

KINGDOM OF LESOTHO

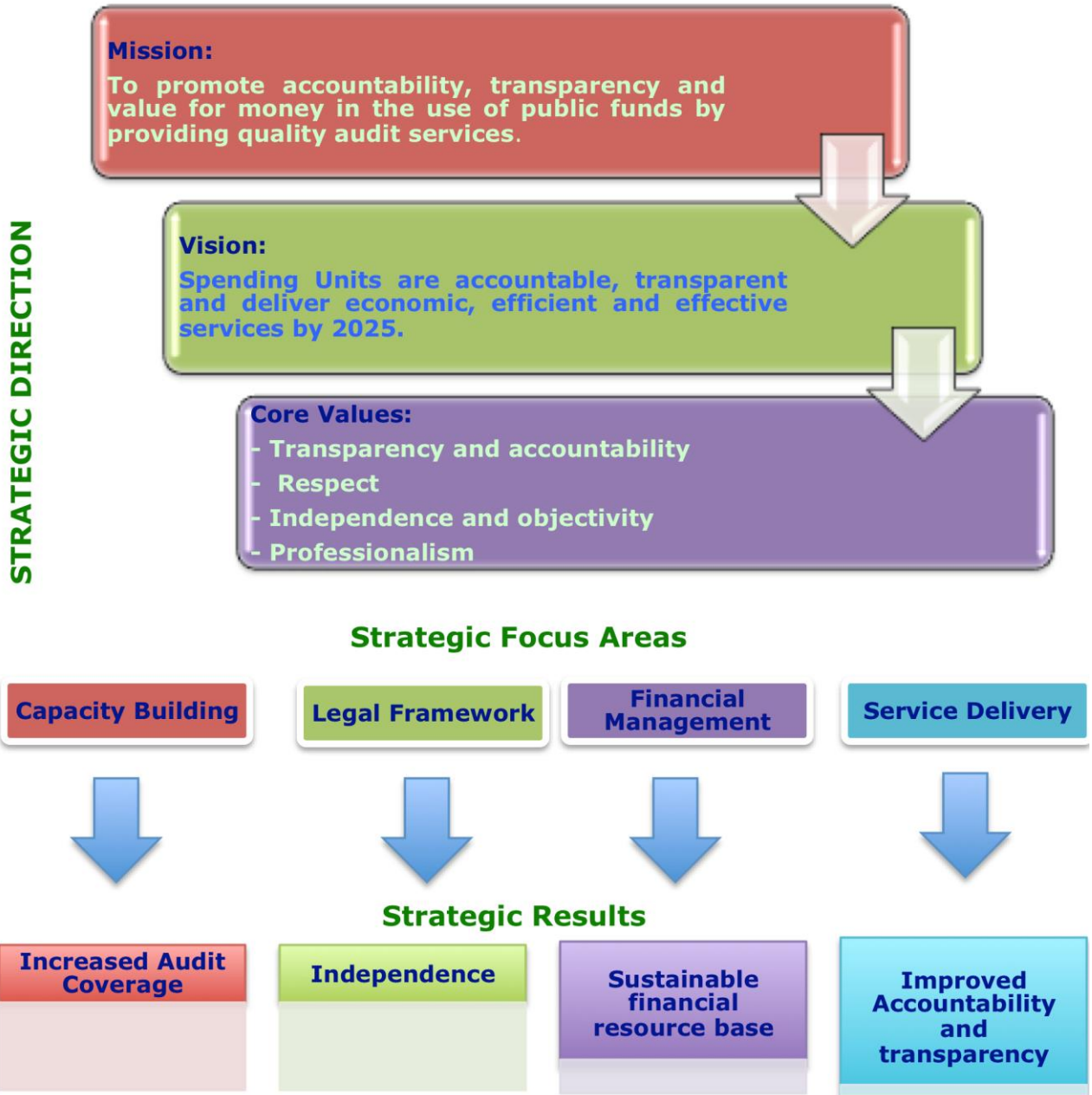


REPORT OF THE AUDITOR-GENERAL

**On the Consolidated Financial Statements
of the Government of Lesotho**

**FOR THE YEAR
ENDED 31 MARCH 2018**

OFFICE OF THE AUDITOR-GENERAL





**OFFICE OF THE AUDITOR GENERAL
P.O. BOX 502, MASERU 100
LESOTHO**

A/C/REP/1-51 (Vol. 2)

01 AUGUST 2019

Honourable Dr M. Majoro
Minister of Finance
Ministry of Finance
P.O. Box 395
Maseru 100

Honourable Minister,

**REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS
OF THE GOVERNMENT OF LESOTHO FOR THE YEAR
ENDED 31ST MARCH 2018**

In accordance with Section 117 (4) of the Constitution of Lesotho and Section 27 of the Audit Act 2016, I submit my report on the Consolidated Financial Statements of the Government of Lesotho for the year ended 31st March 2018.

Please arrange to lay the report before Parliament in terms of the above Sections of the Constitution and the Act.

Yours faithfully,

**LUCY L. LIPHAFI (MRS)
AUDITOR-GENERAL**

ACKNOWLEDGEMENTS

I would like to acknowledge the support of the Public Accounts Committee for deliberating on my reports and directing the audited bodies to appropriately deal with the issues as reported. I look forward to receiving similar support in terms of rendering my audit reports effective through appropriate deliberations, directives and follow-up mechanisms in future. Impetus to our efforts in promoting transparency and accountability in the delivery of public services need to be provided.

I also wish to express my sincere thanks to the Accountant-General, ministries, departments and agencies as well as projects administrators for the support and cooperation, which facilitated compilation and preparation of this report. I sincerely commend the positive attitude indicated by all audited bodies during exit meetings and engagements held to discuss issues in this report. I look forward to implementation of the recommendations made for corrective actions and improvements to prevent and rectify recurrence of the same weaknesses. This will ensure that my office effectively deliver on its mandate. Continued Public Financial Management reforms that are aimed at further enhancing public financial management in Lesotho are very welcome. The commitment of all actors is needed so as to achieve sound financial management that will result in significant economic growth.

Last but not least, I immensely appreciate all staff for their enthusiasm, devotion and resilience that have continuously enabled the Office of the Auditor-General to execute its Constitutional mandate.

TABLE OF CONTENTS

		Page(s)
	AUDIT CERTIFICATE	6-10
PART 1	AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GOVERNMENT OF LESOTHO FOR THE YEAR ENDED 31 MARCH 2018	11-66
PART 2	AUDIT/REVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018	67
Chapter 1	Background information on the Audit Opinion	68-71
Chapter 2	Comments on the Consolidated Financial Statements for the financial year 2017/18	72-73
Chapter 3	Overview of the Consolidated Financial Statements	74-76
Chapter 4	Cash Receipts	77-82
Chapter 5	Cash Payments	83-91
Chapter 6	Cash Balances	92-97
Chapter 7	Non-cash Assets	98-103
Chapter 8	Fiscal Liabilities	104-110
Chapter 9	Losses and Accidents	111-117
PART 3	APPROPRIATION ACCOUNTS	118
Chapter 10	Finances of the Government of Lesotho	119-122
Chapter 11	Budget for the financial year 2017/18	123-127
Chapter 12	Budget Execution on Revenue	128-133
Chapter 13	Budget Execution on Expenditure	134-150
PART 4	SPENDING UNITS	151
Chapter 14	Accountability of Spending Units	152
14.1	Ministry of Agriculture and Food Security	153-158
14.2	Ministry of Health	159-161
14.3	Ministry of Education and Training	162-163
14.4	Ministry of Finance	164-169
14.5	Ministry of Trade and Industry	170-171
14.6	Ministry of Communications, Science and Technology	172-176
14.7	Ministry of Public Works and Transport	177-179
14.8	Ministry of Energy and Meteorology	180-181
14.9	Ministry of Tourism, Environment and Culture	182-184

14.10	Ministry of Defence and National Security	185-189
14.11	Ministry of Local Government and Chieftainship	190-197
14.12	Ministry of Small Business Development, Cooperatives and Marketing	198-202
14.13	Judiciary	203-211
14.14	Ministry of Home Affairs	212-218
PART 5	ACCOUNTS OF THE STATUTORY BODIES	219
	Accounts of the Statutory Bodies	220-228
PART 6	CORPORATE ISSUES OF THE OFFICE OF THE AUDITOR-GENERAL	229
	Corporate issues of the Office of the Auditor-General	230-238



**OFFICE OF THE AUDITOR GENERAL
P.O. BOX 502, MASERU 100
LESOTHO**

**AUDIT CERTIFICATE
ON THE CONSOLIDATED FINANCIAL STATEMENTS
OF THE GOVERNMENT OF LESOTHO FOR THE
YEAR ENDED 31 MARCH 2018**

ADVERSE OPINION

I have audited the consolidated financial statements of the Government of Lesotho (the Government) set out on pages 9–61, which comprise the consolidated statement of cash receipts and payments as at 31 March 2018, and consolidated statement of budget and actual amounts for the year then ended, statement of consolidated entities and notes to consolidated financial statements including a summary of significant accounting policies.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the accompanying consolidated financial statements do not present fairly the financial position of the Government as at 31 March 2018, its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

BASIS FOR ADVERSE OPINION

1. Regularity of Expenditure

There are no Supplementary Appropriation Acts to regularise the following contrary to the requirements of the Constitution of Lesotho:

- 1.1** There were transfers of M450 million from Trust Monies Account to the Consolidated Fund in the financial year 2016/17. The same amount of M450 million was later transferred from the Consolidated Fund to Recurrent Expenditure Account contrary to the requirements of Section 112 of the Constitution of Lesotho. The Constitution requires that an Appropriation Act should approve the issue of funds from the Consolidated Fund

to meet expenditure under separate votes for head of expenditure, which was not the case.

Furthermore, Section 112 (2) (a) of the Constitution requires that if in respect of any financial year it is found that the amount appropriated by Appropriation Act to any purpose is insufficient or that a need has arisen for expenditure for a purpose to which no amount has been appropriated by the Act, a Supplementary Act should be passed.

- 1.2** Some Ministries recorded excess recurrent expenditure however, Statement of Excess showing the sums spent was not laid before Parliament to regularise that expenditure through a Supplementary Appropriation Act in terms of Section 112 (3) (b) of the Constitution.
- 1.3** The issue of non-clearance of advances from the Contingencies Fund through Supplementary Appropriation Acts has been recurring since 2009/10. The total amount of M1,144 billion for the nine years ended 31 March 2018 is yet to be regularised through Supplementary Appropriation Act as required by Section 114 (2) of the Constitution.

2. Cash position of the Government of Lesotho

- 2.1** Note 15 to the financial statements shows that there were 367 accounts held at different banks with a total balance of M4.339 billion as at 31 March 2018. However, bank confirmation statements revealed 411 bank accounts totalling M4.440 billion as of that date resulting into a difference of M101 million.
- 2.2** A discrepancy of M498 million exists between the bank balance of M4.339 billion and government cash book balance due to lack of bank reconciliations.
- 2.3** The bank balances at the year-end exclude the bank accounts amounting to M4.619 million for three foreign missions which did not submit the returns to the Treasury.
- 2.4** The Treasury Department failed to provide evidence to substantiate withdrawal of M258 million from the Central Bank of Lesotho Treasury Bills and Treasury Bonds Account.

3. Non-compliance with the requirements of International Public Sector Accounting Standard under the cash basis of accounting

- 3.1** The consolidated financial statements do not include the expenditures of the donor-funded projects. Omission of the

project expenditures resulted in understatement of the consolidated financial statements figures.

3.2 Not all cash transactions and balances are recognised. Bank accounts pertaining to donor-funded development projects and extra-budgetary funds were not consistently included in the consolidated financial statements. Centrally managed bank account balances were not reconciled as at 31 March 2018.

3.3 The financial statements include a small number of accrual items which had not been cleared at the reporting date such as accounts payable, advances, provisions, third party trusts and deposits.

4. Disagreement of figures in the consolidated financial statements with underlying records

Figures in the consolidated financial statements were misstated as they differ from figures in the underlying records as shown on Table 1 below. Underlying records consist of ministries' financial statements and Debt records in the case of loans.

Table 1 – Differences of figures

Item	Consolidated Financial Statements	Underlying Records	(Over)/Under statement of financial statements
	M'000	M'000	M'000
Grants	632,000	641,238	9,238
Foreign Loans	446,422	636,779	190,357
Domestic Loans	-	1,709,195	1,709,195
Recurrent Expenditure –Voted Heads	10,492,248	10,020,397	(471,851)
Development Expenditure	3,108,934	3,355,911	246,977

Source: Consolidated financial statements, Ministries' accounts and Debt records

5. Non-inclusion of Below-The-Line accounts

Below-The-Line accounts from the legacy system of the Government of Lesotho Financial Information System (GOLFIS) had not been included into the Integrated Financial Management Information System (IFMIS) since the financial year 2009/10 for fear that the balances were not reconciled and could therefore contaminate data in IFMIS.

6. Inadequate IT controls in IFMIS

The quality, validity, accuracy and completeness of information produced by IFMIS remain doubtful, as there was no cut-off date for postings for the financial year 2017/18. The system allowed Spending Units to continue making postings after the consolidated

financial statements had been submitted for audit hence verification of balances became impossible.

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Consolidated Financial Statements section of my report. I am independent of the Government in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal controls as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Government's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



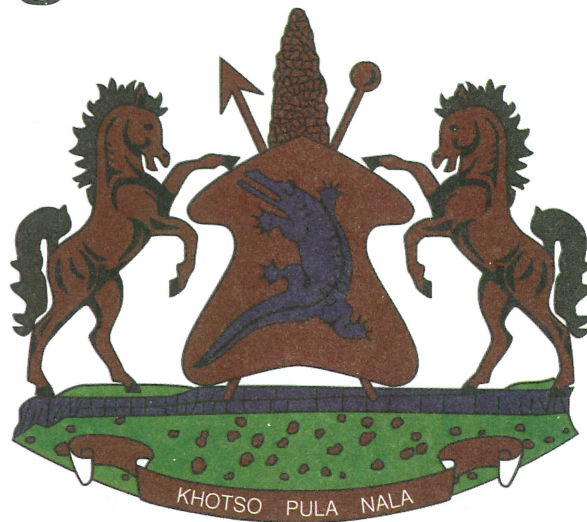
LUCY L. LIPHAFI (MRS)
AUDITOR-GENERAL

01 AUGUST 2019

PART 1

**AUDITED CONSOLIDATED FINANCIAL
STATEMENTS OF THE GOVERNMENT OF
LESOTHO FOR THE YEAR ENDED
31 MARCH 2018**

Kingdom of Lesotho



Ministry of Finance

Government of Lesotho Consolidated Financial Statements For the Year Ended 31st March 2018

Accountant General's Office

Table of Contents

Abbreviations.....	14
I. Report by the Minister of Finance	15
II. Report by Accountant General	17
A. Treasury Mandate.....	17
B. General Commentary	17
C. Commentary on Consolidated Financial Statements	18
D. Addressing Ongoing Challenges.....	22
III. Consolidated Financial Statements For the year ended 31 st March 2018	25
A. Consolidated Statement of Cash Receipts and Payments	26
B. Consolidated Statement of Comparison of Budget and Actual Amounts	28
C. Statement of Accounting Policies	30
D. Statement of Consolidated Entities	34
IV. Notes to the Consolidated Financial Statements	36
V. Disclosure Schedules to the Consolidated Financial Statements	46
Appendix 1: Analysis of Receipts and Payments by Spending Unit.....	56
Appendix 2: Budget Comparison – Analysis by Spending Unit	57
Appendix 3: FY2017/18 Original to Revised Budget	61
Appendix 4: Controlled Entities and Investments – Status of Annual Reporting (As at 31 st August 2018).....	64
Appendix 5: Summary of Movement & Balances on Core-TSA accounts	66

List of Tables

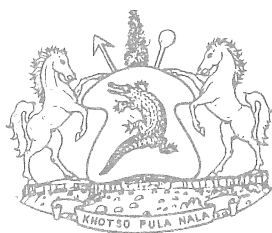
Table 1: Controlled entities included in consolidation	34
Table 2: Controlled entities excluded from consolidation	35
Table 3: FY2017/18 Summary Budget.....	36
Table 4: FY2017/18 Use of Contingency Fund	37

List of Figures

Figure 1: FY2017/18 Revenues.....	19
Figure 2: FY2017/18 Revenue Trends	19
Figure 3: FY2017/18 Aggregate expenditure.....	20
Figure 4: FY2017/18 Recurrent Expenditures	20
Figure 5: FY2017/18 Capital Expenditures.....	21
Figure 6: FY2017/18 Public Debt.....	21
Figure 7: FY2017/18 Cash Balances	22

ABBREVIATIONS

AGO	Accountant General's Office
BD	Budget Department
BEDCO	Basotho Enterprise Development Corporation
CAO	Chief Accounting Officer
CBL	Central Bank of Lesotho
CMU	Cash Management Unit
CPO	Central Payment Office
EFT	Electronic Fund Transfer
EU	European Union
FY	Financial Year
GoL	Government of Lesotho
GOLFIS	Government of Lesotho Financial Information System
IFMIS	Integrated Financial Management Information System
IPSAS	International Public Sector Accounting Standards
LNDC	Lesotho National Development Corporation
LRA	Lesotho Revenue Authority
MDP	Ministry of Development Planning
MoF	Ministry of Finance
NSDP	National Strategic Development Plan
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMAA	Public Financial Management and Accountability Act
PFMRAP	PFM Reform Strategy and Activity Plan
SACU	Southern African Customs Union
SOE	State Owned Enterprise
TA	Technical Assistance
VAT	Value Added Tax
WASCO	Water and Sewerage Corporation



LESOTHO

I. REPORT BY THE MINISTER OF FINANCE

In accordance with Section 35 of the Public Financial Management and Accountability Act, as the Minister of Finance, I am hereby pleased to have produced and submitted to the Auditor General, the Consolidated Financial Statements for the year 2017/2018, in line with International Public Sector Accounting Standards (IPSAS) for audit.


Consolidated Financial Statements are produced mainly to meet accountability and transparency objectives of the Government. They are designed to indicate the extent to which Line Ministries, Departments and Agencies have adhered to their budgets as approved by Parliament. With these monies allocated, Government is supposed to deliver public services to the nation in order to achieve strategic objectives in accordance with the policy priorities set out in the National Strategic Development Plan (NSDP). These Financial Statements are prepared and submitted for audit within a given statutory time limit.

In any case, I am committed to improving the quality of the financial statements to an ultimate point of depicting the true financial position of the Government of Lesotho. The Integrated Financial Management Information System is being upgraded to later version in the Financial Year 2019/2020. Exerted efforts are being made by the Accountant General to clean data in the IFMIS for accurate balances and reconcile books of accounts on time. Budget execution reports will also be published regularly in order to portray the high level of transparency desired by all stakeholders.

At this juncture, I would like to extend my gratitude to the International Monetary Fund (IMF), European Union (EU), the World Bank and the African Development Bank for their unwavering support to the Public Financial Management Reform and Action Plan (PFMRAP). This initiative is mainly focused on improving the quality of financial reporting.

Finally, I also wish to thank the Acting Accountant General and her team for her dedication and professionalism in compiling these Consolidated Financial Statements for the Financial Year 2017/2018.

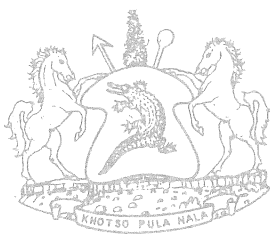
They set an important benchmark against which other future financial statements will be measured and form the basis of for further improvements. I encourage them to continue to strive to enhance the reliability, frequency and accessibility of future financial reporting.



.....

MOEKETSI MAJORO (MP)
MINISTER OF FINANCE

31 AUGUST 2018



LESOTHO

II. REPORT BY ACCOUNTANT GENERAL

A. Treasury Mandate

Treasury is a department within the Ministry of Finance. Treasury is headed by the Accountant General.

PFMAA Section 35 together with Treasury Regulations Section 95 provide that the Accountant General shall prepare the Consolidated Financial Statements for Government. The Accountant general is also expected to provide technical guidance to spending units in the preparation of financial statements.

B. General Commentary

The Consolidated Financial Statements are produced annually to give the electorate, tax payers, Members of Parliament and other interested parties, clear information on the financial performance and position of the national government.

The statements are required by law. Section 35 of the Public Financial Management and Accountability Act, 2011 requires the Minister of Finance to prepare the Government's consolidated financial statements in accordance with International Public Sector Accounting Standards (IPSAS) and to submit them to the Auditor General for audit within five months of the end of the financial year to which they relate. The Treasury Regulations of 2014 delegate the responsibility for preparing the Consolidated financial statements to the Accountant General and requires her to direct how the IPSAS are to be applied.

In 2016, the Treasury evaluated its annual reporting practices against the requirements of the cash-based IPSAS, established the gaps and developed a roadmap for achieving compliance. The preparation of the FY2017/18 Consolidated Financial Statements continues the journey that commenced with the 2015/16 statements and introduces several quality enhancements, including the reporting of the movements in financial assets and liabilities, and opening and closing cash balances. A 2018 update to the roadmap also takes account of a 2017 revision to the cash-based IPSAS that relaxed the requirements for consolidating the financial information from all government-controlled entities and third-party transactions.

In preparing these consolidated financial statements, I am indebted to the Treasury financial reporting team which has worked tirelessly over the past months to verify and consolidate the financial information. I am grateful for the active engagement of the Chief Accounting Officers and their finance staff and for their diligence in preparing the Spending Unit annual reports, and I am appreciative of the valuable inputs provided by other Treasury units and Ministry of Finance departments.

The remainder of my report is organized as follows: Section B aims to provide a narrative on the government's financial performance and position for the year ended 31 March 2018 whilst Section C seeks to explain the main issues, pressures and risks that are faced by the Treasury and the plans to address them.

Based on the information provided by the Chief Accounting Officers, and to the best of my knowledge, the Consolidated Financial Statements as set out on pages 23 to 32 reliably present the FY2017/18 cash flows and financial performance of the Government of Lesotho.

C. Commentary on Consolidated Financial Statements

Introduction

These Financial Statements consolidate information from the annual reports prepared and submitted by the CAOs in respect of the Spending Units, projects and other funds for which they are accountable. The statements include the financial performance information reported by: the 35 central government ministries, departments, constitutional bodies and other Spending Units; the ten district councils; and 8 centrally operated spending heads administered by the Ministry of Finance. The coverage is the same as that of the national budget.

The Consolidated Financial Statements for the year ended 31st March 2018 comprise the following four statements: (a) Consolidated Receipts and Payments; (b) Consolidated Budget versus Actual Comparison; (c) Accounting Policies; and (d) Consolidated Entities. Notes to the Consolidated Financial Statements assist readers in gaining a fuller understanding of Government's financial performance and position. They provide the reader with additional analysis of amounts included in the two face statements and include information on the Government's financial assets, liabilities and contingent liabilities. More detailed information relating to a Spending Unit can be found in the respective CAO reports. The remainder of this commentary highlights the key features of the Government's FY2017/18 financial performance.

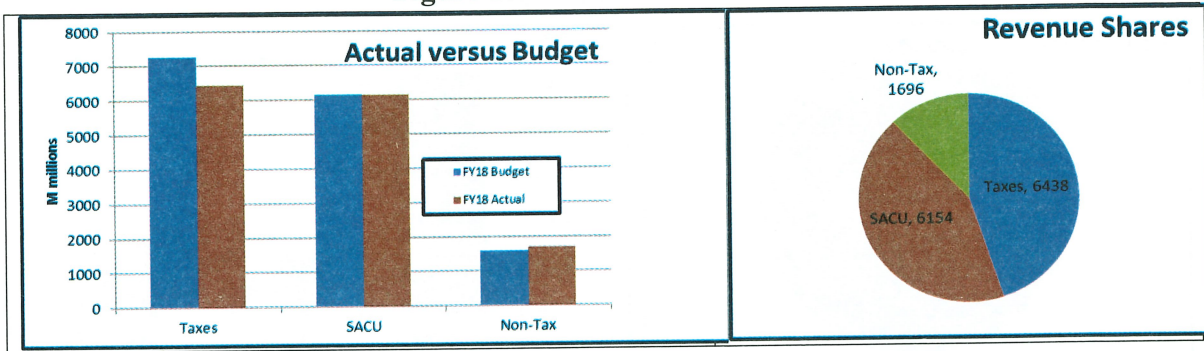
Overall performance

The appropriated budget projected a Consolidated Fund unfunded deficit of M 1.935 billion to be funded by additional borrowing and a drawdown of cash reserves. Increased recurrent expenditures, under-performance of revenue collections and difficulties in raising domestic borrowing were slightly offset by under-spending on development expenditures. The actual deficit was M 1.085 billion. The financial performance of each component follows.

Revenues

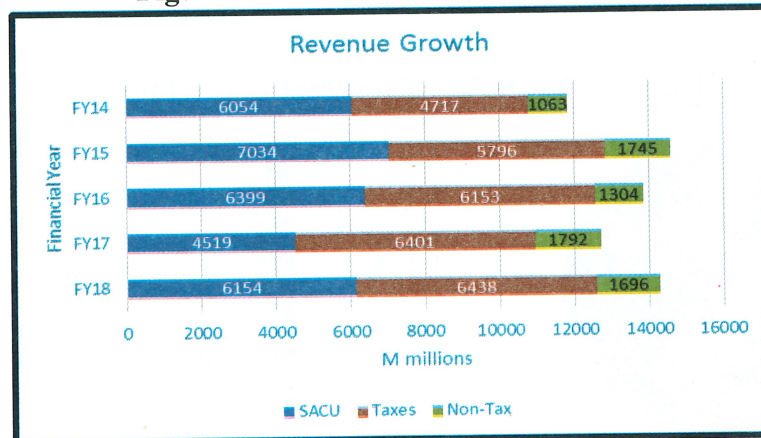
The overall revenue collections (excluding loans and project grants) for FY2017/18 were M 14,288 million, some M 700 million less than the revenue budget for the year which was set as M 14,988 million. Figure 1 illustrates the revenue deposits against the main sources of revenue received during the year and the comparative collection rates against the approved budgets.

Figure 1: FY2017/18 Revenues



Southern Africa Customs Union (SACU) receipts of M 6,154 during FY2017/18 matched the budget and were significantly higher than the M 4,519 received in the previous year. Actual tax revenues of M 6,438 million (compared to FY2016/17 of M 6,401) grew slightly. Non-tax revenues (which mainly comprise electricity sales, water and mining royalties, and dividends) contributed 12% of recurrent revenues. **Figure 2** provides the trend in revenue receipts and especially illustrates the significance, volatility and overall downward trajectory of the SACU receipts.

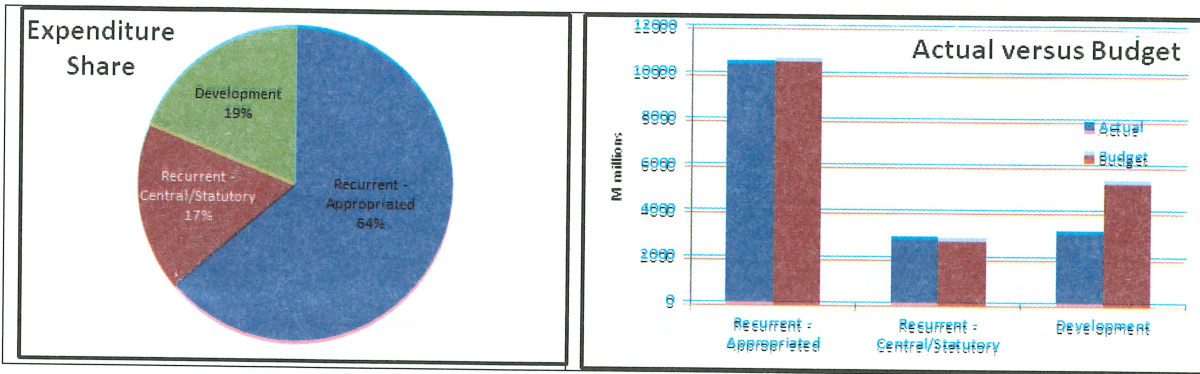
Figure 2: FY2017/18 Revenue Trends



Expenditures

The total originally approved expenditure budget for FY2017/18 was M 18,752 million of which M 13,416 million (72%) was allocated to recurrent and M 5,336 million (28%) towards achieving the government's infrastructure and other development objectives. The recurrent provision can be further broken down between the appropriated amounts for release to Spending Units of M 10,600 million and the statutory/centralized budgets of M 2,816 million managed by the Ministry of Finance for pensions, debt servicing, statutory salaries and related expenses and the Contingency Fund. The comparative actual aggregate expenditure was M 16,452 million made up of appropriated recurrent of M 10,492 million (representing an implementation rate against the original budget of 99%), statutory/central payments of M 2,851 million (101%) and development expenditure of M 3,109 million (58%). **Figure 3** illustrates the proportional split between expenditures and relative execution rates between the three main expenditure categories.

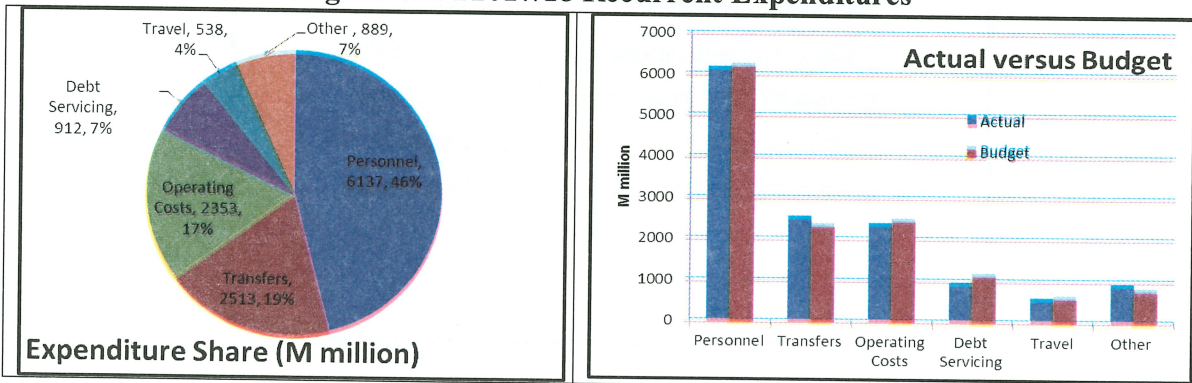
Figure 3: FY2017/18 Aggregate expenditure



Recurrent expenditures

The FY2017/18 recurrent expenditures were M 13,343 million. **Figure 4** illustrates that compensation of employees accounted for 46% of recurrent expenditures and reflects a 99% execution rate against the original approved budget. Expenditures on operating costs, debt servicing and travel were less than the originally approved budget, whilst payments made against transfers and other costs (namely, goods, services, supplies, maintenance and acquisition of fixed assets) were slightly higher than the approved budget.

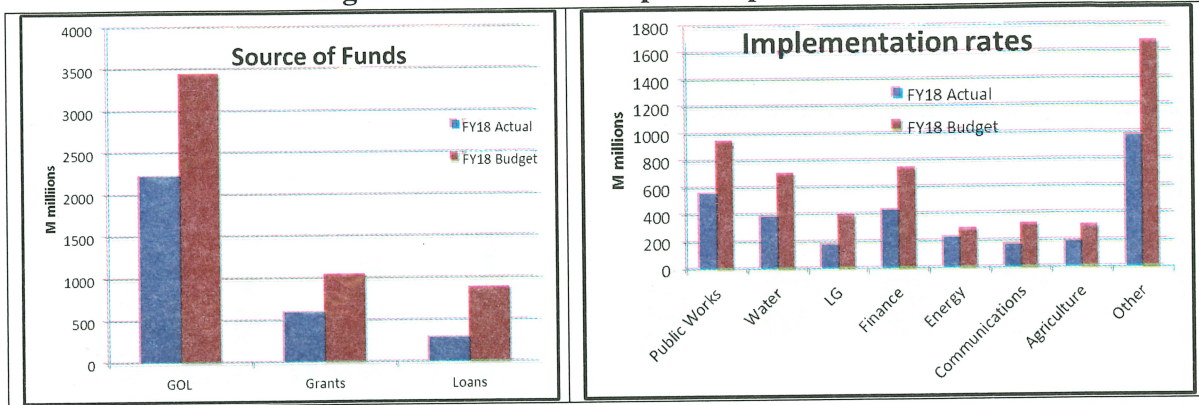
Figure 4: FY2017/18 Recurrent Expenditures



Capital Expenditures

Overall project expenditure was M 3,109 million against the approved budget of M 5,350 million representing an execution rate of 58%. **Figure 4** illustrates that the implementation rate varied considerably across the three funding categories, ranging from 65% of domestic resources to 57% and 33% for grant and loan funded expenditures.

Figure 5: FY2017/18 Capital Expenditures

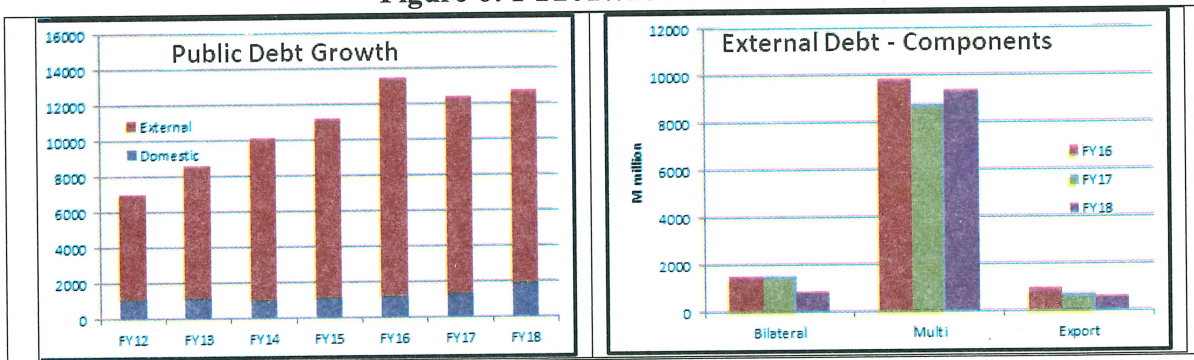


Almost 70% of the capital expenditure budget is accounted for by seven Spending Units (Public Works, Water, Local Government, Finance, Energy, Communications and Agriculture). Project execution rates varied across these agencies ranging from 79% for Energy to 45% for Local Government. Differences may be partly explained according to whether planned expenditures were for ongoing projects and contracts as opposed to projects where procurements were commenced during earlier years.

Financing

The stock of public debt increased during FY2017/18 from M 12,378 million to M 12,691 million (i.e. by 3%), as illustrated in **Figure 6**. During the year, new external debt disbursements of M 637 million and loan redemptions of M 520 million were made. Over the seven-year period since FY2011/12, the loan stock has increased by 81%. Over the same period the annual debt servicing costs (i.e. interest and commitment charges, and principal repayments) has more than doubled from M 368 million to M 993 million.

Figure 6: FY2017/18 Public Debt

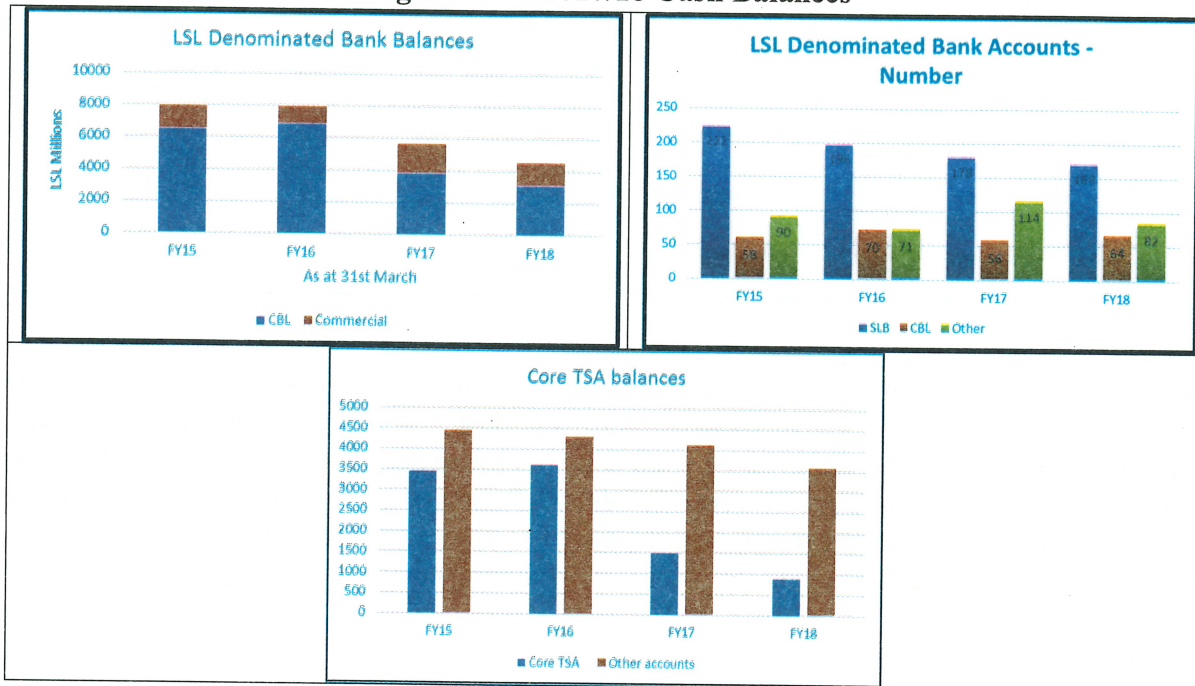


Cash

During FY2017/18 the government’s cash LSL balances reduced from M 5.61 billion at the start of the year to M 4.444 billion at the year end. As in the previous year, the reduction in the Maloti-denominated cash held at the CBL has been the main source for funding the budget deficit. During the same period the balances held in commercial banks also decreased by 23% to M 1.380 billion – much of this decrease was attributable to the utilization of the fund transfer made in FY2016/17 as a provision for the snap June 2017

general election. Figure 7 illustrates the movements in cash balances and the number of bank accounts.

Figure 7: FY2017/18 Cash Balances



The reduction in Maloti denominated balances only tells part of the story. Much of that money is earmarked for particular projects, loan servicing, liquidity management and extra-budgetary purposes and is unavailable for meeting future budgeted expenditures. The Core-Treasury Single Account (TSA) includes the Consolidated Fund bank account and is the repository for all government revenues and the source of its expenditure funding. As illustrated above, the actual core-TSA bank balances have reduced significantly over the past two years. Indeed, even the balance at 31st March 2018 had largely been consumed by payment vouchers expensed in FY2017/18 but where their payment overflowed to early FY2018/19 – as explained below under the year-end payment surge phenomena.

D. Addressing Ongoing Challenges

In my report for the previous financial year, I noted that several factors were adversely impacting on the quality of the consolidated financial statements and hence on their value for accountability and decision-making purposes. Notable amongst these were: the lack of up-to-date bank account reconciliation; the use of multiple bank accounts; and delays in CAO annual report submissions. Despite marked improvements in each of these areas, the issues have yet to be fully resolved as described below:

Bank account reconciliation. During FY2017/18 the bank reconciliation module of the government’s accounting system was successfully configured, tested and deployed as the tool for aiding the reconciliation of the Treasury administered expenditure bank accounts. New bank accounts were opened to enable future reconciliation to start with a clean sheet whilst a separate process looks to clean up the backlog of unreconciled bank statements. Simultaneously, supervision of the revenue collection bank accounts has been stepped up and

the balances of the majority are reconciled as at 31st March 2018. More effort, dedicated resources and management oversight will be required to ensure that this essential control is strengthened further and sustained.

Use of commercial bank accounts. Multiple bank accounts were closed during the year whilst stricter criteria have been applied before the Treasury accedes to any requests for opening new bank accounts—most notably, a separate account must either be legally required or transactions cannot reasonably be conducted through the government’s accounting system and centrally-managed bank accounts. However, a large number of bank accounts continues to be operated for projects and extra-budgetary funds impacting on cash management, accounting and reconciliation functions. My team will continue with their efforts to rationalize the number and purposes of bank accounts.

Delays in CAO report submission. The statutory time limit for the submission of CAO annual financial reports is 30th June, three months after the year end. For FY2017/18 only Office of the Auditor General complied with this requirement. Most CAO’s submitted their annual reports and working files during the month of August, allowing my staff insufficient time to examine and analyze the financial data prior to the August 31st, statutory deadline for submitting the consolidated financial statements. For the second year running, the Ministry of Foreign Affairs has been the last Spending Unit to submit and its information incomplete. Generally, and compared to the previous two years, the quality of the CAO reports has improved though the timeliness continues to suffer from the late reconciliation of revenue collections and delays in investigating and clearing hanging transactions. Future adherence to the financial reporting calendar and increased rigor to substantiate balances will be essential for migrating to the upgraded accounting system.

In addition to the above, other factors have placed the Treasury systems under considerable pressure. Critical amongst these have been the difficulties in administering the accounting cadre and the phenomena of year-end payment surges.

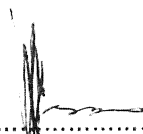
Administering the accounting cadre. The accounting scheme of service was revised in 2012 but has yet to be fully implemented. Significant delays have occurred in filling senior Treasury management positions and in recruiting staff for new functions required by the 2011 legal framework. Recent attempts by the Public Service Commission to rotate senior accounting staff was resisted by some officials who felt sufficiently aggrieved to lodge a complaint with the Ombudsman. Resulting delays in completing the rotations has impacted on several important areas, including the preparation of annual reports.

Year-end payment surges. This is a perennial problem. The number and values of invoices submitted for payment in March can be two or three times those of other months. The surge places considerable stress on the Treasury staff and systems, and whilst they ensure that all payments are recorded in the accounting system prior to the year-end date, the signing, dispatch and payment of these vouchers inevitably overflows into the next financial year. The practice adversely impacts on cash management, financial reporting and bank reconciliation functions and payment efficiency.

Several initiatives are underway to strengthen future Treasury practices and further improve the reliability of financial reporting. Key amongst these is the preparatory work for introducing a version upgrade to the integrated financial management information system (IFMIS), planned for April 2019. The upgrade has provided Treasury with the opportunity to review its business processes to improve data and processing security, transaction efficiency and accountability. A Treasury team has consulted widely to achieve consensus on the business requirements that are to be supported by the upgrade—these will include improvements in receipting, budget execution, payment and cash management processes, regular in-year reporting and strengthened controls.

The IFMIS upgrade also provides the opportunity to start afresh with opening balances of cash, financial assets and liabilities that can be substantiated. Establishing clean opening balances will require considerable effort to analyze and reconcile balances both within and outside the IFMIS, and to agree strategies for resolving unreconciled historical balances. A dedicated Treasury team will be tasked with leading this important assignment but will require cooperation from all CAOs and oversight bodies.

In conclusion, although these Consolidated Financial Statements represent improvements over those of previous years, sustaining the gains made and further advancing the quality of financial reporting requires: the continuing cooperation of CAOs, finance officers and other Ministry of Finance departments; the successful upgrade of the IFMIS to meet all its stakeholder requirements; and increased accountancy capacity in both the Treasury and Spending Units.



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MS. HLOMPHO MATSOSO
ACTING ACCOUNTANT GENERAL

31 AUGUST 2018

III. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2018

For clearer understanding, the statements should be read in conjunction with the underlying accounting policies, notes and additional schedules

A. Consolidated Statement of Cash Receipts and Payments
For the year ended 31st March 2018

Description	Note	2017/2018 Actuals					2016/17
		Head Controlled Accounts M'000	Treasury Accounts M'000	Sub-Total Government Accounts M'000	3rd Parties Accounts M'000	Total for All Accounts M'000	Total for All Accounts M'000
Revenue							
Taxes		-	6,438,204	6,438,204	-	6,438,204	6,400,690
Income, Profit and Capital Gains	1	-	3,509,318	3,509,318	-	3,509,318	3,723,087
Payroll and Workforce	1	-	-	-	-	-	-
Property	1	-	-	-	-	-	-
Goods and Services	1	-	2,609,948	2,609,948	-	2,609,948	2,418,705
International Trade and Transactions	1	-	317,619	317,619	-	317,619	257,039
Other Taxes	1	-	1,319	1,319	-	1,319	1,858
Social Contributions		-	-	-	-	-	-
Other Social Contributions		-	-	-	-	-	-
Grants		402,648	-	402,648	229,352	632,000	1,201,544
Foreign Governments	4	-	-	-	4,568	4,568	70,248
International Organisations	4	376,423	-	376,423	224,783	601,207	985,125
Grants from Other General Government Units	4	26,225	-	26,225	-	26,225	146,171
Other Revenue		14,224	1,622,960	1,637,183	-	1,637,183	1,791,956
Property Income	2	5,932	255,118	261,050	-	261,050	392,490
Rand Monetary Compensation	2	-	211,047	211,047	-	211,047	362,505
Sale of Goods and Services	2	4,297	1,141,650	1,145,947	-	1,145,947	1,020,038
Fines, Penalties and Forfeits	2	-	4,663	4,663	-	4,663	7,319
Voluntary Transfers other than Grants (NGOs)	2	3,994	-	3,994	-	3,994	2,011
Miscellaneous and Unidentified Revenue	2	-	10,482	10,482	-	10,482	7,594
SACU Receipts		-	6,154,199	6,154,199	-	6,154,199	4,518,966
SACU Receipts		-	6,154,199	6,154,199	-	6,154,199	4,518,966
Disposal of Financial Assets		-	58,577	58,577	-	58,577	8
Domestic Financial Assets		-	58,577	58,577	-	58,577	8
Foreign Financial Assets		-	-	-	-	-	-
Disp. Of Money Gold and Spcl Draw Rights		-	-	-	-	-	-
Special Drawing Rights		-	-	-	-	-	-
Disposal of Non Financial Assets		-	70	70	-	70	560
Fixed Assets	14	-	70	70	-	70	560
Non Produced Assets	14	-	-	-	-	-	12
Incurrence of Domestic Liabilities		-	-	-	-	-	105,717
Securities Other Than Shares		-	-	-	-	-	-
Loans		-	-	-	-	-	105,717
Incurrence of Foreign Liabilities		232,647	159,753	392,400	54,022	446,422	88,038
Loans		232,647	159,753	392,400	54,022	446,422	88,038
Total Receipts		649,518	14,433,762	15,083,281	283,374	15,366,655	14,107,492

Description	Note	2017/2018 Actuals					2016/17
		Head Controlled Accounts M'000	Treasury Accounts M'000	Sub-Total Government Accounts M'000	3rd Parties Accounts M'000	Total for All Accounts M'000	Total for All Accounts M'000
PAYMENTS							
Compensation of Employees		461,811	6,069,093	6,530,904	934	6,531,838	6,254,063
Wages and Salaries	6	451,867	4,990,617	5,442,484	934	5,443,418	5,306,680
Social Contribution	6	9,944	1,078,476	1,088,420	-	1,088,420	947,383
Goods and Service		724,398	3,007,936	3,732,335	128,188	3,860,522	4,316,750
Travel and Transport		124,066	537,508	661,574	1,085	662,659	960,160
Operating Costs		600,333	2,470,428	3,070,761	127,102	3,197,863	3,356,590
Other Use of Goods and Services		12,388	-	12,388	-	12,388	6,158
Other Use of Goods and Services	7	12,388	-	12,388	-	12,388	6,158
Interest		-	335,405	335,405	-	335,405	313,412
Domestic Interest	9	-	119,094	119,094	-	119,094	102,287
Foreign Interest	9	-	216,310	216,310	-	216,310	211,125
Transfers		1,563,368	1,018,658	2,582,026	40,743	2,622,768	2,095,541
Subsidies	10	-	310,253	310,253	-	310,253	409,979
Grants	11	619,596	645,443	1,265,039	40,743	1,305,782	800,608
Social Benefits	12	943,772	62,962	1,006,734	-	1,006,734	884,955
Other Expenses		670,327	74,275	744,602	-	744,602	620,670
Property Expense Other Than Interest	13	-	42	42	-	42	193
Miscellaneous Other Expense	13	670,327	74,233	744,560	-	744,560	620,477
Losses		-	4	4	-	4	7
Losses of Public Moneys	13	-	4	4	-	4	7
Acquisition of Financial Assets		-	-	-	-	-	188
Domestic Financial Assets		-	-	-	-	-	-
Foreign Financial Assets		-	-	-	-	-	188
Acquisition of Monetary Gold & Spcl Drawing Rights		-	-	-	-	-	-
Special Drawing Rights		-	-	-	-	-	-
Acquisition of Non Financial Assets		793,602	860,056	1,653,658	113,510	1,767,168	2,016,129
Fixed Assets	8	793,602	858,996	1,652,598	113,510	1,766,108	2,016,129
Non Produced Assets	8	-	1,060	1,060	-	1,060	-
Repayment of Domestic Liabilities		-	56,880	56,880	-	56,880	90,518
Securities Other Than Shares		-	-	-	-	-	-
Loans		-	-	-	-	-	90,518
Other Accounts Payable		-	56,880	56,880	-	56,880	-
Repayment of Foreign Liabilities		-	520,351	520,351	-	520,351	435,442
Loans		-	520,351	520,351	-	520,351	435,442
Total Payments		4,225,894	11,942,656	16,168,551	283,374	16,451,925	16,148,880
Cash at the beginning of the year	15	3,089,605	2,217,535	5,307,140	-	5,307,140	-
Cash Allocations		3,035,961	(3,035,961)	-	-	-	-
Exch. Rate Gain / Loss		-	-	-	-	-	-
Increase (Decrease) in cash		(3,576,376)	2,491,106	(1,085,270)	0	(1,085,270)	(2,041,388)
Deficit Financing							
Net Borrowing:							
Treasury Bills		-	270,778	270,778	-	270,778	11,345
Treasury Bonds		-	344,547	344,547	-	344,547	72,000
Reduction in Cash and other Net Assets		-	-	-	-	-	1,958,043
Total Deficit Financing		-	615,325	615,325	-	615,325	2,041,388
Cash at the end of the year	15	2,549,190	2,288,004	4,837,194	0	4,837,194	

B. Consolidated Statement of Comparison of Budget and Actual Amounts
For the Year Ended 31 March 2018

Description	Actual 2017/18			Variance
	Actual Amounts	Final/ Revised Budget	Approved Budget	Variance Actual to final/Revised
	M'000	M'000	M'000	M'000
REVENUE				
Taxes	6,438,280	7,252,265	7,252,265	813,985
Income, Profit and Capital Gains	3,509,318	4,128,761	4,128,761	619,443
Payroll and Workforce	0	0	0	0
Property	0	0	0	0
Goods and Services	2,610,025	2,749,063	2,749,063	139,038
International Trade and Transactions	317,619	373,807	373,807	56,188
Other Taxes	1,319	634	634	-685
Social Contributions	0	0	0	0
Other Social Contributions	0	0	0	0
Other Revenue	1,637,107	723,455	1,565,167	-913,652
Property Income	261,050	306,629	306,629	45,578
Rand Monetary Compensation	211,047	213,395	213,395	2,348
Sale of Goods and Services	1,139,183	188,397	1,030,159	-950,786
Fines, Penalties and Forfeits	11,350	14,631	14,631	3,281
Voluntary Transfers other than Grants (NGOs)	3,994	403	353	-3,591
Miscellaneous and Unidentified Revenue	10,482	0	0	-10,482
SACU Receipts	6,154,199	6,154,198	6,154,198	-1
SACU Receipts	6,154,199	6,154,198	6,154,198	-1
Disposal of Financial Assets	58,577	17,193	17,193	-41,384
Domestic Financial Assets	58,577	17,193	17,193	-41,384
Foreign Financial Assets	0	0	0	0
Disp. Of Money Gold and Spcl Draw Rights	0	0	0	0
Special Drawing Rights	0	0	0	0
Disposal of Non Financial Assets	69	0	0	-69
Fixed Assets	69	0	0	-69
Non Produced Assets	0	0	0	0
Total Cash Inflows	14,288,233	14,147,111	14,988,823	-141,122
RECURRENT EXPENDITURE				
Compensation of Employees	6,136,651	6,324,180	6,199,500	187,529
Travel and Transport	538,168	623,874	597,570	85,705
Operating Costs	2,353,181	2,446,945	2,493,688	93,764
Interest	335,405	357,153	357,153	21,748
Transfers	2,513,464	2,267,091	2,328,950	-246,372
Other Expenses	711,018	699,062	702,145	-11,955
Losses	4	100	96	96
Acquisition of Financial Assets	0	4,411	4,411	4,411
Acquisition of Monetary Gold & Spcl Drawing Rights	0	2,541	2,541	2,541
Acquisition of Non Financial Assets	177,871	116,551	76,826	-61,320
Repayment of Domestic Liabilities	56,880	60,000	60,000	3,120
Repayment of Foreign Liabilities	520,351	578,556	578,556	58,206
Total Recurrent Expenditure	13,342,991	13,480,463	13,401,435	137,473
DEVELOPMENT RECEIPTS				
Grants	632,000	826,787	945,893	194,787
Foreign Governments	4,568	4,500	4,500	-68
International Organisations	601,207	822,287	941,393	221,080
Grants from Other General Government Units	26,225	0	0	-26,225
Incurrence of Domestic Liabilities	0	0	0	0
Securities Other Than Shares	0	0	0	0
Loans	0	0	0	0
Incurrence of Foreign Liabilities	446,422	548,705	569,742	102,282
Loans	446,422	548,705	569,742	446,869
Total Capital Receipts	1,078,422	1,375,492	1,515,635	297,069

Description	Actual 2017/18			Variance
	Actual Amounts	Final/ Revised Budget	Approved Budget	Variance Actual to final/Revised
	M'000	M'000	M'000	M'000
DEVELOPMENT EXPENDITURES				
GOVERNMENT OF LESOTHO	2,225,424	3,437,778	3,390,376	1,212,354
Head 01 - Agriculture & Food Security	142,057	158,364	156,177	16,307
Head 02 - Health	27,560	79,300	79,300	51,740
Head 03 - Education & Training	18,492	19,100	19,100	608
Head 04 - finance	138,910	304,809	298,028	165,899
Head 05 - Trade & Industry	24,667	84,350	84,461	59,684
Head 06 - Development Planning	766	6,970	6,970	6,204
Head 07 - Justice & Correctional Services	30,738	46,980	45,000	16,242
Head 08 - Home Affairs	147,027	172,945	150,000	25,918
Head 10 - Communications, Science & Tech	129,605	155,000	155,000	25,395
Head 11 - Law, Constitutional Affairs and Human Rts	1,037	20,000	20,000	18,963
Head 13 - Public Works & Transport	556,675	824,200	804,200	267,525
Head 14 - Forestry & Land Reclamation	139,681	157,000	157,000	17,319
Head 15 -Energy	192,780	248,500	248,500	55,720
Head 17 - Tourism, Environment & Culture	81,014	118,670	118,670	37,656
Head 19 - Royal Palace	65,312	100,000	100,000	34,688
Head 37 - Defence	23,842	56,786	56,816	32,944
Head 42 - Local Government & Chieftainship	176,806	395,400	395,400	218,594
Head 43 - Gender Youth, Sports and Recreation	13,382	18,266	18,266	4,884
Head 44 - Public Service	0	3,000	3,000	3,000
Head 45 - Judiciary	15,456	36,000	26,000	20,544
Head 46 - Social Development	5,519	6,000	6,000	481
Head 48 - Mining	0	0	0	0
Head 49 - Police	45,685	58,221	58,221	12,536
Head 50 - Small business	12,966	95,000	112,000	82,034
Head 51 - Water	235,447	272,917	272,267	37,470
DONOR GRANTS	594,669	1,005,451	999,562	410,782
Head 01 - Agriculture & Food Security	10,006	41,665	41,665	31,659
Head 02 - Health	139,930	167,868	167,868	27,938
Head 03 - Education & Training	4,763	13,865	13,500	9,102
Head 04 - Finance	262,033	399,152	399,152	137,119
Head 05 - Trade & Industry	32,134	59,259	59,259	27,125
Head 06 - Development Planning	1,023	5,478	5,478	4,455
Head 08 - Home Affairs	0	0	0	0
Head 10 - Communications, Science & Tech	23,740	93,837	93,837	70,096
Head 13 - Public Works & Transport	0	0	0	0
Head 15 -Energy	20,007	20,855	15,330	848
Head 17 - Tourism, Environment & Culture	5,503	9,386	9,386	3,884
Head 42 - Local Government & Chieftainship	629	0	0	-629
Head 43 - Gender Youth, Sports and Recreation	0	973	973	973
Head 46 - Social Development	36,711	57,200	57,200	20,489
Head 51 - Water	58,190	135,913	135,913	77,723
DONOR LOANS	288,841	844,993	907,289	556,153
Head 01 - Agriculture & Food Security	36,173	107,493	107,493	71,320
Head 02 - Health	11,873	32,910	32,910	21,037
Head 03 - Education & Training	53,368	70,000	70,000	16,632
Head 04 - Finance	30,967	50,898	50,898	19,931
Head 10 - Communications, Science & Tech	13,347	64,931	64,931	51,584
Head 13 - Public Works & Transport	5,564	146,750	146,750	141,186
Head 15 -Energy	11,955	21,531	21,531	9,576
Head 46 - Social Development	30,390	130,000	130,000	99,610
Head 51 - Water	95,204	220,481	282,777	125,278
Total Development Expenditure	3,108,934	5,288,223	5,297,228	2,179,289
Total Cash Outflows	16,451,925	18,768,687	18,698,663	2,316,762
Net Flow	-1,085,270	-3,246,084	-2,194,205	-2,160,814

- (e) Donor and Loan Funded Capital Projects** – Payments funded from grants or loans received from local or foreign institutions are recorded as expenditure when the final authorisation for payment is effected on the system, or in respect of loan or grant funded expenditures that are disbursed by the donors or lenders to third parties, upon receipt of notification that the disbursement has been made. In-kind local and foreign aid assistance are disclosed in the statements at fair value based on records supplied by the donors.
- (f) Foreign Exchange Losses** – Realised losses on foreign currency transactions are recognised on the payment of funds.

8. Assets

- (a) Cash and cash equivalents** – comprise cash on hand, balances with banks and investments in short-term money market instruments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.
- (b) Investments** - Investments are not recognized in the Consolidated Financial Statements. They are recorded in the financial records at historic cost and are updated where independent external valuation exercises have been completed. Shareholdings are disclosed in the Notes to the Financial Statements. Any cash flows such as dividends received or proceeds from the sale of the investment are recognised in the financial records when the cash is received.
- (c) Loans and advances** - are recognised as expenditure at the nominal amount when cash is paid to the beneficiary. Loan balances are recorded in a loan register and balances reduced when cash repayments are received from the beneficiary. Balances as at 31st March 2018 are disclosed in the Notes to the Financial Statements.
- (d) Amounts receivable** - Amounts receivable to Government at the reporting date are identified in the Notes to the Financial Statements.
- (e) Property, plant and equipment** – Payments for the acquisition of property, plant and equipment items are not capitalized. The costs of acquisition and proceeds from disposal of these items are treated as expenditure and income items respectively.

9. Liabilities

- (a) Borrowings** - New borrowings are shown as funding inflows. The stock of public debt as at 31st March 2018 is disclosed in the Notes to the Financial Statements. Public debt comprises domestic and external borrowing by the Government.
- (b) Accounts payable** - Accounts payable by the Government at the reporting date are identified in the Notes to the Financial Statements.

10. **Contingent liabilities** – A contingent liability is a potential liability that may occur, depending on the outcome of an uncertain future event. Contingent liabilities are included in the Notes to the Financial Statements.

D. Statement of Consolidated Entities

Compliance with the accrual-IPSAS requires the consolidation of the financial information of all government-controlled entities, where the IPSAS definition of control is *“the power to govern the financial and operating policies of another entity so as to benefit from its activities”*. Similar coverage had been a requirement of the cash-based IPSAS but was revised in 2017 and compliance now requires only consolidation of budgetary central government.

Accordingly, the FY2017/18 financial statements have concentrated on consolidating information from the budgetary central government and district councils as listed in Table 1. Coverage of future financial statements will eventually extend to include the controlled-entities listed in Table 2.

Table 1: Controlled entities included in consolidation

Head	Entity	Head	Entity
01	Min. Agriculture & Food Security	19	His Majesty's Office
02	Min. Health	20	Public Service Commission
03	Min. Education & Training	37	Min. Defence & National Security
04	Min. Finance	38	National Assembly
05	Min. Trade & Industry	39	Senate
06	Min. Development Planning	40	Ombudsman
07	Min. Justice & Correctional Services	41	Independent Electoral Commission
08	Min. Home Affairs	42	Min. Local Government & Chieftainship
09	Prime Minister's Office	43	Min. Gender, Youth, Sports & Recreation
10	Min. Communication, Science & Tech	44	Min. Public Service
11	Min. Law & Constitutional Affairs	45	Judiciary
12	Min. Foreign Affairs & Int. Relations	46	Min. Social Development
13	Min. Public Works & Transport	47	Directorate of Corruption & Econ Offences
14	Min. Forestry & Land Reclamation	48	Min. Mining
15	Min. Energy, Meteorology & Water Affairs	49	Min. Police & Public Safety
16	Min. Labour & Employment	50	Min. Small Businesses
17	Min. Tourism, Environment & Culture	51	Min. Water
18	Auditor General's Office		
Central Services (managed by Min. Finance)		District Councils (included within Head 42)	
21	Principal Repayment		Berea
22	Interest Charges		Botha-Bothe
23	Pensions & Gratuities		Leribe
24	Statutory Salaries & Allowances		Mafeteng
25	Subscriptions to Int. Organisations		Maseru
26	Refund of Erroneous Receipts		Mokhotlong
31	Contingencies Fund		Mohale's Hoek
99	Consolidated Fund/National Revenue		Qachas Nek
			Quthing
			ThabaTseka

Table 2: Controlled entities excluded from consolidation

State Owned Enterprises:		
Central Bank of Lesotho (CBL) Lesotho Post Bank Water & Sewerage Corporation (WASCO) Basotho Enterprise Development Corporation (BEDCO)	Lesotho National Development Corporation (LNDC) Lesotho Electricity Company (LEC) Lesotho Tourism Development Corporation	
Autonomous Bodies		
<i>Agriculture & Food Security</i>	<i>Health and Social Welfare</i>	<i>Development Planning</i>
Lesotho Dairy	National Drug Service Organization	Council of Bureau of Statistics
Agriculture College	Lesotho Pharmaceutical Corporation	Council of National Manpower
Lesotho National Dairy Board		
<i>Finance</i>	<i>Education & Training</i>	<i>Public Works</i>
Lesotho Institute of Accountants	Exam Council of Lesotho	Roads Directorate
Lesotho Revenue Authority	Lerotholi Polytechnic	Lesotho Freight Bus Services
Procurement Tribunal	Lesotho College of Education	
Centre for Accounting Studies	National University of Lesotho	
	Council for Higher Education	
<i>Energy</i>	<i>Tourism, Environment & Culture</i>	<i>Public Service</i>
Metolong Authority	Tourism Licensing Board	Public Service Tribunal
<i>Trade, Industry, Cooperatives & Marketing</i>	<i>Gender, Youth, Sports & Recreation</i>	<i>Local Government & Chieftainship</i>
Trade Licensing Board	Stadium Board	Lesotho Housing
Lesotho Cooperative College	Youth Council	Land Administration Authority
	Lesotho Sports & Recreation Commission	
	<i>Extra-Budgetary Funds</i>	<i>Joint Ventures</i>
	Guardian Fund	Institute of Development Management (IDM)
	Pension Fund	
	Partial Credit Guarantee Fund	Lesotho Highlands Development Authority
	Road Fund	
	Petroleum Fund	
	Manpower Development Fund	
	HIV/AIDS Fund	

As at the date of preparation of these Consolidated Financial Statements, Appendix 4 provides, where available, additional information on the government-controlled entities detailing the status of their submissions of annual financial statements for audit and the most recent audit opinion.

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Cash Receipts and Payments Headings:

Head Controlled Accounts – identify transactions and balances controlled by Spending Units outside of the IFMIS.

Treasury Accounts – comprise transactions managed through the IFMIS and the Treasury controlled bank accounts that comprise the core Treasury Single Account (TSA).

Third Party Accounts – bank accounts and transactions are controlled by a third party (e.g. a donor) but government benefits from the transactions.

Basis for budget comparison:

The Consolidated Statement of Comparison of Budget and Actual Amounts includes the original budget for FY2016/17 as approved by the National Assembly through the Appropriation (2017/18) Act, 2017. It also includes the revised budget for the year taking account of supplementary budgets, reallocations and other budget variations authorised in accordance with the Treasury regulations. The comparison is made for the major classifications of revenue and expenditure. Appendix 2 provides budget versus actual comparisons analysed by Spending Unit. Appendix 3 tracks the changes from originally approved to revised budget.

Budgets are specific to a financial year. Unexpended budgeted funds at the close of the financial year are surrendered. The budget and accounts are prepared on the basis of similar accounting standards and the same financial year.

Table 3: FY2017/18 Summary Budget

	Appropriation Act	Budget Book	Contingency	Supplementary
Recurrent Revenues	14,994,803,150	14,994,853,150		
Capital Receipts				
Donor Grants	1,072,161,834	1,002,161,834		15,945,990
Development Loans	707,289,492	907,289,491		85,360,992
Total Receipts	16,774,254,476	16,904,304,475	0	101,306,982
Recurrent Expenditure:	-13,406,681,981	-13,503,150,984	-59,883,224	-180,991,688
Appropriated	-10,600,208,960	-10,696,677,963	-59,883,224	-28,285,523
Statutory - Note (a)	-2,806,473,021	-2,806,473,021		-152,706,165
Capital Expenditure:	-5,202,582,861	-5,342,582,860	-35,434,733	-101,306,982
Appropriated	-3,423,131,535	-3,433,131,535	-35,434,733	
Grant Funded	-1,072,161,834	-1,002,161,834		-15,945,990
Loan Funded	-707,289,492	-907,289,491		-85,360,992
Contingency	-100,000,000	-100,000,000	95,317,957	
Total Expenditure	-18,709,264,842	-18,945,733,844	0	-282,298,670
Budget Deficit	-1,935,010,366	-2,041,429,369	0	-180,991,688

Note (a) Statutory expenditure excluded from Appropriation Act, but figures drawn from Budget Speech.

Notes:

Cabinet has approved the application of the Contingency Fund and allocation of Supplementary estimates, and at its meeting on 7th August 2018 instructed the Law

Office to draft the Supplementary Estimates Appropriation Bill for submission to Parliament.

Amounts in the Appropriation Act and budget book vary slightly. For the budget versus actual comparison statement the budget book figures have been used, since they are the published versions most accessible to stakeholders and provide the breakdown to line items.

Table 4: FY2017/18 Use of Contingency Fund

Serial	Ministry	Amount (M)	R/C	Purpose
1	Finance	1,219,000	Recurrent	For compensation of victims of the 1994 and 1998 Political Unrest
2	Home Affairs	4,050,436	Recurrent	For Inauguration Ceremony of the Prime Minister Elect to be held on the 16 June 2017
3	Home Affairs	1,347,150	Recurrent	For the official funeral of the late Mrs. Alice Lipolelo Thabane who was laid to rest on the 30th June 2017 at Ha Abia Maseru
4	Trade	20,000,000	Recurrent	To cover the negative balance on the Ministry of Trade IFMIS general ledger caused by M80m Duty Credit Certificates which was withdrawn from the budget
5	Justice	1,863,730	Recurrent	To top-up the purchase of vehicle for Ministry of Justice and Correctional Services
6	Defence	8,069,899	Recurrent	To pay arrears of exiled soldiers
7	Defence	13,757,735	Recurrent	For deployment of SADC Contingent Mission to Lesotho
8	IEC	3,312,090	Recurrent	For Local Government fresh elections, bye-elections and re-run elections of 2018
9	Forestry	263,184	Recurrent	To facilitate payment of salary and allowances for Ms Tlotlehang Doreen Chaoana who had been re-appointed as Principal Secretary
10	Police	6,000,000	Recurrent	For additional fleet for Police
11	Finance	6,780,580	Capital	LMDA
12	Water	28,654,153	Capital	Mobile Water Treatment
TOTAL		95,317,957		
Appropriated		100,000,000		
Supplementary F		0		
Revised Conting		100,000,000		
Unutilised Balan		4,682,043		

Table 5A: FY2017/18 Supplementary Budgets – Recurrent

HEAD	MINISTRY	AMOUNT (M)	SUPPLEMENTARY PURPOSE
03	Education and Training	433,093	To pay salary arrears owed to chauffeurs by the Government
04	Finance	2,000,000	To pay salaries for Lesotho Sun staff.
09	Prime Minister's Office	409,550	To pay salary arrears owed to chauffeurs by the Government
11	Law and Constitutional Affairs	720,456	To pay salary arrears owed to chauffeurs by the Government
18	Auditor General's Office	447,242	To pay salary arrears owed to chauffeurs by the Government
20	Public Service Commission	491,103	To pay salary arrears owed to chauffeurs by the Government
23	Pensions and Gratuities	152,706,165	To cover estimated budget shortfall.
40	Ombudsman	595,049	To pay salary arrears owed to chauffeurs by the Government
45	Judiciary	4,942,086	To pay salary arrears owed to chauffeurs by the Government
47	Directorate of Corruption and Economic Offences	244,505	To pay salary arrears owed to chauffeur by the Government
50	Small Business Development	18,002,449	To pay outstanding subsidy claims for Lesotho Milling Company, Moratuo Prepackers and Tasty Food Packers.
TOTAL		180,991,698	

Table 5B: FY2017/18 Supplementary Budgets – Capital

HEAD	MINISTRY	AMOUNT (M)	SUPPLEMENTARY PURPOSE
01	Agriculture and Food Security	20,032,379	Disbursements from IDA post Budget approval by the Parliament
02	Education and Training	4,840,247	Disbursement from IDA post Budget approval by the Parliament
04	Finance	15,945,990	Funds to cover the twelve months LMDA extension from 1st April 2017 to 31st March 2018. Counterpart funding from Contingency.
05	Trade and Industry	6,840,000	Disbursements from IDA post Budget approval by the Parliament
13	Public Works and Transport	10,013,004	Disbursements from IDA and Exim China Bank respectively post budget approval by the Parliament
42	Local Government and Chieftainship	1,111,419	Disbursements form ADF post Budget approval by the Parliament
46	Social Development	36,779,043	Disbursements from IDA post budget approval by Parliament
51	Water	5,744,900	BADEA disbursements post approval of the budget by Parliament
	Total	101,306,982	

Receipts

Note 1: Tax Revenues

The Lesotho Revenue Authority (LRA) acts as the government's agent for collecting taxes and customs duties. Collections are regularly remitted to the Consolidated Fund. These are net of any tax expenditures (e.g. for VAT refunds). They also exclude Road Fund collections by the LRA which are transferred directly to the Roads Directorate.

Note 2: Non-Tax Revenues

Collections of non-tax revenues were as follows:

Description	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
	Actual 2017/2018 M'000	Actual 2017/2018 M'000	Actual 2017/2018 M'000	Actual 2017/2018 M'000
Property Income	5,932	255,118	-	261,050
Interest	5,932	1,033	-	6,965
Dividends	-	214,499	-	214,499
Dividends Received from Financial Public Corporations	-	154,499	-	154,499
Dividends Received from Non Financial Public Corporations	-	-	-	-
Dividends - Other	-	60,000	-	60,000
Withdrawals from Income of Quasi Corporations	-	-	-	-
Property Income Attributed to Insurance Policyholders	-	-	-	-
Rent - Non Produced Assets	-	39,586	-	39,586
Industrial Minerals Royalties	-	2,505	-	2,505
Surface Rent	-	37,081	-	37,081
Ground Rent	-	-	-	-
Rand Monetary Compensation	-	211,047	-	211,047
Sale of Goods and Services	4,297	1,141,650	-	1,145,947
Sales by Market Establishments	-	997,832	-	997,832
Electricity - Muela	-	22,365	-	22,365
Water Royalties - LHDA	-	975,466	-	975,466
Administrative Fees	-	49,212	-	49,212
Incidental Sales by Non Market Establishments	4,297	93,846	-	98,143
Imputed Sales of Goods and Services	-	761	-	761
Fines Penalties and Forfeits	-	4,663	-	4,663
Voluntary Transfers other than Grants (NGOs)	3,994	-	-	3,994
Miscellaneous and Unidentified Revenue	-	10,482	-	10,482
	-	-	-	-
Total Non-Tax Revenue	14,224	1,622,960	-	1,637,183

Note 2b: Dividends

Amounts shown as dividends represent the cash received by government during the financial year. Actual amounts received may relate to the dividends declared by the enterprises for their previous years' performances. The Government controls 7 state

owned enterprises, as listed in Table 2 above, and has minority shareholdings in 16 companies, as indicated in Table 2. Of these dividends received during FY2017/18 were from those shown below.

Entity Name	Supervising Spending Unit	Dividends Received Actual	
		2017/2018	2016/2017
Lesotho National Insurance Group	Finance	3,006,200	4,654,800
Lesotho Life Assurance Company	Finance	-	-
Central Bank of Lesotho	Finance	147,566,000	184,232,000
AON	Finance	-	384,714
Maluti Mountain Brewery	Finance	1,490,278	3,076,139
Avani	Finance	2,436,896.71	-
Letseng Mine	Mining	60,000,000	114,000,000
Total		214,499,375	306,347,653

Note 4: Grants received

Grants received during the year ended 31st March 2018 were:

Description	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
	Actual 2017/2018 M'000	Actual 2017/2018 M'000	Actual 2017/2018 M'000	Actual 2017/2018 M'000
Grants from Foreign Governments	-	-	4,568	4,568
Current Donor Grants - Foreign Governments	-	-	68	68
Capital Donor Grants - Foreign Governments	-	-	4,500	4,500
Grants from International Organisations	376,423	-	224,783	601,207
Current Donor Grants – Multilateral Partners	336	-	551	887
Capital Donor Grants – Multilateral Partners	376,087	-	224,232	600,320
Grants from Other General Government Units	26,225	-	-	26,225
Current Grants from Central Government	26,225	-	-	26,225
Capital Grants from Central Government	-	-	-	-
	-	-	-	-
Total Grants	402,648	-	229,352	632,000

Note 6: Compensation of Employees

Payments of FY2017/18 employee compensation are made up of the following:

	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
Description	Actual 2017/2018 M'000	Actual 2017/2018 M'000	Actual 2017/2018 M'000	Actual 2017/2018 M'000
Wages and salaries	451,867	4,990,617	934	5,443,418
Non Statutory Salaries in Cash	259,029	4,521,291	934	4,781,254
Statutory Salaries in Cash	-	18,488	-	18,488
Wages in Cash	106,578	215,845	-	322,423
Allowances in Cash - Non Statutory Posts	65,514	190,137	-	255,651
Allowances in Cash - Statutory Posts	-	2,828	-	2,828
Salaries and Wages - Own Account Capital	9,389	3,423	-	12,812
Wages and Salaries in Kind	11,356	38,605	-	49,961
Social Contributions	9,944	1,078,476	-	1,088,420
Actual Social Contributions	-	465,881	-	465,881
Imputed Social Contributions	1,418	-	-	1,418
Unfunded Pensions and Gratuities	8,527	612,595	-	621,122
	-	-	-	-
Total Compensation of Employee	461,811	6,069,093	934	6,531,838

Note 7: Other Use of Goods and Services

	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
Description	Actual 2017/2018 M'000	Actual 2017/2018 M'000	Actual 2017/2018 M'000	Actual 2017/2018 M'000
Other Use of Goods and Services - Own Account Capital	12,388	-	-	12,388
Purchase of Construction Materials – Own Account Capital	4,567	-	-	4,567
Consultancies - Own Account Capital	5,024	-	-	5,024
Purchase of Other Goods and Services - Own Account Capital	2,797	-	-	2,797
Travel and Transport - Own Account Capital	-	-	-	-
	-	-	-	-
Total cost of other goods and services consumed	12,388	-	-	12,388

Note 8: Purchase of Property, Plant and Equipment

Fixed assets are expensed on acquisition and sale proceeds accounted for when assets are disposed of. The following table summarises the capital assets acquired during FY2017/18.

	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
Description	Actual 2017/2018 M'000	Actual 2017/2018 M'000	Actual 2017/2018 M'000	Actual 2017/2018 M'000
Fixed Assets	793,602	858,996	113,510	1,766,108
Buildings and Structures	693,144	601,278	111,908	1,406,330
Machinery and Equipment	99,533	173,927	1,602	275,062
Acquisition of Other Fixed Assets	925	83,791	-	84,716
Acquisition of Inventories	-	-	-	-
Acquisition of Valuables	-	-	-	-
Non-Produced Assets	-	1,060	-	1,060
Land	-	-	-	-
Subsoil Assets	-	-	-	-
Other Naturally Occurring Assets	-	-	-	-
Intangible Non Produced Assets	-	1,060	-	1,060
	-	-	-	-
Total value of property, plant and equipment expensed	793,602	860,056	113,510	1,767,168

Note 9: Interest Payments

Costs include interests paid during the year in respect of external debts, commitment fees, and charges on treasury bills, treasury bonds, and other domestic borrowings. These charges arise from financing arrangements for the budget and monetary policy instruments.

	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
Description	Actual 2017/2018 M'000	Actual 2017/2018 M'000	Actual 2017/2018 M'000	Actual 2017/2018 M'000
Domestic Interest	-	119,094	-	119,094
Interest Paid to Central Government	-	-	-	-
Interest Paid to Extra Budgetary Units	-	-	-	-
Interest Paid to Local Governments	-	-	-	-
Interest Paid to Financial Public Corporations	-	-	-	-
Interest Paid to Non Financial Public Corporations	-	-	-	-
Domestic Interest - Own Account Capital	-	-	-	-
Other Domestic Interest	-	119,094	-	119,094
Foreign Interest	-	216,310	-	216,310
Bilateral Interest	-	29,978	-	29,978
Multilateral Interest	-	171,615	-	171,615
Financial Institutions Interest	-	101	-	101
Export Credit Interest	-	14,616	-	14,616
Foreign Interest - Own Account Capital	-	-	-	-
	-	-	-	-
	-	-	-	-
Total interest payable	-	335,405	-	335,405

Note 10: Subsidies

	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
Description	Actual 2017/2018 M'000	Actual 2017/2018 M'000	Actual 2017/2018 M'000	Actual 2017/2018 M'000
Subsidies	-	-	-	-
To Public Corporations	-	310,253	-	310,253
Subsidies - Non Financial Public Corporations	-	305,271	-	305,271
Subsidies - Financial Public Corporations	-	4,982	-	4,982
To Private Enterprises	-	-	-	-
On Products	-	-	-	-
Petroleum Levy	-	-	-	-
Subsidy on Agricultural Inputs	-	-	-	-
	-	-	-	-
Total subsidies for the year	-	310,253	-	310,253

Note 11: Grants Paid

Other transfers relate to social benefit payments, subsidies and grants to other non-governmental organisations and autonomous bodies. The following tables provide a breakdown of transfers over the main categories.

	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
Description	Actual 2017/2018 M'000	Actual 2017/2018 M'000	Actual 2017/2018 M'000	Actual 2017/2018 M'000
Grants	-	-	-	-
To Foreign Governments	-	-	-	-
To International Organisations	-	29,704	-	29,704
Commonwealth Secretariat	-	904	-	904
ACP	-	-	-	-
Group Of 77	-	-	-	-
SADC	-	28,799	-	28,799
UNFPA	-	-	-	-
To Other General Government Units	619,596	615,740	40,743	1,276,078
Current Grants Paid to Central Government	-	379,391	-	379,391
Current Grants Paid to Extra Budgetary Units	41,281	150,242	29,218	220,742
Current Grants Paid to Local Governments	-	23,500	-	23,500
Grants in Aid Paid to Central Government	-	-	-	-
Grants in Aid Paid to Extra Budgetary Units	534,774	62,607	-	597,381
Grants in Aid Paid to Local Governments	-	-	11,524	11,524
Capital Grants Paid to Central Government	-	-	-	-
Capital Grants Paid to Extra Budgetary Units	43,541	-	-	43,541
Capital Grants Paid to Local Governments	-	-	-	-
	-	-	-	-
Total grants for the year	619,596	645,443	40,743	1,305,782

Note 12: Social Benefits

Social benefits comprised:

	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
Description	Actual 2017/2018 M'000	Actual 2017/2018 M'000	Actual 2017/2018 M'000	Actual 2017/2018 M'000
Social Benefits	-	-	-	-
Social Security Benefits	-	-	-	-
Social Assistance Benefits	938,768	62,962	-	1,001,729
Old Age Pension	696,437	-	-	696,437
APC Pension	4,751	-	-	4,751
Public Assistance in Cash	-	58,700	-	58,700
School Feeding Program	180,310	-	-	180,310
Safety Net	53,838	-	-	53,838
LLA Pensions	-	-	-	-
Public Assistance in Kind	3,431	4,262	-	7,693
Employer Social Benefits	5,004	-	-	5,004
Compensation	5,004	-	-	5,004
Other School and Medical Fees - Foreign M	-	-	-	-
	-	-	-	-
Total social benefits	943,772	62,962	-	1,006,734

Note 13: Other Operating Expenses

Description	Actual	Actual	Actual	Actual
	2017/2018	2017/2018	2017/2018	2017/2018
	M'000	M'000	M'000	M'000
Property Expense Other Than Interest	-	42	-	42
Withdrawals from Income of Quasi Corporation	-	-	-	-
Property Expense Attributed to Insurance Policy	-	-	-	-
Rent of Non Produced Assets	-	42	-	42
<i>Rent and Lease of Land for Government Use</i>	-	42	-	42
Miscellaneous Other Expense	670,327	74,233	-	744,560
Current	657,496	54,150	-	711,646
<i>Transfers to Institutions Caring for Orphans</i>	-	3,217	-	3,217
<i>Student Grants - National Manpower Development</i>	656,826	-	-	656,826
<i>Legal Compensation</i>	-	2,147	-	2,147
<i>Maseru City Council - Government Housing Proper</i>	-	1,140	-	1,140
<i>Motor Vehicle Assurance</i>	618	28,373	-	28,992
<i>Non Life Insurance Premiums</i>	52	19,273	-	19,325
Capital	12,830	20,083	-	32,914
<i>Capital Transfers - Non Financial Public Corporatio</i>	12,830	20,083	-	32,914
Losses of Public Moneys	-	4	-	4
Losses of Public Moneys	-	4	-	4
<i>Cash Losses Reported</i>	-	4	-	4
Total	670,327	74,278	-	744,605

Note 14: Proceeds from the Sale of Assets

Description	Head Controlled	Treasury	3rd Parties	Total for all
	Accounts	Accounts	Accounts	Accounts
	Actual	Actual	Actual	Actual
	2017/2018	2017/2018	2017/2018	2017/2018
	M'000	M'000	M'000	M'000
Disposal of Fixed Assets	-	70	-	70
Buildings and Structures	-	-	-	-
Machinery and Equipment	-	70	-	70
Disposal of Other Fixed Assets	-	-	-	-
Disposal of Inventories	-	-	-	-
Disposal of Valuables	-	-	-	-
Disposal of Non-Produced Assets	-	-	-	-
Total Proceed received	-	70	-	70

Note 15: Cash

Bank accounts are maintained for: effecting central payments; departmental revenue deposits; sub-accountancy operations; projects; special, trust and other extra-budgetary funds; and semi-autonomous government agencies. An ongoing exercise seeks to rationalize the number and uses of government bank accounts and incorporate balances within a Treasury Single Account structure. The number of accounts and their balances (per bank records) are shown below.

Analysis per bank	Accounts at 31 March 2018		Accounts at 1st April 2017	
	Number	Balance	Number	Balance
<u>Locally Denominated Accounts:</u>		M'000		M'000
Central Bank of Lesotho	63	2,721,581	56	3,817,587
Ned Bank Lesotho	38	47,194	56	121,311
Standard Lesotho Bank	139	725,724	178	912,931
First National Bank	13	57,934	25	83,614
Lesotho Post Bank	21	513,160	32	480,990
ABSA	1	3,052		
Crown Agents (Included in the Central Bank balances)			1	
Total	275	4,068,645	348	5,416,433
<u>Foreign Currency Accounts</u>				
Central Bank of Lesotho	63	127,240	93	199,422
Standard Lesotho Bank	7	54,520		
Foreign Diplomatic Missions	22	88,927	27	62,631
Total	92	270,686	120	262,053
Government Accounts Balance	367	4,339,331	468	5,678,486
<u>Monies Held in Trust:</u>				
Central Bank of Lesotho	1	342,360		
Standard Lesotho Bank	30	18,609		
Lesotho Post Bank	9	13,876		
Trust Monies Balance	40	374,845	0	0
GRANT TOTAL	407	4,714,176	468	5,678,486

Notes:

The balances exclude the bank accounts for five foreign missions (Berlin, Washington and Beijing (3 bank accounts)) for which information had not been provided as at the report submission date.

CBL bank account balances include Crown Agents and IMF Loan PRGF balances of M363 million and M973 million, respectively.

Of the total cash balances, M 882 million is fungible, available for meeting budget expenditure. Other balances are earmarked for particular projects, extra-budgetary purposes or debt/liquidity management purposes.

The reported balances of M5.873 billion in FY2016/17 was overstated by M195 million where 5 bank accounts to the tune of M195 million were erroneously duplicated in the calculations. The correct figure is M5.678 billion.

The stated opening cash balance of M5.307 billion was derived from the FY2016/17 Government closing bank balances, classified under head controlled accounts and Treasury accounts. The balance does not include monies held in trust of M371 million as they do not form part of the Government cash book balance. The main reason for using the bank balances, instead of Government cash book balances, is that, not all receipts and payments are made through the IFMIS and the main Treasury bank accounts are not yet fully reconciled. Measures are being taken for reconciliations of all accounts and inclusion of all transactions and balances into the IFMIS. There is a discrepancy of M498 million between the bank balance and cash book balance at the end of the year due to challenges above.

Increased efforts were made during the year to reconcile bank account balances. These efforts will continue whilst initiatives to rationalize the number and purposes of bank accounts will be increased. Appendix 5 illustrates the high-level reconciliation of the Core-Treasury Single Account, which comprises the Consolidated Fund, Main Revenue, Revenue Collection, Recurrent Expenditure and Development Expenditure bank accounts.

V. DISCLOSURE SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Schedule 1: Investments

The government owns minority shares in the 16 trading entities listed below. The Lesotho National Development Corporation (LNDC), a wholly owned state enterprise, also holds shares in three of these companies. During 2017/18 dividends were received from companies in the mining, banking, hospitality and insurance sectors.

Table 6: State Owned Entities

Entity	Government Ownership	Sector	Comments
Letseng Diamonds	30%	Mining	
Kao Mining	25%	Mining	
Liqhobong Mining Development Company	25%	Mining	
Lemphane Diamonds	26.5%	Mining	
Mothae Diamonds	30%	Mining	70% of shares sold in 2016 - 2017.
Gem Stone (Show Ridge)	25%	Mining	
Reskol Diamond Mine (Kolo)	10%	Mining	
Standard Lesotho Bank	9.6%	Banking	
AON	5%	Insurance	
National General Insurance Group	20%	Insurance	
National Life Insurance	12%	Insurance	
Econet Lesotho	30%	Communications	
Lesotho Flour Mill	49%	Milling	
Maluti Mountain Brewery	4.75%	Brewing	LNDC owns 51%
Avani Sun International	36.4%	Hospitality	LNDC owns 16.7%
Loti Brick	22.8%	Brick Making	LNDC owns 73.6%

Government has retained a residual of 30% ownership in Mothae Diamonds Limited after 70% of its shares was sold to Lucapa Diamond Company Limited, an Australian registered company. Settlement for the sale of shares was in installments. The first for US\$400,000 (M 5,257,163) was received during FY2016/17 upon signing of the Share Purchase and Mining Lease Agreements; subsequent installment of US\$4.1 million was received during FY2017/18 while US\$4.5million was postponed to be received in FY2018/19.

Schedule 2: GOLFIS balances

Prior to migrating to the Epicor IFMIS system in April 2009, accounting records were maintained in the Government of Lesotho's Financial Information System (GOLFIS). At

that time the decision was made to only load opening cash book and other balances if they were properly supported. The OAG report on the 2009/10 consolidated statements acknowledged the discrepancies and recommended that they be regularized – this task has yet to be completed. Table 7 shows the current status:

Table 7: GOLFIS Balances

Below- the-line account	GOLFIS (M000's)	Bank (M000's)	Comments
Cash at Bank (401)	-2,629,192	3,661,176	Bank
Cash Foreign Missions (402)	-76,289	16,451	Bank
Investments Abroad (426)	3,914	37,213	Bank
Investments Special Funds (427)	201,520	201,520	Bank
Cash on Deposit (403)	-24,588		Ledger Balances
Cash in Transit (404)	-1,010,853		Ledger Balances
Cash with Projects (405)	-801,939		Ledger Balances
Imprests (411)	10,570		Ledger Balances
Advances (423)	-78,814		Ledger Balances
Advances Public Officers (424)	-2,102		Ledger Balances
Contingencies (425)	3,704		Ledger Balances
Advances Clearing Accounts (428)	3,830,265		Ledger Balances
Suspense Clearing Accounts (431)	7,739		Ledger Balances
Trading Accounts (432)	4,679		Ledger Balances
Deposits – Other (503)	-113,011		Ledger Balances
Deposits – General (504)	-2,318		Ledger Balances
Special Funds (511)	-273,104		Ledger Balances

Proposals for resolving these differences will be included as part of the ongoing data cleansing exercise to ensure that all balances can be substantiated before migrating opening balances to the planned upgraded IFMIS version in March 2019.

Schedule 3: Revenue Arrears

Revenue arrears are amounts receivable by the Government but which have not been remitted to government by the due date. The below table analyses the overdue debt by collecting agency and period for which amounts are overdue. It records those revenues owed to the Government budget agencies. It excludes moneys owed to sub-vented agencies (e.g. tertiary education institutions) and extra-budgetary funds (e.g. National Manpower Development Scheme).

Table 8: Overdue Debt Analysis

Analysis by Spending Unit	Period Overdue				Total Revenue Arrears at 31st March 2018
	More or equal 1 year	More than 6 Months, Less Than 1 Year	More than 3 months, Less Than 6 Months	Less or equal 3 Months	
	M	M	M	M	
Health 02 Health	27,500		76,009	84,705	188,214
Head 03 Education & Training	33,524		205,905		239,429
Head 04 Finance	7,187,964				7,187,964
Head 06 Development Planning		682,059			682,059
Head 07 Justice & Correctional Services	54,424				54,424
Head 08 Home Affairs	5,283,268				5,283,268
Head 09 Prime Ministers Office	305,258	32,876	3,050	27,123	368,307
Head 10 Communications, Science & Tech	121,695				121,695
Head 13 Public Works		205,097			205,097
Head 15 Energy			37,675,192		37,675,192
Head 16 Labour & Employment		43,461			43,461
Head 17 Tourism, Environment & Culture					-
Head 38 National Assembly	114,082				114,082
Head 05 Trade					-
Head 39 Senate	9,451				9,451
Head 40 Ombudsman	50,249				50,249
Head 43 Gender					-
Head 44 Public Service		81,154		479,252	560,406
Head 45 Judiciary					-
Head 37 Defence		39,333	256,166	203,933	499,433
Head 48 Mining	51,137				51,137
Head 49 Police	144,826				144,826
Head 50 Small Business		103,406			103,406
					-
TOTAL	13,383,378	1,187,385	38,216,323	795,014	53,582,100

Schedule 4: Hanging Transactions

Hanging balances represent uncompleted transactions within the IFMIS. As part of an ongoing data cleansing exercise, efforts over the past two years have been directed at investigating the causes for hanging transactions and effecting correcting entries. Table 8 provides the status as at 31st March 2018, compared with the previous two years and shows a gradual upward trend in the numbers and values of hanging transactions.

Table 9: Hanging Transactions

Transaction Type	31st March 2016		31st March 2017		31st March, 2018						Amount Change (%)
	No.	Amount	No.	Amount	IFMIS		Adjustment		Revised Total		
					No.	Amount	No.	Amount	No.	Amount	
		M		M		M		M		M	
Purchase order	95	1,245,940	12	123,253	60	1,252,643			60	1,252,643	-916%
Unposted vouchers	170	2,148,244	11	40,180	113	248,334,415	84	248,281,390	29	53,026	-32%
Unposted payments	71	3,097,421	34	3,189,634	153	69,363,552	64	65,282,337	89	4,081,214	-28%
Outstanding imprests	282	163,972,517	336	177,029,125	389	217,467,119			389	217,467,119	-23%
Total	618	170,464,121	393	180,382,192	715	536,417,729	148	313,563,727	567	222,854,002	-24%

Schedule 5: Pension Liabilities

The Public Officer's Defined Contribution Pension Fund Act (2008) was established to deliver pension benefits to contributing members employed in the Lesotho public service. Statutory actuarial valuations of the Fund are required at regular intervals to assess the viability of the Fund to pay future pension and benefit obligations. The auditor's report on the Fund's annual report for FY2015/16 raises doubt on the Fund's ability to meet future benefits when due and payable. It bases that conclusion on an actuarial valuation of the Fund as at 31st March 2014 which indicated an underfunding of M5,560 million and the valuator's revised report which assessed the underfunding as M5,890 million as at 31st March 2016.

Schedule 6: Public Debt

Public Debt comprises domestic and external borrowings. The increase in the debt stock reflects the net new disbursement and the effects of the depreciation of the Maloti against the major currencies in which the external loans are denominated.

Table 10: External Liabilities

NO.	Category	01 April 2017	2017/2018	2017/2018	2017/2018	2017/2018	31 March 2018
		Opening Loan Balance in Maloti	New Borrowings in Maloti	Disbursements in Maloti	Repayment Amount in Maloti	Interest Paid in Maloti	Closing Loan Balance in Maloti
1	Bilateral	904,653,092.00		24,401,540.87	82,156,474.82	29,978,380.39	809,916,371.67
2	Multilateral	9,804,980,202.55	1,036,524,800.00	612,377,116.63	378,221,622.90	170,436,504.50	9,320,118,904.61
3	Export Credit	708,268,123.23	1,297,100,000.00		59,666,870.50	14,615,637.66	588,369,899.57
4	Other Financial Institutions	535,631.44			305,559.45	101,292.50	335,759.70
	Total	11,418,437,049	2,333,624,800	636,778,658	520,350,528	215,131,815	10,718,740,936

Table 11: Domestic Liabilities

NO.	Category	01 April 2017	2017/2018	2017/2018	2017/2018	31 March 2018
		Opening Debt Balance in Maloti	Newly Issued in Maloti	Repayment Amount in Maloti	Interest Paid in Maloti	Closing Debt Balance in Maloti
1	Treasury Bills	603 926 000,00	1 363 647 839,00	1 092 521 858,76	44 711 440,97	874 703 700,00
2	Treasury Bonds	752 892 000,00	345 546 900,00		66 477 288,99	1 097 438 900,00
3	Guaranteed Debt			56 879 673,00	6 905 531,97	
	Total	1 356 818 000	1 709 194 739	1 149 401 532	118 094 262	1 972 142 600

Notes:

- In accordance with the accounting policies, the issues and repayments of short term Treasury Bills are netted. The net FY2017/18 movement in the stock of Treasury Bills was an increase of M121 million.
- The value of Treasury Bills balances and movements reflects the actual amounts received. The cost of interest/discount is shown as the interest paid upon maturity of the Bills.
- During FY2017/18, loan agreements equivalent to M2,334 million were finalized. There was no rescheduling or cancellation of public debt instruments.
- During FY2017/18 there was no rescheduling or cancellation of debt; there was no withdrawal of funding by lenders.

- The decrease in the external debt during FY2017/18 resulted in part from a strengthened year-end exchange rate of the Loti with many currencies (the main exception being the Euro). The following table lists the year opening and closing balances and exchange rates of the currencies in which the debt is denominated.

Table 12: Debt Opening and Closing Balances and Exchange Rates

Currency	As at 31 March 2017			As At 31 March 2018			Change 2017/18 (per cent)		
	Exchange rate	Balance (currency)	Balance (Maloti)	Exchange rate	Balance (currency)	Balance (Maloti)	Exchange rate	Balance (currency)	Balance (Maloti)
AED	3.4200	53,401,000	182,631,421	3.2200	55,226,552	177,829,496	-5.85%	3.42%	-2.63%
BUA	17.5600	57,501,554	1,009,727,290	17.2000	59,409,303	1,021,840,018	-2.05%	3.32%	1.20%
CAD	9.6900	689,054	6,676,932	9.1800	651,044	5,976,584	-5.26%	-5.52%	-10.49%
CHF	12.9300	3,553,738	45,949,826	12.4100	3,378,095	41,922,157	-4.02%	-4.94%	-8.77%
DKK	1.8600	16,276,938	30,275,105	1.9600	15,806,706	30,981,145	5.38%	-2.89%	2.33%
EUR	13.6866	175,760,634	2,405,565,491	14.5578	150,559,225	2,191,811,078	6.37%	-14.34%	-8.89%
GBP	16.1200	739,827	11,926,008	16.6300	699,409	11,631,172	3.16%	-5.46%	-2.47%
JPY	120.0000	2,695,989	323,518,650	110.0000	2,587,296	284,602,557	-8.33%	-4.03%	-12.03%
KWD	42.4700	8,228,820	349,477,981	39.4900	7,756,940	306,321,557	-7.02%	-5.73%	-12.35%
NOK	1.5100	2,639,992	3,986,388	1.5100	2,501,280	3,776,933	0.00%	-5.25%	-5.25%
SAR	3.4500	85,328,000	294,381,600	3.1468	82,045,750	258,181,566	-8.79%	-3.85%	-12.30%
SEK	1.4500	16,267,542	23,587,937	1.4200	15,437,283	21,920,942	-2.07%	-5.10%	-7.07%
USD	12.9400	112,008,288	1,449,387,245	11.9500	121,380,121	1,450,492,443	-7.65%	8.37%	0.08%
XDR	17.5600	274,311,391	4,816,908,022	17.2000	285,377,573	4,908,494,257	-2.05%	4.03%	1.90%
XEU	13.6866	4,889,206	66,916,607	14.5578	4,459,462	64,919,960	6.37%	-8.79%	-2.98%
ZAR	1.0000	599,728	599,728	1.0000	335,760	335,760	0.00%	-44.01%	-44.01%
			11,021,516,232			10,781,037,627			

In addition to the principal repayments above on the government debt stock, Head 21 includes M6,200,392 million in respect of loans to LUQY'S Manufacturing (Pty) guaranteed by government and called by the lenders because the borrower was in default. Additionally, government serviced the debt arising from loans to Members of Parliament and Statutory positions of M56,879,673.

Table 13: Annual Principal Repayment Schedule

External Debt	Balance at 31 March 2018	Principal Repayment Schedule (Maloti millions)					
		2018/19	2019/20	2020/21	2021/22	2022/23	After 2022/23
Multilateral lenders	9,320,118,905	369,179,664	575,994,508	590,542,661	635,797,969	631,995,392	6,516,608,710
Bilateral lenders	809,916,372	41,859,017	75,631,575	79,495,575	88,801,511	99,229,086	424,899,610
Commercial banks	335,760	226,596	109,164	-	-	-	0
Other lending institutions	588,369,900	64,457,768	67,703,118	64,994,494	62,011,193	109,963,996	219,239,331
Total external debt	10,718,740,936	475,723,045	719,438,364	735,032,729	786,610,673	841,188,474	7,160,747,651

Schedule 7: On-lending arrangements

The Government lends or on-lends loans to state-owned-enterprises and other entities for specific purposes consistent with its development policy objectives. The borrower is obliged to pay interest and repay principal sums to government in accordance with the terms and conditions agreed between the parties. The table below summarises the FY2017/18 transactions and year-end status. Whilst no existing loans were cancelled or new loans disbursed in the year, a significant M 162 million was owing to Government at the reporting date.

Table 14: On-Lending Transactions and Year-End Status

Benefitting Agency	Balance at 31 March 2017	Transactions 2017/18			Balance at 31 March 2018	Arrears at 31 March 2018	
		Loans Repaid	Cancelled	Disbursed		Principal	Interest
ODA 2		-			-		2,130
ODA 3		-			-		1,137
ODA 1st Line of Credit		-			-		
ODA 2nd Line of Credit	761,627	761,627			-		314,619
IDA Infrastructure	3,780,656	945,164			2,835,492	2,835,492	1,250,697
EIB M/S Printing	-	-			-		32,324
ADB Line of Credit	1,939,174	484,794			1,454,381	1,454,381	606,269
Basotho Cannery					-		33,058
Thetsane (Nieng Hsing)					-		9,497
Tikoe Factory Shells	51,000,000	3,100,000			47,900,000	1,900,000	2,805,000
CGM	15,000,000	3,000,000			12,000,000	6,000,000	
Tikoe Phase 2 Factory Shells	202,789,827	-			202,789,827		
Telecom National Network Phase II	222,726,839	-			222,726,839	8,176,590	
Telecom National Network Phase I	205,986,835				205,986,835	7,373,161	
BADEA 132 Maseru Water Supply I	63,023,315	-			63,023,315	43,627,806	2,753,981
BADEA 133 Maseru Water Supply II	78,097,438				78,097,438	15,391,600	11,306,865
OFID 134 Maseru Supply II	85,500,487				85,500,487	30,272,577	6,576,925
IDA 2400 Infrastructure Engineering	18,119,448				18,119,448	6,116,583	2,504,340
IDA 3995 Water Sector Improvement Project	48,814,092				48,814,092	10,319,000	234,260
Lesotho Electricity Supply Project	41,811,393	1,944,716			39,866,677		
Totals	1,039,351,131	10,236,300	-	-	1,029,114,831	133,467,189	28,431,102

Note: The 2017 balance for the Lesotho Electricity Supply Project had previously been reported as M47,645,541. A correction of M5,834,148.

Schedule 8: Payment Arrears

Payment arrears are payment obligations on Government to individuals, suppliers, lenders or contractors that were due for settlement prior to 31st March 2018, but which remained unpaid as at that date. Their eventual settlement will be against the budget appropriations for future years. The table below provides a summary analysis of payment arrears declared by Spending Units and the periods for which payment is overdue. It shows that M199 was owing to suppliers (an increase of M14 million or 7% compared to the previous year). Of this M109 million (55% of the total) has been overdue for more than six months (a year-on-year reduction of M9 million).

Table 15: Analysis of Payment Arrears

Spending Unit	Period Overdue				Total Payment Arrears at 31st March 2018
	More or equal 1 year	More than 6 Months, Less Than 1 Year	More than 3 months, Less Than 6 Months	Less or equal 3 Months	
	M'000	M'000	M'000	M'000	M'000
Head 01 Agric		224 846	2 519 488		2 744 334
Head 02 Health	261 840	3 733 305		4 754 243	8 749 388
Head 03 Education & Training		5 645 732			5 645 732
Head 04 Finance	31 001 902				31 001 902
Head 05 Trade					-
Head 06 Development Planning	3 214 035			426 216	3 640 251
Head 07 Justice	6 561 576				6 561 576
Head 08 Home Affairs	460 362	266 030	76 853	13 649 558	14 452 803
Head 09 Prime Ministers office		176 128	492 951	1 696 841	2 365 921
Head 10 Communications, Science & Tech	108 289		933 005	43 610 716	44 652 010
Head 11 Law and Constitutional Affairs				3 004 665	3 004 665
Head 13 Public Works		5 142 248			5 142 248
Head 14 Forestry				70 508	70 508
Head 15 Energy, Meteorology & Water Affairs				1 366 479	1 366 479
Head 16 Labour & Employment		374 000			374 000
Head 17 Tourism, Environment & Culture		199 516			199 516
Head 18 Audit				36 681	36 681
Head 20 Public Service Commission					-
Head 26 Refunds of Erroneous Receipts		250 775	603	63 286	314 663
Head 37 Defense & National Security	26 569 421	2 611 437	2 148 159	12 945 664	44 274 681
Head 38 National Assembly		200 161			200 161
Head 39 Senate			25 829		25 829
Head 40 Ombudsman				2 815	2 815
Head 41 Independent Electoral Commission				48 190	48 190
Head 42 Local Government & Chieftainship	2 840 481	1 698 392		186 804	4 725 677
Head 43 Gender					-
Head 44 Public Service				828 081	828 081
Head 45 Judiciary		3 467 943			3 467 943
Head 46 Social Development		3 161 009			3 161 009
Head 48 Mining			35 000	674 800	709 800
Head 49 Police	489 782	1 101 649			1 591 431
Head 50 Small Business		4 898 573			4 898 573
Head 37 Defence					-
Head 13 Public Works		5 142 248			5 142 248
Head 51 Water					-
TOTAL	71 507 688	38 293 992	6 231 887	83 365 547	199 399 113

Schedule 9: Contingent Liabilities

Contingent liabilities mainly comprise outstanding amounts guaranteed by the Government in respect of loans issued to state-owned enterprises, public officials and businesses, as indicated below.

Table 16: Outstanding Amounts Guaranteed by the Government

Start Year	Beneficiary	Lender	Purpose	Exposure at 31 March, 2018 M'	Exposure at 31 March, 2017 M'
2016	Maseru E textile	Standard Lesotho Bank			15,528,000
2014	CGM	Standard Lesotho Bank			24,000,000
2014	Presitex Industry PTY	Standard Lesotho Bank			18,000,000
2014	Eclat Evergood Textiles	Standard Lesotho Bank			55,642,000
2015	PS and Statutory Positions	Standard Lesotho Bank			7,474,845
2014	TZICC	Standard Lesotho Bank			60,494,500
2015	Members of 9th Parliament & PPSs	Nedbank		-	54,315,071
	WASCO PTY LTD	Nedbank		16,825,283	20,000,000
	LUQY's Manufacturing	FNB		3,438,676	
2017	Members of 10th Parliament	Nedbank		70,070,680	-
				90,334,638	255,454,416

The contingent liabilities also comprise pending litigation claims for compensation and potential liabilities from Public-Private Partnerships (PPP). Potential compensation payable are identified in individual CAO annual reports, and summarized below. Exposure to contingent liabilities from the PPP arrangements managed by the Ministry of Health have yet to be assessed.

Table 17: Potential Compensation Payable per CAO Annual Reports

Spending Unit	Exposure at 31 March, 2017 M'	Exposure at 31 March, 2018 M'
Head 02 - Health	172,456	193,485,146
Head 03 - Education & Training	772,599	
Head 04 - Finance	29,633,066	
Head 07 - Justice & Correctional Services	-	3,410,432
Head 10 - Communications, Science & Tech	24,527,350	
Head 13 - Public Works & Transport	22,052,824	
Head 37 - Defence & National Security	-	981,000
Head 42 - Local Government & Chieftainst	50,512	
Head 49 - Police & Public Safety	2,941,565	944,219
Summary	80,150,373	198,820,796

Several contingent liabilities have crystallized resulting in costs being incurred by the Government. These included:

Compensation claim for cancelled mine contract. Law and Constitutional Affairs paid M33 million in respect of a claim against Swiss Borough Diamond Mine. Of this M8 million related to costs and M25 million has been lodged as security pending final award by the Singapore Williams Tribunal.

Loan guarantee to LUQY'S Manufacturing (Pty) Ltd where government was obliged to settle M 6,200,392 in February 2018. A further contingent claim of USD 4 million remains.

Schedule 10: Losses and Accidents

Table 18: Summary of Losses and Accidents

Spending Unit		Irrecoverable revenue and debts	Irrecoverable overpayment of salaries, pensions etc	Irrecoverable overpayment to suppliers	Losses of Stores	Losses of cash	Assets written off	Motor Vehicle Accidents	Gifts of assets	Total
		M'000	M'000	M'000	M'000	M	M	M	M	M
Head 01	Agric									-
Head 02	Health		863,933							863,933
Head 03	Education & Training					33,524				33,524
Head 04	Finance					7,187,964				7,187,964
Head 05	Trade and Industry									-
HEAD 6	Development Planning									-
Head 07	Justice & Correctional Services					54,424				54,424
Head 08	Home Affairs					163,724				163,724
Head 09	Prime Minister's Office					368,307				368,307
Head 10	Communications					121,695				121,695
Head 11	Law									-
Head 12	Foreign Affairs									-
Head 13	Public Works				430		1,530			1,960
Head 14	Forestry & Land Reclamation									-
Head 15	Energy				30,000					30,000
Head 16	Labour									-
Head 17	Tourism, Environment & Culture							83,204		83,204
Head 18	Audit									-
Head 19	His Majesty's Office									-
Head 20	Public Service Commission							15,905		15,905
Head 21	Principal Repayments	43,547,948								43,547,948
Head 37	Defence							317,219		
Head 38	National Assembly					114,082				114,082
Head 39	Senate									-
Head 40	Ombudsman									-
Head 41	IEC									-
Head 42	Local Government & Chieftainship									-
Head 43	Gender, Youth, Sports & Recreation				3,500					3,500
Head 44	Public Service							14,119		14,119
Head 45	Judiciary							37,228		-
Head 46	Social Development							17,091		17,091
Head 47	Directorate on Corruption & Economic Offences				700					700
Head 48	Mining					51,137		379,512		430,649
Head 49	Police					144,826				144,826
Head 50	Small Business					103,406				103,406
Head 51	Water									-
TOTAL		43,547,948	863,933	-	34,630	8,343,089	-	865,809	-	53,300,963

Schedule 11: Subscriptions

The below table shows the subscriptions paid to international organizations that were paid centrally during FY2017/18 through the Ministry of Finance.

Table 19: Subscriptions Paid to International Organizations

Subscriptions	2017/18 Budget	2017/18 Actual	2016/17 Actual
	M	M	M
ACP	1,157,100		1,355,331
African Development Bank (AfDB)	1,027,910		188,169
CABRI	285,390		
Commonwealth Secretariat	4,853,910	692,816	1,171,947
ESAAMLG	765,450		1,127,552
Fitch Ratings	830,470		555,541
Food and Agriculture Organization (FAO)	104,387		
GROUP OF 77	90,000		71,470
IBRD	2,049,840		
IDA	88,760		
IDEP SUBSCRIPTION	283,500		424,896
IFC	1,244,510		
IMF	2,540,650		
Institute of Auditors	70,000	78,040	66,670
MEFMI	3,254,580	2,651,256	2,272,901
MEMBERSHIP SUBSCRIPTIONS	26,151,940	12,720,410	14,954,014
SADC	33,514,260	28,799,239	29,221,163
UNDP	2,347,060	1,461,334	1,125,722
UNFPA	30,560		
Total	80,690,277	46,403,095	52,535,376

APPENDIX 1: ANALYSIS OF RECEIPTS AND PAYMENTS BY SPENDING UNIT

Table 18: An extract from the Statement of Budget comparison and Actuals

	Spending Unit	Recurrent		Development		Net Flows
		Receipts	Payments	Receipts	Payments	
01	Agriculture and Food Security	34,858,304	(163,732,034)	71,224,350	(188,236,324)	(245,885,703)
02	Health	19,779,459	(1,873,339,846)	148,576,877	(179,362,924)	(1,884,346,433)
03	Education and Training	4,978,226	(2,256,794,399)	90,427,981	(76,623,395)	(2,238,011,588)
04	Finance	12,480,768,369	(728,355,527)	313,332,484	(431,910,874)	11,633,834,452
05	Trade and Industry	8,611,004	(66,155,485)	36,023,924	(56,801,020)	(78,321,577)
06	Development Planning	3,694,741	(765,586,742)	-	(1,788,577)	(763,680,577)
07	Justice and Correctional Services	443,408	(227,795,150)	335,722	(30,738,450)	(257,754,470)
08	Home Affairs	33,257,145	(213,852,654)	234,500	(147,026,912)	(327,387,920)
09	Prime Minister's Office	3,590,997	(152,314,660)	-	-	(148,723,663)
10	Communications, Science and Technology	6,687,632	(107,262,506)	37,086,987	(166,691,615)	(230,179,503)
11	Law and Constitutional Affairs	808,016	(99,431,909)	-	(1,037,234)	(99,661,127)
12	Foreign Affairs and International Relations	-	(302,851,936)	-	-	(302,851,936)
13	Public Works and Transport	19,883,407	(143,175,131)	-	(562,238,682)	(685,530,406)
14	Forestry Range and Soil Conservation	58,605	(53,091,584)	-	(139,681,229)	(192,714,208)
15	Energy and Meteorology	201,554,410	(27,205,946)	32,895,852	(224,741,641)	(17,497,325)
16	Labour and Employment	7,923,024	(55,593,664)	-	-	(47,670,640)
17	Tourism, Environment & Culture	4,227,226	(81,213,975)	4,766,844	(86,516,616)	(158,736,521)
18	Auditor General's Office	441,064	(28,543,447)	-	-	(28,102,383)
19	His Majesty's Office	-	(6,692,727)	-	(65,311,734)	(72,004,461)
20	Public Service Commission	-	(10,981,826)	-	-	(10,981,826)
37	Defence and National Security	704,323	(665,909,282)	-	(23,842,336)	(689,047,295)
38	National Assembly	-	(78,140,910)	-	-	(78,140,910)
39	Senate	-	(19,383,680)	-	-	(19,383,680)
40	Ombudsman	-	(8,374,862)	-	-	(8,374,862)
41	Independent Electoral Commission	2,258,253	(545,155,573)	-	-	(542,897,320)
42	Local Government and Chieftainship Affairs	2,321,633	(446,090,844)	-	(177,435,150)	(621,204,361)
43	Gender & Youth, Sports & Recreation	513,651	(83,948,828)	-	(13,381,533)	(96,816,710)
44	Public Service	7,685,306	(40,206,396)	551,164	-	(31,969,926)
45	Judiciary	5,316,031	(106,563,619)	-	(15,455,655)	(116,703,242)
46	Social Development	353,407	(188,978,620)	233,430,081	(72,620,800)	(27,815,932)
47	Directorate on Corruption & Economic Offences	-	(28,433,031)	-	-	(28,433,031)
48	Mining	456,457,813	(21,410,831)	-	(972,527)	434,074,455
49	Police and Public Safety	4,728,735	(648,286,068)	26,293,024	(44,712,629)	(661,976,939)
50	Small Business Development, Cooperatives & Marketing	178,012	(107,713,259)	-	(12,966,090)	(120,501,336)
51	Water	976,150,402	(139,680,853)	83,242,254	(388,840,125)	530,871,678
	Total Appropriated	14,288,232,603	(10,492,247,803)	1,078,422,044	(3,108,934,073)	1,765,472,771
	Statutory and Centralized Expenditure					
21	Principal Repayment		(638,530,201)			(638,530,201)
22	Interest Charges		(354,104,732)			(354,104,732)
23	Pensions and Gratuities		(1,772,256,502)			(1,772,256,502)
24	Statutory Salaries & Gratuities		(38,308,142)			(38,308,142)
25	Subscriptions to International Financial Organisations		(46,403,095)			(46,403,095)
26	Refund to Erroneous Receipts		(1,140,243)			(1,140,243)
30	Centralised Items		-			-
31	Contingencies		-			-
	Total Statutory & Centralized	-	(2,850,742,914)	-	-	(2,850,742,914)
	Totals	14,288,232,603	(13,342,990,717)	1,078,422,044	(3,108,934,073)	(1,085,270,143)

APPENDIX 2: BUDGET COMPARISON – ANALYSIS BY SPENDING UNIT

Table 19: FY2017/18 Budget versus Actual – Revenues

An extract from the Statement of Budget comparison and Actual Amounts

	Collecting Unit	Original	Revised	Actual	Variance
01	Agriculture and Food Security	24,177,581	24,177,581	34,858,304	44%
02	Health	22,112,508	22,112,508	19,779,459	-11%
03	Education and Training	9,416,067	9,416,067	4,978,226	-47%
04	Finance	13,241,818,597	13,241,818,597	12,480,768,369	-6%
05	Trade and Industry	11,623,960	11,623,960	8,611,004	-26%
06	Development Planning	42,000	42,000	3,694,741	8697%
07	Justice and Correctional Services	411,880	-	443,408	8%
08	Home Affairs	28,566,000	28,566,000	33,257,145	16%
09	Prime Minister's Office	-	-	3,590,997	#DIV/0!
10	Communications, Science and Technology	8,554,500	8,554,500	6,687,632	-22%
11	Law and Constitutional Affairs	741,300	741,300	808,016	9%
13	Public Works and Transport	15,924,108	15,924,108	19,883,407	25%
14	Forestry Range and Soil Conservation	36,000	36,000	58,605	63%
15	Energy and Meteorology	222,534,048	222,534,048	201,554,410	-9%
16	Labour and Employment	4,674,146	4,674,146	7,923,024	70%
17	Tourism, Environment & Culture	4,056,921	4,056,921	4,227,226	4%
18	Auditor General's Office	587,000	587,000	441,064	-25%
37	Defence and National Security	1,582,000	-	704,323	-55%
41	Independent Electoral Commission	-	-	2,258,253	#DIV/0!
42	Local Government and Chieftainship Affairs	1,737,878	1,737,878	2,321,633	34%
43	Gender & Youth, Sports & Recreation	56,134	106,134	513,651	815%
44	Public Service	8,743,444	8,640,451	7,685,306	-12%
45	Judiciary	6,572,308	6,572,308	5,316,031	-19%
46	Social Development	353,407	353,407	353,407	0%
48	Mining	529,498,314	529,498,314	456,457,813	-14%
49	Police and Public Safety	5,152,400	5,152,400	4,728,735	-8%
50	Small Business Development, Cooperatives & Marketing	185,120	185,120	178,012	-4%
51	Water	839,665,601	-	976,150,402	16%
	Total	14,988,823,222	14,147,110,748	14,288,232,603	-5%

Table 20: FY2017/18 Budget versus Actual – Recurrent Expenditures

An extract from the Statement of Budget comparison and Actual Amounts

Spending Unit	Original Budget	Revised Budget	Actual	Variance
Appropriated Expenditure				
01 Agriculture and Food Security	186,253,461	184,117,200	163,732,034	12%
02 Health	1,959,025,474	1,955,710,226	1,873,339,846	4%
03 Education and Training	2,320,139,933	2,318,986,720	2,256,794,399	3%
04 Finance	756,697,329	785,919,352	728,355,527	4%
05 Trade and Industry	47,966,677	70,253,995	66,155,485	-38%
06 Development Planning	764,146,767	763,621,010	765,586,742	0%
07 Justice and Correctional Services	233,900,708	235,047,008	227,795,150	3%
08 Home Affairs	225,309,207	226,851,093	213,852,654	5%
09 Prime Minister's Office	128,920,672	126,527,314	152,314,660	-18%
10 Communications, Science and Technology	116,376,311	113,510,075	107,262,506	8%
11 Law and Constitutional Affairs	75,539,798	75,092,563	99,431,909	-32%
12 Foreign Affairs and International Relations	351,076,678	350,879,070	302,851,936	14%
13 Public Works and Transport	154,687,243	154,886,059	143,175,131	7%
14 Forestry Range and Soil Conservation	56,781,831	56,781,831	53,091,584	6%
15 Energy and Meteorology	31,131,903	31,131,903	27,205,946	13%
16 Labour and Employment	58,789,120	58,557,832	55,593,664	5%
17 Tourism, Environment & Culture	90,126,825	89,499,613	81,213,975	10%
18 Auditor General's Office	29,323,237	29,750,479	28,543,447	3%
19 His Majesty's Office	7,784,312	7,634,312	6,692,727	14%
20 Public Service Commission	12,065,310	11,661,275	10,981,826	9%
37 Defence and National Security	665,705,781	687,127,915	665,909,282	0%
38 National Assembly	80,774,028	80,770,825	78,140,910	3%
39 Senate	22,450,361	21,946,423	19,383,680	14%
40 Ombudsman	8,434,356	9,509,370	8,374,862	1%
41 Independent Electoral Commission	274,593,974	275,906,064	545,155,573	-99%
42 Local Government and Chieftainship Affairs	479,843,754	479,843,754	446,090,844	7%
43 Gender & Youth, Sports & Recreation	85,089,459	83,397,637	83,948,828	1%
44 Public Service	39,970,303	39,951,753	40,206,396	-1%
45 Judiciary	106,789,505	111,310,961	106,563,619	0%
46 Social Development	228,157,380	228,157,380	188,978,620	17%
47 Directorate on Corruption & Economic Offences	32,000,000	31,949,512	28,433,031	11%
48 Mining	27,962,455	26,543,711	21,410,831	23%
49 Police and Public Safety	646,423,792	649,468,564	648,286,068	0%
50 Small Business Development, Cooperatives & Marketing	99,923,540	146,496,454	107,713,259	-8%
51 Water	193,300,956	2,484,545	139,680,853	28%
Total Appropriated	10,597,462,440	10,521,283,798	10,492,247,803	1%
Statutory and Centralized Expenditure				
21 Principal Repayment	638,556,144	638,556,154	638,530,201	0%
22 Interest Charges	357,152,565	357,152,565	354,104,732	1%
23 Pensions and Gratuities	1,677,367,778	1,832,574,004	1,772,256,502	-6%
24 Statutory Salaries & Gratuities	47,666,032	47,666,382	38,308,142	20%
25 Subscriptions to International Financial Organisations	80,230,502	80,230,502	46,403,095	42%
26 Refund to Erroneous Receipts	3,000,000	3,000,000	1,140,243	62%
30 Centralised Items	0	0	-	0%
Total Statutory & Centralized	2,803,973,021	2,959,179,607	2,850,742,914	-2%
Total Recurrent Expenditure	13,401,435,461	13,480,463,405	13,342,990,717	0%
31 Contingencies	100,000,000			
Total Recurrent + Contingencies	13,501,435,461	13,480,463,405		

Table 21: FY2017/18 Budget versus Actual - Development Expenditures

Spending Unit		Original Budget	Revised Budget	Actual Payments	Variance to Orig Budget
01	Agriculture & Food Security	305,090,390	325,122,769	188,236,324	38%
	GoL Funded	155,932,450	155,932,450	142,057,000	
	Development Partner - Grants	41,665,000	41,665,000	10,006,068	
	Development Partner - Loans	107,492,940	127,525,319	36,173,256	
02	Health	280,077,998	280,077,998	179,362,925	36%
	GoL Funded	79,300,000	79,300,000	27,559,881	
	Development Partner - Grants	200,777,998	200,777,998	139,930,101	
	Development Partner - Loans		-	11,872,943	
03	Education and Training	102,600,000	107,440,247	76,623,395	25%
	GoL Funded	19,100,000	19,100,000	18,492,233	
	Development Partner - Grants	13,500,000	13,500,000	4,763,259	
	Development Partner - Loans	70,000,000	74,840,247	53,367,903	
04	Finance	738,078,020	760,804,590	431,910,875	41%
	GoL Funded	288,028,120	294,808,700	138,910,190	
	Development Partner - Grants	399,151,889	399,151,889	262,033,289	
	Development Partner - Loans	50,898,011	66,844,001	30,967,396	
05	Trade & Industry	146,830,456	153,670,456	56,801,020	61%
	GoL Funded	84,461,124	84,461,124	24,666,732	
	Development Partner - Grants	59,259,332	59,259,332	32,134,288	
	Development Partner - Loans	3,110,000	9,950,000		
06	Development Panning	12,447,925	12,447,925	1,788,576	86%
	GoL Funded	6,969,945	6,969,945	765,545	
	Development Partner - Grants	5,477,980	5,477,980	1,023,031	
	Development Partner - Loans		-		
07	Justice,Human Rights & Rehab	45,000,000	45,000,000	30,738,450	32%
	GoL Funded	45,000,000	45,000,000	30,738,450	
	Development Partner - Grants		-		
	Development Partner - Loans		-		
08	Home Affairs	150,000,000	150,000,000	147,026,912	2%
	GoL Funded	150,000,000	150,000,000	147,026,912	
	Development Partner - Grants		-		
	Development Partner - Loans		-		
10	Communications,Science & Te	313,767,405	313,767,405	166,691,615	47%
	GoL Funded	155,000,000	155,000,000	129,604,628	
	Development Partner - Grants	93,836,603	93,836,603	23,740,164	
	Development Partner - Loans	64,930,802	64,930,802	13,346,823	
11	Law & Constitutional Affairs	20,000,000	20,000,000	1,037,234	95%
	GoL Funded	20,000,000	20,000,000	1,037,234	
	Development Partner - Grants		-		
	Development Partner - Loans		-		
13	Public Works & Transport	945,950,000	955,963,004	562,238,682	41%
	GoL Funded	799,200,000	799,200,000	556,674,934	
	Development Partner - Grants		-		
	Development Partner - Loans	146,750,000	156,763,004	5,563,748	
14	Forestry and Land Reclamation	157,000,000	157,000,000	139,681,229	11%
	GoL Funded	157,000,000	157,000,000	139,681,229	
	Development Partner - Grants		-		
	Development Partner - Loans		-		
15	Energy and Meteorology	285,361,037	285,361,037	224,741,642	21%
	GoL Funded	248,500,000	248,500,000	192,779,663	
	Development Partner - Grants	15,330,100	15,330,100	20,006,933	
	Development Partner - Loans	21,530,937	21,530,937	11,955,046	

Spending Unit		Original Budget	Revised Budget	Actual Payments	Variance to Orig Budget
17	Tourism, Environment & Cultu.	130,656,364	130,656,364	86,516,607	34%
	GoL Funded	118,670,000	118,670,000	81,014,018	
	Development Partner - Grants	11,986,364	11,986,364	5,502,589	
	Development Partner - Loans		-		
19	His Majesty's Office	100,000,000	100,000,000	65,311,734	35%
	GoL Funded	100,000,000	100,000,000	65,311,734	
	Development Partner - Grants		-		
	Development Partner - Loans		-		
37	Defence and National Security	56,816,251	56,816,251	23,842,336	58%
	GoL Funded	56,816,251	56,816,251	23,842,336	
	Development Partner - Grants		-		
	Development Partner - Loans		-		
39	Senate	40,000,000	40,000,000	-	100%
	GoL Funded	40,000,000	40,000,000		
	Development Partner - Grants		-		
	Development Partner - Loans		-		
42	Local Government & Chieftain.	395,400,000	396,511,419	177,435,150	55%
	GoL Funded	395,400,000	395,400,000	176,806,500	
	Development Partner - Grants		-	628,650	
	Development Partner - Loans		1,111,419		
43	Gender and Youth, Sports .	19,239,462	19,239,462	13,381,533	30%
	GoL Funded	18,266,000	18,266,000	13,381,533	
	Development Partner - Grants	973,462	973,462	-	
	Development Partner - Loans		-		
44	Public Service	3,000,000	3,000,000	-	100%
	GoL Funded	3,000,000	3,000,000	-	
	Development Partner - Grants		-		
	Development Partner - Loans		-		
45	Judiciary	26,000,000	26,000,000	15,455,655	41%
	GoL Funded	26,000,000	26,000,000	15,455,655	
	Development Partner - Grants		-		
	Development Partner - Loans		-		
46	Social Development	193,200,000	229,979,043	72,620,800	62%
	GoL Funded	6,000,000	6,000,000	5,519,385	
	Development Partner - Grants	57,200,000	57,200,000	36,711,373	
	Development Partner - Loans	130,000,000	166,779,043	30,390,042	
48	Mining	8,220,750	8,220,750	972,527	88%
	GoL Funded	8,220,750	8,220,750	972,527	
	Development Partner - Grants		-		
	Development Partner - Loans		-		
49	Police and Public Safety	50,000,000	50,000,000	44,712,629	11%
	GoL Funded	50,000,000	50,000,000	44,712,629	
	Development Partner - Grants		-		
	Development Partner - Loans		-		
50	Small Business Development	112,000,000	112,000,000	12,966,090	88%
	GoL Funded	112,000,000	112,000,000	12,966,090	
	Development Partner - Grants		-		
	Development Partner - Loans		-		
51	Water	698,956,802	733,355,855	388,840,125	44%
	GoL Funded	280,266,895	308,921,048	235,446,906	
	Development Partner - Grants	135,912,803	135,912,803	58,189,705	
	Development Partner - Loans	282,777,104	288,522,004	95,203,515	
Sources of Funding - Summary					
	GoL Funded	3,423,131,535	3,458,566,268	2,225,423,944	35%
	Development Partner - Grants	1,035,071,531	1,035,071,531	594,669,450	43%
	Development Partner - Loans	877,489,794	978,796,776	288,840,672	67%
	TOTAL	5,335,692,860	5,472,434,575	3,108,934,065	42%

APPENDIX 3: FY2017/18 ORIGINAL TO REVISED BUDGET

Table 22: Recurrent Expenditure - Original to Revised Budget

	Spending Unit	Original Budget	Use of Contingency Fund	Supplementary Budgets	Reallocation	Revised Budget
Appropriated Expenditure						
01	Agriculture and Food Security	174,484,621			-1,636,261	172,848,360
02	Health	1,959,025,474				1,959,025,474
03	Education and Training	2,320,139,933		433,093	-1,586,306	2,318,986,720
04	Finance	754,697,329	1,219,000	2,000,000	31,222,023	789,138,352
05	Trade and Industry	50,565,638	20,000,000		19,677,619	90,243,257
06	Development Planning	764,146,767			-109,224	764,037,543
07	Justice and Correctional Services	233,900,709	1,863,730		1,146,299	236,910,738
08	Home Affairs	225,309,207	5,397,586		2,307,886	233,014,679
09	Prime Minister's Office	128,920,672		409,550	-2,393,358	126,936,864
10	Communications, Science and Technology	121,040,608			-500,000	120,540,608
11	Law and Constitutional Affairs	74,892,551		720,456	200,012	75,813,019
12	Foreign Affairs and International Relations	351,076,678			-197,879	350,878,799
13	Public Works and Transport	154,687,243			-1,007,119	153,680,124
14	Forestry and Land Reclamation	56,994,290	263,184		-221,459	57,036,015
15	Energy and Meteorology	31,131,903			-473,000	30,658,903
16	Labour and Employment	58,789,120			-231,288	58,557,832
17	Tourism, Environment & Culture	90,126,825			-627,212	89,499,613
18	Auditor General's Office	29,323,237		447,242	447,242	30,217,721
19	His Majesty's Office	7,754,312			-120,000	7,634,312
20	Public Service Commission	12,065,310		491,103	-404,035	12,152,378
37	Defence and National Security	665,705,781	21,827,634		21,422,134	708,955,549
38	National Assembly	80,774,038			-3,211	80,770,827
39	Senate	22,450,361			-503,938	21,946,423
40	Ombudsman	8,434,356		595,049	1,125,014	10,154,419
41	Independent Electoral Commission	274,593,974	3,312,090		1,312,090	279,218,154
42	Local Government and Chieftainship Affairs	479,843,754			3,881,837	483,725,591
43	Gender & Youth, Sports & Recreation	85,089,459			-1,695,322	83,394,137
44	Public Service	39,970,303			-18,550	39,951,753
45	Judiciary	106,810,335		4,942,086	4,497,456	116,249,877
46	Social Development	228,157,380			0	228,157,380
47	Directorate on Corruption & Economic Offences	32,000,000		244,505	-50,488	32,194,017
48	Mining	27,962,455			-1,000,000	26,962,455
49	Police and Public Safety	646,423,792	6,000,000		3,044,772	655,468,564
50	Small Business Development, Cooperatives & Marketing	99,923,540		18,002,449	28,818,960	146,744,949
51	Water	193,300,956			0	193,300,956
	Total Appropriated	10,590,512,911	59,883,224	28,285,533	106,324,694	10,785,006,361
Statutory and Centralized Expenditure						
21	Principal Repayment	638,556,144				638,556,144
22	Interest Charges	357,152,565				357,152,565
23	Pensions and Gratuities	1,679,867,778		152,706,165		1,832,573,943
24	Statutory Salaries & Gratuities	47,666,032				47,666,032
25	Subscriptions to International Financial Organisations	80,230,502				80,230,502
26	Refund to Erroneous Receipts	3,000,000				3,000,000
30	Centralised Items	9,696,050				9,696,050
	Total Statutory & Centralized	2,816,169,071	0	152,706,165	0	2,968,875,236
	Total Recurrent Expenditure	13,406,681,982	59,883,224	180,991,698	106,324,694	13,753,881,597
31	Contingencies	100,000,000	-95,317,957		0	4,682,043
	Total Recurrent + Contingencies	13,506,681,982	-35,434,733	180,991,698	106,324,694	13,758,563,640

Table 23: Development Expenditure Budget

	Spending Unit	Original Budget	Contingency Fund	Supplementary	Reallocated	Revised Budget
01	Agriculture & Food Security	305,090,390	-	20,032,379	-	325,122,769
	GoL Funded	155,932,450				155,932,450
	Development Partner - Grants	41,665,000				41,665,000
	Development Partner - Loans	107,492,940		20,032,379		127,525,319
02	Health	280,077,998	-	-	-	280,077,998
	GoL Funded	79,300,000				79,300,000
	Development Partner - Grants	200,777,998				200,777,998
	Development Partner - Loans					-
03	Education and Training	102,600,000	-	4,840,247	-	107,440,247
	GoL Funded	19,100,000				19,100,000
	Development Partner - Grants	13,500,000				13,500,000
	Development Partner - Loans	70,000,000		4,840,247		74,840,247
04	Finance	738,078,020	6,780,580	15,945,990	-	760,804,590
	GoL Funded	288,028,120	6,780,580			294,808,700
	Development Partner - Grants	399,151,889				399,151,889
	Development Partner - Loans	50,898,011		15,945,990		66,844,001
05	Trade & Industry	146,830,456	-	6,840,000	-	153,670,456
	GoL Funded	84,461,124				84,461,124
	Development Partner - Grants	59,259,332				59,259,332
	Development Partner - Loans	3,110,000		6,840,000		9,950,000
06	Development Panning	12,447,925	-	-	-	12,447,925
	GoL Funded	6,969,945				6,969,945
	Development Partner - Grants	5,477,980				5,477,980
	Development Partner - Loans					-
07	Justice,Human Rights & Rehab	45,000,000	-	-	-	45,000,000
	GoL Funded	45,000,000				45,000,000
	Development Partner - Grants					-
	Development Partner - Loans					-
08	Home Affairs	150,000,000	-	-	-	150,000,000
	GoL Funded	150,000,000				150,000,000
	Development Partner - Grants					-
	Development Partner - Loans					-
10	Communications,Science & Te	313,767,405	-	-	-	313,767,405
	GoL Funded	155,000,000				155,000,000
	Development Partner - Grants	93,836,603				93,836,603
	Development Partner - Loans	64,930,802				64,930,802
11	Law & Constitutional Affairs	20,000,000	-	-	-	20,000,000
	GoL Funded	20,000,000				20,000,000
	Development Partner - Grants					-
	Development Partner - Loans					-
13	Public Works & Transport	945,950,000	-	10,013,004	-	955,963,004
	GoL Funded	799,200,000				799,200,000
	Development Partner - Grants					-
	Development Partner - Loans	146,750,000		10,013,004		156,763,004
14	Forestry and Land Reclamation	157,000,000	-	-	-	157,000,000
	GoL Funded	157,000,000				157,000,000
	Development Partner - Grants					-
	Development Partner - Loans					-
15	Energy and Meteorology	285,361,037	-	-	-	285,361,037
	GoL Funded	248,500,000				248,500,000
	Development Partner - Grants	15,330,100				15,330,100
	Development Partner - Loans	21,530,937				21,530,937

	Spending Unit	Original Budget	Contingency Fund	Supplementary	Reallocated	Revised Budget
17	Tourism,Environment & Cultu.	130,656,364	-	-	-	130,656,364
	GoL Funded	118,670,000				118,670,000
	Development Partner - Grants	11,986,364				11,986,364
	Development Partner - Loans					-
19	His Majesty's Office	100,000,000	-	-	-	100,000,000
	GoL Funded	100,000,000				100,000,000
	Development Partner - Grants					-
	Development Partner - Loans					-
37	Defence and National Security	56,816,251	-	-	-	56,816,251
	GoL Funded	56,816,251				56,816,251
	Development Partner - Grants					-
	Development Partner - Loans					-
39	Senate	40,000,000	-	-	-	40,000,000
	GoL Funded	40,000,000				40,000,000
	Development Partner - Grants					-
	Development Partner - Loans					-
42	Local Government & Chieftain.	395,400,000	-	1,111,419	-	396,511,419
	GoL Funded	395,400,000				395,400,000
	Development Partner - Grants					-
	Development Partner - Loans			1,111,419		1,111,419
43	Gender and Youth, Sports .	19,239,462	-	-	-	19,239,462
	GoL Funded	18,266,000				18,266,000
	Development Partner - Grants	973,462				973,462
	Development Partner - Loans					-
44	Public Service	3,000,000	-	-	-	3,000,000
	GoL Funded	3,000,000				3,000,000
	Development Partner - Grants					-
	Development Partner - Loans					-
45	Judiciary	26,000,000	-	-	-	26,000,000
	GoL Funded	26,000,000				26,000,000
	Development Partner - Grants					-
	Development Partner - Loans					-
46	Social Development	193,200,000	-	36,779,043	-	229,979,043
	GoL Funded	6,000,000				6,000,000
	Development Partner - Grants	57,200,000				57,200,000
	Development Partner - Loans	130,000,000		36,779,043		166,779,043
48	Mining	8,220,750	-	-	-	8,220,750
	GoL Funded	8,220,750				8,220,750
	Development Partner - Grants					-
	Development Partner - Loans					-
49	Police and Public Safety	50,000,000	-	-	-	50,000,000
	GoL Funded	50,000,000				50,000,000
	Development Partner - Grants					-
	Development Partner - Loans					-
50	Small Business Development	112,000,000	-	-	-	112,000,000
	GoL Funded	112,000,000				112,000,000
	Development Partner - Grants					-
	Development Partner - Loans					-
51	Water	698,956,802	28,654,153	5,744,900	-	733,355,855
	GoL Funded	280,266,895	28,654,153			308,921,048
	Development Partner - Grants	135,912,803				135,912,803
	Development Partner - Loans	282,777,104		5,744,900		288,522,004
	TOTAL	5,335,692,860	35,434,733	101,306,982	-	5,472,434,575
Sources of Funding - Summary						
	GoL Funded	3,423,131,535	35,434,733	-	-	3,458,566,268
	Development Partner - Grants	1,035,071,531	-	-	-	1,035,071,531
	Development Partner - Loans	877,489,794	-	101,306,982	-	978,796,776
	TOTAL	5,335,692,860	35,434,733	101,306,982	-	5,472,434,575

**APPENDIX 4: CONTROLLED ENTITIES AND INVESTMENTS – STATUS OF ANNUAL REPORTING
(AS AT 31ST AUGUST 2018)**

Table 24: Reporting status per entity

MINISTRY	ENTITY	LATEST AUDITED FINANCIAL STATEMENTS	AUDIT OPINION	OUTSTANDING	REMARKS
HEALTH	BAYLOR COLLEGE OF MEDICINE CHILDRENS FOUNDATION/LESOTHO	2015/16	UNQUALIFIED	2017/18	FINANCIAL YEAR ENDED ON 30 JUNE 2018. AUDIT FOR 2016/2017 IN PROGRESS.
	NATIONAL DRUG SERVICE ORGANISATION	2016/17	DISCLAIMER	2017/18	FINANCIAL STATEMENTS FOR 2017/18 SUBMITTED FOR AUDIT.
	LESOTHO NURSING COUNCIL	2012/13	QUALIFIED	2014/15 - 2017/18	AUDIT FOR 2013/14 IN PROGRESS. SUBSEQUENT FINANCIAL YEARS' FINANCIAL STATEMENTS NOT
	CHRISTIAN HEALTH ASSOCIATION OF LESOTHO	UNKNOWN	UNKNOWN		
EDUCATION	COUNCIL ON HIGHER EDUCATION	2017/18	UNQUALIFIED	NIL	
	EXAMINATION COUNCIL OF LESOTHO	2013/14	QUALIFIED	2014/15 - 2017/18	AUDIT FOR 2014/2015 & 2015/16 IN PROGRESS. 2017/18 NOT SUBMITTED FOR AUDIT.
	LESOTHO COLLEGE OF EDUCATION	2008/2009	DISCLAIMER	2009/2010 - 2017/18	FINANCIAL STATEMENTS FROM 2009/10 - 2017/18 SUBMITTED FOR
	LEROTHO LI POLYTECHNIC	2007/2008	QUALIFIED	2008/2009 - 2017/18	FINANCIAL STATEMENTS FROM 2008/09 - 2016/17 SUBMITTED FOR
	CENTRE FOR ACCOUNTING STUDIES				
	NATIONAL UNIVERSITY OF LESOTHO	2015/16	DISCLAIMER	2016/17 - 2017/18	FINANCIAL YEAR RUNS FROM JULY TO JUNE. AUDIT FOR 2016/17 IN
FINANCE	LESOTHO REVENUE AUTHORITY	2017/18	UNQUALIFIED	NIL	
	PENSION FUND				
	PARTIAL CREDIT GUARANTEE FUND				
	ROAD FUND	2016/2017	UNQUALIFIED	2017/18	AUDIT FOR 2017/18 FINANCIAL STATEMENTS IN PROGRESS
	AVANI LESOTHO (PTY) LTD	2017	UNQUALIFIED	NIL	FINANCIAL YEAR RUNS FROM JANUARY TO DECEMBER
	LESOTHO INSTITUTE OF ACCOUNTANTS	2017	UNQUALIFIED	2017/18	
	CENTRAL BANK OF LESOTHO				
TRADE AND INDUSTRY	LESOTHO NATIONAL DEVELOPMENT CORPORATION	2016/2017	UNQUALIFIED	2017/2018	AUDIT FOR 2017/18 IN PROGRESS.
AGRIC	LESOTHO NATIONAL DAIRY BOARD	2014/2015	UNQUALIFIED	2015/2016-2017/2018	AUDIT FOR FINANCIAL YEARS 2015/16 AND 2016/17 IN PROGRESS.
	OK BAZAARS LESOTHO	2016/2017	UNQUALIFIED	2017/2018	FINANCIAL YEAR RUNS FROM JULY
	LOTI BRICK	2015/2016	ADVERSE	2016/17-2017/18	
	MALUTI MOUNTAIN BREWERY	2016	UNQUALIFIED	2017	FINANCIAL YEAR RUNS FROM JANUARY TO DECEMBER. AUDIT FOR

MINISTRY	ENTITY	LATEST AUDITED FINANCIAL STATEMENTS	AUDIT OPINION	OUTSTANDING	REMARKS
PRIME MINISTER'S OFFICE	NATIONAL AIDS COMMISSION	2016/17	UNQUALIFIED	2017/18	FINANCIAL STATEMENTS FOR 2017/18 SUBMITTED FOR AUDIT.
COMMUNICATIONS	LESOTHO COMMUNICATIONS AUTHORITY	2016/17	UNQUALIFIED	2017/18	AUDIT FOR 2017/18 IN PROGRESS.
	LESOTHO POSTAL SERVICES	2007/2008	DISCLAIMER	2008/2009-2017/2018	FINANCIAL STATEMENTS FROM 2008/09 TO 2012/13 SUBMITTED FOR
	LESOTHO POST BANK	2016	UNQUALIFIED	NIL	FINANCIAL YEAR RUNS FROM JANUARY TO DECEMBER
PUBLIC WORKS AND TRANSPORT	LESOTHO FREIGHT AND BUS SERVICE	2008/2009	QUALIFIED	2009/2010-2017/2018	AUDIT FOR 2009/2010-2014/2015 IS IN PROGRESS. NO SUBMISSIONS FOR 2015/2016 AND 2017/2018.
	ROADS DIRECTORATE	2013/2014	QUALIFIED	2014/2015-2017/2018	AUDIT FOR 2014/15 IN PROGRESS.
ENERGY	LESOTHO ELECTRICITY CORPORATION	2016/2017	UNQUALIFIED	2017/18	AUDITED FINANCIAL STATEMENTS AWAITING FOR BOARD APPROVAL.
	LEC COMMUNICATIONS	2016/2017	UNQUALIFIED	2017/18	
	PETROLEUM FUND	2016/17	UNQUALIFIED	2017/2018	AUDIT FOR 2017/18 IN PROGRESS.
LABOUR	DIRECTORATE OF DISPUTE PREVENTION AND RESOLUTION		UNQUALIFIED	2016/17-2017/18	
	WORKMEN'S COMPENSATION FUND	2010/11	ADVERSE	2011/12-2017/18	AUDIT FOR 2011/12-2015/16 IN PROGRESS.
TOURISM	LESOTHO TOURISM DEVELOPMENT CORPORATION	2016/2017	UNQUALIFIED	2017/18	
LOCAL GOVERNMENT & CHIEFTAINSHIP	LESOTHO HOUSING AND LAND DEVELOPMENT CORPORATION	2010/2011	DISCLAIMER	2011/2012 - 2017/18	AUDIT FOR 2011/2012-2015/2016 FINANCIAL STATEMENTS IS IN PROGRESS. 2017/2018 FINANCIAL STATEMENTS NOT YET SUBMITTED.
	LAND ADMINISTRATION AUTHORITY	2016/2017	UNQUALIFIED	2017/2018	AUDIT FOR 2017/18 ALMOST COMPLETE.
GENDER	STADIUM BOARD				
	YOUTH COUNCIL				
	LESOTHO SPORTS AND RECREATION COMMISSION				
SMALL BUSINESS	BASOTHO ENTERPRISES DEVELOPMENT CORPORATION	2013/2014	UNQUALIFIED	2014/2015-2017/2018	AUDIT FOR 2014/2015 FINANCIAL STATEMENTS IS IN PROGRESS
	LESOTHO CHAMBER OF COMMERCE				
	LOIC	2014/2015	DISCLAIMER	2015/2016, 2016/2017 & 2017/2018	
WATER	METOLONG AUTHORITY	2016/2017	UNQUALIFIED	2017/2018	AUDIT FOR 2017/18 FINANCIAL STATEMENTS IN PROGRESS.
	WATER AND SEWERAGE COMPANY	2016/2017	ADVERSE	2017/2018	2017/2018 FINANCIAL STATEMENTS NOT YET SUBMITTED TO AUDITOR
	LESOTHO ELECTRICITY AND WATER AUTHORITY	2017/2018	UNQUALIFIED	2017/18	AUDIT FOR 2017/18 IN PROGRESS.
	LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY	2015/16	UNQUALIFIED	2016/17	
	LESOTHO HIGHLANDS WATER COMMISSION	2015/16	UNQUALIFIED	2016/17	

APPENDIX 5: SUMMARY OF MOVEMENT & BALANCES ON CORE-TSA ACCOUNTS

Table 25: Bank Balances Movement

	Consolidated Fund	Main Revenue	Spending Unit Revenue Collection	Sub-Accountancy Revenue Collection	Recurrent Expenditure (old)	Development Expenditure (old)	Recurrent Expenditure (new)	Development Expenditure (new)	Total
Revenue Deposits 2017/18	136,095,196	230,027,599	14,171,738,203	42,944,090					14,580,805,088
Revenue Transfers to Consolidated Fund	14,324,417,149	(14,324,417,149)							-
Funding Transfers to Consolidated Fund (T-Bond Proceeds)	278,002,449								278,002,449
Revenue Transfers to Main Revenue	-	14,094,389,550	(14,051,445,460)	(42,944,090)					0
Money Transfers from Consolidated Fund	(15,356,107,238)				6,782,000,000	1,100,000,000	6,164,107,238	1,310,000,000	-
Payments	(767,876)				(6,991,607,234)	(1,413,942,558)	(5,897,256,099)	(1,112,298,537)	(15,415,872,304)
Net Movement 2017/18	(618,360,320)	-	120,292,743	-	(209,607,234)	(313,942,558)	266,851,139	197,701,463	(557,064,767)
Opening Bank Account Balance (Cash Book)	979,805,569		120,292,743				266,851,139	197,701,463	
Closing Bank Account Balance (Cash Book)	361,445,249								
Opening Bank Accounts (Bank Statement)	979,805,569		567,310		209,726,020	313,969,629			1,504,068,528
Closing Bank Account (Bank Statement)	361,445,251		120,860,053		118,785	27,071	266,851,139	197,701,463	947,003,762
Difference:									
Unpresented Payments @ 31 March 2018									

PART 2

**AUDIT/REVIEW OF THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2018**

CHAPTER 1: BACKGROUND INFORMATION ON THE AUDIT OPINION

1.1 INTRODUCTION

The consolidated financial statements are a key government accountability document. They provide a great deal of information that can help parliamentarians understand the results of the government's financial transactions for the past year. Specifically, they report the financial position, results of operations, and changes in financial position of the government for a particular financial year.

The consolidated financial statements of the Government of Lesotho for the year ended 31 March 2018 do not present fairly the financial position of government as of that date. I issue an **adverse opinion** as I have fundamental disagreements on those statements regarding compliance to legislation and accounting standards, disclosure of information and accounting treatment of some items.

1.2 STATEMENTS SUBMITTED FOR AUDIT

The consolidated financial statements of the Government of Lesotho submitted for audit consist of Finance Accounts and Appropriation Accounts. The Finance Accounts depict the statements of receipts and payments from the Consolidated Fund and Trust Funds (**Consolidated Statement of Cash Receipts and Payments**). The Appropriation Accounts depict revenue and expenditure compared with the amounts authorised by the Legislature (**Consolidated Statement of Budget and Actual Amounts**). Other statements submitted were Statement of Accounting Policies, Statement of Consolidated Entities and Notes to Consolidated Financial Statements.

1.3 BACKGROUND INFORMATION ON THE AUDIT OPINION

In giving my opinion on the Government's financial statements, it is important to understand that I am not guaranteeing the absolute accuracy of the statements. Every year, the Government enters into millions of transactions involving millions of Maloti. Errors occur, and many such errors may have gone undetected. When I audit the Government's financial statements, I seek reasonable assurance that they do not contain errors, the total effect of which would be material enough not to mislead the reader.

1.4 MANDATE FOR THE AUDIT

The mandate for my audit of the Government's financial statements is contained in Section 117 of the Constitution of Lesotho and Audit Act, 2016. I am required at least once in every year to audit and report on the public accounts of the Government of Lesotho, the accounts of all officers and authorities of that Government, the accounts of all courts in Lesotho, the accounts of every Commission established by the Constitution and the accounts of the Clerk to each House of Parliament.

1.5 PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Minister is responsible for preparation of annual consolidated financial statements in relation to the finances of Government in terms of Section 35 of the Public Financial Management and Accountability (PFMA) Act, 2011. Those financial statements should be prepared in accordance with International Public Sector Accounting Standards and should be submitted to the Auditor-General for audit within five months of the end of each financial year.

Section 95 of the Treasury Regulations, 2014 requires the Accountant-General to prepare consolidated financial statements for the Government in accordance with Section 35 of the PFMA Act and submit them to the Minister within two weeks to study them before the Minister can present them to Parliament within six months of the end of the financial year to which they relate. The Treasury Regulations 2014 further require the Accountant-General to certify in writing that, based on the information provided by Chief Accounting Officers, the consolidated financial statements present fairly the financial performance and cash flows of the Government as a whole.

1.6 AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

In terms of Section 117 of the Constitution of Lesotho and Section 7 of the Audit Act 2016, I am required to audit, in such a manner as I may deem necessary, the accounts relating to the Consolidated Fund, other public funds and stores; and to submit my report thereon to the Minister of Finance for laying it before the National Assembly.

In carrying out my statutory duties, I have to establish whether:

- a) The accounts have been properly kept;
- b) All public moneys have been fully accounted for and the rules and procedures applied are sufficient to secure an effective check on the assessment, collection and proper allocation of revenue;
- c) Money has been expended for the purpose for which it was appropriated by the National Assembly or by law or regulation relating to other public funds; and
- d) Essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public property.

I am required to submit to the Minister a certified copy of the accounts, together with the report upon my examination and audit of the public accounts. The constitution further requires the Minister, not later than seven days after each House of Parliament first meets after he has received the report, to lay it before that House.

The Constitution and Audit Act also stipulate that in exercise of my functions, I should not be subject to the direction or control of any person or authority.

1.7 AUDIT METHODOLOGY

The audit work on the consolidated financial statements has been conducted according to the International Standards of Supreme Audit Institutions (ISSAIs). These standards and practices are used to ensure that my audit is conducted with appropriate rigour and professionalism. The main objective of the audit is to ensure that the reported financial statement balances do agree with the accounts and records and to ensure that the balances fairly disclose the financial operations during the financial year and the state of affairs at the end of the period. Verification of some balances required obtaining confirmations from third parties.

The result of the audits performed at various departments and agencies that generate a significant portion of the expenditure and revenue has also been considered as part of this audit. In addition, I have performed tests on a sample of controls, to assess the accuracy,

completeness and reliability of accounts from which balances were generated for the financial statements. The audit was not planned to uncover fraud and therefore, it cannot be relied upon to disclose all such matters. However, the audit was planned and executed so that I could have a reasonable expectation of detecting material misstatements.

CHAPTER 2: COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2017/18

2.1 REPORT OF THE MINISTER OF FINANCE

In the accompanying consolidated financial statements for the year ended 31 March 2018, the Minister of Finance has repeated his previous year's comments that the financial year 2017/18 was characterised by a significant budget deficit, underperforming revenue collections, unplanned additional expenditures, slippage in capital project implementation, budget reallocations, underperforming domestic money market instruments, increased borrowing and a depletion of government's cash reserves.

He has reiterated his commitment to improving the timeliness, quality and access to financial reports for establishing a sounder public financial management framework and that budget execution reports will also be published regularly to portray high level of transparency desired by all stakeholders. He mentioned that the upgraded later version of Integrated Financial Management Information System (IFMIS) will ensure timely reconciliation of the books of accounts in the financial year 2019/20.

2.2 REPORT OF THE ACCOUNTANT-GENERAL

For the past three years, the Accountant-General has been pointing out significant issues as indicated on her report on pages 14–21 which should have been addressed and these areas focus on bank reconciliation, use of commercial bank accounts (cash management, surrender of unutilised funds, accounting and reconciliation), delays in CAO report submission, inappropriate use of line items (transfers and activities) and IFMIS upgrade. The Accountant-General has not endeavoured to come up with some initiatives to address these issues to date.

2.3 AUDIT REMARKS

In my report on the consolidated financial statements for financial year 2016/17, I commended the Accountant-General on a notable improvement in terms of presentation and disclosures on those statements ever since the Public Financial Management and Accountability Act, 2011 came into operation. It is further gratifying to

note additional improvements in the consolidated financial statements for 2017/18, which include:

- Incorporation of financial data of district councils and capital projects.
- Improvements in the contents of annual reports prepared by Chief Accounting Officers.
- Increased disclosures on financial assets and contingent liabilities.
- Information and audit results on Government controlled entities.

I appreciate most importantly the commitment of the Minister of Finance for establishing a sounder and sustainable framework for managing the public finances in an effort to address unsatisfactory public financial management during the financial year 2017/18. I also acknowledge the initiatives outlined by the Accountant-General to address the most significant issues that have been tracking for many years such as the large backlog of the bank reconciliation and other balances, proliferation of bank accounts maintained outside of the government's accounting system that distorts the accuracy of accounting data for financial reporting and cash management purposes.

CHAPTER 3: OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

3.1 FINANCIAL POSITION OF THE GOVERNMENT OF LESOTHO

The Consolidated Financial Statements of the Government of Lesotho for the year ended 31 March 2018 submitted for audit indicated that the approved budget for 2017/18 was M18,698,662,461 against estimated resources of M16,504,458,222 with a deficit of M2,194,204,239. At the end of the financial year the actual expenditure reported was M16,451,925,000 against realised resources of M15,366,655,000 resulting into a deficit of M1,085,270,000.

As against the capital budget of M5,297,227,000 the actual expenditure was M3,108,934,065 with resultant underutilisation of capital budget of M2,188,292,935. The recurrent expenditure budget was M13,401,435,461 while actual expenditure was M13,342,990,717 resulting into under-utilisation of M58,444,744.

The Consolidated Financial Statements show a cash decrease of M964,311,000 during the financial year from M5,678,488,000 in 2016/17 to M4,714,177,000. This is an indication that expenditures were financed by reserves.

The government debt was M12,690,883,536 as at 31 March 2018, of which M1,972,142,600 accounted for domestic debt and M10,718,740,936 for external debt.

3.2 SUMMARY OF THE 2017/18 FINANCIAL YEAR OPERATIONS

Table 3.1 below summarises the position of the receipts, disbursements and borrowings of the Government of Lesotho for the financial year 2017/18 as reflected in the consolidated financial statements.

Table 3.1 - Summary of 2017/18 operations

Receipts (‘000)		Disbursements (‘000)		Derived Parameters (‘000)	
Consolidated Fund					
Recurrent Receipts	14,229,586	Recurrent Expenditure	13,342,991		886,595
Miscellaneous capital receipts	58,647	Capital Expenditure (LG)	2,225,424		(2,166,777)
Gov. Resources	14,288,233	GOL funded Expenditure	15,568,415	Deficit in CF	(1,280,182)
Grants	632,000	Cap. Expenditure (Grants)	594,669		37,331
Loans	446,422	Cap. Expenditure (Loans)	288,841		157,581
Donor Funds	1,078,422	Donor funded Expenditure	883,510		194,912
Total receipts into CF	15,366,655	Total Disbursements from CF	16,451,925	Deficit in CF	(1,085,270)
Trust Funds					
Monies held in trust	-	Special Funds	-		
Deposits	-	Deposits	-		
Total Trust Funds	-		-		
Opening and Closing Balances					
Opening cash:		Closing cash:			
Trust Monies	371,347	Trust Monies	374,845	Cash increase	3,498
Government Accounts	5,307,140	Government Accounts	4,339,331	Cash decrease	(967,809)
Grand Total	5,678,487		4,714,176	Cash decrease	(964,311)

Source: Consolidated Financial Statements

The opening balance of M5,678,487 was as a result of adjusting the closing balance of M5,873,154 for 2016/17 by an amount of M195,000,000 in respect of five bank accounts erroneously duplicated.

Audit Concern

- The information provided reflects that the closing balance would be M4,593,217,000 (opening cash + receipts - disbursements) instead of M4,714,176,000 reflected in the Consolidated Fund resulting in a difference of M120,959,000. The difference of M120,959,000 can be attributed to Consolidated Fund deficit of M1,085,270,000 and Trust Fund deficit resulting from decrease in cash balance of M964,311,000. The accuracy and completeness of the figures could not be verified in the absence of reconciled bank balances.

- Receipts and disbursements in the Trust Funds are not reflected in the Consolidated Financial Statements as in the previous financial years. However, the closing balance of M4,714,176,000 at 31 March 2018 included Trust Funds balance of M374,845,000 while the opening balance of M5,678,487 included 2016/17 opening balance of M371,347,000. There was a cash increase of M3.498 million in the Trust Funds.

CHAPTER 4: CASH RECEIPTS

4.1 RESOURCE GENERATION

Recurrent and capital receipts are two streams of receipts that constitute resource of the Government of Lesotho. Recurrent receipts consist of tax revenue and non-tax revenue. Capital receipts have two components; debt receipts, which create future repayment obligations and non-debt receipts, which constitute proceeds from disinvestment or disposal of financial assets, leading to reduction in the actual or potential asset base.

4.2 RECURRENT RECEIPTS

Recurrent or Revenue receipts comprising tax and non-tax receipts are the most important sources of revenue as no future payment obligations are created by these receipts.

4.2.1 Status of Recurrent Receipts

The main components of recurrent receipts per the consolidated statement of recurrent receipts and payments are **Tax Revenue** (income, profit and capital gains, international trade, goods and services, other taxes, SACU receipts) and **Non-Tax Revenue** (other revenue). In 2017/18, total recurrent receipts amounted to M14.230 billion while tax revenues amounted to M12.592 billion representing 88 percent of the total recurrent receipts as indicated on Table 4.2.1. A comparison of 2016/17 recurrent receipts of M12.711 billion with M14.230 billion for 2017/18 recurrent receipts show that there is an increase of 12 percent although there is a decrease in Income, Profit and capital gains (PAYE) by 6 percent and also other taxes had decreased by 29 percent.

Table 4.2.1 – Comparative figures for Recurrent Receipts

Description	2017/18 (M'000)	2016/17 (M'000)	Increase/ Decrease (M'000)	Increase/ (Decrease) %
A	B	C	D(B-C)	E(D/C %)
Income, Profit and Capital Gains	3,509,318	3,723,087	(213,769)	-6
International Trade	317,619	257,039	60,580	24

Goods and Services	2,609,948	2,418,705	191,243	8
Other Taxes	1,319	1,858	(539)	-29
SACU Receipts	6,154,199	4,518,966	1,635,233	36
Total Taxes	12,592,403	10,919,655	1,672,748	15
Other Revenue	1,637,183	1,791,611	(154,428)	-9
Total Recurrent Receipts	14,229,586	12,711,266	1,518,320	12
GOL	58,647	581	58,066	9994
Grants	632,000	1,201,544	(569,544)	-47
Loans	446,422	193,756	252,666	130
Total Capital Receipts	1,137,079	1,395,881	(258,802)	-19
Grand Total	15,366,665	14,107,492	1,259,173	9

Source: Consolidated Financial Statements for 2016/17 and 2017/18

(a) SACU Receipts

Southern African Customs Union (SACU) receipts represented 43% of total recurrent revenue in 2017/18 compared to 46% in 2016/17. The receipts increased by M1.635 (36%) billion from M4.519 billion in 2016/17 to M6.154 billion during 2017/18. The actual SACU receipts of M6.154 million for 2017/18 exactly matched the budget projection which was anticipated to recover due to improvements in mining and agricultural sectors.

4.2.2 Comparison of Figures per Consolidated Financial Statements, Ministries' Financial Statements and IFMIS Ledger

IFMIS ledger is a source document for preparation of consolidated financial statements and ministries' accounts. Therefore, figures in the consolidated financial statements, ministries financial statements and IFMIS ledger should be the same. It was noted that recurrent revenue figures for all the ministries' accounts in the amount of M14.288 billion was the same as figures from the consolidated financial statements. However, IFMIS ledger figures totalling M14.276 billion differed from both the consolidated financial statements and the ministries' total figure by M11.263 million.

Out of 28 ministries/departments, seven ministries shaded in yellow have the same information, while three ministries shaded in green are not revenue collecting ministries. The remaining 18 ministries' figures for the consolidated financial statements and Ministries' Accounts are

the same while they differ with those from IFMIS ledger. Table 4.2.2 provides the details.

Table 4.2.2 - Comparison of figures for Recurrent Revenue as per Consolidated Financial Statements, Ministries' Accounts and IFMIS ledger

Ministry	Consolidated Financial Statements	Ministries Financial Statements	IFMIS
	M	M	M
Agriculture	34,858,304	34,858,304	34,858,304
Health	19,779,459	19,779,459	20,238,933
Education	4,978,226	4,978,226	4,601,174
Finance	12,480,768,369	12,480,768,370	12,480,770,862
Trade and Industry	8,611,004	8,611,004	8,601,174
Development Planning	3,694,741	3,694,741	55,220
Justice and Correctional Services	443,408	443,408	321,202
Home Affairs	33,257,145	33,257,145	33,241,364
Prime Minister's Office	3,590,997	3,590,997	-
Communications, Science and Technology	6,687,632	6,687,632	6,687,632
Law and Constitutional Affairs	808,016	808,016	808,146
Public Works and Transport	19,883,407	19,883,407	21,598,116
Forestry and Land Reclamation	58,605	58,605	9,944
Energy and Metereology	201,554,410	201,554,410	200,324,670
Labour and Employment	7,923,024	7,923,024	7,923,024
Tourism, Employment and Culture	4,227,226	4,227,226	5,455,238
Auditor-General	441,064	441,064	394,164
Defence and National Security	704,323	704,323	704,323
Independent Electoral Commission	2,258,253	2,258,253	-
Local Government and Chieftainship	2,321,633	2,321,633	2,326,057

Gender, Youth, Sports and Recreation	513,651	513,651	18,783
Public Service	7,685,306	7,685,306	5,196,229
Judiciary	5,316,031	5,316,031	5,316,031
Social Development	353,407	353,407	-
Mining	456,457,813	456,457,813	456,457,813
Police and Public Safety	4,728,735	4,728,735	4,749,940
Small Business Development, Cooperatives & Marketing	178,012	178,012	178,012
Water	976,150,402	976,150,402	976,133,338
Total	14,288,232,603	14,288,232,604	14,276,969,693

Source: Consolidated Financial Statements, Ministries' accounts and IFMIS ledgers

The differences raise a concern on the completeness, accuracy and validity of the consolidated financial statements

4.2.3 Debt receipts

Debt receipts comprise of loans and grants from external and domestic sources. External sources represent all resources in the form of loans, grants, technical assistance, guarantees or other assistance received from bilateral, multilateral and other financial institutions under agreements specifying the purposes for which the assistance would be utilised. The responsibility for administration of debt receipts is vested in the Debt Section in the Ministry of Finance, which also maintains all records pertaining to such receipts. Ministries receiving external assistance are therefore required to report such assistance to the Ministry of Finance for information and control.

4.2.4 Donor Loans

The Consolidated Statement of Cash Receipts and Payments shows total foreign loans of M446 million. However, supporting notes to the financial statements and the Ministries financial statements show a total of M637 million to have been disbursed during the year. There is a difference of M191 million which already brings doubt on the accuracy of figures reported in the Consolidated Statement of Cash Receipts and Payments.

Table 4.3.1 indicates breakdown of M637 million and the ministries that benefitted from foreign loans during the financial year 2017/18.

Table 4.3.1 Loan Disbursement in 2017/18

Ministries	Loan Received
Agriculture & Food Security	62,928,559
Health	48,911,320
Education and Training	90,352,644
Finance	35,990,065
Trade & Industry	41,941,591
Comm. Science & Technology	12,176,940
Energy and Meteorology	9,179,168
Social Development	246,314,895
Water	88,983,476
Total	636,778,658

Source: Debt Section records

4.2.5 Donor Grants

The Consolidated Statement of Cash Receipts and Payments shows total grants received of M632 billion consisting of head controlled accounts in the amount of M403 million and 3rd Parties accounts of M229 million. The Ministries' financial statements show the amount of M641 million as grants received in 2017/18. Therefore, the financial statements have been understated by M9 million.

(a) Comparison of Grants received per Debt Section records and Ministries records

The total amount of grants received per Debt Section records was M124,810,373 for the year 2017/2018 and grants payments per ministries' financial statements and Consolidated Statement of Cash Receipts and Payments were M594,669,450 leaving a variance of M469,859,077 as indicated on Table 4.3.3. The variance clearly indicates that the Ministry of Finance Debt Section does not reconcile its records with the other ministries records. Four Ministries had not received grants but had made payments from either grants received in the previous year or grants received directly by the ministry hence the total payments were more than receipts.

Table 4.3.3 – Comparison of Grants received per Debt Section and Grants paid per Ministries Financial Statements

Ministries	Grants Received per Debt Section	Grants paid per Ministries Financial Statements	Variance Over /Under
A	B	C	D(B-C)
	M	M	M
Agriculture & Food Security		10,006,068	-10,006,068
Health	14,431,623	139,930,101	-125,498,478
Education and training	6,866,458	4,763,259	2,103,199
Finance	5,807,052	262,033,289	-256,226,237
Trade & Industry	4,659,295.	32,134,288	27,474,993
Development Planning	2,256,591	1,023,031	1,233,560
Communications			
Science & Technology	23,582,030	23,740,164	-158,134
Energy and Meteorology		20,006,933	-20,006,933
Tourism, Environment & Culture		5,502,589	-5,502,589
Local Government	2,072,407	628,650	1,443,757
Social Development		36,711,373	-36,711,373
Water	29,502,817	58,189,705	-28,686,888
Public Works	35,632,100		35,632,100
Total	124,810,373	594,669,450	469,859,077

Source: Debt Section records and Ministries Financial Statements

In order to ensure accuracy and completeness of the balances in the consolidated financial statements, the Ministry of Finance Debt Section should ensure that its records reconcile with the ministries records and any discrepancy timely investigated.

CHAPTER 5: CASH PAYMENTS

5.1 DISBURSEMENT OF FUNDS

The financial statements show total disbursements of M16.452 billion during financial year 2017/18 of which M13.343 billion was recurrent expenditure and M3.109 billion was development expenditure.

Recurrent expenditure is meant for normal running of the Government and includes maintenance expenditure, interest payments, subsidies, transfers, etc. **Development or Capital expenditure** refers to spending on the development projects mainly for the improvement of the livelihood of the citizens and the overall development of the country.

Comparison of disbursements in 2017/18 compared to 2016/17 shows an overall increase of six percent. Both recurrent expenditure and development expenditure increased by nine percent and 26 percent respectively as shown on Table 5.1.

Table 5.1 – Comparison of Disbursements for 2017/18 and 2016/17

Description	2017/18 M'000	2016/17 M'000	Increase/ (Decrease) M'000	Increase/ (Decrease)) %
A	B	C	D (B-C)	E (D/C%)
Recurrent Expenditure				
Compensation of employees	6,136,651	5,789,502	347,149	6
Goods and services	2,891,349	3,014,250	(122,901)	(4)
Transfers	2,513,464	2,009,646	503,818	25
Losses	4	7	(3)	(43)
Other Expenses	711,018	545,450	165,568	30
Acquisition of assets	177,871	44,727	133,144	297
Loan Repayments	577,231	525,960	51,271	10
Interest Payments	335,405	313,412	21,993	7
Total	13,342,991	12,242,954	1,100,037	9
Development Expenditure				
GOL	2,225,424	2,680,998	(455,574)	17
Grants	594,669	661,995	(67,326)	10
Loans	288,841	562,933	(274,092)	49
Total	3,108,934	3,905,926	(796,992)	(26)
Grand Total	16,451,925	16,148,880	303,045	6

Source: Consolidated Financial Statements

5.2 VERIFICATION OF EXPENDITURE

The Accountant-General's comment on the Consolidated Financial Statements states that, the Financial Statements have consolidated information from the annual reports prepared and submitted by the Chief Accounting Officers (CAOs) in respect of the spending units, projects and other funds for which they are accountable. On the basis of this comment, it was my expectation that IFMIS ledger, the annual reports prepared by the CAOs and the Consolidated Financial Statements would all reflect the same balances. However, tests performed revealed some variances as shown on Table 5.2.1 and Table 5.2.2 for recurrent expenditure and development expenditure respectively, thus rendering the Consolidated Financial Statements balances unreliable.

5.2.1 Recurrent Expenditure

Table 5.2.1a - Comparison of consolidated financial statements, ministries accounts and IFMIS ledger

Ministry	Consolidated Financial Statements	Ministry's Financial Statements	IFMIS Ledger	Variance
A	B	C	D	E(C-D)
M	M	M	M	M
Agriculture	163,732,034	163,732,034	163,687,902	44,132
Health	1,873,339,846	1,873,339,846	1,873,339,846	0
Education & Training	2,256,794,399	2,256,540,307	2,256,763,368	(223,061)
Finance	728,355,527	728,355,527	728,355,527	0
Trade	66,155,485	66,155,485	65,885,723	269,762
Development Planning	765,586,742	765,586,741	749,647,726	15,939,015
Justice	227,795,150	227,795,150	222,757,497	5,037,653
Home Affairs	213,852,654	213,852,654	215,263,823	(1,411,169)
Prime Minister's	152,314,660	152,314,660	123,585,420	28,729,240
Communications	107,262,506	107,262,506	106,615,257	647,249
Law	99,431,909	99,431,909	69,364,601	30,067,308
Foreign	302,851,936	302,851,936	265,547,357	37,304,579
Public Works	143,175,131	143,175,131	142,415,377	759,754
Forestry	53,091,584	53,091,584	52,728,988	362,596
Energy	27,205,946	27,205,946	27,205,946	0
Labour	55,593,664	55,593,664	55,593,664	(0)
Tourism	81,213,975	81,213,975	81,336,347	(122,372)
Auditor-General's Office	28,543,447	28,543,122	28,542,754	368
His Majesty's Office	6,692,727	6,692,727	6,692,727	0

Public Service	10,981,826	10,981,826	10,981,826	0
Defence	665,909,282	665,909,282	658,085,911	7,823,371
National Assembly	78,140,910	78,140,910	78,140,911	(1)
Senate	19,383,680	19,383,680	19,383,680	0
Ombudsman	8,374,862	8,374,862	8,374,862	(0)
IEC	545,155,573	545,155,573	271,672,881	273,482,692
Local Government	446,090,844	446,090,844	413,532,205	32,558,639
Gender	83,948,828	83,948,828	83,186,847	761,981
Public Service	40,206,396	40,206,396	37,037,970	3,168,426
Judiciary	106,563,619	106,563,619	106,563,619	0
Social Development	188,978,620	188,978,621	151,302,637	37,675,984
DCEO	28,433,031	28,433,031	28,433,031	0
Mining	21,410,831	21,410,831	21,410,831	0
Police	648,286,068	674,302,663	622,568,002	51,734,661
Small Business	107,713,259	107,713,259	107,786,814	(73,555)
Water Affairs	139,680,853	139,680,853	166,604,901	(26,924,048)
Grand Total	10,492,247,804	10,518,009,982	10,020,396,777	497,613,530

Source: Consolidated Financial Statements, Ministry's financial statements and IFMIS

Reasons for variances

The causes of the difference between the actual expenditures as reflected in the financial statements of the ministries and the IFMIS figures resulted into either an overstatement or understatement of recurrent expenditure figures in the Consolidated Financial Statements. Some of these differences have been caused by the misstatements while others could not be traced. Table 5.2.1b provides details.

Table 5.2.1b - Recurrent Expenditure variances between ministries and IFMIS

Ministry	Over/(under) stated (M)	Reasons
Agriculture	44,132	Subsistence International of Crops/Horticulture /Mushroom project wrongly paid under recurrent budget thus overstating recurrent expenditure by M44,132.
Development Planning	15,939,015	Actual expenditure on Student Grants at NMDS was reflected in the financial statements as M656,865,825 but captured in the IFMIS as M641,146,319. The Consolidated Financial Statements were overstated by M15,719,506. It was further noted that the financial statements of the ministry were prepared using the Historical Report instead of Analytical Report in the IFMIS. The Historical Report entailed vouchers that have not yet been

		passed for payment in the system and might be the contributing factor for the difference of M219,509.												
Justice	5,037,653	<p>Items of capital expenditures totalling M192,704 were wrongly charged under recurrent budget as follows;</p> <p>Travel & Transport M48,507 Operating costs <u>84,967</u> Special Expenditure <u>59,229</u> <u>192,703</u></p>												
Home Affairs	(1,411,169)	<p>The figures Operating Costs and Travel and Transport as reflected in the Statements of Receipts and Payments statements and Budget versus Actual were different as follows:</p> <table border="0"> <thead> <tr> <th style="text-align: left;">Statements</th> <th colspan="2" style="text-align: center;">Operating Costs Travel & Transport</th> </tr> </thead> <tbody> <tr> <td>Receipts & Pmts</td> <td style="text-align: right;">M152,518,069</td> <td style="text-align: right;">M8,904,253</td> </tr> <tr> <td>Budget vs Actual</td> <td style="text-align: right;"><u>146,301,573</u></td> <td style="text-align: right;"><u>6,990,309</u></td> </tr> <tr> <td>Variances</td> <td style="text-align: right;"><u>6,216,496</u></td> <td style="text-align: right;"><u>1,913,944</u></td> </tr> </tbody> </table>	Statements	Operating Costs Travel & Transport		Receipts & Pmts	M152,518,069	M8,904,253	Budget vs Actual	<u>146,301,573</u>	<u>6,990,309</u>	Variances	<u>6,216,496</u>	<u>1,913,944</u>
Statements	Operating Costs Travel & Transport													
Receipts & Pmts	M152,518,069	M8,904,253												
Budget vs Actual	<u>146,301,573</u>	<u>6,990,309</u>												
Variances	<u>6,216,496</u>	<u>1,913,944</u>												
Prime Minister's Office	28,729,240	<p>Travel and Transport in the financial statements reflected a balance of M7,808,098 while the Trial balance reflected a balance of M10,351,462 understating the Consolidated Financial Statements by M2,543,364.</p> <p>Operating Costs in the financial statements showed an amount of M19,369,887 while the Trial Balance reflected M20,777,559 understating the Consolidated Financial Statements by M1,407,672.</p>												
Law & Constitutional Affairs	30,067,308	<p>Non-Statutory posts balance of Department of Law Reform was overstated by M23,061. The financial statements and the Trial Balance showed a payment of M26,061 on this line item but the actual payment reflected in the IFMIS was only M3,000.</p> <p>The Trial Balance reflected the Operating Costs figure as M16,105,300 while the financial statements (Treasury Accounts) reflected a figure of M17,142,534 hence an overstatement of the financial statements by M1,037,234.</p> <p>An amount of M29,900,000 paid to Nedbank Swissborough Account in 2016/17 was wrongly reflected in the financial statements for the year 2017/18. This amount was not reflected in either the Trial Balance of the Ministry nor under IFMIS hence the Consolidated Financial Statements were overstated.</p>												
Tourism, Environment	(122,372)	This expenditure for wages established under the Department of Library was omitted in the Ministry's financial statements, thus understating expenditure of the ministry and the Consolidated Financial Statements by M122,372.												
Defence	7,823,371	The total expenditure on Non-Statutory salaries as reflected in the IFMIS ledger and the Trial Balance of the Ministry was M457,748,057 but the amount recorded in the financial statements was												

		<p>M457,226,632 leaving unexplained overstatement of Consolidated Financial Statements by M521,425.</p> <p>Capital expenditure totalling M2,505,984 properly charged under Development Budget in the IFMIS ledger was wrongly charged under Recurrent Budget in the financial statements on the following line items:</p> <table style="margin-left: 40px;"> <tr> <td>Subsistence International (NSS)</td> <td style="text-align: right;">M1,930,334</td> </tr> <tr> <td>Subsistence International (Airwing)</td> <td style="text-align: right;"><u>556,795</u></td> </tr> <tr> <td>Fares International (NSS)</td> <td style="text-align: right;"><u>18,855</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>2,505,984</u></td> </tr> </table> <p>Consultancies amounting to M4,826,792 under NSS were wrongly reflected in the financial statements under Recurrent Expenditure. Therefore, the Recurrent Expenditure in the Consolidated Financial Statements has been overstated by an amount of M7,332,776</p>	Subsistence International (NSS)	M1,930,334	Subsistence International (Airwing)	<u>556,795</u>	Fares International (NSS)	<u>18,855</u>	Total	<u>2,505,984</u>
Subsistence International (NSS)	M1,930,334									
Subsistence International (Airwing)	<u>556,795</u>									
Fares International (NSS)	<u>18,855</u>									
Total	<u>2,505,984</u>									
IEC	273,482,692	Both the Trial Balance and the IFMIS report showed actual expenditure of M236,456,489 on Grants for Government Extra Budgetary Units while the financial statements reflected a payment of M509,939,181. The Consolidated Financial Statements were therefore also overstated by an amount of M273,482,692.								
Police	51,734,661	<p>Capital Expenditure amounting to M44,712,630 for Building and Structure was wrongly charged under Recurrent Budget.</p> <p>Transfers to Treasury for non-taxable revenue amounting to M4,755,230 was reflected in the financial statements but the occurrence of such expenditure was not reflected in the IFMIS or in the Trial Balance. Therefore, the ministerial and Consolidated Financial Statements were overstated by M4,755,230.</p>								
Small Business	(73,555)	Expenditure on Training Costs under the Department of Marketing was reflected in the financial statements of the Ministry as M12,500 while the IFMIS and the Trial Balance showed a payment of M85,968 on Training Costs resulting into understatement of Consolidated Financial Statements by M73,468.								

Source – Consolidated Financial Statements, Ministries Accounts and IFMIS Ledger

5.2.2 Capital expenditure figures

The main objective of the audit is to ensure that the reported balances do agree with the underlying accounts and records and to ensure that such balances fairly disclose the financial operations during the financial year and the state of affairs at the end of the period. The tests performed to verify the correctness of the Consolidated Financial Statements figures revealed the following inconsistencies:

- Discrepancies in the budget figures in the Consolidated Statement of Comparison of Budget and Actual Amounts as against those on Table 21 titled "FY2017/18 Budget versus Actual – Development Expenditures." The Consolidated Statement of Comparison of Budget and Actual Amounts showed approved and final/revised budget as M5.297 billion and M5.288 billion respectively, while in Table 21 they were M5.335 billion and M5.472 billion for approved and final/revised budget respectively. The approved budget per the Estimates Book on the other hand was M5.343 billion (comprising of M1.909 billion donor funding and M3.433 billion Lesotho Government funding).
- For budget execution purposes the budget figures were compared with the actual expenditure. The Consolidated Statement of Comparison of Budget and Actual amounts used the final/revised figures for the analysis, while on Table 21 FY2017/18 Budget versus Actual – Development Expenditures, the original budget was used. Inconsistency in the use of information can make it difficult to validate conclusion on the results that can be derived from the analysis.
- The actual expenditure figures for the ministries of Mining and Police reflected in the two statements mentioned in the preceding paragraphs were not the same. The Consolidated Statement of Comparison of Budget and Actual Amounts showed actual expenditure of zero and M45,685,000 for the ministries of Mining and Police respectively, while Table 21: FY2017/18 Budget versus Actual – Development Expenditures, reflected expenditure of M972,527 and M44,712,629 respectively. However, the total development expenditure figure in the two statements remains the same, which could imply that there has been some mispostings in one of the two statements.
- Contrary to the previous years where the IFMIS ledger, the annual reports prepared by the Chief Accounting Officers and the Consolidated Financial Statements reflected different balances, in 2017/18 financial year most of the annual reports of the CAO and the Consolidated Financial Statements reflected similar balances but were different from those in the IFMIS ledger as shown on Table 5.2.2a below.

Table 5.2.2a – Comparison of Consolidated Financial Statements, Ministries' Accounts and IFMIS Ledger for Development Expenditure

Ministry	Consolidated Financial Statements (M'000)	Ministries' Accounts (M'000)	IFMIS Ledger (M'000)
Agriculture	188,236	188,236	134,382
Health	179,363	179,363	34,947
Education	76,623	76,623	70,105
Finance	431,910	431,910	153,989
Trade	56,801	56,801	24,351
Dev. Planning	1,789	766	766
Justice	30,738	30,738	30,584
Home Affairs	147,027	147,027	145,854
Communications	166,692	166,692	168,669
Law	1,037	1,037	940
Public Works	562,239	562,239	627,447
Forestry	139,681	139,681	147,165
Energy	224,742	224,741	243,866
Tourism	86,517	86,478	84,555
His Majesty's	65,312	65,312	65,312
Defence	23,842	23,842	31,017
Local Government	177,435	228,699	271,365
Gender	13,382	13,382	13,367
Judiciary	15,456	15,456	15,456
Social Dev.	72,621	269,391	0
Mining	-	978	1,061
Police	45,685	44,713	44,713
Small Business	12,966	12,966	12,966
Water	388,840	388,840	222,235
Total	3,108,934	3,355,911	2,545,112

Reasons for variances

- In most cases the consolidated financial statements agree with ministries' accounts and significantly differ from IFMIS ledger. This could be attributable to cut-off date, mispostings or errors made while processing adjustments made on the IFMIS ledger after ministries had prepared their financial statements.
- The difference on the development expenditure was attributed to the fact that some projects expenditures including those on Table 5.2.2b were not captured in the IFMIS Ledgers. This is an indication that ministries did not prepare or submit expenditure returns to be incorporated into IFMIS.

Table 5.2.2b – Omitted Project Expenditures from IFMIS Ledger

Ministry	Project Name	Donor	M
Agriculture	Wool and Mohair Production Development Project (Grant)	IFAD	8,645,014
	Wool and Mohair Production Development Project (Grant)	ASAP	1,361,054
	Wool and Mohair Production Development Project (Loan)	IFAD	5,684,948
	Smallholder Agric. Development Project	IFAD	30,488,308
Health	Support to Immunisation	GAVI	9,444,174
	South African TB and Health Systems Support	WB	11,872,943
	Support to TB Control	GF	29,401,307
	Support to laboratory Services	USAID CDC	43,457,807
	Performance Based Financing	WB	54,942,301
Education	Lesotho Basic education Improvement	IDA	365,062
Finance	Support to HIV/AIDS	GF	250,062,916
	Public Financial Management Reform Project	ADF/EU	9,601,629
	Public Financial Management Reform Project	ADF/EU	1,306,292
	Consultancies		1,062,452
	SSD		8,111,594
	SSD		22,855,801
Trade	Enhanced Integrated Framework Tier 1	UNOPS	1,362,172
	Private Sector Comp. & Economic Diversification Project	GOL	1,130,540
	Private Sector Comp. & Economic Diversification Project	IDA	24,508,740
	Economic Diversification Support Project	ADF	6,362,172

Public Works	Transport Infrastructure and Connectivity Project	IDA	4,198,738
Water	Maseru Waste Water Project	GOL	19,222,290
	Maseru Waste Water Project	IDA	9,165,094
	Lesotho Water Sector Improvement	IDA	23,179,358
Social Development	Social Assistance		4,954,129

Source: Ministries Accounts

CHAPTER 6: CASH BALANCES

6.1 CASH POSITION OF THE GOVERNMENT OF LESOTHO

Notes to the consolidated financial statements as at 31 March 2018 showed that there were 367 Government bank accounts held in different banks with a total balance of M4.339 billion and 40 accounts for monies held in trust with a total balance of M374.8 million as shown on Table 6.1. The table also reveals a total cash decrease of M967.8 million in Government accounts and overall cash decrease of M964.3 million compared with the previous year's balance.

Table 6.1 - Cash balances at the banks

Bank	Accounts at 31 March 2018		Accounts at 31 March 2017		Increase / (Decrease) in No.	Cash Increase / (Decrease) (M'000)
	No.	Balance (M'000)	No.	Balance (M'000)		
Locally Denominated Accounts						
Central Bank of Lesotho	63	2,721,581	55	3,481,073	8	(759,492)
Nedbank Lesotho	38	47,194	56	121,311	(18)	(74,117)
Standard Lesotho Bank	139	725,724	147	893,513	(8)	(167,789)
First National Bank	13	57,934	25	83,614	(12)	(25,680)
Lesotho Post Bank	21	513,160	22	465,575	(1)	47,585
ABSA	1	3,052	-	-	1	3,052
Crown Agents			1			
Total	275	4,068,645	306	5,045,086	(31)	(976,441)
Foreign Currency Accounts						
Central Bank of Lesotho	63	127,240	93	199,423	(30)	(72,183)
Standard Lesotho Bank	7	54,520	-	-	7	54,520
Foreign Diplomatic Missions	22	88,927	27	62,631	(5)	26,296
Total	92	270,687	120	262,054	(28)	8,633
Government Accounts Total Balance	367	4,339,332	426	5,307,140	(59)	(967,808)
Monies held in Trust						
Central Bank of Lesotho	1	342,360	1	336,514	-	5,846
Standard Lesotho Bank	30	18,609	31	19,418	(1)	(809)
Lesotho Post Bank	9	13,876	10	15,416	(1)	(1,540)
Trust Monies Balance	40	374,845	42	371,347	(2)	3,498
Grand Total	407	4,714,176	468	5,678,487	(61)	(964,311)

Source: Consolidated Financial Statements

6.1.1 Discrepancy between bank balance and IFMIS/Cash book balance

The notes forming part of the consolidated financial statements states that bank balances have been used in preparation of the financial statements instead of cash book balances. The main reason being that not all receipts and payments were made through the IFMIS and main Treasury bank accounts and were not yet fully reconciled. As at 31 March 2018, there was a discrepancy of M498 million between the bank balance of M4.340 billion and cash book balance.

Although management stated that efforts to reconcile the bank accounts continues, the accuracy and completeness of the bank balance reflected in the Consolidated Financial Statements and not reconciled with the cash book could not be relied upon.

6.1.2 Unreliability of financial statements

The cash position of the Government of Lesotho as reported in the financial statements could not be relied upon due to the following anomalies noted during the audit:

a) Discrepancies between Consolidated Financial Statements Bank Balances and Bank Confirmations

The audit revealed discrepancies between the Consolidated Financial Statements and Bank Confirmations with regard to the number of bank accounts and cash balances as at 31 March 2018 as shown on Table 6.1.2. There were 407 bank accounts held at different banks as reported in the consolidated financial statements with a total balance of M4.714 billion whereas scrutiny of Bank Confirmations revealed that there were 451 bank accounts with a balances amounting to M4.815 billion resulting in a net difference of M101 million.

Table 6.1.2 - Comparison of consolidated financial statements, bank balances and bank confirmations

Bank	Consolidated Financial Statements Bank Balance		Bank Confirmations		Variance (M'000)
	Number of bank accounts	Balance (M '000)	Number of bank accounts	Balance (M '000)	
Locally Denominated Accounts					
Central Bank of Les	63	2,721,581	63	2,721,338	(243)
Nedbank Lesotho	38	47,194	47	55,397	8,203
Standard Les. Bank	139	725,724	174	819,666	93,942
First National Bank	13	57,934	13	57,934	-
Lesotho Post Bank	21	513,160	21	513,160	-
ABSA	1	3,052	1	3,052	-
Total	275	4,068,645	319	4,170,547	101,902
Foreign Currency Accounts					
Central Bank of Les	63	127,240	63	127,240	-
Standard Les. Bank	7	54,520	7	54,164	(356)
Foreign Missions	22	88,927	22	88,794	(133)
Total	92	270,687	92	270,198	(489)
Govt. Account Balance	367	4,339,332	411	4,440,745	101,413
Monies held in Trust					
Central Bank of Les.	1	342,360	1	342,360	-
Standard Les. Bank	30	18,609	30	18,609	-
Lesotho Post Bank	9	13,876	9	13,876	-
Total	40	374,845	40	374,845	-
Grand Total	407	4,714,177	451	4,815,590	101,413

Source: Consolidated Financial Statements, Bank Confirmations

The Treasury Department stated that a net difference of M101 million consists of amongst others, the twelve (12) bank accounts balances amounting to M10.7 million and thirty-five (35) bank accounts amounting to M93.9 million appearing in the Nedbank and Standard Lesotho Bank Certificate of Balances respectively. These amounts had been excluded from the Consolidated Financial Statements as they did not belong to the Government of Lesotho. They were erroneously included in the respective certificates of balances as at 31 March 2018 by the two banks. In addition, Treasury Department explained that another contributing factor was inclusion of three (3) bank accounts in the Consolidated Financial Statements which were included in the Certificate of Balance as at 31 March 2018 submitted to the Roads Directorate by Nedbank but omitted in the Certificate of Balance submitted to the Treasury Department by the same bank. The total

amount for the three bank accounts was M2.3 million. Furthermore, the differences from foreign currency accounts balances could not be explained.

It should be noted that at 31 March 2018, the Central Bank of Lesotho bank balances included Crown Agents and IMF Loan PRGF balances of M363 million and M973 million respectively.

Other audit concerns

- The balance of M3.052 million relating to a bank account held at ABSA could not be verified due to non-availability of the related bank confirmation.
- Three bank balances amounting to M4.619 million relating to two Lesotho Foreign Missions, namely Malaysia and Kuwait, could not be verified due to non-availability of the related bank confirmations.
- Out of twenty-two (22) bank accounts operated by some of the Lesotho foreign missions, there were only five (5) bank reconciliation statements availed for verification while (seventeen) 17 bank accounts had no bank reconciliation statements at 31 March 2018.

b) Use of un-reconciled bank balances

The cash position of the Government of Lesotho has been reported using bank confirmation balances only instead of the reconciled bank balances. It should also be noted that a cash decrease of M964.3 million could not be verified in the absence of reconciled bank balances. This calls for a need to accelerate efforts to reconcile all bank accounts.

c) Funds withdrawal unaccounted for

Scrutiny of records revealed that funds to the tune of M258 million were withdrawn from the Central Bank of Lesotho Treasury Bills and Treasury Bonds Account on 13 December 2017. However, the Treasury Department failed to provide the relevant documentary evidence substantiating the withdrawal of these funds. An effort

made to obtain the documents proved futile. As a result, I regard the transaction as unaccounted for and needs further investigation.

d) Bank accounts Treasury requested to be closed

The Treasury Department requested the local banks, namely Standard Lesotho Bank, Nedbank, Lesotho Post Bank and First National Bank, to close Government of Lesotho Bank accounts as per instruction letter issued by Accountant General. The banks were also requested to transfer the balances to the Unspent Funds Account held with the Central Bank of Lesotho and notify the Treasury Department about the balances transferred at the time of bank account closure. However, at the time of my report, no confirmations were received from the local banks in respect of the closed bank accounts held at the following banks; twenty-two (22) accounts from Standard Lesotho Bank, Seven accounts from Nedbank Lesotho, six accounts from Lesotho Post Bank and three accounts from First National Bank.

6.2 TRANSFER OF FUNDS FOR OUTSTANDING SUBSIDY CLAIMS AND LESOTHO SUN LOCKED-OUT STAFF

The audit revealed that the Principal Secretary for the Ministry of Finance, by a Memo dated 3rd January 2018, instructed the Accountant-General to transfer an amount of M20,002,449 from Central Bank of Lesotho Treasury Bills and Bonds Account to the Consolidated Fund Account for payments of outstanding subsidy claims and Lesotho Sun locked-out staff. The funds were also supposed to be transferred from the Consolidated Fund Account to the Recurrent Expenditure Account for subsequent payments.

However, the records showed that M20 million was transferred to the Consolidated Fund Account as directed but no evidence was obtained from the Treasury Department showing that the same amount was further transferred to the Recurrent Expenditure Account.

In the absence of documentary evidence to substantiate that funds were transferred to Recurrent Expenditure Account and subsequent payments made for outstanding subsidy claims and Lesotho Sun locked-out staff, I could not confirm the validity and completeness of the transaction.

6.3 RESERVE FUND

The Reserve Fund was established under Section 16 of Finance Order 1988. The law specified that moneys to be withdrawn from the Reserve Fund should be for the credit of the Consolidated Fund on the authority of the Minister, with prior concurrence of the Council of Ministers; provided that withdrawals made would not reduce the balance in the Fund below a sum of five million Maloti or such other amount as the Council of Ministers, on the advice of the Minister, may from time to time, determine.

I raised a concern in my Audit Reports issued subsequent to implementation of the PFMA Act 2011 that repealed Finance Order 1988 that the Reserve Fund was not provided for. The Government has not yet addressed this issue and it is still not known how the funds can be treated in the absence of a governing legislation.

The balance of the Reserve Fund has stood at M201,520,318 for over a period of fourteen years to 31 March 2018 and has been consistently disclosed in the financial statements.

CHAPTER 7: NON-CASH ASSETS

7.1 ON-LENT LOANS

The Government lends or on-lends to state-owned enterprises for specific purposes consistent with its development policy objectives. The borrower is obliged to pay interest and repay principal sums in accordance with the terms and conditions agreed between the parties.

7.1.1 Default in repayment of loans and interest payments

During the year under review, principal payments of on-lent loans amounted to M10,236,300. The closing balance at the end of the year amounted to M1,029,114,831. No existing loans were cancelled or new loans disbursed during the year. Conversely, a significant total amount of M161,898,291 being principal amount of M133,467,189 and interest of M28,431,102 owing to Government were in arrears as at 31 March 2018. Table 7.1 Shows the status of on-lent loans.

Table 7.1 – Status of On-lent loans

	Project name	Opening Balance 1.04.2017	Principal Payments	Interest Paid	Closing balance 31.03.2018	Arrears of Principal	Arrears of interest
LNDC	ODA 2			2,130			2,130
	ODA 3			1,137			1,137
	ODA 2nd Line of credit	761,627	761,627	300,113			314,619
	IDA Infrastructure	3,780,656	945,164	1,258,604	2,835,492	2,835,492	2,504,340
	IDA 2400 Infrastructure Eng	18,119,448			18,119,448	6,116,583	1,250,697
	EIB M/S Printing			28,308			32,324
	ADB Line of credit	1,939,174	484,794	608,911	1,454,381	1,454,381	606,269
	Basotho Cannery Thetsane (Nieng Hsing)			32,455			33,058
	Tikoe Factory Shells	51,000,000	3,100,000	3,044,500	47,900,000	1,900,000	2,805,000
	CGM	15,000,000	3,000,000		12,000,000	6,000,000	
	Tikoe Phase 2 factory Shells	202,789,827			202,789,827		
	TELECOM	Telecom Nat Network Phase 2	222,727		16,038,865	222,726,839	8,176,590
Telecom Nat Network Phase 1		205,986,835		16,368,503	205,986,835	7,373,161	
WASCO	BADEA 132 Maseru Wat Supply 1	63,023,315			63,023,315	43,627,806	2,753,981
	BADEA 133 Maseru Wat Supply 2	78,097,438			78,097,438	15,391,600	11,306,865
	OFID 134 Maseru Supp 2	85,500,487			85,500,487	30,272,577	6,576,925
	IDA 3995 Wat Sect Imp Project	48,814,092	48,814,092		48,814,092	10,319,000	234,260
LEC	Lesotho Elect Supp Project	41,811,393	1,944,716	845,951	39,866,677		
	Total	1,039,351,131	10,236,300	38,538,710	1,029,114,831	133,467,189	28,431,102

Source: Consolidated Financial Statements and Debt Section records

The information regarding each borrower is as follows:

- WASCO was able to make the principal repayment on one account but could not pay interest on all four accounts. At the end of the financial year WASCO was in arrears of M99,610,983 and M20,872,031 for principal and interest payments respectively. It is worth mentioning that in 2016/17 WASCO did not make repayments of both principal and interest on all four accounts.
- LNDC was in arrears of M18,306,456 and M7,559,071 for both principal and interest payments respectively. For the last two financial years ended 2017/18, no repayments of the principal have been made on its two accounts.
- Telecom/Econet had not made any principal repayment during the financial year 2017/18 and were in arrears of principal repayments of M15,549,751.
- LEC had made repayments on both principal and interest and had no arrears.

On the basis of the information provided, I repeat my previous years' recommendation that the statutory bodies should be encouraged to pay their debts as they become due, to avoid inconveniencing the Government with the burden of more debt to pay on behalf of defaulters.

7.2 ADVANCES OF PUBLIC MONEY

Section 33 (1) of the Treasury Regulations 2014 provides for establishment and reimbursement of advances, and where necessary, by way of a payment voucher certified by an Examining Officer and approved by an Authorising Officer. Advances are classified into the following categories:

- Travel Advances
- Standing Advances
- Remittances to Sub-Accountancies and foreign missions
- Warrants to other spending units

The financial statements submitted for audit revealed an increase of 47 (M40,437,994) advances from 336 to 389 in the amount of M177,029,125 in 2016/17 to M217,467,119 in 2017/18.

7.2.1 Travel Advance

Travel advances are moneys granted to officers proceeding on official duties outside Lesotho or within the country but outside their duty stations mainly to cater for subsistence allowance. Section 41(8) of the Treasury Regulations 2014 requires that a travel advance should be acquitted within fourteen (14) days of the return of the officer from the travel. In a case where the payment is made upon return from the official trip, the officer should submit claim forms to which should be attached the memo from the officials authorising the trips and a copy of passport clearly proving that the trip actually took place.

I have noted that out of 389 outstanding advances, 188 are tour advances granted to public officers amounting to M4,922,105. I further noted that 125 advances amounting to M2,967,827 representing sixty percent (60%) of the total outstanding advance granted remained un-cleared from the previous years dated as far back as 2011/12. Table 7.2.1 indicates the outstanding balances under each ministry.

Table 7.2.1 - Outstanding Travel Advances

Ministry	Outstanding from previous years		Outstanding advances in 2017/18		
	No.	Amount	No.	Amount	Total
Agriculture	1	506	1	26,227	26,733
Health	3	20,862	2	160,714	181,576
Education	2	33,640	2	205,905	239,541
Finance	21	295,552	2	112,942	408,494
Trade	7	40,691	0	-	40,691
Dev Planning	0	-	1	3,910	3,910
Justice	4	113,730	1	9,173	122,903
Home Affairs	24	198,375	0	-	198,375
PM's Office	16	349,031	8	81,433	430,465
Communications	4	150,213	0	-	150,213
Law	7	43,568	0	-	43,568
Local Government	0	-	1	11,309	11,309
Foreign Affairs	6	860,123	9	729,151	1,589,273
Public Works	9	200,854	3	75,874	276,728
Tourism	4	140,420	1	11,278	151,692
Defence	4	110,181	8	149,089	259,271
National Assembly	5	150,080	1	26,061	176,141
IEC	1	10,395	0	-	10,395
Gender	6	129,433	1	1,248	130,681
Public Service	1	34,457	5	37,718	72,172
Judiciary	1	47,792	1	721	48,513

DCEO	1	1,901	0	-	1,901
Police	0	-	8	110,195	110,095
Statutory Salaries	1	2,066	0	-	2,066
Small Business	1	9,469	5	139,234	148,703
Water	0	-	3	62,199	62,199
Mining	3	51,137	0	-	51,137
Total	125	2,967,827	63	1,954,275	4,922,102

Source: Records accompanying Financial Statements

The closing balance for the financial year 2016/17 reflected a number of outstanding advances as seventy-three (73) amounting to M2,312,535 while the opening balance in 2017/18 reflected one hundred and twenty-five (125) advances amounting to M2,967,827 resulting in a difference of twenty-two (22) advances in the amount of M655,292. No explanation has been provided for the difference. This state of affairs exposes Government to the risk of loss of public funds.

7.2.2 Advances to Sub-Accountancies

Section 34 (1) of the Treasury Regulations requires that remittances to Sub-Accountancies and Foreign Missions be accounted for as advances. In Section 34 (2), the regulation further states that the Financial Controller at a Sub-Accountancy or Head of Mission should ensure that financial reports on the status of funds advanced, are furnished to the spending unit that advanced those funds within five working days of the end of each month.

Contrary to the requirements of the regulation, documents accompanying the financial statements revealed that forty-four (44) advances amounting to M5,993,933 issued to Sub-Accountancies were not cleared at the end of March 2018 while the IFMIS Ledger showed eighty-nine (89) advances amounting to M115,722,211 as outstanding advances at the end of the financial year, resulting in a difference of forty-five (45) advances amounting to M109,728,278. As a result, the accuracy of Sub-Accountancies outstanding balance reflected in the financial statements remains doubtful. Table 7.2.2 shows a breakdown of outstanding sub-accountancies advances.

Table 7.2.2 - Outstanding Advances to Sub-Accountancies

Ministry	Outstanding Per Treasury records		Outstanding per IFMIS Ledger	
	No.	Amount (M)	No.	Amount (M)
Health		-	9	55,038,956
Finance	8	1,026,340	9	2,963,277
Justice and Correctional Services		-	8	5,272,953
Home Affairs	36	4,967,593	9	4,947,051
Law and Constitutional Affairs		-	9	677,082
Forestry and Land Reclamation		-	8	7,220,583
Labour and Employment		-	1	585,595
Defence and National Security		-	9	255,425
Local Government & Chieftainship		-	9	2,829,572
Social Development		-	9	29,187,149
Police and Public Safety		-	9	6,744,568
Total	44	5,993,933	89	115,722,211

Source: Records accompanying Financial Statements and IFMIS Ledger

7.2.3 Advances to Foreign Missions

Under foreign missions, a total amount of M272,301,408 was not cleared out of which M211,371,553 representing seventy-eight per cent (78%) has been outstanding for seven years since 2011/12. Verification of outstanding balances through the IFMIS Ledger revealed an outstanding balance of M398,127,825 resulting in a difference of M125,826,417. As a result, the accuracy of foreign missions outstanding balance reflected in the financial statements remains doubtful. Table 7.2.3 shows a breakdown of outstanding foreign missions' advances.

Table 7.2.3 - Outstanding Advances at the Foreign Missions

Mission	Outstanding imprests per Treasury records		
	Outstanding from 2012	Total Outstanding 2018	Total per IFMIS Ledger
Addis Ababa	4,750,437	4,750,437	21,611,930
Beijing	5,592,796	5,592,776	19,763,435
Berlin	7,171,765	25,037,996	37,033,508
Brussels	15,451,937	15,451,936	28,191,508
Cairo	4,128,425	4,128,425	4,128,425
Dublin	1,601,203	3,145,705	12,436,199
Durban	2,561,789	6,055,314	9,865,223
Kuwait	5,767,414	8,640,719	17,968,358
Geneva	2,431,054	2,431,054	26,973,978
Johannesburg	3,363,460	3,804,175	10,832,768
London	7,714,276	13,313,649	24,925,452
Libya	7,895,340	7,895,340	7,895,340
Malaysia	8,628,159	10,931,471	20,059,918
New Delhi	107,286,944	110,301,256	32,678,824
New York	6,446,579	7,668,532	29,168,585
Ottawa	7,072,689	9,705,459	19,392,737

Pretoria	-	2,326,815	8,264,692
Rome	788,967	14,252,677	26,872,280
Tokyo	8,055,219	12,204,572	24,991,580
Washington	4,663,100	4,663,100	15,073,085
Total	211,371,553	272,301,408	398,127,825

Source: Records accompanying Financial Statements and IFMIS Ledgers

7.2.4 Warrants to Other Spending Units

Treasury Regulation 34(3) provides for warrants to other spending units to be accounted for as advances. To avoid overstating the expenditure of Government, the warrants should be paid to a commercial bank from which payments should be made as and when necessary. A Chief Accounting Officer receiving those warrants should ensure that financial reports on the status of the funds advanced are furnished to the spending unit that advanced the funds within five working days of the end of each month.

The outstanding imprests balance of M217 million in the financial statements included M20,572,420 which was not cleared by Other Spending Units. I reported this outstanding amount from 2015/16 financial year but the balance remained the same at the end of 2017/18 which shows that no efforts were taken to follow-up or trace the outstanding balances.

In my previous year's report, I clearly stated that the amounts of M5,379,879 and M3,324,195 for Lesotho National Development Corporation and Econet/Telecom Lesotho respectively were not advances but repayments of on-lent loans made during financial year 2011/12. Therefore, the figure of M20,572,420 could not be relied upon. Table 7.2.4 indicates a list of outstanding advances.

Table 7.2.4 - Outstanding Advances

Entity	Amount
Lesotho Housing and Land Development	895,112
Stay Away Relief Fund	3,000,000
LNDC	5,379,987
WASCO	3,453,056
ECONET	3,324,194
FNB	2,151
NedBank	2,884
STD Lesotho Bank	23,978
Engen (Pty) Ltd	534,290
FIU	3,956,768
Total	20,572,420

Source: Records accompanying Financial Statements

CHAPTER 8: FISCAL LIABILITIES

8.1 PUBLIC DEBT

The Loans and Guarantees Act of 1967 as amended in 1975 empowers the Minister of Finance to raise funds internally and externally for the purpose of financing development projects or such other purposes, as he deems necessary in the public interest.

Section 116 of the Constitution stipulates that all debt charges for which Lesotho is liable shall be a charge on the Consolidated Fund. Debt charges include interest, sinking fund charges, the repayment or amortisation of debt and all expenditure in connection with the raising of loans on the security of the Consolidated Fund and the service and redemption of debt created thereby.

Public debt is categorised into external and domestic debt.

8.2 EXTERNAL DEBT

8.2.1 Debt Servicing

Debt Servicing comprises of loan repayments and interest payments. During the financial year 2017/18, the Government made loan repayments of M520,350,578 and interest payments of M215,131,815. The Government also made new borrowings of Multilateral loans of M2,333,624,800 and the closing balance as at 31 March 2018 was M10,718,740,936. Table 8.2.1 bears details.

Table 8.2.1 - External Debt

Category	Opening Loan Balance 31 March 2017	New Borrowings	Disbursement	Repayment	Interest paid	Closing Loan Balance at 31 March 2018
Bilateral	904,653,092		24,401,541	82,156,475	29,978,380	809,916,372
Multilateral	9,804,980,203	1,036,524,800	612,377,117	378,221,623	170,436,505	9,320,118,905
Export Credit	708,268,123	1,297,100,000		59,666,871	14,615,638	588,369,810
Other Financial Institutions	535,631			305,560	101,293	335,760
Total	11,418,437,049	2,333,624,800	636,778,658	520,350,528	215,131,815	10,718,740,936

Source: Consolidated Financial Statements

8.3 DOMESTIC DEBT

8.3.1 Treasury Bills and Treasury Bonds

Domestic Debt comprises Treasury Bills and Treasury Bonds issued by Central Bank of Lesotho (CBL). The CBL undertakes money market operations to manage liquidity in the economy so as to control inflation. These money market operations are in the form of Treasury Bills and Bonds. Treasury Bills are mainly used as monetary policy instruments for mopping up and/or injecting liquidity in the economy and hence controlling inflation. On the other hand, the funds collected through the issuance of bonds are used on Government's development projects. Funds which are raised from issuance of bills and bonds are kept in a blocked account for repayment of the principal. The interest payable on the bills and bonds is catered for in recurrent budget.

As per the consolidated financial statements for the year under review, the opening balance for domestic debt was M1,356,818,000 and the Government made new issues of Treasury Bills and Treasury Bonds to the amount of M1,709,194,739 while the principal repayments were M1,092,521,859 hence the closing balance of M1,973,490,880. Also, interest payments during the year amounted to M111,188,730. Table 8.3.1 bears details.

Table 8.3.1 - Treasury Bills and Treasury Bonds

Category	Opening Debt Balance	New Issues	Repayments Amount	Interest Paid	Closing Debt Balance
	A	B	C	D	F=(A+B-C)
Treasury Bills	603,926,000	1,363,647,839	1,092,521,859	44,711,441	875,051,980
Treasury Bonds	752,892,000	345,546,900		66,477,289	1,098,438,900
Total	1,356,818,000	1,709,194,739	1,092,521,859	111,188,730	1,973,490,880

Source: Consolidated Financial Statements

Audit concern

- The audit report for the financial year 2016/17 stated that domestic debt closing balance of M1,356,818,000 was overstated by M3,090,800 and showed the correct closing balance as M599,540,200 for the Treasury Bills and M754,187,000 for the Treasury Bonds reflecting a total closing balance of M1,353,727,200. However, the Notes to the Consolidated Financial

Statements for 2017/18 showed the same incorrect amount of M1,356,818,000 as the opening balance and indicating the closing balance at an amount of M1,973,490,880 as at 31 March 2018 which included an overstated figure of M3,090,800.

- The Consolidated Statement of Cash Receipts and Payments reflect nil amount of domestic loans received during the year while the Notes to the Consolidated Financial Statements reflect newly issued loans figure of M1,709,194,739. As a result, the Consolidated Financial Statements have been understated by the same amount.
- The consolidated statement of cash receipts and payments reflect deficit financing of M615,325,000 analysed as Treasury Bills of M270,778,000 and Treasury bonds of M344,547,000 which could not be substantiated.

8.4 OTHER LIABILITIES

8.4.1 Pension Liabilities

The Public Officers' Defined Contribution Pension Fund Act 2008 provided for the establishment of Public Officers' Defined Contribution Pension Fund, for the benefit of permanent and pensionable Public Officers; and for related matters. Statutory actuarial valuations of the Fund are required at regular intervals to assess the viability of the Fund to pay future pension and benefit obligations.

Audit Concern

I indicated in my previous audit reports that the last valuation carried out revealed that the Fund had a shortfall of M2.046 billion as at 31 March 2011. That liability was not funded and therefore fell as a charge on the Consolidated Fund. Subsequent valuation reports raise doubt on the Fund's ability to meet future benefits when due and payable. The last actuarial valuation report indicated an underfunding of M5.89 billion as at 31 March 2016. Although no other reports were made available thereafter, the Government needs to consider reducing this liability so that future benefits of employees can be secured.

As at 31 March 2018, I could not sight the actuarial valuation report depicting the latest status of the pension liability and as a result, the government remains exposed to this liability.

8.4.2 Contingent Liabilities

Contingent liabilities are fiscal obligations contingent on the occurrence of particular events. But these obligations are not budgeted and accounted for, nor are they considered in conventional fiscal analysis.

The contingent liabilities of the Government of Lesotho comprise of outstanding amounts guaranteed by the Government in respect of loans issued to State-Owned Enterprises, public officials and businesses. The Government acts as a guarantor and the interest on such loans is borne by the Government, while in the case of State-Owned Enterprises (SOEs), such enterprises bear the interest costs on their loans.

I have established from the financial statements that contingent liabilities in respect of SOEs, public officials and businesses were as indicated on Table 8.4.2a below.

Table 8.4.2a – Outstanding Amounts Guaranteed by the Government

Start Year	Beneficiary	Lender	Exposure at 31 March 2018	Exposure at 31 March 2017
	WASCO (Pty) Ltd	Nedbank	16,825,283	20,000,000
2016	Maseru E Textile	Standard Lesotho Bank		15,528,000
2014	CGM	Standard Lesotho Bank		24,000,000
2014	Presitex Industry PTY	Standard Lesotho Bank		18,000,000
2014	Eclat Evergood Textiles	Standard Lesotho Bank		55,642,000
2015	PS and Statutory Positions	Standard Lesotho Bank		7,474,845
2014	TZICC	Standard Lesotho Bank		60,494,500
2015	MPs of 9 th Parliament	Nedbank		54,315,971
	LUQY's	FNB	3,438,676	
2017	Members of 10 th Parliament	Nedbank	70,070,680	
Total			90,334,638	255,454,416

Source: Consolidated Financial Statements

The contingent liabilities also comprise pending litigation claims for compensation and potential liabilities from Public-Private Partnerships

(PPP). Potential compensation payable extracted from individual Spending Units reports are listed on Table 8.4.2b below:

Table 8.4.2b - Potential Compensation Claims

Spending Unit	Exposure at 31 March 2018	Exposure 31 March 2017
Health	193,485,146	172,456
Education & Training	0	772,599
Finance	0	29,633,066
Justice and Correctional Services	3,410,432	
Communications, Science & Technology	0	24,527,350
Public Works	0	22,052,824
Defence & National Security	981,000	
Local Government	0	50,512
Police and Public Safety	944,219	2,941,565
Total Compensation Claims	198,820,796	80,150,373

Source: Consolidated Financial Statements

It is worth-mentioning that exposure to contingent liabilities from the Public-Private Partnership arrangements managed by the Ministry of Health have yet to be assessed.

Audit Concerns:

During financial year 2017/18, the Government incurred costs on the following contingent liabilities:

- Compensation claim of M33 million against Swissborough Diamond Mine (SDM) for cancelled mine contract paid by Ministry of Law and Constitutional Affairs. The amount of M8 million related to costs and M25 million lodged as security pending final award by the Singapore Williams Tribunal. The issue was on the mining leases issued to SDM, which started as far back as 1990. SDM claimed a compensation award of M3 billion from the Government of Lesotho.
- Loan guarantee to LUQY's Manufacturing (Pty) Ltd where government was obliged to settle M6,200,392 in February 2018. A further Contingent claim of USD 4 million remains outstanding.

I repeat my previous year's recommendation that the Government has to develop a strategy on how it would recover funds from defaulting borrowers. Moreover, there is a need to develop regulations that will protect the Government from being deprived in the process most

importantly not issuing guarantees for borrowers that defaulted. Consequently, for the past three years the Government has suffered and lost millions of Maloti because of being a guarantor.

During the financial year 2017/18 government serviced debt of M50,679,281 arising from the loans of members of the 9th Parliament and statutory positions. In 2015/16 it cleared guaranteed loans amounting to M32,229,285 for Members of 8th Parliament. In addition, government guaranteed Members of the 10th Parliament with an amount of M70,070,680.

8.5 TRUST FUNDS

According to Section 24 of the PFMA Act 2011, amounts held in trust should be separately identified and accounted for. It is further stated that money held in trust or on behalf of a person other than Government is a liability of Government. If conditions to allow issue of moneys held in trust have been fulfilled, the money shall be paid to the person or entity entitled to it. Interest should not be paid on money held in trust. Money held in trust, which remains unclaimed after a period of five years, should be treated as revenue of the Consolidated Fund. If any person or entity subsequently proves to the satisfaction of the Minister, a claim to such an amount shall be a charge on the Consolidated Fund and be paid to that person or entity. Examples of moneys held in trust are; Guardian Fund, Workmen's Compensation Trust Fund, Loan Bursary Fund, retention fees, etc.

8.5.1 Financial Position of moneys held in trust

(a) Closing bank balance

There was no documentary evidence from various ministries supporting cash inflows and outflows in respect of the Trust Monies Fund Account such as account held at the Central Bank of Lesotho (CBL) which was not reconciled to the records held by Treasury with ministerial records. At 31 March 2018, the un-reconciled bank closing balance of Trust Monies Fund Account balance of M374,845,000 showed an increase of M3,498,000 compared to closing balance of M371,347,000 as at 31 March 2017. As a result, the accuracy and completeness of the bank balance at year end

could not be verified due to lack of bank reconciliation statement of balances of various trustees with the ministries records.

(b) National Manpower Development Secretariat account

A total amount of M9,114,957 received from various ministries/departments as repayments to National Manpower Development Secretariat (NMDS) was deposited into the Trust Monies Fund Account instead of the appropriate account maintained by NMDS. On the other hand, a total amount of M15,923,291 was transferred from the Trust Fund Monies Account to NMDS Loan Bursary Expending Account held at Standard Lesotho Bank. In addition, payments amounting to M6,398,380 were made to various parties (educational institutions and travelling agencies) from Trust Monies Fund Account for expenditure related to NMDS.

Both withdrawals and transfers in the amount of M22,321,671 were greater than deposits of M9,114,957 by unexplained difference of M13,206,714. It is worth-mentioning that some of the funds described as NMDS were transferred from the Trust Fund Monies Account to NMDS in the previous year with the intention of ensuring that repayments to NMDS would no longer be deposited in the Trust Fund Monies Account.

Due to poor record-keeping and non-reconciliation of Treasury records and ministerial records, the accuracy of the closing balance of M342,360,000 remains doubtful. Furthermore, it was not possible to verify the balances (breakdown) attributable to each entity.

CHAPTER 9: LOSSES AND ACCIDENTS

9.1 STATEMENT OF LOSSES AND ACCIDENTS

9.1.1 Losses of Stores and Cash

Section 36 (a) of the PFMA Act, 2011 requires the Minister to provide a summary of any losses of public money or loss of or damage to government property, including any amounts recovered or written off to accompany consolidated financial statements.

The Statement of Losses and Accidents per consolidated financial statements shows a total amount of M53,655,409 losses as indicated on Table 9.1.1 below.

Table 9.1.1 - Statement of Losses of Stores and Cash

Ministry	Irrecoverable Revenue and debts	Irrecoverable overpayment of salaries	Losses of cash	Losses of stores	Vehicle Accidents	Total
	M	M	M	M	M	M
						863,933
Health		863,933				33,524
Education			33,524			7,187,964
Finance			7,187,964			54,424
Justice			54,424			163,724
Home Affairs			163,724			368,307
PM's Office			368,307			121,695
Communications			121,695			2,010
Public Works				480	1,530	30,000
Energy				30,000		83,204
Tourism					83,204	15,905
Public Serv. Comm.					15,905	43,547,948
Principal Repayments	43,547,948					317,219
Defence					317,219	114,082
National Assembly			114,082			3,500
Gender				3,500		14,119
Public Service					14,119	37,228
Judiciary					37,228	17,091
Social Development					17,091	700
DCEO				700		430,649
Mining			51,137		379,512	144,826
Police			144,826			103,406
Small Business			103,406			
Total		863,933	8,343,089	34,680	865,808	53,655,458

Source: Loss Reports and documents accompanying financial statements

On the basis of the supporting documents made available and the Accountant-General's instruction for transfer of funds to consolidated funds, the Stay Away Relief Fund should have been cleared instead of being included under loss of cash.

9.3.3 Outstanding guaranteed loans to former Principal Secretaries

The former Principal Secretaries were granted an amount of M500,000 interest free loans. The employment contracts of some of the PSs were terminated in September 2017, as a result, the Government as the guarantor had to settle the loans on behalf of the PSs. The decision was made that the amount settled on behalf of the PSs be recovered from payment of their gratuities. In January 2018, the PS Finance requested the office of the Public Officers' Defined Contributory Pension Fund to transfer all monies deducted from the PSs gratuities into the government account in order to clear the outstanding balances. At the end of the financial year 2017/18, it was observed that the former PSs had not paid their outstanding loans amounting to M4,585,711. This was caused by failure by the PS Finance to enforce the payment. Table 9.3.3 shows outstanding balances in respect of the former PSs and other senior officials.

Table 9.3.3 – Loans Outstanding balances

Name	Amount owing M
Mr L. Moreke	465,741
Mr M. Thakhisi	318,182
Ms M. Rapapa	305,370
Ms N. Monoko	364,459
Ms S. Qhobela	214,241
Ms M. Panyane	229,358
Ms M. Molaoa-Kotelo	350,000
Mr L. Maloi	460,526
Mr K. Tau	231,780
Mr T. Mpeta	413,793
Mr F. Likoti	407,811
Mr T. Maina	450,000
Mr F. Notoane	374,452
Total	4,585,711

Source: Ministry of Finance records

There was no evidence showing that the efforts were made towards recovery of the outstanding loans from the former PSs and other senior officials. There is a risk that the outstanding loans may not be collected. Therefore, PS Finance should ensure payment/recovery of

the outstanding loans from the former PSs. Furthermore, Treasury Regulations, 2014 should be complied with as they require that any accident, loss, shortage, theft and other irregularity be reported immediately to the Chief Accounting Officer. The regulations further require that the Loss Report should be prepared and submitted to the Principal Secretary for Finance with a copy to the Accountant-General and the Auditor-General.

9.3.4 Termination of contracts of employment of District Administrators

The contracts of seven (7) District Administrators were terminated with effect from 1 December 2017 following the Government Secretary's savingram GS/DE/25 dated 24 October 2017. The Government paid funds amounting to M5,577,159 to buy out the District Administrators. The Government needs to devise a policy as a remedial measure to prevent recurrence of similar incidences of this nature to avoid loss of funds.

9.3.5 Guaranteed loans written-off on behalf of Honourable Members of Parliament

Amongst other benefits to the Honourable Members of Parliament are interest free loans of M500,000 payable within the Parliament's constitutional life. The Lesotho Government acts as a guarantor for all Honourable Members of Parliament who are granted loans by the Nedbank and if a member defaults in paying the balance, the Government should repay the outstanding balance to the bank.

I have noted that in April 2015, Government had written off an amount of M32,229,285 as loss in respect of the Members of the 8th Parliament and another loss of M43,547,948 in December 2017 for the Members of the 9th Parliament. I have further noted that some of the members whose balances were written off by the Government in 2015 and 2017 have been granted the new loans in the amount of M500,000 during the 10th Parliament in spite of the fact that previous outstanding loans had been written off. Table 9.3.5 indicates some of the Honourable Members whose loans were annulled for the past two parliamentary terms and the fresh loans granted in the current Parliamentary term.

The repayment of outstanding loans for Honourable Members of Parliament following dissolution of Parliament before the expiration of the constitutionally specified term constitutes a substantial loss of funds to the Government. The loss calls for a need for the Government to consider an enactment of the law that will alleviate unjust enrichment such as prohibiting Honourable Members whose loans were previously written off to have access to new loans.

Table 9.3.5 - Members of Parliament whose loans were written off by Government

Member of Parliament	Amount cleared for 8 th Parliament		Amount cleared for 9 th Parliament		Loan amount for 10 th Parliament		Member of Parliament	Amount cleared for 8 th Parliament		Amount cleared for 9 th Parliament		Loan amount for 10 th Parliament	
	M	M	M	M	M	M		M	M	M	M	M	M
Hon. B. M. Bereng	216,101	300,000	300,000	500,000	500,000	500,000	Hon. Peete L. Peete	221,148	300,000	300,000	500,000	500,000	
Hon. B. G. Api	221,182	300,000	300,000	500,000	500,000	500,000	Hon. P. Mafereka	225,304	294,643	294,643	500,000	500,000	
Hon. C. Phori	216,061	294,643	294,643	500,000	500,000	500,000	Hon. P. Mathealira	221,148	300,000	300,000	500,000	500,000	
Hon. H. Nkuebe	222,688	300,000	300,000	500,000	500,000	500,000	Hon. P. Sekatle	225,179	305,556	305,556	500,000	500,000	
Hon. J. Molapo	230,032	294,643	294,643	500,000	500,000	500,000	Hon. Q. Lebona	217,197	303,571	303,571	500,000	500,000	
Hon. J. Mots'oene	218,779	300,000	300,000	500,000	500,000	500,000	Hon. Q. Sekonyela	221,634	300,000	300,000	500,000	500,000	
Hon. K. Moroeng	217,159	294,643	294,643	500,000	500,000	500,000	Hon. R. Mopeli	225,335	300,000	300,000	500,000	500,000	
Hon. K. Rants'o	243,782	294,643	294,643	500,000	500,000	500,000	Hon. S. Mochoboroane	225,197	294,643	294,643	500,000	500,000	
Hon. S. K. Theko	221,148	300,000	300,000	500,000	500,000	500,000	Hon. M. Moshoeshoe	230,667	300,000	300,000	500,000	500,000	
Hon. K. Mathaba	216,074	305,556	305,556	500,000	500,000	500,000	Hon. M. Moremoholo	217,179	294,643	294,643	500,000	500,000	
Hon. K. Makoa	217,172	294,643	294,643	500,000	500,000	500,000	Hon. S. Sekatle	225,203	305,556	305,556	500,000	500,000	
Hon. K. Diholo	177,818	242,857	242,857	500,000	500,000	500,000	Hon. S. Qoo	221,108	294,643	294,643	500,000	500,000	
Hon. L. D. Seeliso	217,197	300,000	300,000	500,000	500,000	500,000	Hon. T. Lehloenyana	217,159	294,643	294,643	500,000	500,000	
Hon. L. Mohlajoa	216,061	294,643	294,643	500,000	500,000	500,000	Hon. T. Ts'olo	274,248	294,643	294,643	500,000	500,000	
Hon. L. Kompfi	217,159	294,643	294,643	500,000	500,000	500,000	Hon. T. Maseribane	212,061	294,643	294,643	500,000	500,000	
Hon. T. Kholumo	225,214	317,308	317,308	500,000	500,000	500,000	Hon. T. Mahlakeng	221,205	311,321	311,321	500,000	500,000	
Hon. L. Lits'oane	138,393	176,786	176,786	500,000	500,000	500,000	Hon. T. Lerafa	221,108	294,643	294,643	500,000	500,000	
Hon. M.S. Maama	224,758	303,571	303,571	500,000	500,000	500,000	Hon. T. Matela	217,187	300,000	300,000	500,000	500,000	
Hon. M. Molapo	301,814	294,643	294,643	500,000	500,000	500,000	Hon. V. Malebo	221,107	294,643	294,643	500,000	500,000	
Hon. M. Khathi	216,558	294,643	294,643	500,000	500,000	500,000	Hon. M. 'Musu	217,159	294,643	294,643	500,000	500,000	
Hon. M. Maphathe	112,601	294,643	294,643	500,000	500,000	500,000	Hon. M. Doti	243,543	294,643	294,643	500,000	500,000	
Hon. M. Majara	225,267	294,643	294,643	500,000	500,000	500,000	Hon. M. Mokhothu	220,836	294,643	294,643	500,000	500,000	
Hon. M. Mokhele	216,074	294,643	294,643	500,000	500,000	500,000	Hon. M. Moholobela	217,199	300,000	300,000	500,000	500,000	
Hon. M. C. Theko	217,197	300,000	300,000	500,000	500,000	500,000	Hon. M. Hloaale	221,108	294,156	294,156	500,000	500,000	
Hon. M. Maima	216,061	294,643	294,643	500,000	500,000	500,000	Hon. M. Letsosa	134,049	299,663	299,663	500,000	500,000	
Hon. M. Phohleli	223,344	294,643	294,643	500,000	500,000	500,000	Hon. M. Mailhe	225,222	235,714	235,714	500,000	500,000	
Hon. N. Motsamai	217,159	294,643	294,643	500,000	500,000	500,000	Hon. N. Bereng	217,199	294,643	294,643	280,000	280,000	
Hon. P. Leteetee	217,159	243,000	243,000	300,000	300,000	300,000							

PART 3

APPROPRIATION ACCOUNTS

CHAPTER 10: FINANCES OF THE GOVERNMENT OF LESOTHO

10.1 GOVERNMENT FINANCIAL SYSTEM

A distinguishing feature of the Government financial system is the concept of fund entities, which is derived from the fact that the legislature controls public finances. According to the fund entities concept, government revenues and loans accumulate under a fund and withdrawals therefrom to meet expenditure are strictly governed by authorisation by Parliament through structured channels.

10.1.1 CONSOLIDATED FUND

The Consolidated Fund is at any point the amount standing to the credit of the Government of Lesotho. The basis and manner of operation of the Consolidated Fund is governed by Section 110 of the Constitution of Lesotho which provides that all revenues or other moneys raised or received for the purposes of the Government of Lesotho (not being revenues or other moneys that are payable, by or under an Act of Parliament, into some other fund established for any specific purpose or that may, by or under such an Act, be retained by the authority that received them for the purpose of defraying the expenses of that authority) shall be paid into and form a Consolidated Fund.

10.2 WITHDRAWAL FROM THE CONSOLIDATED FUND

Issues from the Consolidated Fund may be divided into the following categories:

10.2.1 Supply Services/Appropriated Expenditure

Supply is voted by Parliament for a particular financial year and has to be accounted for ultimately to Parliament.

The Appropriation Act passed by Parliament authorises the Government to appropriate specified sums from the Consolidated Fund for specified services, under separate votes for the several heads of expenditure approved. Parliament also sanctions supplementary estimates by the subsequent Appropriation Acts in terms of Section 112(2) of the Constitution. The Supplementary Appropriation Acts

authorise disbursement on services where the amounts appropriated by the Appropriation Act to any purpose is insufficient or that a need has risen for expenditure for a purpose to which no amount has been appropriated by that Act; or that any moneys have been expended for any purpose in excess of the amount appropriated to that purpose by the Appropriation Act or for a purpose to which no amount has been appropriated by that Act.

10.2.2 Consolidated Fund Standing Services

Charged or statutory expenditure are payments for Consolidated Fund standing services, which Parliament has decided by statute, once and for all, should be met directly from the Consolidated Fund. They are thus made independent of annual appropriation by Parliament.

Charged expenditure can be categorised into the following:

- a)** High constitutional offices whose dignity should not be compromised such as the King in terms of Section 48 of the Constitution;
- b)** Expenses that are needed to maintain independence of some important offices such as Judges, Attorney-General, Ombudsman, Auditor-General, etc. in terms of Section 115 of the Constitution; and
- c)** Expenses that are a must such as debt charges according to Section 116 of the Constitution.

10.3 APPROPRIATION ACCOUNTS

Parliament provides money for the services of Government ministries and departments, both recurrent and development, by approving estimates for those services in the course of each year and giving statutory effect to the estimates in an annual Appropriation Act.

Expenditure is provided for under separate votes for the several heads of expenditure. The first part of the estimate for each Vote (referred to as the ambit) provides an outline of the services to be financed. The ambit is incorporated in the annual Appropriation Act and so represents the purposes for which funds have been authorised by Parliament.

At the end of each financial year, each head of expenditure is required to prepare an account, known as the appropriation account, for each voted service administered by it. The statutory requirement is for the appropriation account to provide details of the outturn for the year against the amount provided by Parliament, based on the cash amounts of payments and receipts. The prior-year outturn is also shown for comparison purposes. In the financial statements of the spending units for the year ended 31 March 2018, the Chief Accounting Officers had accounted for total recurrent expenditure of M10.518 billion, development expenditure of M3.356 billion, recurrent revenue of M14.288 billion and grants amounting to M0.595 billion as detailed on Table 10.3.

Table 10.3 – Accountability of Spending Units

Ministry	Recurrent Expenditure	Development Expenditure	Recurrent Revenue	Donor Grants
M'000	M'000	M'000	M'000	M'000
Agriculture	163,732	188,236	34,858	10,006
Health	1,873,340	179,363	19,779	139,930
Education	2,256,540	76,623	4,978	4,763
Finance	728,356	431,910	12,489,768	262,033
Trade	66,155	56,801	8,611	32,134
Dev. Planning	765,587	766	3,695	1,023
Justice	227,795	30,738	443	-
Home Affairs	213,853	147,027	33,257	-
PM's Office	152,315	-	3,591	-
Communications	107,263	166,692	6,688	23,740
Law	99,432	1,037	808	-
Foreign	302,852	-	-	-
Public Works	143,175	562,239	19,883	-
Forestry	53,092	139,681	59	-
Energy	27,206	224,741	201,554	20,007
Labour	55,594	-	7,923	-
Tourism	81,214	86,478	4,227	5,503
Auditor-General	28,543	-	441	-
Majesty's Office	6,693	65,312	-	-
PSC	10,982	-	-	-
Defence	665,909	23,842	704	-
National Assembly	78,141	-	-	-
Senate	19,384	-	-	-
Ombudsman	8,375	-	-	-

IEC	545,156	-	2,258	-
Local Government	446,091	228,699	2,322	629
Gender	83,949	13,382	514	-
Public Service	40,206	-	7,685	-
Judiciary	106,564	15,456	5,316	-
Soc. Development	188,979	269,391	353	36,711
DCEO	28,433	-	-	-
Mining	21,411	978	456,458	-
Police	674,303	44,713	4,729	-
Small Business	107,713	12,966	178	-
Water Affairs	139,681	388,840	976,150	58,190
Total	10,518,009	3,355,911	14,288,233	594,669

Source: Ministries' financial statements

11.1 BUDGET PROPOSALS

The budget theme for financial year 2017/18 was "Pursuing fiscal sustainability within the context of political instability and insecurity".

The budget proposal for 2017/18 projected total revenue of M16,503 billion, of which Government revenue was M14.988 billion. Southern African Customs Union (SACU) amounted to M6.154 billion, domestic taxes M7.252 billion, whilst non-tax revenue accounted M1.582 billion. Donor grants and loans accounted for the difference between the total revenue and government's contribution.

To intensify domestic revenue generation measures, the Minister of Finance proposed spending control as the main mechanism that will ensure that revenue sources sufficiently cover recurrent expenditures so that SACU receipts and donor funds are used to finance infrastructure and other capital expenditures and maintain sufficient reserves for financing forward capital spending commitments.

The total expenditure estimates of M18.709 billion was proposed. The total recurrent expenditure estimates (including statutory expenditure and administration account) accounted for M13.507 billion whilst capital expenditure was M5.203 billion.

11.2 BUDGET PRIORITIES FOR 2017/18

The proposed expenditure was based on the priorities listed in the National Strategic Development Plan, Strategic Development Goals and Vision 2020.

- Increasing economic growth towards a sustainable level of between 5% and 7% per annum, and creating 10,000 jobs per year on average;
- Reducing food insecurity by increasing production at an average of 16 Hectares per year;
- Reducing child mortality by $\frac{2}{3}$ and maternal mortality by $\frac{3}{4}$ by 2017/18;
- Reducing the incidence of HIV by 25% and increasing coverage for anti-retroviral treatment (ART) by 80%.

11.3 PROPOSED ALLOCATIONS PER SECTOR

The budget for 2017/18 considered the priorities per sector listed on Table 11.3 and achievements are reported under responsible ministry in the section of Spending Units Accounts of this report. Some achievements were extracted from Ministries' Performance Reports.

Table 11.3 – Budget priorities per sector

Responsible Ministry	Activity
Economic Sector	
Agriculture	<ul style="list-style-type: none"> • Subsidise all agricultural inputs and mechanical operations • Roll out green house and shade nets • Rehabilitate irrigation schemes • Manage and control the spread of animal diseases • Undertake feasibility studies commercial beef production • Construct wool sheds to boost wool and mohair production
Small Business	<ul style="list-style-type: none"> • Promote and support the establishment of cooperative enterprises • Construct Market centres and slaughter house • Refurbish BEDCO Estates and the Lesotho Cooperatives College
Tourism	<ul style="list-style-type: none"> • Introduce a regularity regime to promulgate sound tourism Legislation. • Review the cost of obtaining a visa. • Grading of tourism facilities • Complete the revised tourism master plan, tourism investment policy and promotion strategy and the community-based tourism blue print • Diversification of interest at Molimo Nthuse Lodge, Bokong and Liphofung chalets, Thaba-Chitja Island and Sehlabathebe chalets.
Trade	<ul style="list-style-type: none"> • Develop industrial infrastructure at Tikoe and Ha Belo • Establishment of effective national standards and quality infrastructure • Presentation of Business Licensing and Registration Bill to the Parliament • Presentation of Competition Bill and trade and tariff Administration Bill.
Finance	<ul style="list-style-type: none"> • Implement Public Financial Management Reforms • Strengthen public procurement. • Reduce wage payment • Prevent public servants from tendering for government contracts
Mining	<ul style="list-style-type: none"> • Expand mining activity by attracting investment • Issue prospecting licences by competitive bidding

	<ul style="list-style-type: none"> • Construction of a geoscience laboratory to diversify mineral extraction.
Public Works	<ul style="list-style-type: none"> • Construction of footbridges nationwide • Upgrading of Leshoele – Mathokoane and Likalaneng – Thaba-Tseka roads • Rehabilitation of Moshoeshoe I International Airport
Local Government	<ul style="list-style-type: none"> • Intensification of decentralisation reform initiatives • Upgrading and/or construction of urban and rural roads • Construction of local government infrastructure
Energy and Meteorology	<ul style="list-style-type: none"> • Connection of power to 10 000 household's in Leribe in Botha-Bothe
Water	<ul style="list-style-type: none"> • Construction of water supply and sanitation facilities in urban and rural areas; Tsikoane Water Supply and Sanitation Scheme, Metolong Dam project, Katse – Matsoku-Lejone Water Supply and Sanitation Scheme
Social Sector	
Health	<ul style="list-style-type: none"> • Ensuring a healthy nation through immunisation campaigns, health education, fight against both communicable and non-communicable diseases and development of human resources • Operationalise Dialysis centre
Social Development	<ul style="list-style-type: none"> • Increase coverage of health and education programme of vulnerable children from 26,000 households to 38,000 households
Education and Training	<ul style="list-style-type: none"> • Improve inspection cycles by visiting all 341 secondary schools and 178 primary schools by March 2018 • Ensures compliance with Government policies on school feeding, Early Childhood Care provision • Rehabilitation of classrooms and construction of new science laboratories
Communications, Science and Technology	<ul style="list-style-type: none"> • Installation of a fast, safe and reliable platform for all government telecommunications and internet services • Development of proper and significant web presence • Support efforts to evolve Radio Lesotho and TV Lesotho into national broadcaster • Support innovation hub at NUL • Develop framework for coordination of research across all areas of Government

Source – Budget Speech for 2017/18

11.4 BUDGET APPROVAL

Parliament approved total amount of M16,774,254,476 which would be financed by the Government Revenues of M14,994,803,150; Donor Grants of M1,072,161,834 and External Loans of M707,289,492 resulting into a budget surplus of M871,462,655 as per Appropriation Act 2017/18. Table 11.4 shows details.

Table 11.4 – Comparison of Appropriations Act, Consolidated Financial Statements and Budget Estimates Book

Description	Appropriation Act 2017/18	Consolidated Financial Statements	Budget Estimates Book
	M	M	M
Sources			
Government Revenue	14,994,803,150	14,988,823,222	14,994,853,147
Donor Grants	1,072,161,834	945,893,000	1,002,161,834
Donor Loans	707,289,492	569,742,000	907,289,491
Total	16,774,254,476	16,504,458,222	16,904,304,472
To be Financed by Appropriation			
Recurrent Expenditure	10,600,208,960	10,597,462,440	10,597,462,440
Dev Expenditure - LG	3,423,131,535	3,390,376,000	3,423,131,535
Dev Expenditure – Grants	1,072,161,834	999,562,000	1,002,161,834
Dev Expenditure – Loans	707,289,492	907,289,000	907,289,491
Administration Account	100,000,000	-	100,000,000
Total	15,902,791,821	15,894,689,440	16,030,045,300
Charge on Cons Fund			
Statutory Expenditure	-	2,803,973,021	2,805,688,544
Grand Total	15,902,791,821	18,698,662,461	18,835,733,844
Surplus/(Deficit)	871,462,655	(2,194,204,239)	(1,931,429,372)

Source: Appropriation Act, Budget Estimates Book and Consolidated Financial Statements

It is worth-noting that figures are as per original budget although the Appropriation Act figures differ with both the Consolidated Financial Statements and Budget Estimates Book figures. It was observed that the Statutory Expenditure under Budget Estimates Book includes a centralised item amount of M9,696,050 and Pensions and Gratuities amount of M2,500,000. A deficit figure of M2,194,204,239 in the Consolidated Financial Statements has not taken into account an Administration Account/Contingency figure of M100,000,000. In addition, Statutory Expenditure amount of M2,803,973,021 reflected under the original budget in the Consolidated Financial Statements was omitted in the Appropriation Act although it was included in the Budget Speech.

SUPPLEMENTARY BUDGETS

The notes to the Consolidate Financial Statements for the year under review, show that Cabinet approved Supplementary Estimates for both Recurrent Expenditure and Capital Expenditure amounting to M180,991,698 and M101,306,982 respectively in order to meet unplanned expenditures. The Cabinet approval clearly stated that the Law Office be instructed to draft the Supplementary Estimates Appropriation Bill for submission to Parliament. However, at the date of my report, I was not provided with Supplementary Estimates Appropriation Act hence these expenditures were not approved by Parliament.

CHAPTER 12: BUDGET EXECUTION ON REVENUE FOR FINANCIAL YEAR 2017/18

12.1 GOVERNMENT RESOURCES

The Appropriation (2017/2018) Act 2017, Statement of Objects and Reasons of the Appropriation (2017/2018) shows that the government resources were estimated to be M14,994,803,150 consisting of recurrent receipts of M14,977,610,150 and miscellaneous capital receipts of M17,193,000. The financial statements reflect actual total receipts of M12,712,193,000 resulting into budget execution of 98%. The recurrent receipts amounted to M14,229,656,000 and miscellaneous capital receipts totalled M58,577,000.

12.2 RECURRENT REVENUE

12.2.1 Budget Execution

The comparison of budgeted recurrent revenue for 2017/18 as detailed in the Budget Estimates Book with actual revenue reflected in the Consolidated Financial Statements reflected an amount of M14,994,853,147 and M14,288,232,603 respectively resulting in an under-collection of M706,620,544 representing 5%. Table 12.2.1 provides the details.

Table 12.2.1 - Budget Execution on Recurrent Revenue

Ministry A	Budget Estimates Book B	Actual C	Variance D (B-C)	Collection % E(C/B%)
	M	M	M	
Agriculture	24,898,384	34,858,304	(9,959,920)	140
Health	22,112,508	19,779,459	2,333,049	89
Education	14,033,005	4,978,226	9,054,779	35
Finance	13,241,818,597	12,480,768,369	761,050,228	94
Trade and Industry	11,623,960	8,611,004	3,012,956	74
Development Planning	42,000	3,694,741	(3,652,741)	8,797
Justice and Correctional Services	411,880	443,408	(31,528)	108
Home Affairs	28,566,000	33,257,145	(4,691,145)	116
Prime Minister's Office	-	3,590,997	(3,590,997)	-

Communications, Science and Technology	8,554,500	6,687,632	1,866,868	78
Law and Constitutional Affairs	741,300	808,016	(66,716)	109
Public Works and Transport	15,924,108	19,883,407	(3,959,299)	125
Forestry and Land Reclamation	171,000	58,605	112,395	34
Energy and Meteorology	225,968,748	201,554,410	24,414,338	89
Labour and Employment	4,674,146	7,923,024	(3,248,878)	170
Tourism, Employment and Culture	4,056,921	4,227,226	(170,305)	104
Auditor-General	587,000	441,064	145,936	75
Defence and National Security	1,582,000	704,323	877,677	45
Independent Electoral Commission	-	2,258,253	(2,258,253)	-
Local Government and Chieftainship	1,737,878	2,321,633	(583,755)	134
Gender, Youth, Sports and Recreation	56,134	513,651	(457,517)	915
Public Service	8,537,458	7,685,306	852,152	90
Judiciary	3,422,261	5,316,031	(1,893,770)	155
Social Development	-	353,407	(353,407)	-
Mining	529,498,314	456,457,813	73,040,501	86
Police and Public Safety	5,152,400	4,728,735	423,665	92
Small Business Development	194,120	178,012	16,108	92
Water	840,488,525	976,150,402	(135,661,877)	116
Total	14,994,853,147	14,288,232,603	706,620,544	95

Source: Budget Estimates Book and Consolidated Financial statements

An analysis of the budgeted estimates and the actual revenue reveals the following:

- a) The significant over-collections were noted under the ministries of Public Works and Transport, Development Planning, Local Government & Chieftainship, Agriculture, Judiciary, Labour &

Employment and Gender, Youth, Sports & Recreation ranging from 125% to 8795%.

- b)** Ministries of Education, Forestry and Defence and National Security had unsatisfactory budget execution of 35%, 34% and 45% respectively.
- c)** The Ministry of Police collected 92% of the budgeted revenue. The Budget Estimates Book reflected the amount on each line item under Ministry of Police but IFMIS ledger reflected zeros or no budget at all on the line items. An explanation being absence of plan sheet to enable officers to capture and post revenue budget.
- d)** The Ministry of Communications, Science and Technology collected 78 percent of the budgeted revenue. A shortfall of 26% was noted under Newspaper Advertising item budget of M2,500,000 where only M646,534 was collected due to suspension of Lentsoe la Basotho/Lesotho Today newspaper from April 2017 to September 2018.
- e)** The budget for Ministry of Local Government was M1,737,878 and the actual revenue was M2,321,633 resulting in an over-collection of M588,180. It was noted that out of the over-collection figure of M583,755 an amount of M165,157 (28%) represented Sale of Stray Stock. A significant over collection under Sale of Stray Stock was in the districts of Botha-Bothe, Mokhotlong, Qacha's Nek and Thaba-Tseka.
- f)** There was an increased number of Basotho who were recruited in RSA farms and the work permit fee was increased by 100%, i.e. a certificate of employment for a period of six months was increased from M750 to M1,500.
- g)** The Ministry of Development Planning earned interest on the investment of money recovered from NMDS sponsees amounting to M3,639,521 and this has been erroneously included as recurrent revenue.
- h)** Prime Minister's Office, Independent Electoral Commission and Social Development are not revenue Collecting Units. However, at 31 March 2018, the recurrent revenue figure of M14.2 billion included revenue under the three spending units amounting to M6.2

million described as voluntary transfers other than grants (M3.9 million) and interest earned from commercial bank (M2.3 million). The voluntary transfers other than grants were erroneously classified under grants instead of Recurrent Revenue in those respective Spending Units.

Audit Concerns

- Under-collection of revenue by some of the ministries indicate weak internal control procedures and ambitious targets which undermines the implementation of planned activities.
- Over-collection of revenue by some ministries indicates that budget target was set too low or there was a misclassification error hence a need to devise comprehensive internal procedures to evaluate revenue collection.
- Revenue figures under ministries which do not collect revenue overstate revenue collection.

12.2.1 MISCELLANEOUS CAPITAL RECEIPTS

The total receipts of M58,646,000 were derived from disposal of financial and non-financial assets which exceeded the anticipated revenue of M17,193,000. During the year the disposal of fixed assets amounted to M69,000.

Audit Concern

The amount of M58,646,000 was wrongly classified as recurrent revenue, mainly because the Government Chart of Accounts does not cater for miscellaneous capital receipts. I repeat my previous year's recommendation that Government Chart of Accounts should have a provision for miscellaneous capital receipts in order to facilitate proper accountability of receipts.

12.3 DONOR GRANTS

12.3.1 Comparison grants received and grants payments

Ministerial financial statements show grants received of M 641,237,705 and grants payments of M 594,669,450 resulting in an overall spending capacity of 93% as indicated on Table 12.3.1.

Table 12.3.1 - Comparison of Grants received with Grants paid per Ministries Financial Statements

Ministry	Grants Received per Ministries Financial Statements	Grants paid per Ministries Financial Statements	Variance	Execution %
	M	M	M	
Agriculture	8,295,881	10,006,068	-1,710,187	121
Health	136,703,934	139,930,101	-3,226,167	102
Education	10,869,617	4,763,259	6,106,358	44
Finance	271,874,531	262,033,289	9,841,242	96
Trade	36,023,924	32,134,288	3,889,636	89
Development Planning	1,023,031	1,023,031	-	100
Communications	23,740,164	23,740,164	-	100
Energy	20,940,806	20,006,933	933,873	96
Tourism	4,766,844	5,502,589	-735,745	115
Local Government	0	628,650	-628,650	-
Social Development	38,015,497	36,711,373	1,304,124	97
Water	88,983,476	58,189,705	30,793,771	65
Total	641,237,705	594,669,450	46,568,255	93

Source: Ministries Financial Statements

12.4 DONOR LOANS

12.4.1 Comparison of loan received and loan payments

The total amount of loan received per Debt Section records was M636,778,658 and the loan payments made for 2017/18 per Consolidated Financial Statements amounted to M288,840,672 resulting in an unspent balance of M347,937,986. Even though there were ministries that have spent below 40 percent, there were three Ministries that had spent above 100 percent as indicated on Table 12.4.1.

Table 12.4.1 – Comparison of loan received and loan payments

Ministries A	Loan Received B	Loan Payments C	over/under D=(B-C)	E=(C/B) %
	M	M	M	
Agriculture & Food Security	62,928,559	36,173,256	26,755,303	57%
Health	48,911,320	11,872,943	37,038,377	24%
Education and Training	90,352,644	53,367,903	36,984,741	50%
Finance	35,990,065	30,967,396	5,022,669	80%
Trade & industry	41,941,591	-	41,941,591	-
Comm. Science & Technology	12,176,940	13,346,823	-1,169,883	110%
Public Works & Transport		5,563,748	-5,563,748	-
Energy and Meteorology	9,179,168	11,955,046	-2,775,878	130%
Social Development	246,314,895	30,390,042	215,924,853	12%
Water	88,983,476	95,203,515	-6,220,039	100%
Total	636,778,658	288,840,672	347,937,986	40%

Source: Debt Section and Consolidated Financial Statements

On the basis of information provided, the situation is very unfortunate for the Ministries to request for money and not spend it especially the fact that Government had to pay interest on the unspent funds which could have been avoided by requesting for funds as and when necessary.

CHAPTER 13: BUDGET EXECUTION ON EXPENDITURE FOR FINANCIAL YEAR 2017/18

13.1 RECURRENT EXPENDITURE – VOTED HEADS

13.1.1 Comparison of Appropriation Act and Book of Estimates

The Appropriation Act authorises spending of the total moneys provided in the Estimates, and appropriates it according to the Heads of Expenditure. This is further emphasised by Section 112 (2) of the Constitution of Lesotho, which states that when the estimates of expenditure have been approved by the National Assembly, an Appropriation Bill should be introduced in the Assembly, providing for the issue from the Consolidated Fund of the sums necessary to meet expenditure and the appropriation of those sums, under separate votes for the several heads of expenditure approved. Therefore, the total provided in the Estimates should be the same as the amount specified in the Appropriation Act for each Head of Expenditure.

For several years, I have reported on the differences between the amounts specified in the Appropriation Acts and the head totals in the Books of Estimates. Once again there were differences noted for financial year 2017/18. For the year under review, a significant improvement has been noted in a number of ministries with exception of the few. The amounts specified in the Appropriation Act totalled M10,600,208,960 and head totals in the Book of Estimates amounted to M10,846,020,362 resulting into a difference of M245,811,402 as indicated on Table 13.1.1.

The Ministry of Finance should ensure that parliamentary control is not compromised, by observing the amounts appropriated by Parliament and also to ensure that information in the Book of Estimates is correctly disclosed.

Table 13.1.1 - Comparison of Appropriated Amounts with Book of Estimates

Ministry A	Appropriation B	Estimate Book C	(Over)/Under D(B-C)	Variance %
Agriculture & Food Security	174,484,621	174,484,621	-	0
Health	1,959,025,474	2,004,160,025	(45,134,551)	-2
Education & Training	2,320,139,934	2,320,139,935	(1)	0
Finance	754,697,329	785,119,352	(30,422,023)	-4
Trade, Industry & Marketing	50,565,638	50,065,638	500,000	1
Development Planning	764,146,768	764,047,241	99,527	0
Justice and Correctional Services	233,900,708	230,843,422	3,057,286	1
Home Affairs	225,309,207	225,309,207	-	0
Prime Minister's Office	128,920,671	128,920,672	(1)	0
Communications	121,040,608	117,723,554	3,317,054	3
Law & Constitutional Affairs	74,892,551	74,892,551	-	0
Foreign Affairs & International Relations	351,076,678	351,076,678	-	0
Public Works and Transport	154,687,243	153,674,074	1,013,169	1
Forestry, Range & Soil Conservation	56,994,290	56,994,290	-	0
Energy and Meteorology	31,131,903	31,072,953	58,950	0
Labour and Employment	58,789,120	58,789,120	-	0
Tourism, Environment & Culture	90,126,825	90,126,825	-	0
Auditor-General's Office	29,323,237	29,323,237	-	0
His Majesty's Office	7,754,312	7,754,312	-	0
Public Service Commission	12,065,310	12,065,310	-	0

Defence and National Security	665,705,781	663,791,581	1,914,200	0
National Assembly	80,774,038	80,834,038	(60,000)	0
Senate	22,450,361	22,450,361	-	0
Ombudsman	8,434,356	8,434,356	-	0
Independent Electoral Commission	274,593,974	274,593,974	-	0
Local Government and Chieftainship	479,843,754	434,293,724	45,550,030	9
Gender, Youth, Sports & Recreation	85,089,458	85,089,459	(1)	0
Public Service	39,970,303	42,970,303	(3,000,000)	-8
Judiciary	106,810,335	106,479,980	330,355	0
Social Development	228,157,380	418,504,270	(190,346,890)	-83
Directorate on Corruption & Economic Offence	32,000,000	32,000,000	-	0
Mining	27,962,455	27,962,455	-	0
Police and Public Safety	646,423,792	646,424,539	(747)	0
Small Business Development	99,923,540	146,519,455	(46,595,915)	-47
Water Affairs	193,300,956	189,088,851	4,212,105	2
Central Items	9,696,050	-	9,696,050	
Grand Total	10,600,208,960	10,846,020,362	(245,811,402)	-2

Source: Appropriation (2017/2018) Act and Book of Budget Estimates

13.1.2 Budget Execution

The budget execution on voted heads was determined by comparing amounts in the Appropriation Act with the actual expenditure per IFMIS ledger. The total amount appropriated was M10,600,208,960 and the total expenditure was M10,020,396,777 leaving a variance of M579,812,183 resulting into overall budget execution of 95% as indicated on Table 13.1.2. It is encouraging to note that only the Ministry of Trade recorded a very high budget execution of 130%.

However, it should be noted that Section 27 (6) of the Public Financial Management and Accountability Act 2011, authorises the Minister to impose a surcharge of M1,000 or the amount of the excess, whichever is the lesser amount, to the person who was Chief Accounting Officer for that head at that time and has incurred expenditure in excess of the authorised provision for a head of expenditure.

Table 13.1.2 - Budget Execution 2017/18

Ministry A	Appropriation B	Actual Expenditure C	(Over)/Under D(B-C)	Budget Execution (%) E(C/B)
Agriculture	174,484,621	163,687,902	10,796,719	94
Health	1,959,025,474	1,873,339,846	85,685,628	96
Education & Training	2,320,139,934	2,256,763,368	63,376,566	97
Finance	754,697,329	728,355,527	26,341,802	97
Trade	50,565,638	65,885,723	-15,320,085	130
Development Planning	764,146,768	749,647,726	14,499,042	98
Justice	233,900,708	222,757,497	11,143,211	95
Home Affairs	225,309,207	215,263,823	10,045,384	96
Prime Minister's	128,920,671	123,585,420	5,335,251	96
Communications	121,040,608	106,615,257	14,425,351	88
Law	74,892,551	69,364,601	5,527,950	93
Foreign Affairs	351,076,678	265,547,357	85,529,321	76
Public Works	154,687,243	142,415,377	12,271,866	92
Forestry	56,994,290	52,728,988	4,265,302	93
Energy	31,131,903	27,205,946	3,925,957	87
Labour	58,789,120	55,593,664	3,195,456	95
Tourism	90,126,825	81,336,347	8,790,478	90
Auditor-General's Office	29,323,237	28,542,754	780,483	97
His Majesty's Office	7,754,312	6,692,727	1,061,585	86
Public Service Comm.	12,065,310	10,981,826	1,083,484	91
Defence	665,705,781	658,085,911	7,619,870	99
National Assembly	80,774,038	78,140,911	2,633,127	97
Senate	22,450,361	19,383,680	3,066,681	86
Ombudsman	8,434,356	8,374,862	59,494	99
IEC	274,593,974	271,672,881	2,921,093	99
Local Government	479,843,754	413,532,205	66,311,549	86
Gender	85,089,458	83,186,847	1,902,611	98
Public Service	39,970,303	37,037,970	2,932,333	93
Judiciary	106,810,335	106,563,619	246,716	100
Social Development	228,157,380	151,302,637	76,854,743	66
DCEO	32,000,000	28,433,031	3,566,969	89
Mining	27,962,455	21,410,831	6,551,624	77

Police	646,423,792	622,568,002	23,855,790	96
Small Business Dev.	99,923,540	107,786,814	-7,863,274	108
Water Affairs	193,300,956	166,604,901	26,696,055	86
Central Items	9,696,050	0	9,696,050	0
Grand Total	10,600,208,960	10,020,396,777	579,812,183	95

Source: Appropriation (2017/18) Act and IFMIS Ledger

13.1.3 Authority to spend public funds

Parliamentary approval for expenditure does not, when given, automatically give authority to the Executive departments to spend. The executive authority to spend is given by a General Warrant from the Minister of Finance and conveyed to those responsible for disbursement. This is not a formality as the Minister may, if he thinks fit, withhold for whole or part of the estimates.

If the exigencies of the public administration render it necessary to alter the proportions assigned to the subheads of expenditure or create a new subhead, the Minister may direct that there shall be applied in aid of any subhead a further sum out of any surplus arising on any subheads of the same head. A Virement Warrant approves this transfer.

Where a General Warrant or Virement Warrant have been conveyed to authorise expenditure, the Minister of Finance may withdraw the unspent and uncommitted balance of warrant issued if necessary. Withdrawal is effected by means of a Withdrawal Warrant.

When Virement Warrants and Withdrawal Warrants have been taken into account, then there will be revised approved funds by warrants.

It was noted that under Judiciary, a withdrawal of M982,000 was made on Salaries-new but there was no budget nor funds released by warrants to this item of expenditure.

13.1.4 Detailed Statement of Expenditure

My office has compiled a detailed statement of expenditure on Table 13.1.4 to show the overall position of each expenditure item for the voted heads. Revised Approved Funds (after taking into account virements and withdrawals in the IFMIS) were compared with actual expenditure.

Table 13.1.4 – Detailed Statement of Expenditure

Expenditure Item	Released Warrants B	Virements C	Deductions D	Adjusted Warrant E(B+C-D)	Actual Expenditure F	Over/Under Expenditure G(E-F)	Spending Capacity H(F/E%)
A							
PERSONNEL EMOLUMENTS							
Salaries (Est)	4,685,238,974	61,991,429	-138,058,604	4,609,171,799	4,660,128,756	-50,956,957	101
Salaries: New	67,980,049	-	-6,034,801	61,945,247	38,118,481	23,826,766	62
Vacant Posts	1,450,000		-450,000	1,000,000	38,540	961,460	4
Wages (Est)	46,974,983	438,700	-7,318,018	40,095,664	41,692,482	-1,596,817	104
Wages (New)	3,228,630	-	-795,425	2,433,205	2,931,100	-497,896	120
Allowances	290,005,991	5,830,472	-14,838,676	280,997,787	263,838,098	17,159,689	94
Doctor's Housing	7,896,790		-	7,896,790	6,186,211	1,710,579	78
School and Medical Fees	37,410,778		-	37,410,778	30,475,567	6,935,211	81
Gratuities	15,848,344		-	15,848,344	14,984,602	863,742	95
TOTAL	5,156,034,538	68,260,601	-167,495,525	5,056,799,614	5,058,393,837	-1,594,223	100
Travel & Transport							
Vehicle Maintenance & Repair	97,845,923	853,671	-62,758,107	35,941,488	43,895,815	-7,954,327	122
Fuel & Lubricants	65,961,066	616,307	-8,870,009	57,707,364	56,898,616	808,748	99
Standing Charges	-	-	-	-	-	-	-
Short-Term Hire	149,315,097	-	-1,088,754	148,226,343	146,333,638	1,892,705	99
Private Hire	802,700	-	-	802,700	802,650	50	100
Motor Mileage	1,091,607	-	-538,787	552,820	534,905	17,915	97
Fares Local	6,956,074	-	-691,744	6,264,330	3,136,778	3,127,553	50
Subsistence Local	116,655,268	541,545	-10,976,270	106,220,542	94,129,900	12,090,642	89
Freight Charges	12,691,506	1,500	-713,210	11,979,796	11,321,228	658,568	95
Equine hire	85,364	-	-21,964	63,400	75,964	-12,564	120
Fares International	60,253,679	646,178	-8,037,835	52,862,023	51,475,436	1,386,587	97

Subsistence International	101,343,532	1,379,078	-3,330,709	99,391,900	97,849,298	1,542,603	98
TOTAL	613,001,816	4,038,279	-97,027,389	520,012,706	506,454,227	13,558,480	97
Operating Expenses							
Power	87,970,379	163,684	4,593,592	92,727,655	90,422,115	2,305,540	98
Communications	63,654,762	305,111	-5,804,149	58,155,724	61,293,601	-3,147,877	105
Printing	59,254,978	118,947	-12,957,336	46,416,589	52,923,718	-6,507,129	114
Stationery	39,584,077	187,900	-2,923,310	36,848,667	34,713,021	2,135,646	94
Maintenance of public assets	118,882,501	258,477	-17,994,691	101,146,286	99,269,967	1,876,319	98
Food, Fodder and Beverages	94,022,456	52,029	-12,918,756	81,155,729	92,714,107	-11,558,378	114
Purchases & production of materials	209,535,846	659,866	-14,067,114	196,128,598	204,601,276	-8,472,678	104
Minor Works	31,590,594	45,982	-10,773,650	20,862,925	30,822,634	-9,929,709	148
Drugs	322,243,551	710	-1,073,536	321,170,724	296,715,612	24,455,112	92
Dressings	9,916,510	-	-72,810	9,843,700	8,037,503	1,806,197	82
Vaccines	11,495,527	-	-1,030,327	10,465,200	6,175,744	4,289,457	59
Dips and Anthelmintics	320,906	-	-	320,906	282,973	37,934	88
Official Entertainment	17,740,936	119,654	-6,205,817	11,654,773	15,589,942	-3,935,169	134
Official Gifts	194,531	9,953	-68,883	135,600	102,985	32,615	76
Training Costs	5,708,145	76,384	-590,386	5,194,142	5,800,930	-606,787	112
Software Licenses	6,339,391	23,302	-2,402,571	3,960,123	6,094,547	-2,134,424	154
Consultancies	43,151,657	-	-15,650,295	27,501,362	22,284,596	5,216,766	81
Ammunition	488,000	-	-1,407,450	-919,450	470,210	-1,389,660	-51
Books and Publications	49,416,675	-	-38,971,504	10,445,171	720,047	9,725,124	7
Membership Subscription	14,734,766	-	-3,866,080	10,868,687	11,019,826	-151,139	101
Water supply	25,317,973	38,399	-2,694,351	22,662,022	28,185,807	-5,523,785	124
Sewerage and sanitation	2,182,466	1,501	-138,876	2,045,091	1,754,468	290,623	86
Rent & lease of buildings	179,188,655	-	-10,566,778	168,621,877	163,928,565	4,693,312	97
Purchase of Health Services	985,814,000	-	-420,000	985,394,000	985,394,000	-	100
Bank Charges	1,022,050	1,501	-	1,023,551	969,521	54,030	95
Witness Expenses	627,500	-	-7,500	620,000	944,710	-324,710	152

Legal Compensation	2,375,000		-235,000	2,140,000	2,146,538	-6,538	100
TOTAL	2,382,763,829	2,063,400	-158,247,576	2,226,579,652	2,226,530,511	49,141	100
TRANSFERS							
Subsidies							
To Public Corporations							
Non Financial Public Corporation	331,879,605		-15,898,087	315,981,517	310,253,024	5,728,493	98
Financial Public Corporation	-		-	-	-	-	-
To Private Enterprises							
Non Financial Private Enterprises	-		-	-	-	-	-
Financial Private Enterprises	-		-	-	-	-	-
TOTAL Subsidies	331,879,605		-15,898,087	315,981,517	310,253,024	5,728,493	98
Grants							
Current							
To Central Government	379,390,643		-	379,390,643	379,390,643	-	100
To Extra Budgetary Units	290,859,743		-16,436,248	274,423,494	226,155,236	48,268,258	82
To Local Government	-		-	-	-	-	-
TOTAL Grants	670,250,386		-16,436,248	653,814,137	605,545,879	48,268,258	93
Social Benefits							
School Feeding Programme	202,811,013		-22,501,003	180,310,010	180,310,010	-	100
Famine Relief	-		-	-	-	-	-
Compensation	-		-	-	-	-	-
Safety Net	65,000,000		-7,406,170	57,593,830	57,593,829	1	100
Public Assistance in Kind	4,228,691		-	4,228,691	4,261,915	-33,224	101
Public Assistance in Cash	59,445,842		-1,417,056	58,028,786	58,699,947	-671,160	101
Transfer to institutional caring for orphans	3,234,151		-	3,234,151	3,216,752	17,399	99
TOTAL Social Benefits	334,719,698		-31,324,229	303,395,468	304,082,453	-686,985	100
TOTAL TRANSFERS	1,336,849,688		-63,658,565	1,273,191,123	1,219,881,356	53,309,766	96

13.2 DEVELOPMENT EXPENDITURE

The Accountant-General's comments on the 2017/18 Consolidated Financial Statements, indicated that there was an execution rate of 58% on development expenditure. She further stated that the implementation rate for the three funding categories were 65%, 57% and 33% in respect of the domestic resources, grants and loan funded expenditures respectively.

In my previous reports, I had raised concerns on the low performance of the ministries in the implementation of development projects, giving due regard to the importance of the development projects for the betterment of the welfare and livelihood of the citizens. This was further emphasised by the Honourable Minister of Finance in the Budget Speech to Parliament for the 2017/18 fiscal year, where he stated that the implementation of the capital projects continues to lag. It is very disturbing to note an implementation rate of 33% on the loan funded projects, on which the Government incurs huge costs to service such loans, yet not much is being done for the country to reap the desired benefits from such loans. This is attested to by the Accountant-General's comment, where she indicated that over a seven-year period, from 2011/12 financial year, the loan stock has increased by 81% and that annual debt servicing costs (i.e. interest, commitment charges and principal repayments) have more than doubled from M368 million to M993 million.

In every budget speech to Parliament, the Honourable Minister of Finance always highlights the priorities of the Government for each financial year. In the same manner, in 2017/18 financial year there were priorities mostly which were developmental in nature. The Ministries of Agriculture, Trade and Industry, Communications, Works, Energy, Tourism, Local Government, Mining, Small Business Development and Water were to implement such priorities in the year under audit. I have however, noted with dismay low budget execution in relation to those ministries ranging from 12% to 79% which could be attributable to lot of laxity on the part of implementing ministries and departments. It is worth mentioning that more than 50% of the total budget in respect of the above mentioned ministries (with the exception of ministries of Local Government at 45% and Mining at 23%) was allocated to development budget yet not much has not been done by the concerned ministries.

The Honourable Minister of Finance in the 2017/18 budget speech, indicated that road and aviation infrastructure is the backbone that connects both remote and urban areas of the country and that it improves access to service delivery centres and enhances socio-economic development. As such it is very disturbing for the Ministry of Public Works to have only expended 59% of the allocated funds, yet good road infrastructure may be considered a requirement for implementation of the majority of the capital projects taking into account the topography of the country.

13.2.1 Comparison of Appropriated Amounts and the Estimates Book Amounts

I have once again noted that the budget totals in the Estimates Book were different from those in the Appropriation Act. The Act had a total of M3,423,131,535 and the Budget Estimates Book total was M5,342,582,860 resulting in a difference of M1,919,451,325 as illustrated on Table 13.3.1. The Act only reflected the amounts which were to be financed by the Government resources, it did not show the donor support in the form of loans and grants which amounted to M1,779,451,326 as per the Appropriation Act 2017/18.

Table 13.3.1 – Comparison of appropriated amounts and totals per estimates

Ministry	Appropriation	Budget Estimates	(Over)/Under Appropriation	Variance (%)
A	B	C	D(B-C)	E (D/B)
	M	M	M	
Agriculture	155,932,450	305,090,390	(149,157,940)	(96)
Health	79,300,000	280,077,998	(200,777,998)	(253)
Education	19,100,000	102,600,000	(83,500,000)	(437)
Finance	288,028,120	748,078,020	(460,049,900)	(160)
Trade	84,461,124	143,720,456	(59,259,332)	(70)
Dev. Planning	6,969,945	12,447,925	(5,477,980)	(79)
Justice	45,000,000	45,000,000	-	-
Home Affairs	150,000,000	150,000,000	-	-
Communications	155,000,000	313,767,405	(158,767,405)	(102)
Law	20,000,000	20,000,000	-	-

Public Works	799,200,000	945,950,000	(146,750,000)	(18)
Forestry	157,000,000	157,000,000	-	-
Energy	248,500,000	285,361,037	(36,861,037)	(15)
Tourism	118,670,000	130,656,364	(11,986,364)	(10)
His Majesty's	100,000,000	100,000,000	-	-
Defence	56,816,251	56,816,251	-	-
Senate	40,000,000	40,000,000	-	-
Local Government	395,400,000	395,400,000	-	-
Gender	18,266,000	19,239,462	(973,462)	(5)
Public Service	3,000,000	3,000,000	-	-
Judiciary	26,000,000	26,000,000	-	-
Social Dev.	6,000,000	193,200,000	(187,200,000)	(3,120)
Mining	8,220,750	8,220,750	-	-
Police	50,000,000	50,000,000	-	-
Small Business	112,000,000	112,000,000	-	-
Water	280,266,895	698,956,802	(418,689,907)	(149)
Total	3,423,131,535	5,342,582,860	(1,919,451,325)	(56)

Source: Appropriation Act and Budget Estimates Book

13.2.2 Budget Execution

Capital budget plays a pivotal role in the growth of a country. This expenditure is incurred on economic and social development of the country on which the citizens will enjoy long term benefits, such as construction of hospitals, schools, roads, bridges, recreational facilities and others. In 2017/18 financial year, Parliament approved a total budget of M5.343 billion (per the Estimates Book) for implementation of capital projects. The actual expenditure as per Consolidated Statement of Comparison of Budget and Actual Amounts was M3.109 billion, thus resulting in spending capacity of 58%. This does not reflect well on the performance of the ministries in implementing the capital projects, whereby the spending capacity for individual ministries was in the range of 0% to 98%. The ministries of Home Affairs, Forestry

and Police recorded spending capacities of 98%, 89% and 91% respectively, while the majority of the ministries were in the range of 0% and 79% with nine (9) ministries in the range of 0% and 45% and fourteen (14) in the range of 53% and 79%. Table 13.3.2 bears the details.

Table 13.3.2 – Budget Execution

Ministry	Approved Estimates	Actual Expenditure	Variance (Over)/under	Spending Capacity (%)
	M	M	M	
Agriculture & Food Security	305,090,390	188,236,000	116,854,390	62
Health	280,077,998	179,363,000	100,714,998	64
Education and Training	102,600,000	76,623,000	25,977,000	75
Finance	748,078,020	431,910,000	316,168,020	58
Trade, Industry, Coops & Marketing	143,720,456	56,801,000	86,919,456	40
Development Planning	12,447,925	1,789,000	10,658,925	14
Justice and Correctional Services	45,000,000	30,738,000	14,262,000	68
Home Affairs	150,000,000	147,027,000	2,973,000	98
Communications Science & Technology	313,767,405	166,692,000	147,075,405	53
Law	20,000,000	1,037,000	18,963,000	5
Public Works & Transport	945,950,000	562,239,000	383,711,000	59
Forestry & Land Reclamation	157,000,000	139,681,000	17,319,000	89
Energy, Meteorology & Water Affairs	285,361,037	224,742,000	60,619,037	79
Tourism, Environment & Culture	130,656,364	86,517,000	44,139,364	66
His Majesty's Office	100,000,000	65,312,000	34,688,000	65
Defence & National Security	56,816,251	23,842,000	32,974,251	42
Senate	40,000,000	-	40,000,000	0
Local Government & Chieftainship	395,400,000	177,435,000	217,965,000	45

Gender, Youth, Sports & Recreation	19,239,462	13,382,000	5,857,462	70
Public Services	3,000,000	-	3,000,000	0
Judiciary	26,000,000	15,456,000	10,544,000	59
Social Development	193,200,000	72,621,000	120,579,000	38
Mining	8,220,750	-	8,220,750	0
Police and Public Safety	50,000,000	45,685,000	4,315,000	91
Small Business	112,000,000	12,966,000	99,034,000	12
Water	698,956,802	388,840,000	310,116,802	56
Total	5,342,582,860	3,108,934,000	2,233,648,860	58

Source: Budget Estimates Book and Consolidated Financial Statements

Some of the ministries responses in regard to their performance in implementing the capital projects were as follows:

(a) Ministry of Law, Constitutional Affairs and Human Rights

The funds were mainly budgeted for carrying out the feasibility study of the Integrated Case Management System, which was done through a consultancy work. Apparently the process of engaging the Consultant was too long than expected. The Consultant was engaged in January 2018 and therefore progress of work done was slow, and first payment which was supposed to have been made by March 2018 was made in May 2018 with the 2018/19 budget.

Other funds were budgeted for office equipment which the Budget Department of the Ministry of Finance opposed and only six laptops were procured. Besides, only one study tour to Namibia was undertaken whilst two countries were initially agreed and budgeted for.

b) Ministry of Forestry, Range and Soil Conversation

Management responded that the variance amounting to M17,318,771 was caused by unspent funds of M9,834,624 due to operations which started in September 2017 instead of May 2017 and M5,356,376 requested in 2017/18 which was only reflected in

May 2018 in the Ministry's head controlled account plus a remaining balance of M2,127,771 in the account which added up to M7,484,147 unspent.

c) His Majesty's Office

The second Architect (and Principal Agent) engaged on the construction of Royal Palace was very slow in providing information to the contractor and to other consultants. This affected cash flow projections severely in that the contractor could only perform half of the work he was expected to perform.

This matter was communicated several times with the Architect but to no avail. However, ultimately the Architect deserted the work. The office has since engaged the Ministry's Architect to perform all the architectural services at the project.

d) Ministry of Public Service

The funds for construction of Lesotho Institute of Public Administration and Management (LIPAM) were not utilised because during the implementation of the project there were some heavy rainfalls, which prohibited the contractor to continue with the work. By the time the contractor commenced after the heavy rainfalls, the financial year had already ended, so LIPAM could not pay the contractor before the construction was completed, hence the funds were not used during the period it was meant to be used.

e) Judiciary

It was noticed that the project expenditures were beyond the contract sum and almost reaching the 15% threshold margin, therefore the Judiciary Office applied for a waiver to exceed the 15% threshold from the Ministry of Finance. However, there was a delay in approving the waiver which led to funds being returned without being used as it was almost the end of the financial year.

13.4 ADVANCES FROM THE CONTINGENCIES FUND

Section 114 of the Constitution of Lesotho authorises Parliament to make provision for the establishment of a Contingencies Fund and for authorising the Minister for the time being responsible for finance, if satisfied that there has arisen an urgent and unforeseen need for expenditure for which no other provision exists, to make advance from that Fund to meet that need. Where any advance is made from the Contingencies Fund, a supplementary estimate should be presented and a Supplementary Appropriation Bill be introduced as soon as possible for the purpose of replacing the amount so advanced.

Advances from the Contingencies Fund are issued by Contingencies Warrants. These warrants state the head of expenditure that should be included in the supplementary estimates to clear advances.

The Contingencies Fund was allocated an amount of M100 million for the financial year 2017/18, out of which an amount of M95,317,798 was spent resulting in a balance of M4,682,043 at year end. Table 13.4 shows in detail the reasons for each advance from the fund.

Table 13.4 - Advances from the Contingency Fund

No.	Ministry / Head	Capital M	Recurrent M	Reasons for Advance
1	Finance		1,219,000	Payment of Compensation to the victims of 1994 and 1998 political unrest
2	Finance	6,780,580		Funds requested to cover the twelve months of LMDA extension ended 31/03/2018
3	Home affairs		4,050,436	Inauguration of the Prime Minister on the 16/06/2017
4	Home affairs		1,347,166	Official funeral of Mrs Lipolelo Thabane on the 30/06/2017
5	Trade and Industry		20,000,000	To cover balance on negative balance caused by M80 duty credit Certificate
6	Justice		1,863,730	Top up of purchase of vehicles for LCS
7	Water	28,654,153		Borehole drilling rigs their accessories trucks
8	Defence		8,069,899	Arrears of exiled soldiers
9	Defence		13,757,735	deployment of SADC contingent mission to Lesotho
10	IEC		3,312,090	Local Government elections and by-election

11	Forestry		263,184	Salary and allowance of Tlotlehang Doreen Chaoana who has been re-appointed as Principal Secretary
12	Police		6,000,000	Additional fleet for Police
Total		35,434,733	59,883,240	
Grand Total		95,317,973		

Source: Consolidated Financial Statements

Audit concerns

The following concerns seem to be recurring year after year in my report:

- The actual amounts spent from the advances from the Contingencies fund could not be established and I also could not verify that advances were genuinely urgent and unforeseen as spending units and Treasury had not maintained separate records for such advances.
- The Contingencies Warrants were treated as release warrants from approved budget contrary to the constitutional requirements, as the funds on the voted heads of expenditure were not appropriated by Parliament.
- Total advances of M95,317,958 remain outstanding as supplementary estimates for 2017/18 have not been presented and approved by Parliament. Total advances from Contingencies Fund still not approved by Parliament since 2009/10 add up to M1,144,012,103 detailed as follows:

Financial year	Outstanding Amount (M)
2009/10	153,438,670
2010/11	99,438,670
2011/12	71,358,440
2012/13	261,185,924
2013/14	154,682,214
2014/15	88,315,769
2015/16	96,291,408
2016/17	123,829,183
2017/18	95,317,958
Total	<u>1,144,012,103</u>

PART 4

ACCOUNTABILITY OF SPENDING UNITS

CHAPTER 14: ACCOUNTABILITY OF SPENDING UNITS

The Public Financial Management and Accountability (PFMA) Act 2011 introduces a spending unit as a ministry or other statutory body, or a local authority, charged with the responsibility of administering one or more programmes, to which funding is allocated by Parliament.

Section 34 (1) of the PFMA Act 2011 requires a spending unit of Government to prepare quarterly and annual reports which should include details of the programme results achieved, including the impact of new policies implemented in that year and in previous years, and set out the performance indicators used to assess programme performance; and financial statements prepared in accordance with IPSAS.

The Minister of Finance appoints a Chief Accounting Officer (CAO) for every Head of Expenditure and, in the widest sense, the CAO responsibilities spring from the basic concept underlying Government financial procedures and organisation so that finance is kept separate from other factors, which enter into policy decisions.

When CAO is appointed, the Minister of Finance assigns him a full statement of his responsibilities, which start from the fact that he signs the Appropriation Accounts and thereby makes himself responsible for its correctness, a responsibility that he cannot delegate to any other person. The statement draws attention to safeguarding of public funds and property, and the regularity and propriety of the expenditure from these funds.

The statement further stresses the wider concept of his responsibility as Head of Department to ensure that financial considerations are taken into account at all stages in framing and reaching decisions on policy and in their execution and for the efficient and economical conduct of the Department as a whole. It also emphasises the importance of 'management', on which effective control of expenditure and value depend.

During the year, Auditors undertake inspections with a view to check whether entries comply with financial laws and recommend for improvements. The findings from inspection report have been discussed in the following paragraphs. It should be noted that these findings have been with management of the entity audited.

14.1: MINISTRY OF AGRICULTURE AND FOOD SECURITY

14.1.1 BUDGET PRIORITIES

The Ministry of Agriculture and Food Security's (MAFS) priorities for the year under review were to:

- a)** Roll out green house and shade nets
- b)** Rehabilitate irrigation schemes
- c)** Manage and control the spread of animal diseases
- d)** Undertake feasibility studies of commercial beef production, and
- e)** Construct wool sheds to boost wool and mohair production

14.1.2 ACHIEVEMENTS

- a)** Sustainable Agricultural Development Project (SADP) erected 33 structures for protected vegetable production and including green houses, tunnels and shades nets.
- b)** Two irrigation schemes were completed by SADP at Ha 'Matjotjo Scheme in Berea and Ha Ramangatane Scheme in Mafeteng.
- c)** Procured of Foot and mouth diagnostic kit and Laboratory detergents.
- d)** Feasibility study financed by Private Sector Competitiveness and Economic Diversification project was in progress.
- e)** In the Leribe District, the shades nets, borehole and borehole were operational.

14.1.3 WOOL AND MOHAIR PROMOTION PROJECT

Wool and Mohair Promotion Project (WAMPP) is a country wide initiative with the Goal of boosting resilience to the adverse effects of climate change and economic shocks among poor, smallholder wool and mohair producers in the mountain and foothill regions of Lesotho. The development objectives of the project are to:

- Enable smallholder livestock producers to generate higher incomes and more sustainable livelihoods.
- Increase producers' ability to cope with and recover from natural shocks.

WAMPP is coordinated by the Ministry of Agriculture and Food Security (MAFS). The Project is also implemented through institutions such as the Department of Livestock which is responsible for the technical aspects of animal production and health. The Department of Range Resources Management within the Ministry of Forestry, Range and Soil Conservation (MFRSC) is responsible for the technical aspects of climate smart rangeland management and rehabilitation. The Ministry of Small Businesses Development, Cooperatives and Marketing (MSCM) is responsible for technical aspects of wool and mohair processing and marketing and the development of cottage industries. The Ministry of Energy and Meteorology (MEM) is responsible for collection and dissemination of climate information.

The Project total financing is USD38.9 million from five development partners and beneficiary contributions such as IFAD (Loan and Grant) ASAP (Grant), LNWMGA (Beneficiary Contributions) and OFID (Loan).

Generally, the Project performance was not satisfactory due to the following anomalies:

- Low overall budget execution of 25% from a total budget of M113,099,469 for the Financial Year 2017/2018. The actual total expenditure was M28,534,602 only, resulting in the under expenditure of M84,564,867. Wool and Mohair Fiber Handling and Marketing, Improved livestock production and Management and Climate Smart Rangeland Management recorded the lowest spending capacity at 11%, 16% and 28% respectively. Underspending can indicate slow implementation of planned activities which could lead to non-achievement of objectives and donors withdrawing their support. Management responded that low spending was caused by delays and/or failure in meeting conditions preceding the first withdrawal to meet conditions on time. I recommended that management should ensure that budget performance is reviewed monthly or quarterly in order to monitor progress per activity.
- An amount of M1,770,750 was paid as daily subsistence allowance at the unauthorized rate of M750. These allowances were paid to DRRM participant and Department of Range Staff from November, 2017 to March, 2018. It was noted that the Project Steering Committee (PSC) had deliberated on this issue before in their

meeting held on 29 June, 2017 and agreed to “put the matter in abeyance”. I recommended that management should draw up a policy regarding allowances so as to avoid possible misuse of Project funds.

- In February, 2018 sixteen (16) vehicles were purchased at the cost of M9,127,276. Documents relating to registration details i.e. car models, registration numbers, engine and chassis numbers; ownership, insurance and service plan were not availed to auditors for verification that they were procured for the project with the amount in question. The Project’s administrator only produced the distribution list of vehicles to drivers in the districts. It was further established that these motor vehicles were not registered in the Asset Register Report as at 31 March, 2018 and as such, location or date of their acquisition could not be confirmed. WAMPP also rented several vehicles to carry out activities in the districts without authority, policies, rules and regulations guiding how they should be managed. Unavailability of motor vehicles’ registration documents and vehicles not recorded in the Asset Register might lead to misuse and theft of vehicles. I recommended that management should ensure that an Asset Register is properly maintained to reflect all vehicles’ information and develop policies regarding efficient management of all Project vehicles.
- Payments amounting to M407,797 from OFID funds and M2,071,219 from ASAP funds were made without requisitions and purchase orders attached. I could not verify whether payments made were for goods and services requested and ordered. Payments without requisition forms and purchase orders could result into payment of goods and services not ordered or not meeting the Project requirements. I recommended that management should raise requisitions and purchase orders before required services are offered and paid for, so that invoices submitted could be verified as to whether they are for goods or services ordered or requested by the Project.

14.1.4 SMALLHOLDER AGRICULTURE DEVELOPMENT PROJECT

The Smallholder Agricultural Development Project (SADP) targets smallholder farmers and farmer groups that need support to improve their operations and sources of livelihoods, and have the basic

resources and motivation required in successfully improving agricultural productivity and diversifying into market-oriented agriculture.

SADP is a donor funded project which supports beneficiaries who produce agricultural based products. The aim of the project is to improve the livelihood of the Basotho people through funding their agricultural based projects. The project enters into agreement with each beneficiary either as an individual and or as a group of participants to fund their projects per agreed milestones and such funds are reported on after completing the said milestone.

The objective of SADP is to increase marketed output among project beneficiaries in Lesotho's Smallholder agricultural sector. The two major expected outcomes are increased agricultural market opportunities and productivity and quality of market-oriented crops and livestock from smallholders in the Project areas. The Project activities are categorized into four components as follows:

- Increasing agricultural market opportunities
- Increasing market-oriented smallholder production
- Project Management; and
- Contingent Emergency Responses Component (CERC)

The budget for implementation of the Project is USD24.3 million and financed by the two development partners being IFAD and IDA, Government of Lesotho and beneficiary contributions. The Project started in 2011/12 and was to phase out in the financial year 2017/18. The Project was however extended from 2018 to 2020 with proposed additional funding of USD10 million.

Although the project management is commended for complying with the financing agreement, project operational manuals and Lesotho government laws governing use of public funds, there were some weaknesses and irregularities identified during the audit and need to be rectified. They were as follows:

(a) Under-Utilisation of Donor Funds

It was established that utilization of donor funds was more unsatisfactory than in the past three years i.e. 2013/14 to

2015/2016 financial years. Whilst budgetary performance increased to 111% in the 2016/17 financial year, it further decreased to 40% in the 2017/2018 financial year.

(b) Unsatisfactory Performance on Project Components

For the year under review, a total expenditure on components amounted to M30,355,497 as against the budget of M75,324,040 thus resulting into an under-expenditure of M44,878,116. Under-utilization on component 1 i.e. 'Increasing Agricultural Market Opportunities' with 23.77% was noted. Under component 2 i.e. 'Increasing Market-oriented smallholder Production' 27.11% budget performance was noted. I recommended that Management should improve the effectiveness of beneficiaries on consumption of donor funds more especially under Components 1 and 2.

(c) Irregularities in the Utilisation of donor funds

Project funds from Competitive Grants Project and (CGP) and Agricultural Investment Project (AIP) in the amount of M340,500 and M124,000 respectively were misappropriated. In addition, funds amounting to M700,500 were also not accounted for by CGP's beneficiaries.

Management responded that the cases had been reported to the Police and that the project would intensify its efforts to ensure that those funds are recovered. I recommended that management should ensure that appropriate control measures in disbursing funds to the beneficiaries are put in place to avoid loss of funds and that an action should be taken in regard to the irregularities.

(d) Anomalies on projects in Butha-Buthe, Leribe and Mafeteng

Site visits carried out by the audit team on beneficiary groups, CGPs and AIP grants in Butha-Buthe, Leribe and Mafeteng districts with a purpose of establishing the existence of the farmer groups and implementation status of their respective projects revealed the following:

- Projects faced delays in getting funds after submitting reports.

- Some group members were not cooperating with service providers and no meetings were held.
- Damages to wool and mohair caused by leaking roof during rainy season.
- Beams for containing wool were wooden and easily broken.
- One leader of the group not paying back the funds used for his personal gain.
- Not easy to retain members of the group as a result the structure that was abandoned and other equipment kept by an individual member. It could be difficult to get the equipment back should the project group decide to continue with the project.

(e) Omission of Beneficiary Contributions in the Financial Statements

It has been an audit concern for the past several years that the beneficiaries' contribution in-kind be expressed in monetary values and be disclosed in the financial statements. However, I observed that beneficiary contributions for the year under review have still not been compiled and included in the financial statements, hence understatement of financial statements.

14.2.1 PRIORITIES

The priorities of the Ministry of Health (MoH) for the year under review included the following:

- Ensuring a healthy nation through immunisation campaigns, health education, fight against both communicable and non-communicable diseases.
- Implementation of the Test and Treat guidelines which recommends administration of Anti-Retroviral Treatment (ART) to all persons who tested HIV positive as soon as possible after diagnosis irrespective of the CD4 status of clinical stage.
- Construction of the Cancer Treatment Centre which is expected to be operational in the subsequent fiscal year.

14.2.2 ACHIEVEMENTS

According to the reports, achievements of MoH, which were in line with the priorities included:

- Switching from trivalent Oral Polio Vaccine to bivalent Oral Polio vaccine for routine vaccination and campaign immunisation activities.
- Establishment of 13 mini-laboratories (Eight newly built and improvement on five already in existence) to improve case detection of Tuberculosis (TB).
- Implementation of the Test and Treat guidelines across the country. The number of new clients who started on ART in the year was 31,415 while the total number of persons receiving ART was 206,311.
- Three out of four doctors have started training on Radiation Oncology. One Medical Physicist has completed training, two are still studying while the fourth is yet to be placed. Seven fellowship commenced training on Radiation Therapy Technology in Zambia.

14.2.3 CHALLENGES

- The target of training four Radiation Oncologists, four Medical Physicists and seven Radiation Therapy Technicians was not met. The reasons for the shortfall were cited as difficulty in finding suitable candidates and host countries' delays in responding to applications for studying in the respective countries.
- The Cancer Treatment Centre has not been completed. The Ministry cited the reason for the delay in the construction as International Atomic Energy Agency's delay in securing an expert in the construction of Radiotherapy-facilities after the one they had initially intended to engage turned down the offer.
- Equipment has not been procured since it depended on the design of the Radiotherapy facility.

14.2.4 MIS-POSTING OF QUEEN MAMOHATO MEMORIAL HOSPITAL REVENUE TO QUEEN II HOSPITAL

An amount of M3,005,506 that was collected at Queen Mamohato Memorial Hospital (QMMH) from different line items was erroneously mis-posted to Queen II Revenue. The Ministry was aware of the misposted revenue and management explained that QMMH has line items that looked the same with those of Queen II hence the misposting.

However, the Principal Secretary for Ministry of Health requested in writing to the Accountant-General to correct the mispostings. There was no response from the Treasury and the correction was not done at the time of the audit.

That has overstated Queen Elizabeth II Hospital revenue by M3,005,506 and ultimately the Ministry of Health revenue as a whole. It has also understated QMMH with the same amount of money and if from agreements made between Ministry of Health and QMMH, there are some moneys that the government should get from QMMH, the government will get less due to this error that was not corrected.

QMMH revenue budget was M11,250,000 while actual revenue was M5,530,356 resulting in an under collection of M5,719,644 which is 49

percent of the budgeted amount. If the M3,005,506 mentioned above was correctly posted the collection percentage would have been higher.

On the other hand, budget for Queen Elizabeth II was M1,157,990 while actual collection was M4,486,843 resulting in an over collection of 287 percent. This collection included the amount of M3,005,506 that was for QMMH erroneously posted under Queen Elizabeth II.

14.2.5 REGISTRATION AND LICENSING OF HEALTH FACILITIES

Renewal of licences of Health facilities has to be done yearly for private hospitals, clinics, laboratories and pharmacies. There was an over collection of revenue on registration and licensing of clinics, where the budget was M18,000 and the actual revenue was M92,060 resulting in an over collection of 411 percent. This was due to newly formed clinics operated by the retired doctors and nurses. The rate at which the pharmacies increase also need a follow up strategy on their registration and licensing.

For the herbalist licences M4,400 was budgeted for on the basis of number of Herbalists already registered with the Ministry of Health which was 220 at the rate of M20.00 per herbalist per year. However, there was also a collection of M18,415 resulting in an over collection of M14,015. There is a need for the Ministry of Health to sensitise the Herbalists that renewal should be done yearly to avoid penalties and to pay for licences only in the Ministry of Health where they should pay only M20 as government fee.

14.3.1 BUDGET PRIORITIES

The priorities of the Ministry of Education and Training (MOET) included the following:

- Intensification of school inspections in order to provide support to teachers and school leadership to discharge their duties with utmost professionalism and dedication. The target was to visit all 341 secondary schools and 1,478 primary schools by March 2018. The inspections were to also focus on quality, compliance with Government policies on school feeding, Early Childhood Care and Development (ECCD) provision, inclusiveness of education and payment of the Government levy.
- Rehabilitation of classrooms and construction of new science laboratories.

14.3.2 ACHIEVEMENTS

The MOET stated the achievements as follows:

- The ministry conducted 394 out of 500 targeted school inspections. The ministry conducted 641 out of 800 targeted school visits. Generally, lack of vehicles led to the shortfall in achieving the inspection and school visits' targets. In addition, delayed release of funds led to activities running behind schedule.

It was stated that some of the classrooms and laboratories were not used because of reasons that included water system not being connected; failure to supply laboratory tables and gas cylinders; sinks not fitted.

14.3.3 UNDER-COLLECTION OF TUITION FEES AND INSURANCE

The budget for Ministry of Education and Training was M9,416,067 while actual collection was M4,978,226 resulting in an under collection of M4,437,841 or 53 percent. The significant under collection was realized under tuition fees and insurance commission line items. Management responded that tuition fees represented revenue charged

to all schools as government levy at the rate of M25 per student per year and that the collection had been below the budget because most of the schools were not paying due to logistical problems. For instance, payments were supposed to be made at headquarters only and the teachers had to travel long distances to deposit the money. Out of a budget of M3,217,525 for tuition fees, only M1,982,370 was collected.

The budget for Insurance Commission was M7,918,542 and the actual revenue collected was M920,775. Management responded that that was the commission charged to teachers for making payments for their teacher's organisations. It was anticipated that many teachers would be paying their membership dues but it turned out in 2017/18 that the numbers of teachers' organisations were reduced hence huge variances.

14.4.1 PRIORITIES

The Ministry's priorities were as follows:

- Implement Public Financial Management Reforms(PFMR).
- Strengthen public procurement
- Reduce wage payment
- Prevent public servants from tendering for government contracts
- No longer replace Ministers' utility cars by Toyota Land cruiser

14.4.2 ACHIEVEMENTS

The Ministry reported the following achievements:

- An effective Human Resource Information System implemented to ensure reduced irregularities and discrepancies in HR and payroll records (counting of public servants).
- Toyota Land cruiser V8 now replaced by Toyota Land cruiser Prado.
- Public Procurement Bill in place.
- Sensitisation of public servants in the districts by Procurement Office Unit.
- The PFM Action Plan produced by the IMF-FAD has been validated and accepted at technical level. The report has been shared with the Minister of Finance for review and eventual approval. An inclusion of reform areas left out by the IMF mission is necessary, these include: Internal Audit, Public Procurement, and Oversight Scrutiny Bodies (Office of the Auditor-General and Public Accounts Committee).
- On-going enumeration of civil servants and pensioners in mountain districts. A total of 41,933 has been enumerated out of 50,237 and this comprises 35,897 public officers and 6,036 Civil Pensioners.

14.4.3 GLOBAL FUND PROJECT MANAGEMENT UNIT

The main objective of the Project is to fight AIDS, Tuberculosis and Malaria and it has been supporting the Government of Lesotho (GOL) in the struggle against HIV/AIDS and TB since 2004. The Ministry of

Finance as the Principal Recipient of the Global Fund, coordinates the implementation of Global Fund grants through the Global Fund Project Management Unit and GOL Counterpart. The Project is financed by Global Fund and the Government of Lesotho.

Apart from prevention, care and treatment services to the general public, targeted services are developed to reach vulnerable groups and key population for both HIV and TB. The minimum package of services adapted to each population and group include peer education, HIV testing and counselling, condom distribution, STI prevention and treatment. Sub-Recipients are contracted to implement this programme.

Although the project was found to be doing well, it was however, established that there is a need for the project to address some areas for improvement as follows:

- Frequent Extension of contract between Partners In Health (PIH) and Peka Enterprises was found to be doubtful. PIH had entered into a twelve (12) months contract with Peka Enterprises on 17th September, 2014. It was noted that at the expiration of that contract in September, 2015, no tender process was undertaken by PIH instead there were frequent extensions of a contract for Peka Enterprises (Pty) Ltd up to a period of one (1) year and five (5) months from October, 2015 to March, 2017; thus flouting the tender process and compromising transparency, competitiveness and value for money. That could also breed elements of fraudulent procurement activities and corruption.
- The tender was irregularly awarded to Peka Enterprises (Pty) Ltd as per the decision of the Tender Panel on 25 July, 2017 whereas the notification was done in January, 2018 and the contract also signed on 25 January, 2018, that is, six months after the contract was awarded.
- It was also noted that the contract signed between PIH and Peka Enterprises (Pty) Ltd was six (6) months from January to June 2018 instead of fifteen (15) months. That was contrary to the condition of the tender requirements. Management indicated that PIH had requested budget reallocation due to insufficient budget and PMU had to wait for approval of the budget reallocation from Global Fund

before granting “no objection”. The concern raised is why the tender was done in the absence of approved budget and “no objection” from Global Fund.

- It was also found out that the Traders’ Licence attached to Peka Enterprises (Pty) Ltd Tender was issued on 1 June, 2016 which was eleven (11) months to the tendering date. As a result of these irregularities, the tender for Peka Enterprises (Pty) Ltd. was supposed to have been rejected and re-tendering should have been done in compliance with the requirements of the tender.
- It was also established that LENASO did not fully comply with Section 50 of the Public Procurement Regulations, 2007 which requires the Chief Accounting Officer to establish the Tender Panel and the Evaluation Team. LENASO did not establish a Tender Panel but instead, the Evaluation Team was responsible for the whole procurement process from the beginning to awarding of tenders. That was evidenced by the fact that a tender contract awarded to Fill Quick Car Rental and Services for vehicle hire was processed by the Evaluation Team at LENASO from the beginning to end of the procurement process. That compromised the procurement process as there was no segregation of duties to allow independent verification of whether the process was properly followed with due regard to transparency, objectivity and competitiveness.
- Fill Quick Car Rentals and Services later requested in writing that the payments for the vehicle allocated to Mohale’s Hoek District be made to Mr Nkhotha Machachamise, and as such the contract was then drawn between Mr Nkhotha Machachamise and LENASO. This practice tends to defeat the purpose of the whole tendering process if it becomes so easy to award contracts to individuals/companies which did not partake in the tendering process. It contravenes with the Public Procurement Regulations 2007, Section 38(3) which prohibits the transfer of contractual obligation to a third party except where provided for in the contract.

The absence of a Tender Panel can breed fraud and corrupt behaviour including uncompetitive tendering processes that might result into uneconomic spending of public funds. Non-compliance with laws and regulations governing procurement might also lead to the risk of payments made for services not rendered and goods

not delivered. There is also a risk of getting into contracts with incompetent individuals if the contracts are signed with people who did not participate in the tendering process. There is also a risk of engaging in fraudulent activities if the controls are not adhered to. I recommended that a Tender Panel be established in order to ensure transparency in the procurement process.

14.4.4 PRIVATE SECTOR COMPETITIVENESS AND ECONOMIC DIVERSIFICATION PROJECT PHASE II

The Private Sector Competitiveness and Economic Diversification Project (PSCED) is a five-year World Bank-funded initiative with the aim of facilitating increased private sector investment by improving the business environment and diversifying sources of growth in Lesotho. Phase I of the Project started in 2007 and phased out in 2013. The Project is currently in Phase II which started in 2014 and will phase out in 2019. It has three (3) components namely:

- Improving Business Environment
- Supporting Economic Diversification and
- Project Implementation Support

This Phase's total funding is USD15.0 million with IDA contributing USD13.10 million and the Government of Lesotho contributing counterpart funding of USD1.9 million. An additional financing of USD13.4 million provided by IDA was sought for the purpose of providing additional support to the three (3) components already mentioned above and to the new sub-component of Trade Facilitation and Logistics. Under this additional funding the Project will be for a five-year duration being 2017 to 2022.

Although the Project Management has complied with the Financing Agreements and Lesotho Government Laws governing use of public funds, management should address the following issues:

a) Uneconomical use of Project funds on workshops

According to Financial Management Procedures Manual, Section 1.3, the principal objective of the Financial Management System (FMS) is to support the management of the Project in the

deployment of resources, with the purpose of ensuring economy, efficiency and effectiveness in the delivery of output required to achieve the desired outcomes, that will serve the need of the People of Lesotho and contribute to the development of the country.

It was however, noted with concern that the Project Management sometimes held workshops outside the country, in South Africa. There were two workshops that were held in Bethlehem on Stakeholder Planning from 21st to 25th June 2017; and in Bloemfontein on Investment and Economic Reform from 15th to 17th December, 2017. The two workshops cost M648,123.52 and M190,671.82 respectively.

I was concerned why the workshops were held outside the country while there are convenient venues locally that could have hosted the workshops and that could have even boosted the local business/economy. Hosting workshops outside Lesotho is not cost-effective and deprives the Project the opportunity to support and boost local business. I recommended that Management should ensure economical use of Project funds in line with the principal objective of Financial Management System.

b) Unavailable documentation for banqueting services rendered

Treasury Regulations of 2014, Section 24(2) requires that original supporting documents should be attached to the payment. It was noted that a payment to the amount of M49,719 was made to Avani Lesotho for banqueting services rendered. However, there was no correspondence between the Ministry and the Project for initiation of the event.

Payments without all necessary documentation could lead to payments made for activities which did not take place. It was therefore, recommended that a follow-up on the payment in question be done in order to establish whether funds were spent on an activity that actually took place. However, the Project Management responded that they would avail a confirmation letter that the Ministry did seek for assistance to hold a workshop at Avani. To date, that letter has not been submitted to my office.

c) Inadequate administration of project vehicles

The Project owns five vehicles including a tractor based in Mahobong 1, with one driver substantively recruited by PMU. The vehicles are covered under the insurance company called Insurecare. The existence of the vehicles was verified but the following concerns were noted:

- There was no documented policy governing the administration of the project vehicles. Project staff members were allowed to drive the Project cars without any documented authority.
- Scrutiny of the accidents report file revealed that there was an accident involving a vehicle with registration number ML 304. The accident occurred on Main North 1 on 7th July, 2017. There was however, no copy of the Police accident report relating to the accident availed to the auditors. The car repairs were done by Insure-care, but in the absence of the Police accident report, I could not establish if the driver of the Project car (i.e. Project Manager) was in the wrong and would therefore need to be surcharged or not.
- In another incident, the Project Accountant who was driving the motor vehicle bearing registration number ML 363 allegedly hit the wall causing damages to the front corner of the bumper of the vehicle while parking the project car. Management viewed this incident as minor and resolved that the repairs would be covered by the Project.
- Interview with the Administrative Secretary revealed that there was no logbook or any form of recording mileages for the tractor stationed at Mahobong 1, thus raising alarm that controls over usage of the tractor were very weak and as such could subject it to misuse.

The above concerns show laxity in the administration of the project fleet. If project vehicles are not properly administered, they could be easily misused leading to unnecessary expenditure. I recommended that the Project Management adopt Lesotho Government policies or develop policies that will improve controls on management of vehicles.

14.5.1 PRIORITIES

The Ministry's priorities include amongst others, the following:

- a) Development of industrial infrastructure at Tikoe and Ha Belo
- b) Establishment of effective national standards and quality Infrastructure
- c) Presentation of Business Licensing and Registration Bill to Parliament
- d) Presentation of Competition Bill; and Trade and Tariff Administration Bill

14.5.2 ACHIEVEMENTS**(a) Develop industrial infrastructure at Ha Belo in Botha-Bothe and Ha Tikoe in Maseru**

- The development of industrial infrastructure at Ha Belo in Botha-Bothe started in November 2017, and the Contractor started with bulk earthworks including factory shell platforms and road network setting out. Progress of road works construction within the site was at 37%. Services which include storm water drainage, fresh water and sewer line reticulation, electricity and telecommunications reticulation progress was at 60%. Factory shell platforms works progress was at 30%.
- There has been a delay in start of development of infrastructure at Ha Tikoe Industrial Estate Phase III due to delay in awarding of the tender to a prospective contractor. The bureaucratic process within the LNDC has delayed the process of the award of the tender.

The auditors observed the presence of contractor and consultant on-site at the industrial site at Ha Belo in Botha-Bothe district. The roads have been completed. Waste water disposal area, factory shells platforms and foundation were in-progress.

(b) Establishment of effective national standards and quality Infrastructure

There has been no progress and the delay to start the Project was due to the protracted and long awaited formal transfer of site by the LNDC to the Ministry of Trade and Industry.

(c) Presentation of Business Licensing and Registration Bill to Parliament

It has been stated that the Bill has been tabled in Parliament.

(d) Presentation of Competition Bill and Trade and Tariff Administration Bill

Legal scrubbing workshop of the draft Competition Bill was held and stake-holders workshop held wherein comments from the stakeholders were incorporated into the draft Competition Bill. It was stated that the Bill has been sent to Parliamentary Counsel for further improvements before it can be presented in Parliament.

14.6.1 BUDGET PRIORITIES

The priorities of the Ministry of Communications, Science and Technology (MCST) as stated in the budget speech for 2017/18 are summarised below:

- Installation of a fast, safe and reliable platform for all government telecommunications and internet services.
- Ensuring that provision of e-government services becomes a reality in 2017/18.
- Evolution of Radio Lesotho and TV Lesotho from being a captured state propaganda broadcaster into a national broadcaster with emphasis on equitable, fair and unbiased broadcasting.
- Fostering of the emergence local production houses that can harness talent, supported by local content licensing.
- Support the new innovation hub at the National University of Lesotho and develop a framework for the coordination of research across all areas of Government.

14.6.2 ACHIEVEMENTS

According to the report from the Ministry:

- Installation of five Telecommunications towers in the unserved and rural areas has been completed.
- The e-portal has been completed and 20 online services have been completed.
- Nothing relating to support local content was done; the ministry indicated that the requested M50 million was not granted.
- There was no achievement in respect of supporting the new National University of Lesotho innovation hub. The reason given for not achieving the objective was that the Ministry of Finance indicated that the activity was not budgeted for.

14.6.3 APPROPRIATE TECHNOLOGY SERVICES

Appropriate Technology Services (ATS) is one of the Departments within the Ministry of Communication, Science and Technology. Its main objective is to research, develop and apply appropriate technologies to achieve sustainable development. ATS produces a number of appropriate technologies related to fuel or energy

conservation, food preservation, farming, household and small business use such as food dryers, bread ovens, stoves, retained heat cookers, briquette press, grow hole, glass cutter and irrigation pumps. These products are sold to the community at a subsidized price with the aim of improving the livelihood of the people and assisting small and medium scale enterprises to increase productivity.

A performance audit was undertaken at ATS after realizing that they had been unable to fully achieve their objective as it was noted that they failed for successive years to cope with supply of products to customers as demand was always higher than supply. The audit therefore, discovered the following anomalies:

(a) Inadequate Research

Research on new product ideas has to be done for three years or more. The process requires understanding and support from the supervisors. It was discovered that ATS undertook research in a short space of time; mostly a year as supervisors did not take research as priority as they wanted the process done as quickly as possible. This resulted in ATS producing sub-standard models or products. The only available Gantt charts for the year 2015/16 highlighted that research for products like the electrical dehydrator, commercial solar dryer, bread oven and solar box cooker were done in a years' time. It was recommended that management or supervisors be sensitised on the importance of doing research in three years to avoid sub-standard products.

(b) Non- utilisation of Journals and usage of outdated software

ATS was supposed to subscribe to journals for updating and improvement of the designed models; used software such as AutoCAD 1997 and MS Project version 2007 to sketch, draw and design models and use antivirus to protect computers from crashing. It was noted that ATS did not subscribe to the journals; and that the current ATS software applications and anti-virus were outdated as they were last bought in 2007. As a result, ATS could not improve or update their models in line with changing times. ATS ended up resolving to using pirated applications to perform their duties which could result into the Department being sued for copyright. There could also be loss of information as there was no

back up. It was recommended that ATS should prioritise items they could not do away with such as software applications and subscription to journals as against other items in their budget in order to improve their products in line with changing times. It was also recommended that they should stop using pirated applications to avoid litigation and loss of information due to lack of a backup.

(c) Absence of a marketing strategy

One of ATS activities is to demonstrate and present on the use of ATS products for general public, councillors, farmers, students and entrepreneurs. The Marketing Section is also tasked with providing feedback from the community to ATS on community needs and how well ATS could address such needs. It was discovered that ATS did not have a marketing strategy to sell its products and services as well as plans on how and when to demonstrate and present their products but rather, awaited invitations from the community. It was recommended that ATS should have a marketing strategy and periodic plans which would enable them to get the required resources for implementation of the strategy and plans.

(d) Lack of follow-ups on prototypes

The Research and Development Section is supposed to send prototypes to three geographical locations which are lowlands, highlands and foothills to evaluate communities' acceptance and to make follow-ups on product functionality per location. The audit discovered that ATS produced goods without communities' input as they were unable to make follow-ups on the prototypes. Moreover, there were no records on what kind of prototypes were sent to which geographic locations and whether follows-ups were ever proposed nor carried out. It was recommended that management should develop plans as to when they will send and make follow-ups on prototypes to ensure that they only produce what is preferred by the communities also, keep clear records of prototypes sent to geographic locations and indicate whether follow-ups were made or not so that they know what products would address consumers' needs.

(e) Shortage of production materials

One of ATS objectives is to develop appropriate technologies for improving the livelihood of the people, and assist small and medium scale enterprises to increase productivity by producing goods at affordable prices for the community. However, ATS had failed for successive years to cope with supply of products as demand was higher than supply. Annual demand against supply of products were: 134:96, 134:90, 72:31 for the years 2013/14, 2014/15, and 2015/16 respectively. ATS had not been able to produce goods on time due to delay in getting supply of materials; for instance, in Maseru, a cutting torch that was ordered in March 2016 had not been received during the time of audit that is September 2016. It was further discovered that Mokhotlong used to take six months or more without any production while waiting for production materials. Delays such as these affected production in that, other products were seasonal and by the time they were produced, they were already out of season. This resulted in customers receiving products later than anticipated thus making it difficult for ATS to retain customers and ended up producing goods that could no longer be sold.

It was recommended that ATS should place orders for scarce production materials on time so as to allow enough time for procurement processes and be able to deliver products on the rightful season so that ATS customers could buy the goods they need at the right time.

(f) Non utilisation of production machinery

ATS utilises machinery to produce affordable goods for the community in order to alleviate poverty. However, the team noted that at Qacha's Nek out-station, there were machinery such as roller, bender and guillotine still kept although the office was non-operational. Moreover, in Mokhotlong out-station, the office had been non-functional since April 2016 and the production machinery was still there and not being utilised. This might lead to misuse or vandalism of government property as officers at the outstations might be tempted to use machinery for their own purposes to gain benefit or be unable to protect them against any other risk. It was also established that ATS continued to pay salaries, power, water, water usage and heating materials for employees placed on the two

non-functional outstations of Qacha's Nek and Mokhotlong. These employees were not performing any duties.

It was therefore, recommended that ATS management move the functioning machinery to ATS headquarters in order to help increase production of goods and for their safety, while preparing for re-opening of the two out-stations and that employees who were paid but not doing anything be deployed in some departments of the Ministry or other relevant Ministries in the Public Service.

(g) Inadequate workshop space

ATS required more space for production of goods in Maseru and decided to extend the workshop space by constructing a slab in an open space during the financial year 2013/14. The slab was to be part of the workshop space for production as the current workshop was too small and had poor ventilation. The slab was found incomplete in September 2016 as only 5% of the slab had been constructed. The production team still used the congested workshop which limited their production. The incompleteness of slab was due to the supplier deserting allocated work and ATS being unable to engage another contractor to finish off.

The audit discovered that at the end of the financial year 2013/14, the said contractor who was working on the slab was paid the amount in full before he could finish the slab and decided to walk away with full payment. The payment was against the Public Procurement Regulations and the Treasury Regulations of 2014 section 23(1) which states that, "following receipt of goods and services, the receiving officer shall verify that the supplier has performed the service or delivered the goods in accordance with the approved purchase order or signed government contract." The recommendation was that ATS should find means to recover the loss and always closely monitor jobs contracted out and ensure payments are made only upon completion of services contracted out.

14.7.1 BUDGET PRIORITIES

The Ministry is responsible for formulation and monitoring the implementation of appropriate, comprehensive and robust transport and construction sectors and maintain a dynamic and effective institutional and legal framework, which provides an enabling environment for sustainable development of transport and construction industries and thus contribute to the achievement of the overall national development objectives. The Ministry's priorities were as follows:

- Construction of roads and footbridges nationwide
- Upgrading of Leshoele – Mathokoane and Likalaneng – Thaba-Tseka roads
- Rehabilitation of Moshoeshoe I International Airport

14.7.2 PROJECTS IMPLEMENTATION PROGRESS

During the year under review, it was observed that out of the sixteen (16) projects approved, only one project was not implemented (Moshoeshoe I International Airport Upgrading) while slow implementation and other anomalies were noted on six projects namely; Rural Roads Improvement, Integrated Transport Project, New State House Design, Footbridges, Tele-Aliwyn's Kop and Transport Infrastructure Connectivity Project ranging from 7% to 39%. These anomalies were as follows:

(i) Rural Roads Improvement – Omitted Expenditure

According to the Consolidated Financial Statements, a total amount of M562,238,682 was incurred as Capital Expenditure. However, I have noted that a total amount of M18,949,482 under Rural Roads Infrastructure was omitted in the financial statements. The amount omitted was in respect of the following projects: Makeneng – Khatibe, Holy Cross – Polane Section A and B, Siloe – Qhomane Section A and Nyakosoba – Mofiqohi.

(ii) Pavement Strengthening - Unpaved Roads

In 2016/17, a budget for upgrading of roads in various districts was approved and awarded to contractors. Scrutiny of Ministry's records revealed that some of the projects experienced slow progress whilst others had been suspended due to lack of funds. At the end of the financial year 2017/18, the situation remained the same.

There were six projects that were not implemented namely: Auray – Motau, Mosala – Raleqheka, Kolonyama – Ramoruti, Marakabei-Tsime, Linakaneng – Mojakisane and Sehlabeng – Sefikeng. On the other hand, it was discovered that Sebothoane – Qoqolosing experienced slow progress at 28% due to lack of funding whilst Bongalla – Ralebese was terminated in August 2016 due to the death of a contractor.

(iii) Rehabilitation of Moshoeshe I International Airport

In order to comply with the International Civil Aviation Organisation (ICAO) standards and to provide for growth in the aviation industry, the government decided to rehabilitate the Moshoeshe I International Airport (MIA) starting from the financial year 2017/18. The project was to be financed by both the Lesotho Government and various donors to the tune of M76,750,000. I have noted that, at the end of the financial year 2017/18, no progress was made for rehabilitating the airport. The explanation obtained was that some of the donors withdrew due to non-compliance to technical standards for safety and operating procedures at the MIA as required by international agreements. This calls for concern on the part of government due to negative impact on the aviation industry. For a considerable time, MIA will not be able to accommodate bigger airlines that can improve the economic growth of the country.

14.7.3 TRANSPORT INFRASTRUCTURE AND CONNECTIVITY PROJECT

(a) Unregistered catering services

According to Accommodation, Catering and Tourism Enterprise Act of 1997 Section 14 (1), the power to issue, renew, vary, transfer, remove, suspend and cancel the self-catering establishment, camp-site licences, hotel licences as well as lodge licence is vested only to

the Board. This law requires that all catering services should be endorsed by the Board.

However, it was found out that one supplier, not registered as a caterer but endorsed by the Ministry of Tourism provided catering services to the tune of M18,578 on 3rd and 26th January 2018. The licenses attached to the payment vouchers were registered as snack bars licenses acquired from the Ministry of Trade. The quality of service might be compromised if they are not provided by authorized or appropriate suppliers, and might be a health hazard to officials benefitting from that service and also become difficult to hold them accountable if disputes arise.

I recommended that catering services should only be provided by registered caterers with licenses endorsed by the Ministry of Tourism in accordance with the current catering services laws.

(b) Irregularities in recruitment of project staff

For transparency purposes, vacant positions should be advertised and interviews be held accordingly to attract competent staff for the entity. It was noted that ten (10) staff members of the project were employed on contractual terms of three years. However, there was no evidence that the 10 positions were actually advertised and interviews held hence the basis for selection of these 10 staff members could not be established. That imposes a risk of hiring incompetent staff who might not be able to perform the required duties efficiently and effectively if the positions are not publicly advertised.

I recommended that where vacancies exist, Management should list minimum requirements that prospective applicants have to meet such as qualifications, experience, knowledge and skills required among others. This would form a basis for criteria to be used for selection of successful candidates at an interview. Furthermore, action should be taken against the Chief Accounting Officer responsible for this irregular recruitment.

14.8.1 BUDGET PRIORITIES

Connection of power to 10 000 households in Leribe in Botha-Bothe.

14.8.2 ACHIEVEMENTS

The ministry reported that connection of power was made to 10,797 households country wide and the money spent amounted to M160,092,360. However, other observations included the following:

(a) Electricity sales

The budget for Ministry of Energy and Meteorology (MEM) was M221,667,024 while actual revenue collection was M200,324,670 representing 90 percent of the budget. It was observed that the budget for line item Electricity-'Muela was M61,200,000 and the collection was M22,365,294 which represents 37 percent performance. The MEM responded that Lesotho Electricity Corporation (LEC) has not paid for electricity from 'Muela hence under collection.

The LEC correspondence dated 12 December 2017 stated that the company had accumulated a debt of M30,489,007 for 'Muela bulk purchases and requested the MEM to set-off the debt against the outstanding balances of the Government of Lesotho (GoL) ministries electricity consumption given that the company's cash flow had diminished at that time. Although the age analysis of GoL ministries prepared by LEC reflected an amount owing as M38,361,621 as at date of the letter, setting off the balances would have not been an appropriate accounting treatment under the circumstances. It seemed not clear as to what transpired following the correspondences. However, both LEC and the parent ministry should account for revenue as appropriated by Parliament.

(b) Oil Levy

For Oil Levy, the budget was M136,800,000 and actual revenue was M153,786,726 resulting in an over collection of M16,986,726. The reason was that Oil Levy was estimated at sixty cents per litre as a basis for budget preparation, however the levy was increased by six

cents per litre to sixty-six per litre after budget estimates were submitted hence an increase of M16,986,726.

14.8.3 LESOTHO ELECTRICITY AND WATER AUTHORITY

(a) Low Utilisation of Universal Access Fund

The Universal Access Fund was established in 2011. The objective of the Fund is to facilitate expansion of electricity services where they are non-existent. The Authority is responsible to notify the Ministry of Energy and Meteorology about the funds available for electrification. In turn the Ministry in conjunction with the Lesotho Electricity Company (Pty) Ltd identify areas and villages which are in need of electricity supply.

At 31 March 2017, there were sixteen (16) projects in progress. The UAF bank balance was M27,012,567 out of which M8,813,560 was committed for the on-going projects, leaving a balance of M18,199,007 to be used for new electrification projects. Follow-up on the projects revealed that only one project named Makopela was approved for electrification during the 2017/18 financial year. An amount of M2,713,832 was earmarked for Makopela Project leaving a balance of M15,405,175. This indicates slow implementation for expansion of electricity services.

It is not clear why the Ministry of Energy and Meteorology was not accelerating the use of funds as there were many areas in need of electricity services. The delay to identify projects could defeat the objective of the Fund and this could lead to poor service delivery to the nation. The Board of Directors were requested to bring the matter to the attention of the Minister in an effort to ensure full utilization of electrification fund timeously so as to promote service delivery.

14.9.1 BUDGET PRIORITIES

The priorities of the Ministry for the year under review were:

- a) Introduce a regularity regime to promulgate sound tourism Legislation.
- b) Review the cost of obtaining a visa.
- c) Divest its interest at Molimo Nthuse Lodge, Bokong and Liphofung chalets, Thaba-Chitja Island and Sehlabathebe chalets.
- d) Grading of tourism facilities.
- e) Complete the revised Tourism Master Plan, Tourism Investment Policy and Promotion Strategy and the Community-Based Tourism Blue Print.

14.9.2 ACHIEVEMENTS

- Master plan, tourism investment policy and promotion, tourism legislation and Enterprises Act were still under review.
- Recommendation was made to Ministry of Home Affairs (Immigration) of lowering the costs of obtaining a visa.
- Molimo Nthuse Lodge needed complete refurbishment.
- Thaba-chitja Island burned down so there was a court case regarding this instance.
- Consultancy on transaction advisor was still in the process for assessment of all properties and it would be completed by July 2019.

In addition, the observations during the site visits were as follows:

a) Liphofung Chalets - Butha-Buthe District:

Although management mentioned that Liphofung Chalets were completed but need minor facilities and kitchen fitting, it was established that there were no recent refurbishments that the Ministry declared were performed. The staff on site interviewed stated that renovations were last done in the year 2012. Most of the facilities were dilapidated and water system dysfunctional.

b) Bokong Chalets - Thaba-Tseka District:

The staff interviewed stated that the Planning Department of the Ministry and Ministry of Public Works and Transport' Department of Building Design Section declared that the work had been completed and facilities ready for occupation. However, the condition of the facilities were as follows:

- i) Visitors Centre:** wheel chair ramp leading to this place was not complete. The renovations in the Visitors Centre building could not be sighted as the building was locked and the keys were still with the contractor.
- ii) Chalets:** It was established that there were electrical fittings and plumbing done, although they were dysfunctional. There were no beds, utensils kitchen fittings seemed to be very old. Water pumps and tanks which were supposed to supply water to the chalets and main tank were not operational.
- iii) Roundavals:** These were built far from the main centre approximately 50 minutes' walk. It was observed that the place seemed deserted and vandalized as there were no doors, no electricity wired and plumbing was done on one of the huts, there were no roofing and no beds.

14.9.3 ABSENCE OF BOARD OF DIRECTORS FOR LESOTHO TOURISM DEVELOPMENT CORPORATION

According to Tourism Act, of 2002, the power to appoint the Board of Directors is vested in the Honourable Minister of Tourism, Environment and Culture (MTEC). The Act also states that the responsibilities of the Board include among others: directing and overseeing the overall operations of the Corporation, approving and overseeing the annual allocation and utilization of funds for the Corporation's operational expenses and capital requirement and also making requisition for such information as it may find necessary to monitor the performance of the Corporation.

However, the Corporation has been operating without the Board of Directors since its dissolution by the Honourable Minister in December,

2017. No explanation was provided for the absence of the Board. Management pointed out that LTDC Board of Directors were appointed on 6th July, 2018 in accordance with Section 6(3) of the Tourism Act No.4 of 2002. The implementation of the overall policy decisions of the Corporation might be a challenge in the absence of the Board at any time. It was therefore, recommended that Section 6 of the Tourism Act 2002 as amended, be complied with in order to enable the Corporation to dispatch its policy smoothly.

14.9.4 TOURISM ASSETS NOT TRANSFERRED

A correspondence from the Ministry of Tourism, Culture and Environment referenced MTEC/24/11 dated 8 August, 2017 indicated the Ministry's commitment to transfer the GoL tourism assets to LTDC in view of improving concession uptake of these assets by the private sector and investment growth in the tourism sector.

However, at the time of audit in April, 2018 the assets/facilities were not yet transferred to LTDC. No explanation was given as to what had caused the MTEC not to transfer the assets. It should be noted that any delay in transferring these assets could impact negatively on the Government goal to encourage private sector to do well. Some of the tourism assets/facilities not yet transferred to the Corporation were: Thaba-Bosiu Cultural Village, Lejone Camp, Riverside Chalets, Maliba Lodge, Lower Mohale Village, Bokong Chalets, Liphofung Cultural Heritage Site and Afri-Ski. Finalising the transfer of these assets would ensure that potential investors are not lost due to delays between the MTEC and LTDC.

14.10.1 LESOTHO DEFENCE FORCE**14.10.2 AIRCRAFT HIRING**

The Ministry of Defence and National Security hires an aircraft to ministries, parastatals and public for trips to the remote areas not accessible by road. During the year under review the Airwing Department had budgeted an amount of M1,582,000 but collected M704,323 only. The reasons for the shortfall were cited as delays in procuring spare parts from overseas manufacturers and South Africa and also securing a waiver. Another reason was that Ministries and agencies such as Ministry of Education, Pensions, the Lesotho Electricity Company (LEC), the Palace and UNDP still owed the Airwing the sum of M482,533. Recently, most areas were becoming accessible by road hence the shortfall.

It was recommended that, the Ministry should submit a letter to the Accountant-General (with a copy to the Auditor-General) listing the ministries with outstanding amounts; and that in accordance with Treasury Regulations, Section 51 (2) (d) and (3), the Ministry should render within one month to the end of the financial year, a return showing all amounts remaining uncollected excluding bills raised in March.

14.10.3 PROCUREMENT OF UNIFORM

Tenders were invited from suitably qualified suppliers to supply uniform for Lesotho Defence Force. The invitation to tender was issued on 4 January 2018 with a closing date of 1 March 2018 which was later extended to 5 April, 2018.

The mandatory documents required by the invitation to tender were clearly stipulated in the invitation and the bidders were also required to submit samples of tendered items on or before the deadline specified in the invitation to tender. On the basis of specified requirements, examination of substantive commercial and technical responsiveness was carried out and the tenders who determined to be substantially responsive were evaluated and compared in order to select the tender which qualified to supply LDF uniform. Scrutiny of records involved

ascertaining the extent to which the following procurement objectives were achieved:

(a) Assessment of whether there were aspects of the tender not compliant to the tender requirements

I have established that some bidders who did not fully meet the specifications of an invitation to tender document were not rejected and some of them were even awarded contracts as in the following instances:

(i) Price quoted twice on the same item

Tender number 39 for "ladies' number 1 suit" was irregularly awarded to one bidder who had quoted two tender prices amounting to M4,800.00 and M2,900.00 for the same item. The Tender specification did not require more than one price on any item tendered for and there was no explanation given as to how both the Evaluation Team and the Tender Panel awarded this tender against the requirement of the bid. It was further noted that the same bidder did not fully meet required quality of this tender as the compliance level on sample specification was rated "partially" met for the required quality.

(ii) Non-submission of proof of competence

All tenderers were required to provide proof of competence for this tender, but I have noted that six suppliers did not submit proof of competence but were awarded tenders to supply the items tendered for.

(iii) Assessment of Quality of sample specifications submitted

All Bidders were required to submit samples of items that they had tendered for in order to assess whether they were of required quality. The result of the evaluation revealed that out of 297 tenders submitted for 49 items advertised for tender, only 95 (32%) fully met the quality specified while 94 (31.7%) partially met the level of specification compliance and 108 tenders (36%) failed to meet the quality of items tendered for.

- (iv) The high percentage of tenders who failed to meet the specification of quality shows that there was a risk of technical-know-how on production of uniform for soldiers and that might result into financial loss to the Government.

I recommended that management should develop a policy framework for procurement of clothing for soldiers that will explore opportunities to introduce modern procurement practices such as long-term contracts and partnership with global suppliers conversant with production of uniform for soldiers. In response, management considered drafting of technical specifications for all military uniform as opposed to sample specifications and maintenance of long-term contracts with prequalified suppliers.

(b) Assessment of the appropriateness of procurement methods used in identifying the best bidder

In principle, the detailed evaluation involves independently scrutinizing selected tenders systematically and critically by individual evaluators to establish comparison on a common basis. Once the evaluators have completed their independent evaluation, the scores are discussed at consensus meeting to agree on final individual scores which are finally combined to determine the successful bidder on each item tendered for. This process must be fully transparent and documented.

i) Appropriateness of Procurement Methods

This vigorous scrutiny was however not done by the Procurement Unit of LDF in that:

- The detailed evaluation of tenders was not scored independently by individual evaluators, instead it was done and discussed jointly by all members of the Evaluation Team. Full justification against each independent scoring was also not provided as evidence that the bidder had met the key points within the guidance and that could assist in debriefing.

If scoring had been done collectively, there would be a risk of members colluding with one another to agree on the scores to their favourable bidders. There would also be a risk of dominant personalities amongst the members that could exert undue influence on other members.

- The tender evaluation process was not documented to guide the independent scoring by individual evaluators. That was revealed by the fact that there were instances where the tenders were awarded to Bidders who partially met the required sample specification compliance level and there was no justification given as to what level of partiality rendered the bidder favourable to supply.

If the criteria for evaluation of quality is not properly set out and documented, that would compromise an independent judgement, hence high possibility of corrupt practices in the selection of tenders.

I have strongly recommended that:

- There should always be a detailed record of the decision process that will guide the independent evaluators to have a common foundation against which to assess and compare all tenders so as to establish a basis for making an informed value for money judgements.
- Tenders should be scored independently by individual evaluators before they can be discussed in a consensus meeting to determine the best bidder.
- The Chair of the Evaluation Team should take necessary steps to ensure that during consensus meeting, any member of the Evaluation Team, particularly those with a leadership role, do not exert undue influence on other members during the course of the tender evaluations.

ii) Failure to assess risks

The evaluation report did not reflect any element of the assessment of risk, nature of the risk, its likelihood and its probable consequences for each tender. For example, there were items of tenders where tenderers failed to meet the compliance level of specifications in terms of quality. This is a risk that should have been identified, assessed and analysed to determine how it would be treated in this procurement process of the items such as cane sticks, brown leather gloves (officers), stable belt nylon with military police emblem, men number 1 suit military band and ladies number 1 suit military band.

In the absence of a well-documented evaluation report, there is a risk that issues and risks identified, that should have been

addressed during the evaluation could not be explored. Failure to disclose or respond to major deviations to the specifications might lead to the risk of offering inferior or different designs or products that do not offer substantial quality required.

I recommended that management should see to it that risk assessment is promptly performed, key issues are documented and risks identified are captured and appropriately addressed through qualitative statements to ensure that where a benefit, issue or risk in respect of one tenderer has been identified, it is also identified in respect of other tenderers.

c) Identify any form of irregularities including fraud and corruption in adjudicating the tenders

The review of accounting records did not explicitly encounter or find evidence of any aspect of fraud or corruption. The fact that some bidders lodged valid and baseless complaints against the Ministry of Defence on this tender process could raise suspicions of corruption. The prices were not announced during the opening; one bidder was awarded a contract yet two prices were quoted on the same item of tender as against the requirements of the invitation and those tenders that were not put in the tender box, still remained suspicious. Bidders that partially met the compliance level were awarded tenders. The existence of gaps in procurement procedures and the absence of criteria to nominate and appoint members of the evaluation committees and execution of financial bids could also create space for breeding fraud and corrupt practices.

Failure to comply with the requirements of the tender by the Evaluation Team and the Tender Panel could create room for tension and mistrust that may injure and tarnish the image of the Lesotho Defence Force as that might be susceptible to fraud and corruption.

Therefore, risk assessment should be done at all stages of procurement and be documented to reflect gaps identified so that remedial actions can be taken on time.

I also recommended that management should develop a policy framework for uniform procurement and cancel these tenders to reconsider appropriate strategy for procurement of uniform for LDF.

14.11 MINISTRY OF LOCAL GOVERNMENT AND CHIEFTAINSHIP

14.11.1 PRIORITIES

The priorities of the Ministry included amongst others, Construction of 330 kilometres of rural roads and 20.3 kilometres of Maputsoe and Mohalalitoe urban roads.

14.11.2 ACHIEVEMENT ON CAPITAL PROJECTS

(a) Budget Execution on Capital Projects

The approved budget for the Ministry of Local Government and Chieftainship Affairs was M395.4 million of which an amount of M277 million was released for capital projects funded by Government of Lesotho and donors. The actual expenditure for all the projects amounted to M177 million which represented an overall performance of 64%.

I have noted that some of the projects spent above 80% while no progress was noted such as Construction of Bus Terminal. Low performance was noted on Construction of Low Income Housing, Upgrading of Urban Roads, Development Fund for Councils and Development of Rural Community Roads with an expenditure of 0.8%, 16%, 62% and 65% respectively. I have further noted that M112,232.00 was released for the Design of Urban Roads of which the actual expenditure amounted to M1,468,604.00 representing 1,308%.

The financial statements submitted for audit showed a total expenditure amount of M177,435,150. Scrutiny of supporting documents showed a total expenditure amount of M228,699,307 resulting in an understatement of M51,464,157.

14.11.3 DEVELOPMENT FUND FOR COUNCILS

A total amount of M20,861,840 was released for Development of Community Councils for the ten district councils in respect of water systems maintenance, construction of footbridges and fencing of graveyards depending on the individual council's needs. Low performance was noted in Mohale's Hoek, Quthing, and Mokhotlong

districts which spent 38%, 47% and 0.2% respectively while no performance noted in Berea, Mafeteng and Qachas' Nek.

14.11.4 URBAN ROADS UPGRADING

Although the financial statements submitted to my office show a total budget of M120,000,000 for Upgrading of Urban Roads, the Maseru City Council (MCC) records show a total budget of M173,500,000 as approved budget in 2017/18 for Mohalalitoe - Cathedral, Ts'osane - Koalabata - Sekamaneng and Hillsvie Network. The MCC records further showed that no funds were released while the consolidated financial statements showed that M16,105,275 was released of which an amount of M2,566,162 was spent. MCC justification given for not spending the funds being the absence of Tender Board to award the contracts.

14.11.5 PRINCIPAL CHIEFS OFFICES

I have established that some of the contractors engaged in the previous years for construction of the Principal Chiefs offices were not paid. One of the contractors who was engaged in 2013 submitted the claim for certificate No.3 for construction of office of the Principal Chief at Mapoteng on 18 May 2014. However, due to lack of funds, the Ministry decided to pay the outstanding amounts in the financial year 2016/17. I have noted that authority to pay certificate No.3 for that was granted on 15 August 2017, which was three years after submission of the claim.

This construction company had stated in its letter that, due to delayed payments within the government departments and ministries they ran into cash-flow problems which impacted negatively on the progress on site, as a result, the contractor could not carry on with the construction. The government might incur fruitless expenditure due to delay in making payments for the services rendered.

14.11.6 DEVELOPMENT OF RURAL COMMUNITY ROADS

(a) Budget Execution on Rural Roads

A budget of M200 million was approved yet M207 million was released for the Development of Community Rural roads for the financial year 2017/18 which was distributed amongst the ten

district councils. Out of the ten (10) districts, two districts namely; Mafeteng and Quthing were allocated a budget of M20,367,145 and M26,914,344 respectively while other districts were allocated a budget of M20,000,000 each.

An overall budget execution of 74 percent was noted for all district councils. Although some of the district councils showed high budget execution, unsatisfactory performance was noted on implementation of some of the projects. There was no progress made on some of the budgeted roads. Furthermore, there was inadequate information showing the details such as the budgeted length of the road in kilometres and the actual amount spent on individual projects.

(b) Performance of Councils on Rural Roads

As in the previous years, the council's records revealed that expenditure spent for development of community rural roads does not match with the actual distance covered on some of the roads. In addition, no progress had been made on the number of roads mainly in the Berea District Council. Furthermore, an insignificant expenditure was incurred on the development of community rural roads in Quthing and Mhales' Hoek.

Out of 24 projects in the districts of Maseru, Berea, Mafeteng, Mhale's Hoek, Quthing and Mokhotlong; there was no progress on 16 projects while very insignificant progress was shown on roads such as: Rampeo – Nthunya with 2.2km formation and 1.5km gravelled on 23km planned, Sixondo – Mphojoa with 4km formation and 2.5 gravelled on 18km planned. On the other hand, the actual expenditure of M15,204,475 exceeded the budget of M8,652,782 by M6,551,693 for coverage of 5.7km compared with planned 19.1km.

(c) Funds not returned to the Consolidated Fund

Section 18 (3) of the Treasury Regulations 2014 states that all warrants shall lapse at the close of business on the last day of the financial year, and an Authorising Officer should record any undischarged commitments from the previous years as the first charge against warrant received in the new financial year. However,

I have noted that an amount of M128,443,696 held with the banks was not returned to the Consolidated Fund at the end of the financial year in accordance with the regulations.

These funds were supposed to have been transferred to Unspent Funds Account held at the Central Bank of Lesotho.

14.11.7 LERIBE DISTRICT COUNCIL

(a) Submission and quality of the financial statements

The strategic and operational activities of Leribe District Council, such as other Councils in the country are governed by the Local Government Act of 1997 as amended and other legislations. Sections 60,61 and 62 of this Act require the Councils to be transparent and accountable for all public resources allocated. The transparency and accountability are achieved by means of Financial Statements which are reliable, accurate, credible and supported by original records.

The following anomalies were noted in relation to submission and quality of financial statements of Leribe District Council:

- There were no supporting documentation/evidence for a significant number of transactions, balances and disclosures in the financial statements. As a result, no alternative audit procedures could be used to verify the amounts.
- The impression created was that financial statements are only prepared for compliance rather than improvement of processes and procedures of financial reporting that supports the quality of submitted annual financial statements. The poor quality of financial statements does not reflect the true picture of the financial performance of the Council and distorts the financial performance of the Government on funds appropriated.

(b) Engagement of a consultant

The engagement of consultants to assist in delivering of services must be needs-driven, with more emphasis on value for money, proper planning and monitoring, and above all, transfer of skills.

The Council engaged a consultant for financial reporting services for the financial year 2016/17 at the cost of M67,200. This consultant was previously engaged by the Council to perform similar services. The lack of competencies and skills in the Finance Department might be the root cause for failure by the Council to prepare the financial statements.

The audit noted that the consultant was fully paid for substandard service in that the financial statements were prepared using bank statements (net amounts). That does not reflect the true financial performance of the Council as all balances in the financial statements were understated. In addition, continuous use of consultants for preparation of the financial statements clearly indicates that skills were not adequately transferred to the Finance Manager.

Transfer of skills should be a priority in all contracts entered with the consultants. Management of the Council and all accounting officials should establish robust and effective processes to manage the effective use of consultancy services. The consultants should be monitored to ensure that the service is executed in terms of the contract and that sufficient time and resources are allocated to enable skills transfer. On submission of financial statements, management should ensure that the consultant also submit the related supporting documents. The Council should employ qualified accountants who would be able to do all the work including preparation of financial statements. It is very costly for government to pay financial officers and consultants for work that should be done by the Finance Manager who get reasonable salary.

(c) Irregular engagement of insurance company

According to Procurement Regulations 2007 Schedule 1, 1 (c), for procurement of goods and services above M100,000 an open tender method of procurement shall be applied. However, it was observed that the Council did not comply with the regulation when the insurance services to the value of M1,358,368 were procured from Zenith Horison Insurance Company Limited in respect of yellow plant (ZH PAR/2014 16100) and motor vehicles (ZH MM3/2014 1612) without following open tender method of procurement.

In addition, the engagement of this insurance company was not economical but simply resulted in a loss to the Council in that the assets were over insured. The Provision Memo 2(b) of the Insurance Policy agreed between Leribe District Council and the insurance company stipulates that:

“In the case of a total loss, the insurer shall pay the actual value of the item immediately before the occurrence of the loss including charges for ordinary freight, cost of erection, customs duties and dues, if any, provided such expenses have been included in the sum insured, such actual value to be calculated by deducting proper depreciation from the replacement value of the item”.

The requirements of this policy do not in any way consider the value for money due to the fact that even if the loss could be reimbursed, the Council would still remain worse off due to the fact that the sum insured upon which the premium was determined was greater than double the cost of the assets. It was further noted that for some of the assets the cost was not even indicated. This brings doubt on how the premium was determined in the absence of the cost of the assets. The following paragraph details the over-insured assets:

- Five Hydraulic Excavators were insured for the sum of M2,205,900, their costs being M1,050,422, M890,178, M1,231,200 for two whilst the 5th one had no cost indicated. A monthly premium for these five excavators was M57,630.
- Three Motor graders of different costs of M2,610,600 and M890,178 respectively and the third with no cost shown were insured for M4,538,340 with a monthly premium of M118,566.
- Three TLB Backhoe Loaders at the costs of M698,820 and M499,210 respectively and the third with no cost indicated, were insured for the sum of M1,265,400 with a monthly premium of M33,059.
- Three Bulldozers were insured for the sum of M6,483,180 whilst they did cost M3,209,124, M3,353,880 respectively and 'No cost' for the third one. A monthly premium of M169,375 was paid for all three bulldozers. Three (3) Drum rollers were insured for the sum shown for the third Drum roller. A monthly premium for the three Drum rollers was M39,739. It should also be noted that the third drum roller with 'No cost' shown was not registered.

I recommended that Management should investigate the circumstances that had led to engagement of the insurance company without following procurement procedures and establish the validity of exorbitant amounts of sum insured for the assets of different cost and some of which had no costs indicated.

Anomalies regarding this insurance policy were further established as follows:

- **Double payment of Yellow Plant insurance**

The Yellow plant, TLB Backhoe Loader, Bull dozer and Tripper Truck were double insured in that two of these machineries with different registration numbers had the same Chassis number in the Insurance Policy. The premiums amounted to M425,312 instead of the due amount of M212,656 resulting in overpayment of insurance premiums by M212,656.

This overpayment has deprived the Council the amount earmarked for other activities which were beneficial to the community. I recommended that management should take corrective measures to recover the overpayment of M212,656 from the insurance company.

- **Irregularities in the procurement of tyres**

Public Procurement Regulations 2007, 13 (b) require the Tender Panel to ensure that the award of the procurement contract is strictly in accordance with an objective evaluation criterion as set out in the Invitation to Tender; and Section 14 (3) of the same regulations further stipulates that tenders that do not satisfy the set criteria and requirements shall be rejected, and the rejection shall be notified to the tenderer in writing.

An assessment of whether there were aspects of the tenders that were compliant to the tender requirements revealed that; one bidder was awarded the tender though it did not meet one of the assessment criteria which require the details of similar work over the last two years. The company was first registered with the Ministry of Trade, Industry and Marketing on the 11th June 2015, one year nine months before the tender. Furthermore, the bid price

for this bidder was the highest compared to other three bidders by M872,016 of the highest bidder and by M1,420,741 from the lowest bidder.

The tender process for procuring the tyres has been flouted hence expenditure is regarded as wasteful. I recommended that Management should take appropriate action on this corrupt procurement practice.

(d) Omission of revenue in the financial statements

Section 60 of the Local Government Act 1997 as amended, under preparation and publication of annual accounts, states that;

“Every Council shall cause to be prepared, annually, in writing, a true account of all the moneys received and paid by virtue of this Act during the financial year”

It was however, found out that revenue totalling M70,037 collected from public toilets, bill boards, subdivision of sites, building permits, etc, at Maputsoe Urban Council was not included in the financial statements of Leribe District Council thus understating the financial statements by the same amount. There is a risk that management and other users might make uniformed decisions based on the financial statements due to omitted revenue. I advised that management should ensure that all moneys received are reflected in the financial statements.

14.12 MINISTRY OF SMALL BUSINESS DEVELOPMENT, COOPERATIVES AND MARKETING

14.12.1 BUDGET PRIORITIES

The budget priorities of the Ministry of Small Business Development, Cooperatives and Marketing (MSCM) were as follows:

- Promote and support the establishment of cooperative enterprises
- Construct Market centres and slaughter house
- Refurbish BEDCO Estates and the Lesotho Cooperatives College.

14.12.2 ACHIEVEMENTS

The Ministry managed to register one hundred and twelve (112) cooperatives, undertake a feasibility study of the Cooperative Development Fund, develop a cooperative data system, fence and construct a guard house at Tsikoane, Leribe. The Ministry has also managed to secure a site of ten hectares at Ha Foso and this site has been surveyed and user certificate issued.

a) SITE VISITS

Site visits to three project sites were undertaken by audit teams to establish the extent to which priorities have been achieved.

- i. BEDCO Botha-Bothe:** Refurbishment of the estates in progress were up to 90%.
- ii. BEDCO Sebaboleng:** Removal of the asbestos roofing recommended to be destroyed in South Africa for health safety and the newly structured roofing has been completed although the buildings need to be refurbishment.
- iii. Lesotho Cooperative College:** The work was divided into two phases as follows:
- iv.** Phase 1 which is complete was renovation of the college which started in November 2017 by re-roofing, electrical wiring and removal of old plumbing materials.

- v. Phase 2 started in January 2019 and it is in progress whereby the outside and indoor walls are scraped and the ceilings have been removed in the whole building.

14.12.3 DEPARTMENT OF MARKETING

The Department of Marketing (DOM) under the Ministry of Small Business Development, Cooperatives and Marketing (SMCM) is mandated to promote marketing to become an effective tool for agricultural and non-agricultural development, by developing policy and regulatory framework. The Department is responsible for capacitating producers with marketing and business management skills, informing local producers and other stakeholders of market developments, opportunities and trends, improve market access through participating in market access agreements with more favourable conditions and encourage development of public marketing infrastructure such as market centres, storage facilities and slaughter houses.

However, it was observed that access to both domestic and foreign markets remained a considerable challenge facing local producers. Problems associated with marketability of local products include among others, lack of market-oriented products in terms of quality and quantity, lack of market skills, weak market infrastructure and lack of market information.

a) Inadequate provision of business management and Marketing skills

The Department has to capacitate local producers by training them in business management and marketing skills which include, among others, improving product commodities, agri-business marketing and record keeping skills. It was established that there was inadequate provision of training to producers in business management and marketing skills. Review of departmental records and interviews with producers, from the different districts of the country, reflected that some training in business management and marketing skills were offered to producers in the lowlands and foothills districts of the country while mountainous districts did not have any training.

The reason cited by the department for this inadequacy was shortage of resources. This left producers without skills and unable to improve and commercialize their products. I recommended that the Department of Marketing should liaise with agricultural extension officers to establish the different categories of local producers, then plan and prioritize their training on business management and marketing skills accordingly.

b) Inadequate monitoring of producer's activities

Marketing officers have to monitor the activities of producers to assess the impact of training and improvement in their products. It was established that monitoring was not planned and budgeted for by the Department making it difficult to measure successes, identify challenges timeously and take appropriate action to increase local production.

The Department cited shortage of resources both human and transport as hindrance to perform this activity fully. As a result, local producers could continue doing wrong things which could lead to a loss to them, if not advised on time. I recommended that DOM should have a clear action plan for monitoring of local producers and should have a formal way of reporting the results of such activities.

c) Limited support to non-agricultural enterprises

The Department's Strategic Plan (2016-2021) included improvement of access to local and international markets for both agri-business and non-agricultural enterprises. Review of documents and interviews with producers and members of staff revealed that there has been limited capacity building and market information disseminated by the Department to the non-agricultural sector.

It was observed that under this category of producers, the Department has not done much in terms of capacity building and sourcing market for them both domestic and international. They have however managed to profile producers of bottled water, sandstone and arts and crafts while others were not profiled leaving them out in the Departmental plans and priorities. According to the

Department, it was due to shortage of resources. This has left some of the non-agricultural producers having to source the market for their products on their own.

I recommended that the department should balance the services it provides and to strengthen its support to non-agricultural sector to help producers commercialize their products so as to contribute to increased economic growth.

d) Low access to markets

The Department of Marketing has to ensure that local products penetrate domestic and international market on a sustained basis by organizing trade fairs, exhibitions, market days, buyer-seller meetings and facilitating the auction sales of live animals among others. It was established that there was low access to domestic and international markets for local products.

It was discovered that there was only one trade fair held in Botswana from 15 August to 24 August, 2015 where local producers participated. Market days were held on an annual basis in the different districts of the country. Buyer-seller meetings were held in an inconsistent manner in some districts especially Maseru, Leribe and Mafeteng while in others they were never held. The last time the Department facilitated the auction sale of live animals was in December 2016 and January 2017 at Mants'onyane, Ha Seshote and Mokhotlong.

All these initiatives have had little impact on access to both domestic and international markets as they were either a once-off activity or were not consistent. I recommended that the Department should establish whether market access initiatives yield the intended results then re-strategize for the benefit of local producers.

e) Weak market infrastructure

The Department has to develop basic infrastructure to increase access to services and markets and strengthen linkages between rural and urban markets through development of market centres, storage facilities and abattoirs/ slaughter facilities, among others. During the period under review, there were fresh produce market

centres under development at Tikoe and Tsikoane. Reviewed records showed that Tikoe Market Centre had been completed in November, 2016 but was officially opened in March 2018 which was fifteen (15) months after its completion and was not yet operational in October, 2018 as the Department had not yet acquired the operator. Tsikoane Market Centre was allocated M22,000,000 for the financial year 2017/2018 and as at March 2018, only M1,415,366 was expended on fencing and guard house and M20,584,634 had not been expended at the financial year end. However, construction of the market centre was on-going in October 2018.

On the other hand, poultry and piggery slaughter plants at Ha Foso were allocated M40,000,000 for 2017/18 financial year, but as at 31 March 2018, the construction had not yet begun due to delays to obtain user certificate from the Ministry of Agriculture and Food Security. User certificate was acquired in April 2018. Lack of market infrastructure had resulted in continued dependence of imports for crops and poultry. I recommended that the department should liaise with relevant Ministries at the inception of the idea to avoid non utilization of funds and delays in acquiring resources such as land certificate in this case.

f) Lack of market information

The Research Section of the Department of Marketing is supposed to conduct researches on market trends and opportunities and disseminate such information to local producers through various media platforms on a weekly basis. It was observed that there was weak market information dissemination. The department used Radio Lesotho and Public Eye newspaper to disseminate information because they were offering such service for free. However, review of the cited newspaper showed only the name of the Ministry printed on top of the business column part of the newspaper without any content. Interviews with local producers confirmed that they were not aware of the availability of market trends information in the media leaving them at the risk of either under-pricing or over-pricing their products. I recommended that DOM should inform producers of its information dissemination strategies and explore other forms to ensure that producers are aware of market trends and opportunities.

14.13.1 ANNUAL PERFORMANCE ON REPORTED CASES

The Judiciary represents one of the arms of government mandated to administer justice and manage judiciary affairs. Over the years Judiciary has been operating under the Ministry of Justice but has been delinked from the Ministry since 2011/2012 to become autonomous. This government arm presides over civil and criminal cases through administration of justice while judicial management deals with management and affairs of judicial staff. The Judiciary is subdivided into three main departments namely, Appeal Court, High Court and Subordinate Courts. The audit was focused on Subordinate Courts. The Subordinate Courts are further divided into Magistrate Courts, Central Courts and Local Courts. These are governed by the Judicial Act, Subordinate Courts Act, Administration of the Judiciary Act, Central and Local Courts Proclamation Act of 1938.

One of the goals of the Subordinate Courts is to improve quality of service delivery by adjudicating the legal disputes between parties and administration of justice in civil, criminal and administrative matters in accordance with the rule of law. A number of cases are enrolled each year with the understanding/assumption that they should all be attended to in the absence of major challenges.

The purpose of the audit was to assess the efficiency and effectiveness of Subordinates Courts' case flow management process and monitoring of timeliness of case completion as well as control of long-running cases. The audit was for six years from 2011/12 to 2016/17 and covered two districts in each of the 3 regions i.e. Central, North and South.

It was discovered that the most dominant cases during the years under review were civil and criminal cases with a grant total of 19,521 and 7,882 respectively. At the time of audit i.e. 2017, only 3,826 civil cases and 1,653 criminal cases reported during the 6 years under review were completed leaving unexplained backlog of pending cases to the total of 15,695 civil cases and 6,229 criminal cases.

The age analysis and pending cases could not be identified due to poor management of case data and inadequate monitoring of case timeliness upon which performance of Subordinate Courts could be measured accurately.

14.13.2 SUBORDINATE COURTS

(a) Magistrate Courts

The Magistrate Courts have jurisdiction over appeals from the Local Courts. It presides over civil and criminal cases that the High Court cannot preside over as a court of first instance. Performance of the Magistrate Courts is as shown on Table 14.13.2a.

Generally, there has been a significant increase in the number of both civil and criminal cases brought forward and partly heard as opposed to the number of completed cases. The scenario reflects a negative performance of the Judiciary on its core business of administering justice.

Table 14.13.2a Administration of justice by Magistrate Courts

Year	CIVIL CASES				CRIMINAL CASES			
	B/F	Reported	Completed	Partly heard	B/F	Reported	Completed	Partly heard
CENTRAL								
2011/12		190	133	57		43	42	1
2012/13	393	188	106	475	337	71	33	375
2013/14	618	270	143	745	434	112	97	449
2014/15	642	206	160	688	497	103	74	526
2015/16	522	256	151	627	502	89	56	537
2016/17	616	142	114	644	518	70	34	554
	2,791	1,252	807	445	2,288	488	336	152
NORTH								
2011/12	609	19	25	603	159	17	16	160
2012/13	2,140	226	218	2148	909	161	231	938
2013/14	1,406	558	551	1413	687	241	248	680
2014/15	993	366	422	937	519	215	225	509
2015/16	1,272	454	320	1,406	749	249	193	805
2016/17	1,076	245	402	919	535	102	91	546
	7,496	1,868	1,938	7,426	3,558	985	1,004	3,539
SOUTH								
2011/12	0	0	0	0	0	0	0	0
2012/13	1,738	286	265	1759	80	79	69	90
2013/14	933	214	243	904	34	65	65	34
2014/15	661	293	217	737	42	82	75	49
2015/16	995	196	197	994	36	70	70	36
2016/17	646	152	159	639	33	42	34	41
	4,973	1,141	1,081	60	225	338	313	25

(b) Central Courts

The auditors could not audit all Central Courts visited at all districts except Maseru due to the fact that the offices were not open for business during the audit.

(c) Local Courts

Local courts have jurisdiction on matters governed by Customary Law and handles matters of the Basotho nation only. Table 14.13.2b portrayed a very low response of Local Courts across the country, to an increasing number of reported civil and criminal cases and those that are partially heard every year. A very low number of completed cases also reflect a negative performance of Local Courts in the administration of justice in Lesotho.

Table 14.13.2b - Performance of the core business of Local Courts

Year	CIVIL CASES				CRIMINAL CASES			
	B/F	Reported	Completed	Part-heard	B/F	Reported	Completed	Part-heard
CENTRAL REGION								
2011/12	609	19	25	603	159	17	16	160
2012/13	2,140	226	218	2,148	909	161	231	938
2013/14	1,406	558	551	1,413	687	241	248	680
2014/15	993	366	422	937	519	215	225	509
2015/16	1,272	454	320	1,406	749	249	193	805
2016/17	1,076	245	402	919	535	102	91	546
	7,496	1,868	1,938	7,426	3,558	985	1,004	3,539
NORTH								
2011/12	0	190	133	57	0	43	421	1
2012/13	393	188	106	475	337	71	33	375
2013/14	618	270	143	745	434	112	97	449
2014/15	642	206	160	688	497	103	74	526
2015/16	522	256	151	627	502	89	56	537
2016/17	616	142	114	644	518	70	34	554
	2,791	1,252	807	445	2,288	488	336	152
SOUTH								
2011/12		0	0	0	0	0	0	0
2012/13	1,738	286	265	1,759	80	79	69	90
2013/14	933	214	243	904	34	65	65	34
2014/15	661	293	217	737	42	82	75	49
2015/16	995	196	197	994	36	70	70	36
2015/16	646	152	159	639	33	42	34	41
	4,973	1,141	1,081	5,033	225	338	313	25

The requirements of hearings, written opinion and evidence in the records and procedural due processes might end up being compromised and that would invoke criminal activities. There is also a risk of frustration and disappointments that can cause damage to the lives of citizens and could also impact negatively on complacency of stakeholders or trust to the Judiciary system.

14.13.3 ABSENCE OF MAGISTRATE COURT PRESIDENT

It was noted with concern that Rampai Local Court in the North Region had been operating without the Court President for a period exceeding a year. As a result, cases had been dragging for over a year, leading to a delay or failure to allocate justice to the community and fruitless expenditure on Court Clerks that have earned salaries for no work done. That posed a risk that the community will lose trust on the Courts and end up resolving issues illegally.

A recommendation was made that management should see to it that a Court President is availed at Rampai Local Court so that justice can no longer be delayed and Clerks could do their work accordingly.

14.13.4 IRREGULAR PROCUREMENT OF CATERING SERVICES

According to Section 15 (1) of the Accommodation, catering and Tourism Enterprise Act of 1997, no person shall operate an accommodation, catering or tourism enterprise services without obtaining a valid license from the Board. This requirement was not adhered to in that during the financial years under review, from 2012 to 2016, twelve (12) suppliers irregularly provided catering services to the value of M697,766.76 without appropriate licenses endorsed by the Board. The licenses attached to the payment vouchers were manufacturing/Traders licenses issued by the Ministry of Trade under the Industrial Licensing Act 1969 and Trading Enterprise Act of 1993.

The frequency of services provided by these suppliers per year, was doubtful, particularly in 2014/15, where more catering services were concentrated on the same suppliers. That was revealed by instances where one supplier appeared to have provided catering services forty (40) to 45 times per year as against the others with as low as 3 to 4 times per year.

Awarding of catering services to the suppliers who do not qualify is a health hazard to consumers due to compromised quality of service and it might be difficult to hold them accountable should any disputes arise. Management should see to it that catering services are contracted only to suppliers holding licenses endorsed by the Board.

14.13.5 MISMANAGEMENT OF CASH

a) Misappropriation of Public Funds

Cash was misappropriated on the following courts:

- i. On the 31 March 2015, the Magistrate Court of Quthing District reported to Sub-Accountancy, a misappropriation of funds totaling M50,710 being M27,460 and M23,250 in respect of fines and bails respectively. Appropriate measures were already taken against the concerned officer and an amount of M10,000.00 had already been paid back and deposited into the "Third Party Deposit Trust Fund account held at Standard bank on 19 may 2016.

Furthermore, scrutiny of records revealed that the matter was reported to the police and the police report showed that the total amount stolen from 2014 amounted to M106,310 but there was no explanation given to the whereabouts of the balance of M55,600 as only M50,710 was reported. The Police report still implicated the same officer reported by the Magistrate Court.

- ii. Revenue totaling M129,643 collected at Thaba-Tseka Magistrate Court before 31/03/2016 was reported to have been used for personal gain. A response was that the case numbered CR263/2016 was opened and officer responsible was already suspended at the time of audit.
- iii. Cash collected at Maseru Magistrate Court on 15 to 16 September 2016 amounted to M23,330 but cash counted during the surprise cash survey was only M12,730, leaving the unexplained balance of M10,600 that was made good on 26 January 2016 per receipt numbered E225683.

The settlement of M10,600 was doubtful in that the accounting records might have been manipulated to conceal fraudulent activities. That was revealed by the fact that the shortage was for the money collected from 15-16 September 2016. *The* shortage was made good and receipted on 26 January 2016, while the Judiciary date stamp showed the

receipted date as 26 September, 2016. Surprisingly, that cash was deposited to the bank on 2 September, 2016.

I recommended that management should investigate the root cause for manipulation of financial records and take appropriate action.

b) Delay in banking

According to Treasury Regulations of 2014, Section 59 (1), revenue collected should be deposited into a Consolidated Fund and banked within 24 hours or as soon as practicable but not later than 72 hours after receipt.

It was observed that an amount of M3,830 collected in the North Region at Mapoteng Local Court in October 2015 was also not banked or paid to the Sub-Accountancy but the loss report was not raised to that effect.

The problem of collection of revenue had been a recurring issue especially at Thaba-Tseka Magistrate Court where an amount of M41,900 was found to have been kept in the hands of the cash collector for a period of 1 year 4 months before it was deposited into the bank, while an amount of M23,837 collected at Quthing Magistrate Court was also banked after two months. Management responded that for Thaba-Tseka Magistrate Court case number CR263/2016 was opened but not yet decided at the time of audit in 2017.

The outlined scenarios indicate that Public funds have been fraudulently used for personal gain by the collectors concerned. The main root cause of misappropriation of collected revenue was that cash collectors were not checked or monitored. If cash collected is not fully accounted for and not banked intact there is a possibility that such collections might have been used for personal gain hence a loss to the Government. Delay in banking of cash could also lead to misappropriation of the collected revenue and that cash is also prone to theft.

I recommended that further investigations on this matter should be taken by Judiciary in liaison with other oversight bodies such as the Police and Directorate on Corruption and Economic Offences to ensure recovery of defrauded public funds accordingly as required by Sections 37,67,88 and 101 of Money Laundering and Proceeds

of Crime 2008 as amended and Section 322 of Criminal Procedures and Evidence Act of 1981.

c) Irregular Use of Collected Revenue

According to Treasury Regulations 2014 Section 52 (5), a collector shall not use collected revenue to pay directly for Government expenditure. Section 52 of the same regulations further states that;

“All collections shall be paid either directly or through another collector to a Consolidated Fund bank account and brought to account in the Treasury General Ledger, without any deductions whatsoever.”

On the contrary, it was found out that revenue collected at Local Courts within Maseru District was not deposited in the Consolidated Fund but was instead directly used to pay witness expenses. That was despite the fact that the witness expenses are annually budgeted for under the voted head of Judiciary as petty cash. Non-compliance with laws and Regulations governing collection of public revenue have subjected public funds to misappropriation, hence a negative bearing on the fragile economy of Lesotho.

I recommended that management should strengthen controls to monitor collection of revenue into the Government Consolidated Fund and take immediate and appropriate action on the culprits involved in averting public resources for personal gain.

d) Absence of Annual Plan and Performance Report

It was noted that, both the detailed plans and performance reports were not prepared in all Subordinate Courts audited. In the absence of these documents, the Chief Magistrates and the Registrar-General cannot properly monitor the performance of Local and Central Courts at regional level and country wide. The expectation is that, at the end of the year, the office of the Registrar General should have a consolidated performance report that reflect the status of the implementation of the plan on reported cases, gaps identified and reasons thereon and a way forward to close the gaps in the next financial year.

In the absence of the implementation plan and performance report, the Subordinate Courts might fail to anticipate or prepare for

fundamental changes and might lose valuable lead time and momentum to combat the changes when they come. There is also a risk of lack of direction resulting into morale problems that might negatively impact on the attitude of staff who see aimlessness within the organisation.

I recommended that management should prepare Annual Plans at the beginning of every year indicating the expected level of performance on the core business and resources required to achieve all planned activities efficiently and effectively. Performance reports should be prepared at the end of each financial period indicating the actual implementation of planned activities, challenges as well as the way forward to close the gaps between planned and actual implementation of activities in the following year.

e) Doubtful Consumption of Fuel

It was noted that vehicles for the Judiciary were centrally controlled at head office in Maseru. The consumption of fuel for the Judiciary fleet was controlled by log books which also assisted the authoritative bodies to monitor the movement of vehicles. The log books enable the authority to check at all times that details of the journeys undertaken, mileages covered and tasks performed are as well as the consumption of oil recorded. The log book should be filled in triplicate with the original copy sent to the supplier, duplicate copy to the department or user and the Triplicate to remain in the book.

The log books selected as sample for the financial years under review from 2012/13 to 2016/17 revealed that a total amount of approximately M176,558.93 was spent for consumption of 19,218.12 litres of fuel of which only 3,277.92 litres amounting to M30,758.97 were verified by the audit team leaving the unexplained difference of 15,940.20 litres of fuel to the value of M145,799.97 that could not be verified due to absence of related supporting documents.

Furthermore, 19,042.71 litres of fuel amounting to approximately M231,280.71 were used for trips that were not authorised in the log books during the five financial years under review.

There were also instances where a total amount of M 29,134.28 was expensed on 172 trips that consumed 6,884.60 litres of fuel for unknown (unofficial) journeys. Details of the trips were not stipulated as some lacked information on the destinations.

These malpractices posed a risk on consumption of fuel. I recommended that controls on monitoring of the fleet of the Judiciary should be strengthened such that the movement of the vehicles is authorized at all times.

f) Absence of Accounting records

The auditors were not able to verify other transactions due to absence of related accounting records in the Central Region where a total amount of M1,314,545 was spent as petty cash and witness expenses during the five years under review from 2012/13 to 2016/17 without following proper procedures as there were no records maintained for this money. In the South Region banking details for an amount of M3,407 collected on 04 February 2013 and M9,385 collected on 17 June 2014 at Ramokoatsi Central Court in Mafeteng were also not available during the audit.

The audit team could not access the safe, registers for Civil and criminal cases due to absence of officials at Mount Moorosi Local Court, Sebakala Local Court, Quthing Central Court, Mokanametsong Local Court, Ramokoatsi, Thabaneng and Van Rooyen Local Courts.

In the North Region the audit team could not access the safe, registers for civil and criminal cases at Leribe Magistrate Courts for October 2014 and at Bela-Bela Local Court (2012/13 to 2015/6). The reason being that the Clerks of Courts were not available. There is a risk that the accounting records not availed for audit could have been manipulated to embezzle public funds.

I recommended that management should investigate all the circumstances that led to absence of accounting records and take appropriate action.

14.14.1 CELEBRATIONS AND FUNERALS**(a) No Cabinet Memorandum for State and Official funerals**

It is upon the decision of the Cabinet that the Government of Lesotho can bear all reasonable costs for the funeral of any citizen who dies in or out of service, and Cabinet finds it worthy for such a citizen to be honoured with an official funeral. Such a decision is authorised by the Cabinet Memorandum.

The audit established that an amount of M2,897,715 was paid for four official burials in respect of the late Honourable Minister Kabelo Mafura, Judge Mofolo, Lieutenant General Mots'omots'o and Mrs Alice Lipolelo Thabane. The break-down of the costs of funerals were as illustrated on Table 14.14.1.

Table 14.14.1 – State and Official funerals

Name	Catering costs	Other expenses	Total	% catering
Hon. Minister K. Mafura	279,280	346,863	626,143	47%
Judge Mofolo	238,640	347,601	586,241	41%
Lieutenant General Mots'omots'o	347,230	233,800	581,030	60%
Mrs Lipolelo Thabane	742,332	361,917	1,104,249	67%
Grand Total	1,607,482	1,290,181	2,897,663	

The review of records of the Ministry of Home Affairs further revealed the following anomalies:

- The Cabinet Memorandum authorising the expenditure to be incurred for these official funerals was not made available for audit. Therefore, I could not determine whether expenditure incurred was as Cabinet had intended.
- The bulk of expenditure for these official funerals was on catering services escalating from 41% to 67%. In my previous audit report I raised a concern on uneconomic spending on catering services which could have been avoided if the option of catering services was weighed against buying food for the bereaved families. I cited an example that if five to ten cows were bought for each family at M10,000 each, the cost of meat would range from M50,000 to M100,000; and groceries and vegetables

around M80,000 to M100,000. The Government would have spent minimal expenditure of M200,000 for each funeral.

I repeat my previous year's recommendation that these anomalies call for Government to come up with a policy on key activities to be covered for state and official funerals.

b) Other Celebrations

There are other remarkable national events that the Government of Lesotho decided to celebrate as well as emerging official ceremonies every year. As I have indicated in my previous audit report, these celebrations necessitate a good number of costly arrangements for catering, structural improvements and decorations on the celebration grounds.

I have expressed a concern in regard to these celebrations that, since they are planned occasions, I had expected to be furnished with a plan specifying activities to be carried out and expenditure thereto. There were neither plans nor Cabinet Memoranda as well as financial performance reports on implementation of planned activities provided for audit and therefore, I could not establish whether activities carried out were compliant to the intentions of the Cabinet.

14.14.2 LESOTHO SPECIAL PERMITS PROJECT

a) Absence of Project plan and Performance Report

For any project, a detailed plan showing among others, all the resources required, targets set, as well as the timelines for completion of the various activities and the performance indicators must be drawn up. At the end of the project, there should be a Performance Report detailing the achievements against the set targets, challenges encountered, lessons learned, etc.

The Ministry of Home Affairs' Lesotho Special Permits Project (LSP) was mandated to issue the applicants with Birth Certificates and Identity Documents which were a requisite for issuance of permits by the Government of the Republic of South Africa.

I have noted that the implementation of this project was not properly planned and the performance report showing clearly the names and passport numbers of Basotho Nationals who were issued with Birth Certificates and Identity Documents was also not prepared accordingly to show how the project funds have been utilized. The only information available during the course of audit was that 23,703 Birth Certificates and 6,793 Identity Documents were issued of which 10,906 and 3,330 respectively were issued in South Africa. However, that could not be confirmed with certainty due to lack of supporting documents.

In the absence of the plan and the performance report, it was not possible to determine whether the objectives of the Project were actually achieved and the extent to which the resources employed for this Project were for a good cause as there was no proof of the actual implementation of the project activities. I recommended that management should prepare the performance report for this project showing all the information and details of Birth Certificates and Identity Cards issued to Lesotho citizens.

b) Outstanding Subsistence Allowance Claims

Section 41 (8) of the Treasury Regulations 2014 requires that the travel advance should be retired within 14 days upon return of the officer from travel. In a cases where the payment is made upon return from the official trip, the officer should submit claim forms to which should be attached the memo from the officials authorising the trips and a copy of passport clearly proving that the trip actually took place.

The National Identity Civil Registration (NICR) deployed staff in South Africa to perform LSP related activities such as, facilitating birth certificates applications, issuance of Identity Documents, enrolment and outreach campaign. According to a Memorandum from the Principal Secretary dated 4th August, 2016, all staff deployed in South Africa was entitled to quarter rate of subsistence allowance applicable to South Africa to cover all incidental expenses.

At the time of audit, NICR had compiled a list of claims for subsistence allowance totalling M6,115,633 which was said to be

owing to 351 officers that were deployed in South Africa. A review of that claim list revealed the following anomalies:

- i.** The validity of claims could not be verified in the absence of a record relating to officers deployed in South Africa.
- ii.** The claim list showed a total amount owing as M6,115,633 while the recalculation showed an amount of M5,786,231 resulting into a variance of M329,401.
- iii.** There were twenty-three (23) officers who appeared to have been posted at two stations on the same dates. This casts a lot of doubt as to the authenticity of total claims amounting to USD16,471 considering that it could have not been possible for one officer to be at different stations on the same dates.
- iv.** Claims for 12 officers were overstated by total amounts of USD457.50 and USD2,593 being claims for more days than due and more than one claim per trip respectively. On the other hand, claims for four officers were underpaid by an amount of USD4,279. The correctness of these discrepancies could not be ascertained due to absence of supporting documents.

The officers were to be paid at quarter rate; $25\% * \text{USD}305 * \text{M}15 = \text{M}1,143.75$ per day. The rate of exchange could not be determined as one exchange rate was used yet the trips took place on many different dates. Those amounts are therefore, reported in USD to enable management to use the ruling rate at the time of any decision to be made.

The above noted aberrations showed that public monies are highly prone to misappropriation as payments can be made to undeserving people and also for work not done. It is also highly likely that incorrect rates might be used while calculating such claims. I recommended that management should investigate the authenticity of these claims so that appropriate action can be taken to bring the issue to finality.

c) Unverified Accountable Tour Imprest

A review of the records revealed that accountable imprest amounting to M850,000 was issued to the teams that were working in Republic of South Africa at the time of LSP Project (M50,000 per team per trip) to cater for accommodation and meals.

The records related to the issued imprest were not available for verification as to whether it was used for intended purposes, properly accounted for and retired accordingly. However, IFMIS records showed the following anomalies:

- i.** The total expenditure that should have been recorded in the IFMIS General Ledger was M850,000 but only M250,000 was retired leaving the unexplained outstanding expenditure amounting to M600,000.
- ii.** Comparison of credit memos with payment vouchers and attachments (imprest issue note and imprest invoice) revealed that the tour imprest was issued in 2016/17 financial year and retired on 27 June 2017 as per credit memos. This indicates that the imprest was not retired during the year in which the transactions occurred, thus understating expenditure for the 2016/17 financial year.

If money advanced is not accounted for upon completion of the trip by producing receipts or vouchers covering the expenditure incurred, this poses a risk that money could have been used for the purposes not intended and that might result in misuse of public funds.

I recommended that management should properly maintain imprest records and ensure that it is retired in the financial year in which the transactions occurred as a way to enhance proper accountability.

d) Doubtful payments to volunteers

The Ministry of Home Affairs engaged ten volunteers on contract basis for a period of four to six months and they were paid stipends of M4,500 per month. The volunteers were based in Klerksdorp, Pietermaritzburg, Newcastle, Bloemfontein, Germiston, Thembisa, Maseru, Carletonville, Ficksburg and Welkom.

I have noted with concern that two volunteers, were each paid M9,000.00 beyond their contract periods, while the other three were paid stipends amounting to M36,000, M18,000 and M30,400 respectively but their contracts were not available for inspection to substantiate the validity of their engagement and eligibility to such payments. There is a risk that payments without valid contracts could be made for services not rendered and/or to non-existing payees.

I made a recommendation to management to furnish my office with the originally signed volunteers' contracts for verification but to date of this report such contracts were never submitted.

e) Irregular Payment of Rent

The following irregularities were observed in regard to application centres leased in Bloemfontein, Carletonville and Newcastle:

- i.** Lease Agreement for Bloemfontein was not made available for verification of the authenticity of the rent payment amount of M7,450.
- ii.** The original Lease Agreements for Carletonville and Newcastle offices were not available for verification during the audit. It was further established that copies of those Lease Agreements were not signed by both parties, that is the lessor and lessee, thus rendering them non-binding and invalid. Therefore, the rental fees in the amount of M40,000 and M6,000 could not be validated. Non-signing of Lease Agreements could lead to fictitious payments, as the payments were made through the bank and as a result it becomes difficult to check observance of the controls.

I recommended that management should always ensure that payments are properly supported to minimise the risk of processing illegal or fictitious payments and a copy of signed Lease Agreements be availed to my office.

f) Management of Sponsors' funds

The Chief Accounting Officer requested the Accountant-General to open an official bank account with the First National Bank Lesotho for the operations of the LSP Project, and the bank opened account numbered 6213352666 in May 2016. However, the authority from the Accountant-General could not be made available for verification.

The Ministry received a total amount of M747,500 as sponsorship from three companies and two individuals. According to the Memorandum of Understanding (MOU), Alliance Insurance Company Limited had pledged an amount of M483,000, analysed as M186,000 for rental costs for access facilities in South Africa and M297,000 for the volunteers' stipends. On the other hand, the bank statements reflected receipt of M447,500 leaving unexplained difference of M35,500.

It was noted that an amount of M447,500 from Alliance Insurance Company Limited was deposited into the Standard Lesotho Bank Account Number 9080004917622 (0140064287101), an account previously used for UNICEF project that had phased-out. This account should have been closed upon phasing-out of the project and there was no authority granting the Ministry to use this account for LSP operations. Payments totalling M110,350 were made from this account, while M337,045 was transferred to the FNB account.

The total deposits as reflected in the bank statements of the FNB Account amounted to M658,955 from which M652,559 was expended leaving the balance of M6,396.

The validity and authenticity of expenditure incurred from these accounts could not be verified due to absence of supporting documents. That contravenes Treasury Regulations 2014, Section 78(2), which requires that payments must be supported by properly completed payment vouchers and that a Cash Journal is maintained for recording all the transactions affecting the bank account.

I recommended that all the supporting documents relating to the funds received and disbursed from these two bank accounts be made available for inspection.

PART 5

ACCOUNTS OF STATUTORY BODIES

15.1 STATUTORY BODY

A statutory body is any statutory corporation in which the government has financial interest of fifty per cent or more, or any other body in which the said corporation has a financial interest of fifty per cent or more, or any other such body as the Minister may by notice in the Gazette designate. Any Development Project Authority established under the Development Projects Order 1973 also falls under the Statutory Bodies.

15.1.1 Accounts of a Statutory Body

Under the law setting up each statutory body, there is a provision stipulating a specific time within which the financial statements should be produced and audited. Although the law is very clear on the time within which the accounts are to be produced, in certain cases the law is not strictly followed. In a number of cases the cause for the delay is either the failure of the organisation to prepare the accounts on time or failure or delay to approve the accounts by the directors.

15.1.2 Audit of the records and accounts of a Statutory Body

Section 7 (1) (b) of the Audit Act 2016, requires that the records and accounts of a statutory body should be audited by the Auditor-General.

Upon completion of the audit of the accounts of a statutory body, a copy of those accounts together with the report thereon is sent to the appropriate Minister. In addition, a long form report setting out in detail matters which came to attention of the auditors during the audit is forwarded to the chairperson of the board of directors.

Section 28 of the Audit Act 2016 further requires the Minister responsible for the statutory body to present the audited accounts of a statutory body to Parliament.

15.1.3 Commissioned Audits

The Auditor-General engage private accountancy firms to audit on his behalf some statutory bodies due to capacity constraints. He is mandated by Section 24 of the Audit Act 2016 which stipulates that the Auditor-General may authorise a practising member of a

professional accountancy body, recognised by the Laws of Lesotho, to examine or audit books of accounts of any authority or body, which the Auditor-General may be required to examine and audit. However, audit decisions remain those of the Auditor-General.

15.2 AUDIT CONCLUSIONS ON THE FINANCIAL STATEMENTS OF THE STATUTORY BODIES

I have included the main conclusions of my audit reports issued on the financial statements of the statutory bodies. These conclusions are summarised and abridged with major points arising from the audits.

For the purpose of this report, the organisations have been divided into financial statements with unqualified audit opinion and qualified audit opinion.

15.2.1 Unqualified Audit Opinion

I have issued unqualified or clean audit opinion where financial statements of a statutory body for a particular year did not contain material errors. Table 15.2.1 shows a list of statutory bodies with clean audit opinion and the last financial statements submitted for audit.

Table 15.2.1 – Financial Statements with unqualified audit opinion

Organisation	Last audited financial statements
Authorities and Corporations	
Land Administration Authority	31 March 2018
Lesotho Communications Authority	31 March 2018
Lesotho Electricity and Water Authority	31 March 2018
Lesotho Nursing Council	31 March 2014
Lesotho Tourism Development Corporation	31 March 2017
Lesotho Revenue Authority	31 March 2018
Lesotho National Development Corporation	31 March 2018
Companies	
Maluti Mountain Brewery	31 December 2017
OK Bazaars (Lesotho) (Proprietary) Limited	30 June 2018
Sun International of Lesotho	31 December 2017
LEC Communications (Pty) Ltd	31 March 2018
Other Statutory Bodies	
Examinations Council of Lesotho	31 March 2016
Council on Higher Education	31 March 2018
National Aids Commission	31 March 2017
Petroleum Fund	31 March 2018
Development Projects	
Health Sector Reform Programme	31 March 2018

Lesotho Education Quality for Equality Project	31 March 2018
Lesotho Basic Education Improvement Project	31 March 2018
Social Assistance Project – Original	31 March 2018
Social Assistance Project – Additional	31 March 2018
Urban Distribution Rehabilitation and Transmission Expansion Project	31 March 2018
Lesotho Millennium Development Agency	31 March 2018
Global Fund	31 March 2018
Private Sector Competiveness and Economic Diversification Project	31 March 2018
Economic Diversification Support Project	31 March 2018
Metolong Authority	31 March 2018
Lesotho Lowlands Rural Supply and Sanitation Project	31 March 2018
Public Financial Management Reform Project and Public Sector Modernisation Project	31 March 2018
Transport Infrastructure and Connectivity Project	31 March 2018

Source: Reports of the Auditor-General

15.2.2 Qualified Audit Opinion

A qualified audit opinion was issued on the financial statements with material or fundamental uncertainties or disagreements. The financial statements with “except for” had material uncertainties or disagreements. Disclaimer of opinion was on the accounts with fundamental uncertainties and where there was a fundamental disagreement, an adverse opinion was issued.

The statutory bodies with qualified audit opinion on the financial statements and reasons for qualification thereon are presented in the following paragraphs.

I. COMPANIES

a) Water and Sewerage Company – 31 March 2018

The financial statements of Water and Sewerage Company (Propriety) Limited for the year ended 31 March 2018 did not present fairly the financial position of the Company, its financial performance and its cash flows. The reasons for Adverse Opinion were the following:

(i) Fixed assets

- Property, plant and equipment were last valued more than ten years ago and there has been no review for impairment as recommended by the International Accounting Standards (IAS 16). Physical verification of the locations of WASCO's specialised structures and reticulation assets costing M848 million was constrained by inadequate documentation of the underground assets in the fixed asset register.
- There is a difference of M3.6 million in the depreciation charge of M31 million reported in the financial statements and the M34.6 million carried in the fixed assets register. The reported depreciation in the financial statements includes the sum of M2.3 million relating to land and building contrary to the IAS 16 requirement of not depreciating land.

ii) Inventory

Included in the inventory value are non-existent items valued at M3.8 million. Stores' issues during the year amounting to M16.2 million were not captured in the system thereby overstating the inventory balance and understating expenditure by the same amount.

iii) Accounts receivable

There are long outstanding debts amounting to about M7.45 million some of which arose out of inadequate record keeping and are not collectable. There is also an unreasonable credit balance of M20 million in accounts receivable, majority of which could not be substantiated. The adequacy and basis of M34 million provision for doubtful debt could not be ascertained in the absence of supporting list of the debts provided for.

iv) Capital grants and long term loans

I am yet to receive a response from the Treasury Department on request to confirm Grant fund transfers during the year amounting to M27 million as well as the balance of subsidiary loans totalling M192 million as at March 31, 2018.

v) Accounts payable

Accounts payable balance is understated by M1.5 million in respect of existing liabilities as at March 31, 2018 which were not processed in the books as well as accrued expenses of M2.2 million brought forward from last year in which there was no movement during the year.

vi) Revenue

Reported income for the year is overstated by M42.1 million in connection with prior year related amortisation of completed projects funded with Government Grants.

vii) Expenditure

Total expenditure is overstated by previous year's provision for doubtful debts amount of M26 million which the Board approved to be written off as bad debt and an amount of M2.8 million booking errors in medical aid. I was also unable to verify recorded expenditure amounting to M5.3 million as the supporting documents were not made available.

II. OTHER STATUTORY BODIES

a) National University of Lesotho – 30 June 2017

I did not express an opinion on the financial statements of the National University of Lesotho for the year ended 30 June 2015. The reasons for **Qualified Opinion** was due to the fact that the University has provided for legal cases amounting to M7,520,394 as at year end. The basis of this is not clear as the confirmations from the legal advisors indicating how the amount was arrived at could not be provided. No other alternative audit procedures could be used to substantiate this provision.

b) Road Fund – 31 March 2018

I issued a Disclaimer of Opinion on the basis of the following:

- i)** The audit report in the prior year, as previously issued, included a qualified opinion based on inability to obtain sufficient appropriate audit evidence about the following significant components of revenue: Road Maintenance Levy, Tollgate fees and Road User fees amounting to

M74,734,162, M50,008,419 and M17,663,712 respectively. The matter giving rise to the modification is still unresolved, except for the revenue from Tollgate. The effects or possible effects of the matter on the current period's figures are both material and pervasive.

- ii)** Road Fund was established by Finance (Road Fund) Regulations 2012. The Regulations explain that receipts to the Fund include Road User fees and Road maintenance levy on petrol and diesel. Road Transport Act 1981 Part III explains that the responsibilities of the Transport Controller include issuance of different classes of permits hence collection of Road User fees. Lesotho (Petroleum Fund) Regulations, 2009 Part II explains that the fund's responsibilities include collection of levies imposed on every litre of petroleum fuel purchased in or imported into Lesotho. Road Fund Regulations did not refer to these Acts and Regulations, as a result of these limiting factors, Road Fund has limited access to the records of the service organisations (Department of Traffic and Oil Companies).
- iii)** I did not get assurance on existence and effectiveness of accounting and internal controls from both the Department of Traffic and Oil Companies to the extent of financial information supplied to Road Fund. Even when using alternative audit procedures, I did not reach a satisfactory conclusion as to the accuracy and completeness of figures reported in the Annual Financial Statements. The amounts included from the Department of Traffic and Oil Companies are M19,840,357 and M76,661,829 respectively.
- iv)** My audit procedure included obtaining confirmations from implementing agencies (Roads Directorate, Road Safety, Maseru City Council and Ministry of Local Government). I only received confirmations from Roads Directorate and Road Safety. A reconciliation between Roads Directorate records, Road Safety records and Road Fund records was done and errors amounting to M973 467 (adjusted) and M659,158 were identified with regard to advance payments to contractors as well as road maintenance expenses. I did not receive confirmations from Maseru City Council and Local Government and I am unable to confirm their accuracy and completeness. As a result of these

matters, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded revenue and disbursement, and the elements making up the statement of comprehensive income, statement of changes in equity and statement of cash flows.

- v) Road Fund is required by the PFMA Act 2011, to prepare financial statements in accordance with IFRS. However, the Fund does not fully comply with the requirements of IFRS.

c) Smallholder Agricultural Project - 31 March 2018

I have issued a qualified opinion on the point that the project has failed to assess beneficiary contributions (in cash and in kind) and as such the contributions have been omitted in the financial statements since 2011/12 to date.

d) Wool and Mohair 31 - March 2018

I have issued an adverse opinion on the basis of the misstated figures appearing in the financial statements as they differed from the figures in the underlying records:

- Under donor funds, the financial statements showed a total expenditure of M24,713,275, whereas donor lead schedule reflect a total of M23,277,185 resulting into overstatement of M1,436,089.
- Under GOL funds, the financial statements showed a total expenditure of M3,821,325 whereas lead schedule reflect a total of M5,397,496 resulting into understatement of M1,576,171.

**e) Baylor College of Medicine Children's Foundation –
30 June 2017**

I have issued a qualified opinion due to the Accounts Receivable and Other Receivables amount of M5,040,598.14 in the financial statements included an amount of M3,053,709.09 representing advances against gratuity. The validity, accuracy and completeness of the amount remains doubtful due to fraud perpetrated by overriding internal controls and some of the employees implicated confirmed that they never received the advance. Consequently, Accounts Receivable and Other Receivables could therefore be misstated.

f) Leribe District Council – 31 March 2017

I have issued an adverse opinion due to misstatement of financial statements as the figures differ from the underlying records in that:

- There were no supporting documentation/evidence for a significant number of transactions, balances and disclosures in the financial statements. The vote books were used to verify the balances in the financial statements but the items reflected in the vote books were different from the ones in the financial statements.
- The financial statements were prepared using the net amounts/figures from the bank statements thus understating all the balances reflected in the financial statements.
- The value of a plot where Litjotjela Community Council resides, which belongs to the District Council was not disclosed in the financial statements.
- Source tax amounting to M461,998 was reflected as an expense in the Financial Statements of the Council, thus overstating the financial statements by the same amount.

15.3 AUDITS IN PROGRESS

Table 15.3 provides a list of some of the statutory bodies and projects that were still in progress at the time of finalising this report on the audit of consolidated financial statements for the year ended 31 March 2018.

Table 15.3 - Audits in progress in March 2018

Statutory Body/Project	Last audited financial statements		Financial statements under audit in March 2018	
	Year	Opinion	Year(s)	Remarks
Maseru Waste Water	31 March 2017	Unqualified	31 March 2018	In-progress
E-Government Infrastructure	31 March 2017	Unqualified	31 March 2018	In-progress
National Aids Commission	31 March 2017	Unqualified	31 March 2018	In-progress
Lesotho Electricity Company	31 March 2017	Qualified	31 March 2018	In-progress
Lesotho Housing and Land Development Corporation	31 March 2011	Disclaimer	31 March 2012-14	Final review ongoing

AVANI Lesotho	31 December 2017	Unqualified	31 December 2018	In-progress
Maluti Mountain Brewery	31 December 2017	Unqualified	31 December 2018	In-progress
Roads Directorate	31 March 2014	Qualified	31 March 2015	Awaiting approval accounts
Lesotho Continuous Survey Methodology Project	31 March 2017	Unqualified	31 March 2018	In-progress
Lerotholi Polytechnic	31 March 2008	Qualified	31 March 2009-17	In-progress
Lesotho College of Education	31 March	Disclaimer	31 March 2010-18	In-progress

Source: Records and reports of the Auditor-General

PART 6

**CORPORATE ISSUES OF THE OFFICE OF THE
AUDITOR-GENERAL**

16: CORPORATE ISSUES OF THE OFFICE OF THE AUDITOR-GENERAL

16.1 INTRODUCTION

Public sector auditing, as performed by the Office of the Auditor-General, is an essential factor in making difference to the lives of citizens. The auditing of government and public sector entities by the (OAG) impacts positively on trust in society because those charged with the responsibility of the stewardship of public resources are compelled to account on how well they use those resources. In this manner, OAG promotes the efficiency, accountability, effectiveness and transparency of public administration; thus constituting an essential component in a democratic system where accountability, transparency and integrity are crucial factors of a stable democracy.

As a key player in the accountability cycle, the OAG presents the financial status and stewardship of public resources by government Ministries, Departments and Agencies (MDAs) for the financial year 2017-18 in the preceding chapters. This presentation reflects OAG efforts towards strengthening accountability, transparency and integrity through public audit of the MDAs, thereby improving the lives of the citizens.

16.2 LEGAL MANDATE

The Legal Frameworks that establish the Office of the Auditor-General (OAG) are the Constitution of Lesotho, Section 117 and the Audit Act, 2016. These legal frameworks mandate the Auditor-General to audit and report on the public accounts of the Government of Lesotho, and all accounts relating to the Consolidated Fund of Lesotho, and public stores for the purpose of providing an overall opinion on the accounts. The OAG achieves this by undertaking audits to ascertain whether or not:

- a)** The public accounts of Lesotho present fairly the finances of the Government and the individual public bodies to which they refer.
- b)** The financial transactions of the Government and public bodies comply with relevant legislation, the authority of Parliament and regulations issued by any relevant competent body.

- c) The financial affairs of the Government and public bodies have been managed with due regard to probity, and that their statutory and ethical duties to Parliament and the public have been met in an open and even-handed manner.
- d) Government ministries, departments and statutory bodies carry out activities with due regard to economy, efficiency and effectiveness.

16.3 STRATEGIC DIRECTION

OAG premise from the notion that determining a destination and mapping the way forward towards reaching the destination is important for the office to achieve its mandate. This notion translates into OAG mission of

“Promoting sustainable public accountability and transparency, by providing professional auditing services to all stakeholders whilst creating a respectful workplace where our diverse workforce can strive for excellence and realise their full career potential”.

The achievement of the mission is anchored around five strategic pillars, which form strategic focus of the office. The strategic pillars are:

- To Strengthen the OAG Independence
- To expand the Audit Services
- To enhance the quality and impact of audit reports
- To develop capacity, professionalism and motivation of staff
- To enhance the professional relationship with stakeholders

16.4. OAG BUSINESS MODEL

In order to fulfil its mandate, the OAG has adopted the Audit Quality Management system. The system aims at continually improving office’s performance over the long term by concentrating on enhancing performance in MDAs, while responding to all other stakeholders needs and expectations. The model ensures that quality control and quality assurance are embedded in audit and other processes. The model also enables the office to ensure that the human resource, the audit process and other corporate processes, structure and procedures are all synchronised to produce quality products and services.

The quality management system has therefore, facilitated the quality reports that provide assurance to stakeholders on whether the MDAs are administered economically, efficiently and effectively with the objective of bringing improvement in the delivery of public services & quality of governance for the benefit of the people.

16.5. ORGANISATION OF WORK

In order to promote accountability, transparency and integrity of MDAs, the OAG has organised work into Audit and Support functions to ensure the achievement of strategic goals and mission and the fulfilment of its mandate.

a) Audit Function

OAG audit work is divided into three types of audits namely; Financial, Compliance and Performance Audits.

i) Financial Audit

The Financial audit is an independent examination of the accounts of the government of Lesotho, donor-funded projects and statutory bodies to obtain reasonable assurance that they are free from material misstatements and that expenditure is regular, applied for intended purposes; and that revenue and expenditure conform to the authority which governs them. This is aimed at expressing an opinion on the fairness and consistency in the presentation of these accounts.

ii) Compliance Audits

Compliance audit is the independent assessment of whether a given subject matter complies with applicable authorities and identified as criteria. Compliance audits are carried out by assessing whether activities, financial transactions and information comply, in all material respects, with the authorities which govern the audited entity.

iii) Performance Audits

Performance Audit is an examination of the activities of an organisation to assess if the operations are being carried out with due regard to economy, efficiency and effectiveness.

In executing these audits the office adopted the International Standards of Supreme Audit Institutions (ISSAIs), which guide the audits. Other related standards, which may be applicable, are also considered to ensure the quality of audits. Performing audits in accordance with standards provides a reasonable assurance that appropriate methodology and best international practices relevant audit tools, techniques and adequate staff are consistently used throughout the entire audit process to ensure quality work. Any changes in standards are taken into account and adopted to keep abreast with developments and best practice in auditing.

The use of standards coupled with workforce management, application of appropriate internal controls and risk management ensures the achievement of the set objectives, hence the envisaged quality of products and services.

b) Support and Development activities

In promoting high quality auditing there are development activities including among others the production of audit manuals and other guidance material. Other support functions are aimed at ensuring conformity to relevant standards, uniformity of practice and application of ethical requirements throughout the office, thereby strengthening credibility in OAG products and services. Support in the form of accounting, human resources, procurement, legal and administration services also became a key enabler towards ensuring conduct of the audits in an efficient manner during this financial year.

16.6. STRATEGIC AND OPERATIONAL PLANNING

Our performance is guided by strategic and operational planning where the office demonstrates the long and short-term intent and how these will enable the achievement of the mandate.

OAG follows a five-year Strategic Plan (2018/19-2022/23) that articulates the audit and development issues from strategic perspective. These are cascaded into annual priorities and due to resource limitation, OAG has adopted a risk-based approach for selection of audit areas to ensure that office resources are utilised on high-risk audit areas with high value for money.

16.7 HUMAN RESOURCES MANAGEMENT

16.7.1 Staffing levels

During the financial year 2017/18, OAG staff position was 137 with 16% shortfall. The table below shows the staffing levels for the year under review.

Staffing categories	Established positions	Filled Positions	Variance
Financial auditors	108	88	20
Performance auditors	19	16	3
Corporate staff	34	33	1
	161	137	24

During the year OAG Human Resource vacancy stood at 26 constituting 16% of the OAG staff complement with 1% being support staff. This shortfall limits OAG capacity to audit all the Ministries, Departments and Agencies to be audited during the year under review. Preparations are underway to increase the number of auditors despite the dwindling budget for the office. These efforts to increase the human resources will strengthen OAG capacity for audit and thereby increase the audit coverage.

16.8 TRAINING AND DEVELOPMENT

Although qualified staff are recruited into positions, OAG always strives to reinforce staff qualifications with relevant training to improve staff competence. Staff gets the opportunity to partake in short and long term training.

Staff participated in short-term training locally and internationally. OAG participates in regional and international organisations to which it is affiliated such as International Organisation of Supreme Audit Institutions (INTOSAI), INTOSAI Development Initiative (IDI), African Organisation of Supreme Audit Institutions (AFROSAI) and African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E).

Staff is also encouraged to engage in long-term training to obtain academic and/or professional qualifications, in accounting, auditing and other social science fields provided by local and international institutions of higher learning.

16.8.1 Training events during 2017/18

OAG held training events with the aim of enhancing auditors' skill in order to produce quality audits.

Training/ Conferences and Seminars	Trained staff
• ISSAI Implementation (Regularity Audit)	81
• Human Resource Development	1
• Communication workshop	1
• Quality Assurance	2
• Money Laundering	1
• Epicor	1
• AFROSAI-E Technical Updates	2
• AFROSAI-E Refresher workshops	4
• ESAAG Annual Conference	2

Source: OAG records

These training interventions equipped staff with both technical and managerial knowledge and skills, in delivery of tasks efficiently though there is need for improvement. Auditors also got to know the current developments in the auditing and related profession to enhance the theoretical and practical skills; and to ensure that they remain relevant in a changing audit environment. This has ensured that OAG responds to the diverse needs, emerging issues and greater demand for public accountability through the provision of quality audit products and services that enhance accountability and value for money.

16.9 KNOWLEDGE AND EXPERIENCE SHARING

As a member of the (INTOSAI), the AFROSAI, the African Organisation of English Speaking Supreme Audit Institutions AFROSAI-E and the Commonwealth Auditors General (CAG), the OAG participates in various knowledge-sharing activities organised by these organisations. In Particular, AFROSAI-E actively assists its member Supreme Audit

Institutions (SAIs) to build staff capacity, work skills and techniques through training programmes that include conferences, seminars and workshops.

As a member of various working groups, the Office took part in the following capacity building events:

- The Governing Board meeting organised by African Organisation for English-Speaking Supreme Audit Institutions (AFROSAI-E) held in Kenya in May 2017. The meeting focused on achievements of AFROSAI-E as a regional group and Supreme Audit Institutions had the opportunity to demonstrate their achievements and successes.
- INTOSAI Working Group on Environmental Audit Meeting was held in Washington (D.C.) in August 2017. As chairs of the project on updating the Guidance on audit of Biodiversity, they presented changes made and received comments from other members.
- The role of PAC is to ensure effective control of public resources. It was mentioned that SAIs are PACs key stakeholders as primary sources of material for legislative scrutiny of public expenditure and also PAC's work resonates around audit reports from SAIs.
- SADC Organisation of Public Accounts Committee (SADCOPAC) conference was held in Mozambique in September 2017. The conference theme was "Inspection to Ensure Transparency and Control of Public Finance Management".
- SADC Audit Committee meeting held in Botswana in April 2017. OAG participated as a member of the Audit Committee for SADC for three years.
- African Regional Intellectual Property Organisation was held in Zimbabwe in April 2017. OAG is a member of the audit committee for a period of 3 years.
- OAG takes part in the quality assurance reviews and training of other SAIs in the region. In the year under review, OAG participated in the quality assurance reviews of SAI of Rwanda.
- AFROSAI General Assembly was held in Namibia in September 2017, Presentations and discussions were on various topics, and

OAG focus was on Certification of Public Accounts Demands and Challenges of Supreme Audit Institutions.

- INTOSAI Working Group on Fight Against Corruption and Money Laundering, as a member of the group, OAG participated in the meeting to discuss the latest developments and achievements undertaken by the group members. This meeting was held in Tanzania.
- AFROSAI-E management leadership programme where managers are supported in leadership and management capacities with the aim of helping them in the implementation of ISSAIs.

16.10 STAKEHOLDER INTERACTION

It is OAGs mandate to effectively and continuously engage with its clients and stakeholders as the relations impact on the audit work. OAG has consultations and engagement with the clients and stakeholders to ensure that there is a working environment that allows for communication regarding audit related issues.

16.10.1 Interaction with Media

During this financial year apart from the normal interaction during the audit process OAG had some encounters through radio and television programmes as well as newspapers. In these programmes the office had a platform to share its role, performance and the impact made to government programmes, hence to the lives of the citizens.

The media also publicised matters arising from the 2016/17 Audit Report once published.

16.10.2 Interaction with PAC

OAG and PAC interact during the briefing of PAC on the audit report. PAC organizes hearings with Chief Accounting Officers responding to issues raised in the Auditor-General's reports, where the Auditor-General (AG) becomes a witness and supports PAC in asking relevant questions. Enhanced collaboration is required to ensure that PAC recommendations are addressed by the MDAs, and a report on progress made in implementing recommendations is produced. Follow-

up is of vital importance for the audit impact to be realised in the audited entities.

OAG strives to improve understanding of the audit reports through communicating the audit approach, findings and recommendations to make it easier for PAC members to engage with Chief Accounting Officers. The use of Supreme Audit Institution/Public Accounts Committee Communication Toolkit helps strengthen OAG and PAC relationship.

