed although it continued in use. The risk with this situation is that disputes and service level matters arising may not be easily resolved due to lack of formally documented terms of reference.

Management responded by stating that the two parties have been operating on the basis of the old contract, which was currently under review and that the new one would be signed before the end of the financial year.

Auditor General's Comment

Although it is not clear what the "financial year" refers to, it is assumed that this refers to 2013/14, the year in which the audit was conducted.

152. **National Food Technology Research Centre**

The financial statements of the National Food Technology Research Centre for the financial year ended 31 March 2013 were audited by RSM Gurugroup, Certified Public Accountants, who were appointed by the Board in terms of Section 191 of the Companies Act (Cap 42:01).

2.0 Accounts

2.1 Qualified Audit Opinion

In the opinion of the auditors:

The Centre's fixed assets were carried in the Statement of Financial Position at P24 383 068 and management had not assessed their residual values and useful lives at year-end, which constituted a departure from International Financial Reporting Standards. Consequently, assets with a total cost of P4 160 399 were fully depreciated but still in use. Had management carried out the reassessment of residual values and useful lives, adjustments would have been required to increase the carrying amounts of property, plant and equipment and capital grant. The auditors could also not satisfy themselves on the completeness of the fixed assets register and ascertain the amounts of the adjustments needed.

Except for the possible effect of the matter referred to above, the financial statements gave a true and fair view of the financial position of the National Food Technology Research Centre as at 31 March 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Centre recorded a loss of P2.10 million compared to P0.88 million reported in the previous year. The Government grant, which is the main source of income, declined from P20.68 million in the previous year to P19.48 million in the current year.

2.3 Working Capital

The working capital position of the Centre as at 31 March 2013 showed current assets of P5.09 million and current liabilities of P3.45 million, giving a net current assets position of P1.64 million.

3.0 Management Letter

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

3.1 Recoverability of Accounts Receivable

Accounts receivable amounting to P249 765 had not been recovered for over 24 months and by 8th October 2013, the balance had increased to P261 078.

Management in response stated that it had proven difficult to contact most of the debtors using the available information and that most of the debtors were no longer in operation. Write-off of some debtors was being considered by management.

3.2 Sundry Creditors

The sundry creditors' balances which stood at of P14 180 in the previous year, was neither explained to the auditors, nor supported by documents, had now risen to P43 029 in the current year.

Management in response stated that the amounts related to the Collaborative (Morama and Donkey Meat) projects and part of the money was linked to the exchange rate which could not be resolved as the bank lost records during a fire incident.

3.3 Unbudgeted Expenditure

The Centre incurred expenditure above amounts approved in the budget and there was lack of monitoring of expenditure. This resulted in petrol & oil and management expenses being overspent.

Management in response stated that the budget was reduced from P20.87 million to P15 million and the Research and Development component was not funded, hence the Managing Director used her powers to juggle spending across budget lines.

Auditor General's Comment

The issue is, did the Managing Director have discretionary powers, under the financial regulations of the Centre, to authorise expenditure on items that are not budgeted for.

3.4 Fully Depreciated Assets

The auditors noted that residual values and remaining useful lives of fixed assets were not reassessed and re-estimated at each year-end as required by IAS 16: Property Plant and Equipment. As a result some assets of the Centre that were still in use and expected to be useable for some more years were fully depreciated and had a nil carrying amount in the books of the Centre. The assets in question were the following:

- Motor vehicles
- Porta camp
- Plant and equipment
- Lab equipment

In response management stated that they needed a true estimate of the value of the pilot plant and laboratory equipment and that they would engage relevant experts to assist with the revaluation.

3.5 Fixed Assets Register

The auditors observed that the gas store-room and the blinds carports were demolished due to some developments on site but these assets still appeared in the assets register.

Management in response stated that the gas store-room was a temporary arrangement as the old store-room was relocated to the new building and the old one would be removed from the register. The old carports were removed and disposed off, therefore they would be removed from the assets register.

3.6 Accumulated Depreciation

The auditors noted that some items of fixed assets in the computers, lab equipment and furniture categories were removed/ disposed of without a corresponding adjustment of the accumulated depreciation in the assets register. The breakdown is as follows:

- Computers P201 375.11
- Laboratory equipment P 95 866.48
- Furniture P165 223.72

The auditors recommended that accumulated depreciation should be eliminated promptly from the assets register on disposal of any fixed assets.

In response management noted the auditors' recommendation and agreed to comply.

153. **Botswana Development Corporation Limited**

The financial statements of the Botswana Development Corporation Limited for the financial year ended 30 June 2012 were audited by Messrs Deloitte & Touché, Certified Public Accountants, who were appointed by the Board in terms of Section 191 of the Companies Act (Cap 42:01).

2.0 Accounts

2.1 Qualified Audit Opinion

In the opinion of the auditors:

Basis for Qualified Opinion:

The investment in Fengyue Glass Manufacturing (Botswana) (Propriety) Limited, an associated company accounted for by the equity method, was reflected at P422 million as at 30 June 2012. This balance comprised both equity and debt instruments, accounted for at cost and amortised cost respectively. During the year under review, the Board approved additional funding to Fengyue Glass Manufacturing (Botswana) (Proprietary)

Limited of P332 million to cover additional costs on the project. The auditors were unable to obtain sufficient appropriate audit evidence about the carrying amount of the investment in Fengyue Glass Manufacturing (Botswana) (Proprietary) Limited because the financial information that made a full evaluation of the carrying value of the investment was not available. Consequently, the auditors were unable to determine whether any adjustment to the carrying value of the investment was necessary.

Except for the effect on these financial statements on the matters described in the paragraph above, the consolidated and separate financial statements gave a true and fair view of the consolidated and separate financial position of the Corporation as at 30 June 2012, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

In the year under review, the Group and the Corporation recorded a profit of P119.58 million and P25.97 million respectively, compared to P64.70 million and P156.57 million respectively, reported in the previous year. The revenue for the Corporation decreased from P400.06 million in the previous year to P104.15 million in the year under review. There was a decrease in the dividend from subsidiaries from P240.12 in the previous year to P11 292 in the year under review.

2.3 Working Capital

The working capital position of the Group as at 30 June 2012 showed current assets of P497.70 million and current liabilities of P463.03 million, which resulted in a net current assets position of P34.67 million.

3.0 Management Letter

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

3.1 Fengyue Glass Manufacturing Botswana (Proprietary) Limited

The auditors observed that the Corporation held a 43% interest in Fengyue Botswana. The project was initially approved at a total cost of P439 million and subsequently an additional funding of P379 million was approved. The additional funding of P332 million that related to the Corporation was approved by the Board in July 2011 (P43.2 million) and in December 2011 (P288.50 million). The auditors further observed that anticipated overall project costs were significantly higher than the initial approved budget. In terms of International Accounting Standard ("IAS") 36 – Impairment of Assets and IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, an impairment assessment of the project was required to be performed, even if the project was in progress. Some of the significant findings relating to the project were as follows:

- The auditors had no sight of the financial statements of Fengyue Botswana, which were still work-in-progress. They noted that payments were not made directly from the Corporation to the Engineering Procurement Construction ("EPC") contractor but into the bank account of Fengyue Botswana and they did not have access to these records. The auditors suggested that this be given priority and that financial statements be prepared and audited for the year ending 30 June 2013; and

- Management were unable to provide the auditors with an impairment assessment of the investment in Fengyue Botswana (Proprietary) Limited including related supporting documentation. The information was only to be available at the conclusion of the market study that was being undertaken by Float Glass Consortium Limited (UK), and was expected to be completed in January 2013. At the time of finalising the audit in March 2013, the final report from the market study was not available. This was indicative of control deficiencies in project management for significant investments, and the recording thereof in the books of account.

The auditors were aware that all construction activities had ceased and the contractor having left the site. As a result of the unavailability of sufficient information, attempts made by management to prepare cash flow forecasts to assess the commercial viability of the project were unsuccessful. Therefore the auditors were unable to obtain sufficient appropriate audit evidence in this regard which led to a qualified audit opinion.

In response, Management stated that due diligence exercise was on-going and was expected to last 10 weeks and that Grant Thornton was awarded the tender. In addition to responding to proposals from Shanghai Fengyue Glass Co., the due diligence exercise would assist to comprehensively identify gaps in the implementation of the project and come up with remedial measures, where necessary. Management also indicated that whilst due diligence exercise was on-going, The Corporation was progressing the market study in view of the fact that the project had been overtaken by many events including changes in the global economic situation. The primary objective was to bring marketing consultants knowledgeable in the trading of glass to establish the availability and extent of accessibility of the glass market from Botswana. Management also stated that a draft report had since been received.

3.2 Provision for Doubtful Debts - Invoice Discounting Division (IDD) Debtors

The auditors noted that the provision for doubtful debts for IDD debtors increased significantly by 91% (P12.8 million) during the period under review from the prior year provision of P14 million, despite the gross IDD debtors decreasing by 25% during the same period (from P67 million in prior year to P50.4 million in the current year). The majority of the clients provided for represented debtors who had not settled the amounts owed by them for the 5 months period subsequent to the year-end, being 30 November 2012. In one instance, a company that had a balance of P3.1 million as at 30 June 2012 had only paid P0.1 million, resulting in an additional provision of P3 million. The total additional impairment, representing debtors who had not settled their balances owing as at 30 June 2012 in full by 30 November 2012, amounted to P8.2 million. The auditors stated that this indicated that either the customer vetting process was not thorough enough or the debt management process needed tightening.

In response, management stated that the risk of client banking funds due to the Corporation was inherent with the facility, hence some significant amounts were noted as outstanding. The Corporation had introduced new internal controls in place such as auditing of the IDD clients so as to proactively address the breaches. There had been progress in introducing debtor insurance to the existing portfolio and new clients as a way of reducing the risk of the portfolio. The accounting function had been transferred to Finance Division as one of the improvements to tighten the controls by detaching the monitoring and accounting function from the Division. There had also been progress in introducing debtor insurance to the existing portfolio and new clients as a way of reducing the risk of the portfolio.

3.3 Accounting for Investment Property in Phakalane Property Development (Proprietary) Limited for Consolidation Purposes

The auditors noted that for the purposes of group consolidation, the investment property in books of Phakalane Property Development (Proprietary) Limited, a property owning subsidiary of the Corporation, was carried at cost. The investment property included in this company was required to be fair valued in accordance with the Corporation's Group policy. The auditors were unable to determine the fair value of the property for group consolidation purposes and therefore the property had been carried at cost in the Group financial statements. The auditors also pointed out that when a subsidiary's accounting policies differed with those of the Corporation, management should have made necessary adjustments in the consolidated financial statements, such as performing a desktop review of the fair value of the underlying property, in this instance, to ensure that the consolidated figures comply with the Group accounting policies.

In response, Management stated that they would ensure that the property was revalued in the current financial year in order to comply with the Corporation's Group policy.

3.4 Loss Making Subsidiaries

The auditors observed that there were some loss-making subsidiaries in the Group which were a cause for concern. Provision for investments totalling P16 million (2011: P87 million) was made in Corporation's financial statements during the year under review and also that five subsidiaries made losses amounting to P52 million. It appeared these subsidiaries would continue making losses if without a turnaround plan is not put in place immediately. During the current year, P13 million (2011: P73 million) of disbursements in the form of equity (P13 million) and debt instruments (Nil) were made to these subsidiaries.

Management responded as follows:

- Can Manufacturing (Proprietary) Limited ("Can Manufacturing") had been struggling to penetrate the export market since inception hence the poor financial performance. Other than that Can Manufacturing was technically sound, the equipment was state of the art and thus suitable for production of world class products. Furthermore, the company could easily achieve the set production capacity of 220 million units per year. The strategy in place to turn around the business was therefore focused on the market. Management and the Board had resolved to seek a strategic partnership with any firm that would help boost the market and increase Can Manufacturing's sales. One such possibility was currently being investigated.

- Management's strategies to turn-around Kwena Concrete Products (Proprietary) Limited are as follows:

  a) The company planned to gain critical market share in the concrete railway products market in the short term whilst positioning itself to achieve the number one position in this market both locally and within the region. The market trends indicated that the concrete railway products market was in a growth phase with limited spare capacity offering an opportunity for the first mover to gain the market leadership position. The company planned to employ a robust positioning strategy in order to lift itself from the fragmented industry to become the best player in the region.

b) Investment by the company into reliable manufacturing plants (i.e upgrading and/or replacement of all parts) to achieve desired operating efficiencies and planned sales per annum on walling and landscaping products (railway sleepers, mining sleepers, railway crossings, etc) in the short and medium term.

c) Assessment of the market requirements and repositioning of the company within the market place. The Company would engage reliable agents, exhaust all opportunities offered by merchants and implement an IT support system for the sale team. The Company had been selling through independent agents, hardwares/merchants and own sales representatives and was currently reviewing the approach in order to improve the selling system and establish market coverage provided by the distributors.

d) Pricing within the industry was inconsistent. The Company would employ a combination of competitive pricing, premium brand and business diversification (backward, forward and horizontal integration). Management planed to focus attention on own brand enhancement in order to differentiate the company's products from those of competitors. The Company would also focus on new product development, for instance iBrick blocks and iBrick associated products such as stock bricks, pavers, roof tiles, flooring solutions, etc.

- Concerning Golden Fruit 97 (Proprietary) Limited, the Industry Division was working together with the Board to steer the company into profitability. The Division had proposed measures or initiatives to the Board to implement in order to make a turnaround effect on this company as well as close and frequent monitoring of the company's operations and thorough inspection of the monthly progress.

- For Lobatse Clay Works (Proprietary) Limited ("LCW"), management continued with effort to reduce costs of production and expand into the regional market to turn around the company. Further, there was on-going drive to diversify the company product range.

- In order to turnaround LP Amusement Centre (Proprietary) Limited which made a loss of P7 million, various new projects were under implementation, the major ones being the construction of the Conference and Science Centres. The two are expected to be operational in July and December 2013 respectively. These are expected to have a significant positive impact on the bottom line of the company. Also, management accounts for the quarter ending 31 December 2012 showed some profitability, hence a positive sign that the Centre was heading in the right direction.

3.5 Confirmed Bank Balances not in the General Ledger

The auditors observed that the following bank account was confirmed by First National Bank of Botswana Limited (FNB) but could not be traced to the general ledger:

Account Number	Balance 30 June 2012
57110013754 (inactive)	8 013

The auditors advised management to ensure that all accounts belonging to the Corporation that had not been closed were monitored by way of bank reconciliation statements.

In response management indicated that they were currently investigating this account with FNB and had requested that the bank should send all correspondence relating to this account i.e account opening forms, signatory's mandate, etc, as these would assist in validating the existence of the account.

3.6 Share Certificates for the Corporation's Equity Investments

When testing the recorded equity investments of the Corporation against share certificates, the auditors identified the following discrepancies:

Investee	Status	BDC Balance	Investee Balance	Certificates	Share Difference
Golden Fruit	Subsidiary	24 863 725	25 396 725	25 584 999	(721 274)
Matsiloje – PPC	Non-affiliate	5 586 682	Not applicable	3 602 082	1 984 600

Unresolved discrepancies between the recorded investments and investments in physical existence per the share certificates may result in misstatements in the financial statements.

Management responded by stating that the matter was currently them.

3.7 Missing Share Certificates

The auditors' review of the Corporation's statutory records revealed that the share certificate numbers 1, 8 and 9 could not be physically verified although they had been included in the Corporation's register.

In response management indicated that the Office of the Accountant General had confirmed that they would assist with retrieval of the share certificates from their records. Several follow-ups had been made and followed with an e-mail requesting them to advise whether the certificates were lost, to enable affidavits to be made for new/replacement share certificates. The management intended to regularise this before the end of the current financial year.

3.8 Service Level Agreements with MDA Property Systems and Softline VIP Vendors

The auditors observed that the service level agreements (SLA) between the Corporation and MDA Property Systems and Softline VIP vendors were not in place. Without a SLA's, there was a risk of the outsourced vendor not providing services as per the expectations of the Corporation and thus making measurement of the productivity of the outsourced vendor difficult.

Management in response stated that the process to have the agreements in place had been initiated.

154. **Botswana Stock Exchange**

The financial statements of the Botswana Stock Exchange (Exchange) for the financial year ended 31 December 2012 were audited by Messrs KPMG, Certified Public Accountants, who were appointed by the Committee in terms of Section 41 (2) of the Botswana Stock Exchange Act, 1994 (CAP 56:08).

2.0 Accounts

2.1 Audit Opinion

In the opinion of the auditors:

The annual financial statements presented fairly, in all material respects, the financial position of the Group and the Exchange as at 31 December 2012, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2.2 Financial Results

During the year under review, the Group and the Exchange recorded a profit of P13.45 million and P11.19 million respectively, compared to a restated profit of P6.88 million and P7.56 million respectively in the previous year. The profit for the year arose from income of P29.43 million (comprising revenue of P21.59 million, Government subvention of P7.29 million, other income of P60 277 and finance income of P482 158) on one hand, and administrative expenses of P15.97 million on the other.

2.3 Working Capital

The working capital position of the Group as at 31 December 2012 showed current assets of P28.30 million and current liabilities of P7.34 million, giving a net current assets position of P20.96 million.

3.0 Management Letter

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

3.2 Updating of Fixed Assets Register

The auditors noted that the fixed asset register was not updated regularly as depreciation on capitalised software expenditure had not been provided for at the time of audit.

In response management noted the auditors' finding and stated that they were waiting to consult and agree with the auditors on the depreciation policy.

Auditor General's Comment

It is not clear why the consultation had not taken place until the auditors raised the query in the management letter.

3.3 IT Security Policy

The auditors observed that the Exchange had no documented IT security policy that covered among others:

- Password Policy
- Internet and e-mail Usage
- Security Organisation
- Personal Security
- Physical and Environmental Security
- Communication and Operations Management
- System Development and Maintenance
- Business Continuity Management
- Availability/Continuity of Processing

In response management stated that the Exchange had an established process of implementing security and related controls in its IT systems. However, management had undertaken to formalise and document the IT processes by end of February 2013.

Auditor General's Comment

This date is inconsistent with the date of the management letter i.e. April 2013.

3.4 Disaster Recovery Planning

The auditors noted that the Exchange had no formally documented disaster recovery plan which describes the set of actions to be taken before, during and after a disaster, including the roles and responsibilities of the personnel.

In response management stated that the IT infrastructure was undergoing major transformation, and had committed to establishing, documenting, testing and stimulating business continuity procedures, post completion of the upgrade, and would engage consultants to assist in the process.

155. **Botswana Communications Regulatory Authority**

The financial statements of the Botswana Communications Regulatory Authority (formerly Botswana Telecommunications Authority) for the financial year ended 31 March 2013 were audited by Messrs Grant Thornton, Certified Public Accountants, who were appointed by the Authority in terms of Section 14 (2) of the Telecommunications Act, 1996 (CAP 72:03).

The Telecommunications Act, 1996 was repealed to give way to the Communications Regulatory Act, (No 19 of 2012) which came into force on 1 April 2013.

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 Communications

Regulatory Authority as at 31 March 2013, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Telecommunications Act, 1996 (CAP 72:03).

2.2 Financial Results

In the year under review, the Authority recorded a net surplus of P40.58 million, compared to P31.67 million in the previous year. The surplus for the year arose from the revenue of P114.64 million, other income of P1.19 million, finance income of P7.41 million and fair value adjustments of P500 000, while operating expenses were P83.16 million.

2.3 Working Capital

The working capital position of the Authority as at 31 March 2013 showed current assets of P258.65 million and current liabilities of P68.47 million, giving a net current assets position of P190.18 million.

2.4 Dividends

The Authority proposed a dividend to Government of P10.14 million on the accounts of 2012/13. My last enquiries have established that, although the accounts reflect that a payment of dividend of P7.92 million had been made to Government on 17 January 2013, in respect of the 2011/12 accounts, and was not received until 15 January 2014.

3.0 Management Letter

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

3.1 Adoption of Clean Pay Structure

The auditors observed that the Authority adopted a clean pay structure (Total Guaranteed Package) in September 2012 and withheld 20% to go towards gratuity, medical aid, group pension and other benefits. The Authority thereafter sought legal advice on the 20% portion of pay withheld and it was advised that this was not permissible under Section 79 of the Employment Act which prohibits an employer from making deductions from the employee's wages even with the employee's consent. The gratuity for most of the contract employees as per the previous employment contract was 30% and since the clean pay structure, 15% was allocated towards gratuity and the Authority has not clarified its position on the gratuity that accrued up to 31 August 2012.

Management in response stated that the matter was being addressed and would ensure that appropriate action was taken.

3.2 <u>Acting Allowance Paid to the Deputy Chief Executive Officer</u>

The auditors noted that the Board Chairman had appointed the Deputy Chief Executive Officer to act as Chief Executive Officer (CEO) of the Authority for a period from 17 December 2012 to February 2013 and was paid acting allowance. However, as per Section 16 of the Telecommunication Act, the CEO of the Authority can only be appointed by the Minister on the recommendation of the Board and in this instance proof ratifying the appointment by the Minister was not availed.

In response Management noted the auditors' observation and stated that approval would be sought from the relevant authority.

3.3 <u>Turnover Fees from Botswana Telecommunications Corporation</u>

The auditors noted that the Authority received P9.46 million during the year from Botswana Telecommunications Corporation relating to the revenue generated from Botsnet and Be Mobile services for the period from March 2009 to March 2012 but these were not included in the audited turnover certificates of the Public Telecommunication Operator (PTO). BOCRA's accounting policy recognises turnover fees based on audited turnover certificate of the PTOs hence the Authority would have earned interest if it had received the appropriate information on timely basis and charged the Turnover Fees appropriately and placed the funds in a financial institution.

In response Management noted the auditors' observation and stated that a mechanism to verify PTO's turnover fees shall be put in place.

3.4 Fully Depreciated Fixed Assets

The auditors noted on review of fixed assets that the Authority's fixed assets held totalling P26.59 million as at the end of the period under review were fully depreciated, held at either a nil value or negligible value, but continued to be used. Though this has been appropriately disclosed in the financial statements, management should consider either disposing of these assets or bringing them into the books at the values based on the estimated useful life.

156. **Citizen Enterpreneurial Development Agency**

The Agency is a Government-owned company limited by guarantee established under the Companies Act. By arrangement the Agency is to submit its annual audited accounts to me my review for inclusion of the review results in my report to the National Assembly, for the benefit of the members.

For the audited accounts of the year under review, these had not been submitted to me for review purposes as they were not ready at the time of writing this report.

157. **Botswana Accountancy College**

The Botswana Accountancy College is a company limited by guarantee established under the Companies Act, to provide tuition in a range of internationally recognised business programs.

As a Government-owned company, and by arrangement, the College is supposed to submit the audited accounts for review and inclusion of the review results in my report, but the audited accounts for the year under review were not ready at the time of writing my report.

158. **Botswana Unified Revenue Services**

The Botswana Unified Revenue Services is established under the Botswana Unified Revenue Service Act (Cap 53:03) to assess and collect taxes on behalf of Government. In terms of the Act the audited accounts must be submitted to the Minister within six months of the end of the year to which they relate, who shall cause them to be laid before the National Assembly. This requirement has not been met in respect of the accounts of the financial year ended 31 March 2013.

In consequence of the above, at the time of writing this report I had not received the audited accounts for review and inclusion of the review results in this report.

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

The Botswana College of Distance and Open Learning was established under the Botswana College of Distance and open Learning Act (Cap: 57:03) to provide quality education through open and distance learning. In terms of the Act, the audited accounts of the College are to be submitted to the Minister within 6 months after the end of the financial year, who shall cause them to be laid before the National Assembly. This requirement has not been met in respect of the accounts of the financial year ended 31 March 2013.

At the time of writing this report the audited accounts for the financial year ended 31 March 2013 had not been submitted to me for review and inclusion of the review results in my report to the National Assembly.

160. **Rural Industries Promotions Company (Botswana)**

The draft financial statements of the Rural Industries Promotions Company (Botswana) for the financial year ended 31 March 2013 were audited by Messrs PricewaterhouseCoopers, Certified Public Accountants, who were appointed as auditors in accordance with Section 191 of the Companies Act (Cap 42:01).

Basis of Preparation of Financial Statement

The Company ceased its business operations during the financial year and the Board of Directors made a decision to liquidate the company subsequent to the financial year-end. As a result, the financial statements were prepared on a non-going concern basis.

2.0 Draft Accounts

2.1 Audit Opinion

The auditors had prepared a draft management letter but had not yet issued an audit opinion at the time of writing this report.

2.2 Financial Results

In the year under review, the Company recorded a loss of P37.21 million compared to P3.99 million in the previous year. A revaluation loss on property, plant and equipment amounting to P5.01 million was realised in the year under review, compared to a gain of P38.15 million in the previous year. A Government grant, which was the main source of revenue, of P53.26 million was received in the current year compared to P48.04 million in the previous year.

2.3 Working Capital

The working capital position of the Company as at 31 March 2013 showed current assets of P100.80 million and current liabilities of P135.07 million which resulted in a net current liabilities position of P34.27 million. Out of the total liabilities of P135.07 million related to provision for staff retrenchment package.

3.0 Draft Management Letter

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

3.1 Inadequate Controls over Physical Inventory

The auditors noted that some of the inventory items were not coded which made it difficult to match some inventory items to the inventory records. The auditors further observed that some of the stock items were not arranged properly and were stored outside.

In response management agreed with the finding and stated that the stock had since been coded. A few big items such as dipping tank were stored outside the building due to inadequacy of storage.

3.2 Title Deeds for Properties

The auditors observed that properties which were donated by Southern Rural Development Authority (SRDA)and capitalised were not registered in the name of the company.

In response management agreed with the finding and stated that transfer of leases from SRDA to the Company was on-going. Management undertook to expedite the transfers.

XI VALEDICTION

161. This is my last report as the Auditor General of Botswana as I shall be leaving the public service on termination of my contract on the 19th June 2014, which is also the 60th anniversary of my birth. The Constitution of Botswana provides that a person occupying the position of Auditor General shall vacate the office on attaining the age of 60. I am therefore bound by this provision.

I joined the Office in February 1983 as Assistant Auditor. From that position I rose through the ranks until my appointment as Acting Auditor General in May 2008 on the retirement of the then Auditor General. I acted in that position for a period of two years after which I was appointed to the post of Auditor General in August 2010.

During my period of acting I also doubled up as Deputy Auditor General as there was no officer appointed to perform the functions of that office. This in itself presented some challenges that I had to persevere through. The situation eased after another officer was appointed Deputy on acting basis, later to be confirmed in May 2012. Unfortunately this officer held the position for one year and retired in March 2013.

The retirement of the Deputy in March 2013 had brought its own challenges in that there was no replacement appointed. Since then the position is filled by acting appointment while potential candidates are being screened through psychometric assessment. This has taken rather too long as no appointment has so far been made, and indications are that it may be another while before this is done.

My time in the Office, spanning over 30 years, has been a memorable and fulfilling one. A number of developments have taken place, including computerisation of the audit process and introduction of performance audits. As part of my support service to the Public Accounts Committee, I have deployed a senior officer to provide technical assistance to the Committee on a full-time basis. Another development that has taken place was the separation of the Finance and Audit Act into two, one dealing with audit on the public sector and the other with public finance management practices. This was necessary to encompass modern day developments and best practices.

As an officer of Parliament, my relationship with the members of the Public Accounts Committee that I had interacted with on a regular basis through the meetings of the Committee had been a cordial one. In this regard I wish to thank all the Chairpersons and the members of the Committees that I had worked with during my time as Auditor General including Local Authorities Public Accounts Committee. I also wish to thank the Permanent Secretary to the President for the assistance that he has afforded me whenever I needed it, which went a long way in the fulfilment of my mandate. I should also express my gratitude to all Permanent Secretaries, Heads of Departments, Chief Executive Officers of Local Authorities and Parastatals and their officers for their ever-ready cooperation in the performance of my duties.

On this note, I wish to state that I am leaving the public service with happy memories of and goodwill to all officers that I interacted with throughout my career in the public service.

XII CONCLUSION

162. In conclusion, I would like to express my appreciation for the effort made during the year by members of staff of all grades which made the production of this report within the time prescribed by law possible. I would also like to acknowledge the cooperation and assistance of the Accountant General and her staff in the discharge of my statutory functions.

Finally, I wish to thank the Government Printer and her staff for their efforts in the printing and production of this report which made it possible to submit it to the National Assembly within the time prescribed by the Finance and Audit Act.

25 February 2014

R B Sebopeng
AUDITOR GENERAL