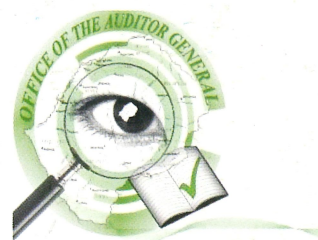




**KINGDOM OF LESOTHO**



# **REPORT OF THE AUDITOR-GENERAL**

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

---

**FOR THE YEAR**

**ENDED 31 MARCH 2019**

## OFFICE OF THE AUDITOR-GENERAL

STRATEGIC DIRECTION

### Mission:

To promote accountability, transparency and value for money in the use of public funds by providing quality audit services.

### Vision:

Spending Units are accountable, transparent and deliver economic, efficient and effective services by 2025.

### Core Values:

- Transparency and accountability
- Respect
- Independence and objectivity
- Professionalism

## Strategic Focus Areas

Capacity Building

Legal Framework

Financial  
Management

Service Delivery

## Strategic Results

Increased Audit  
Coverage

Independence

Sustainable  
financial  
resource base

Improved  
Accountability  
and  
transparency





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

**A/C/REP/1-60 (Vol. 2)**

**02 OCTOBER 2020**

Honourable T. Sophonea  
Minister of Finance  
Ministry of Finance  
P.O. Box 395  
Maseru 100

Dear Sir,

**REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GOVERNMENT OF LESOTHO FOR THE YEAR  
ENDED 31<sup>ST</sup> MARCH 2019**

---

I submit my report on the Consolidated Financial Statements of the Government of Lesotho for the year ended 31<sup>st</sup> March 2019 in accordance with Section 117 (4) of the Constitution of Lesotho and Section 27 of the Audit Act 2016.

Please arrange to lay the report before Parliament in terms of the above Sections of the Constitution and Audit Act as well as Section 37 of the Public Financial Management and Accountability Act 2011.

Yours faithfully,

  
**MONICA M. BESETSA (MS)  
ACTING AUDITOR-GENERAL**

## **ACKNOWLEDGEMENTS**

I extend my appreciation to staff from my office whose professional resilience and devotion has made it possible for undertaking an audit of the consolidated financial statements of the Government of Lesotho for the year ended 31 March 2019. Against all odds, their efforts have enabled the office to deliver on its constitutional mandate and contribute to making a difference to the lives of citizens of Lesotho.

The audit has however not been an easy one due to the following:

- The office is currently transiting from the civil service to an autonomous and independent institution in accordance with the Audit Act, 2016. The transition itself is a huge and challenging initiative, which brings uncertainties to staff and significantly affects their performance negatively.
- My office was not immune to the effects of COVID-19 crisis. We faced a range of challenges, such as reduced manpower and practical difficulties of working from home without access to systems and files and inability to conduct audits when physical visits were not possible.

Furthermore, I would like to express my sincere and deep gratitude to the Accountant-General and her staff, Chief Accounting Officers, Heads of Departments and Project Administrators for their full co-operation and assistance rendered to auditors during the course of audit.

Finally, I am extremely grateful to the Public Accounts Committee for their continued interest and support to my Office.



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**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 2019**

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**ADVERSE OPINION**

I have audited the consolidated financial statements of the Government of Lesotho (the Government) set out on pages 8–65, which comprise the consolidated statement of cash receipts and payments as at 31 March 2019, 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 2019, and 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. Cash Balances**

There is a difference of M471 million between a closing balance of M6.799 billion in the Consolidated Statement of Cash Receipts and Payments and a bank balance of M6.328 billion reflected in the Notes to the financial statements. Moreover, the financial statements reflect cash decrease of M1.462 billion from 2017/18 to 2018/19 whereas bank balances show cash increase of M781 million.

## **2. Non-Compliance with International Public Sector Accounting Standards under Cash Basis of Accounting**

- a) The financial statements do not consolidate all government-controlled entities. State Owned Enterprises, autonomous institutions and other extra budgetary funds are not fully consolidated.
- b) Centrally managed bank account balances were not fully reconciled as at 31 March 2019.
- c) The financial statements disclose a small number of accrual items, which had not been cleared at the reporting date, e.g. accounts payable, advances, provisions, third party trusts and deposits.

## **3. Cash Receipts**

The disbursements of M940 million reflected in Debt records is different from the figure of M498 million in the Consolidated Statement of Cash Receipts and Payments resulting into an understatement of M442 million.

## **4. Below-The-Line Accounts**

Prior to financial year 2009/10, the Accountant-General prepared a Statement of Assets and Liabilities as at last day of the financial year. Below-The-Line accounts formed cash assets and liabilities of Government, however the balances of these accounts had not been brought forward since 1 April 2009.

## **5. Regularity of Expenditure**

- a) Twelve (12) Heads of Expenditure exceeded the budget. However, the requirements of Section 112(3)(b) of the Constitution of Lesotho and the Public Financial Management and Accountability (PFMA) Act 2011 were not complied with, as Statement of Excess has not been presented before Parliament for regularisation of excess expenditure.
- b) Advance warrants from the Contingencies Fund totalling M123.8 million were directly allocated to some voted heads of expenditure. That contravened Section 112(2) of the



Constitution, which requires allocations to heads of expenditure to be made only on the basis of Appropriation Act. This issue recurred on annual basis since 2009/10 and a total amount of M1.369 billion for ten years ended 31 March 2019 is yet to be regularised through Supplementary Appropriation Acts.

- c) In my 2016/17 Audit Report, I reported that the Minister's directive to transfer an amount of M450 million from the Trust Monies Account into the Consolidated Fund, for onward transfer to Recurrent Expenditure Account was contrary to the requirements of Section 112(2) of the Constitution and Section 24(4)(b) of the PFMA Act 2011. The amount of M450 million was from the Loan Bursary Fund administered by the National Manpower Development Secretariat. The transfer from the Consolidated Fund to Recurrent Expenditure has not yet been regularised by Parliament.

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 the 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 control.
- 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.

  
**MONICA M. BESETSA (MS)**  
**ACTING AUDITOR-GENERAL**

**02 OCTOBER 2020**

## **PART 1**

# **AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GOVERNMENT OF LESOTHO FOR THE YEAR ENDED 31 MARCH 2019**

*Accountant General's Office*  
Treasury Department  
**Ministry of Finance**



# Kingdom of Lesotho

Annual Consolidated Financial  
Report For the Year Ended 31st  
March 2019

Audited Version – Aug 2020

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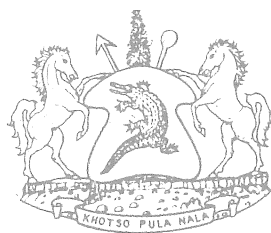
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## **Abbreviations**

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 2018/2019, 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 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 II (NSDP). These Financial Statements are prepared and submitted for audit within a given statutory time limit.

As indicated in the budget speech for 2018/19 financial year, the fiscal position has remained weak since 2017. I am committed to clear the payment arrears for previous and current financial years during 2019/20. This will improve the credibility of the budget gradually from 2020/21, which will in turn enhance the quality of the financial statements to an ultimate point of depicting the true financial position of the Government of Lesotho.

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 then Acting Accountant General and her team for her dedication and professionalism in compiling these Consolidated Financial Statements for the Financial Year 2018/2019. They set an important benchmark against which other future financial statements will be measured and form the basis for further improvements. I encourage Treasury Department to continue to strive to enhance the reliability, frequency and accessibility of future financial reporting.

A handwritten signature in black ink, consisting of a stylized 'T' followed by a horizontal line and a small flourish.

**Honourable Thabo Sophonea MP**

Minister of Finance

28<sup>th</sup> August, 2020



LESOTHO

## **II. Report by Accountant General**

### **A. Treasury Mandate**

Treasury is a department within the Ministry of Finance. It 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, taxpayers, Members of Parliament and other interested stakeholders (local and international), clear information on the financial performance and position of government.

The statements are required by law. Section 35 of the Public Financial Management and Accountability Act, 2011 requires the Ministry 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 delegates 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 FY2018/19 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 as well as, opening and closing cash balances. The 2019 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 then Acting Accountant General and the Treasury financial reporting team which has worked tirelessly over the past months to guide, 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 2019 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 14 to 23 reliably present the FY2018/19 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 31<sup>st</sup> March 2019 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 FY2018/19 financial performance.

### **Budget Reconciliation**

The revised Expenditure Budget, as per Supplementary Appropriation (2018/2019) Bill, 2019, was M20,950 billion from the original appropriation of M19,830 billion. The budget was revised with M1,192 billion.

As a result of the above revision the Contingency Fund ended up holding an amount to the tune of M230 million. M14,6 million was allocated to Capital Expenditure Budget and M211 million to Recurrent Expenditure Budget. M4.4 million remained unallocated.

Recurrent Revenue Budget remained at the originally budgeted amount of M14,778 billion.

The Supplementary Appropriation Bill 2018/19 which is meant to formalize the above changes has been submitted to Parliament for enactment.

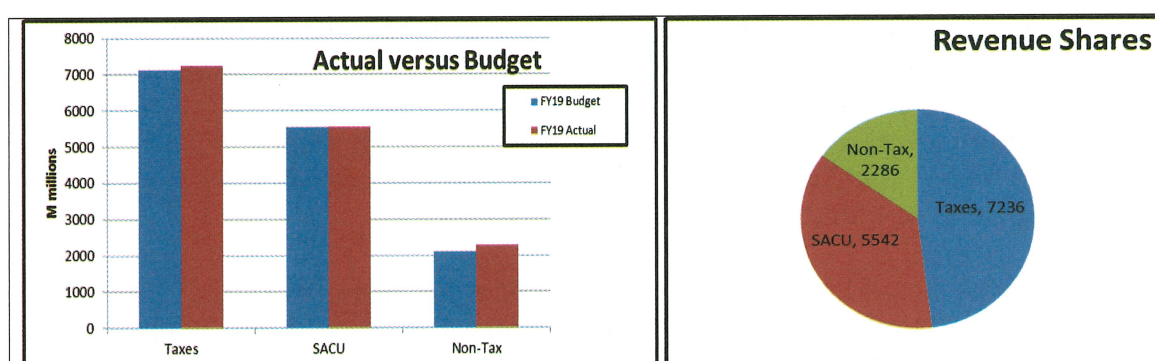
### Overall performance

The appropriated budget projected a Consolidated Fund unfunded deficit of M 2.692 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 M2.822 billion. The financial performance of each component follows.

### Revenues

The overall revenue collections (excluding loans and project grants) for FY2018/19 were M 15.064 billion, some M 286 million less than the revenue budget for the year which was set as M 14,778 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.

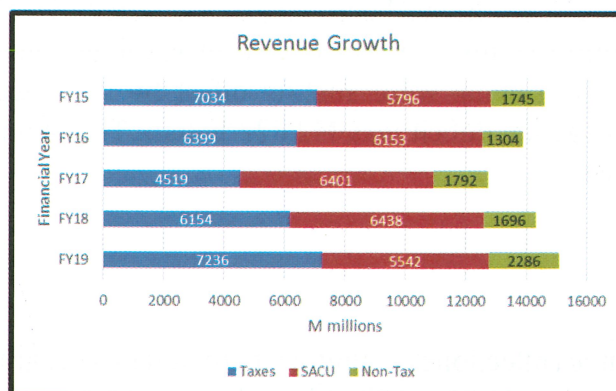
**Figure 1: FY2018/19 Revenues**



Southern Africa Customs Union (SACU) receipts of M 5.542 billion during FY2018/19 were slightly higher than the budget of M 5.538 billion. These were lower than the M 6.154 billion received in the previous year. Actual tax revenues of M 7.236 billion (compared to FY2017/18 of M 6.438) increased slightly.

**Figure 2** provides the trend in revenue receipts and especially illustrates the significance, volatility and overall downward trajectory of the SACU receipts.

**Figure 2: FY2018/19 Revenue Trends**



#### Expenditures

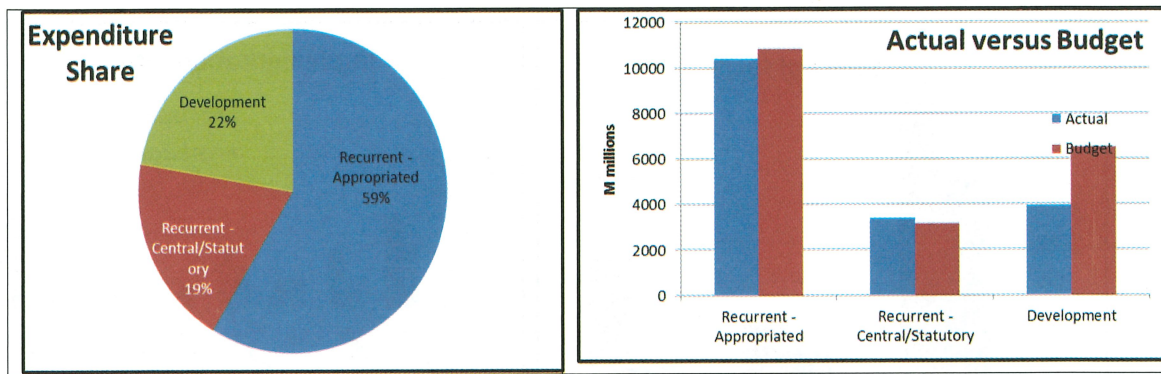
The total originally approved expenditure budget for FY2018/19 was M19.830 billion of which M 13.820 billion (70%) was allocated to recurrent and M 5.910 billion (30%) towards achieving the government's infrastructure and other development objectives. The recurrent provision can be further broken down between the appropriated amounts for release to Spending Units of M 10.666 billion and the statutory/centralized budgets of M 3.254 billion 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 17.403 billion made up of actual recurrent expenditure of M 10.418 billion (representing an implementation rate against the original budget of 97.6%), statutory/central payments of M3.375 billion (103.7%) and development expenditure of M 3.610 billion (69%).

It should be noted that the expenditure budget has been revised to M20.590 billion of which M14.031 billion has been allocated to recurrent expenditure, whilst M6.915 billion for capital expenditure. The balance of M4 billion was still held in the Contingency fund on 31 March 2019. The revision of the expenditure is yet to be approved by Parliament, in accordance with Supplementary Appropriation (2018/2019) Bill.

**Figure 3** illustrates the proportional split between expenditures and relative execution rates between the three main expenditure categories.



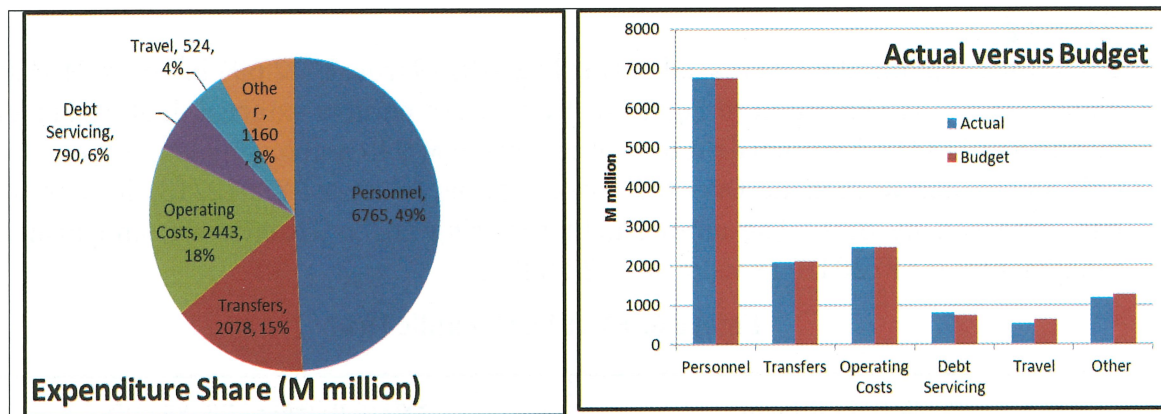
**Figure 3: FY2018/19 Aggregate expenditure**



#### Recurrent expenditures

The FY2018/19 recurrent expenditures were M 13.760 billion. **Figure 4** illustrates that compensation of employees accounted for 49% of recurrent expenditures and reflects a 99% execution rate against the 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.

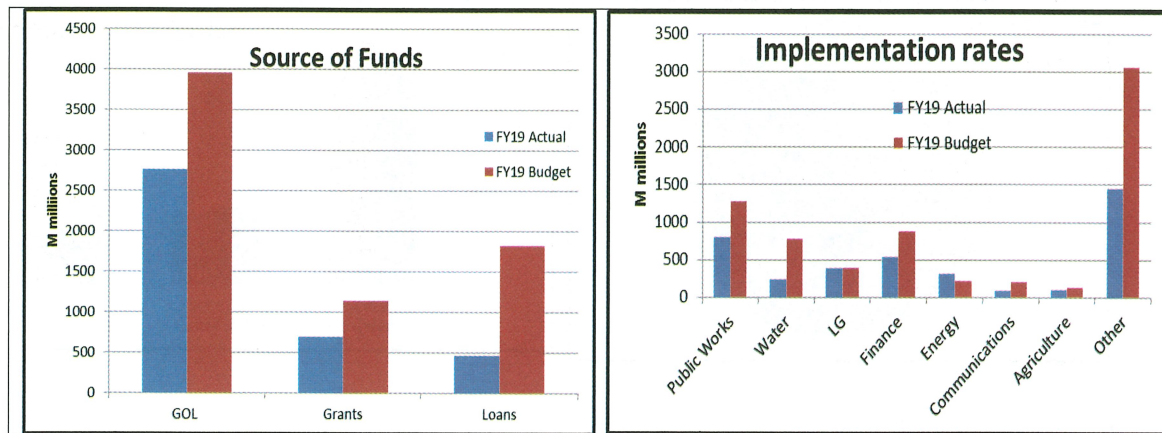
**Figure 4: FY2018/19 Recurrent Expenditures**



#### Capital Expenditures

Overall project expenditure was M 3.931 billion against the budget of M 6.915 billion representing an execution rate of 57%. **Figure 5** illustrates that the implementation rate varied considerably across the three funding categories, ranging from 70% of domestic resources to 61% and 26% for grant and loan funded expenditures. Included in the 26% of loans is the unclarified M600 million that was sourced from the development partners, which has been included in the Supplementary Budget Bill.

**Figure 5: FY2018/19 Capital Expenditures**

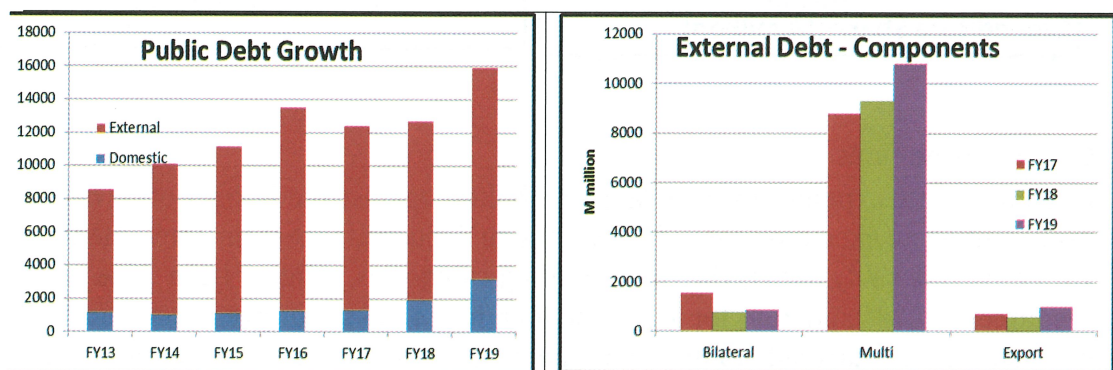


Almost 36% of the capital expenditure budget is accounted for by seven Spending Units (Public Works, Water, Local Government, Finance, Energy, Communications and Agriculture). Project execution rates varied across these agencies ranging from 31% for Water to 146% for Energy. Ministry of Energy and Meteorology recorded a percentage beyond 100 because part of its capital budget execution was not funded through the approved budget. They utilized cash balances from previous years.

#### Financing

Total stock of public debt increased during FY2018/19 from M 12.691 billion to M 15.870 billion (25%), as illustrated in Figure 6. There were no new external debt agreements during FY2018/19. External debt disbursements of M 940 million and loan redemptions of M 587 million were made. Over the seven-year period since FY2012/13, the loan stock has increased by 85%. The annual debt servicing costs (i.e. interest, and principal repayments) for FY2018/19 were M 3.223 billion.

**Figure 6: FY2018/19 Public Debt**



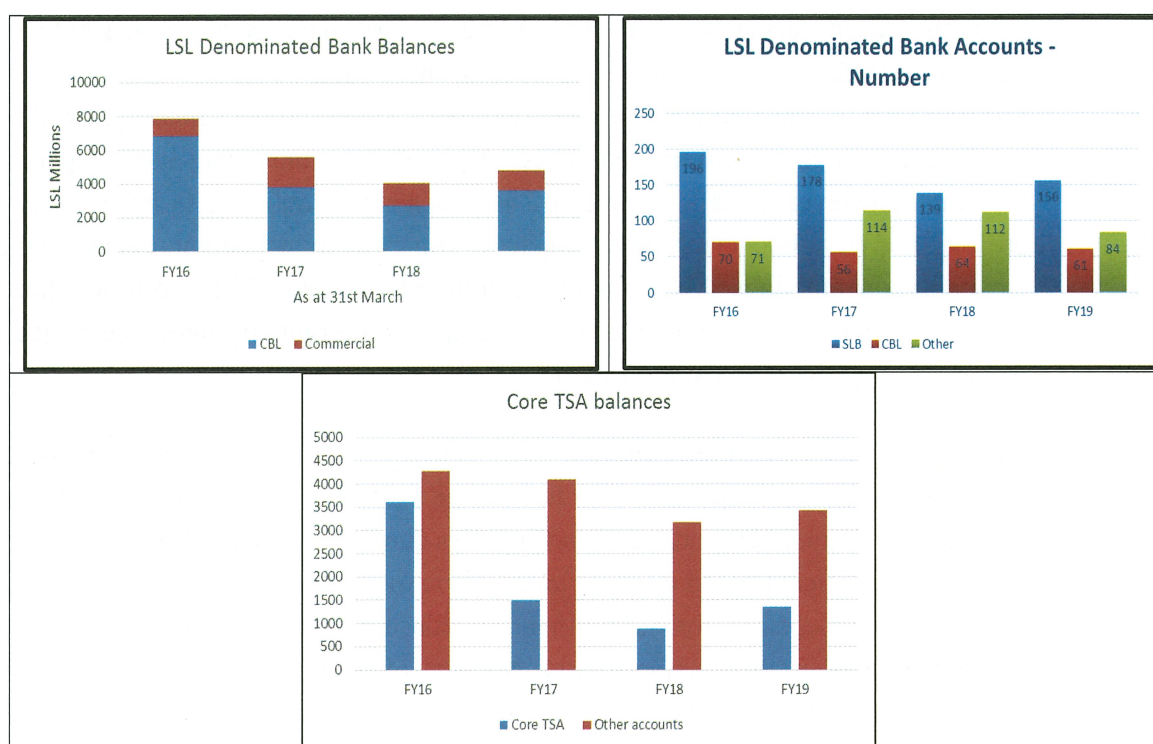


## Cash

During FY2018/19 the government's cash LSL balances decreased from M 4.069 billion to M 3.947 billion. At the end of the year the actual cash balance was M 4.783 billion. As a result, it seems there was an increase in the closing cash balance. This increase is mainly attributed to the inclusion of the Treasury Bills Blocked bank account which was erroneously omitted from FY2017/18 bank balances. 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 14% to M 1.165 billion.

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

**Figure 7: FY2018/19 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 extrabudgetary 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 31<sup>st</sup> March 2019 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.** New Main bank accounts were opened for Epicor 10.2 as means to improve on bank reconciliation for future financial years beginning from 2019/20. Bank reconciliation for FY2017/18 to 2018/19 is currently on going.
- **Use of commercial bank accounts.** The Treasury has continued to close multiple bank accounts closed during the year. The 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 extrabudgetary 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. The plan is to gradually introduce projects to operate through IFMIS post the Upgrade.
- **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. All 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 31<sup>st</sup>, statutory deadline for submitting the consolidated financial statements. All spending units submitted during August. Ministry of Health has been the last Spending Unit to submit with inaccurate and incomplete information. 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 is 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. 2018/19 has been a very difficult year to close. Despite the measures taken to ease the closure of the year, critical payments were submitted to Treasury beyond the cutoff date and warrants released did not match the cash available. This led to arrears for the 2019/20 financial year.

- **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 Ministry of Public Service 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.

The Ombudsman determination impacted negatively to the Treasury Department

- **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, budget credibility, financial reporting, bank reconciliation functions and payment efficiency. The 2018/19 financial year closure was the worst ever. The situation led to a lot of arrears that must be cleared within the 2019/20 financial year for improved reporting of 2020/21.

Several initiatives are underway to strengthen future Treasury practices and further improve the reliability of financial reporting. The IFMIS Upgrade successfully went live on 01<sup>st</sup> April 2019, as planned. 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.

Another improvement that is required is to include capital receipts in the budget book, with correct line items. This will enhance transparency and accountability on the external assistance from development partners. Currently, the external assistance is only shown on the expenditure side of the budget.

In conclusion, 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.

A handwritten signature in black ink, appearing to read 'Malehlohonolo Mahase', written over a horizontal dotted line.

**Mrs. Malehlohonolo Mahase CA(L)**

Accountant General

28<sup>th</sup> August 2020



### **III. Consolidated Financial Statements For the year ended 31<sup>st</sup> March 2019**

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 31<sup>st</sup> March 2019**

Description	Note	2018/2019 Actuals					2017/18
		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
<b>Revenue</b>							
<b>Taxes</b>		-	7,236,146	7,236,146	-	7,236,146	6,438,204
Income, Profit and Capital Gains	1	-	4,142,035	4,142,035	-	4,142,035	3,509,318
Payroll and Workforce	1	-	-	-	-	-	-
Property	1	-	-	-	-	-	-
Goods and Services	1	-	3,093,070	3,093,070	-	3,093,070	2,609,948
International Trade and Transactions	1	-	-	-	-	-	317,619
Other Taxes	1	-	1,041	1,041	-	1,041	1,319
<b>Social Contributions</b>		-	-	-	-	-	-
Other Social Contributions		-	-	-	-	-	-
<b>Grants</b>		509,347	-	509,347	157,335	666,682	632,000
Foreign Governments	4	76,144	-	76,144	61,186	137,330	4,568
International Organisations	4	433,203	-	433,203	96,149	529,352	601,207
Grants from Other General Government Units	4	-	-	-	-	-	26,225
<b>Other Revenue</b>		10,996	2,236,505	2,247,501	-	2,247,501	1,637,183
Property Income	2	68	738,542	738,609	-	738,609	261,050
Rand Monetary Compensation	2	-	232,178	232,178	-	232,178	211,047
Sale of Goods and Services	2	3,545	1,255,669	1,259,214	-	1,259,214	1,145,947
Fines, Penalties and Forfeits	2	-	4,273	4,273	-	4,273	4,663
Voluntary Transfers other than Grants (NGOs)	2	300	-	300	-	300	3,994
Miscellaneous and Unidentified Revenue	2	7,084	5,844	12,927	-	12,927	10,482
<b>SACU Receipts</b>		-	5,542,236	5,542,236	-	5,542,236	6,154,199
SACU Receipts		-	5,542,236	5,542,236	-	5,542,236	6,154,199
<b>Disposal of Financial Assets</b>		-	36,666	36,666	-	36,666	58,577
Domestic Financial Assets		-	36,666	36,666	-	36,666	58,577
Foreign Financial Assets		-	-	-	-	-	-
<b>Disp. Of Money Gold and Spcl Draw Rights</b>		-	-	-	-	-	-
Special Drawing Rights		-	-	-	-	-	-
<b>Disposal of Non Financial Assets</b>		-	1,345	1,345	-	1,345	70
Fixed Assets	14	-	1,345	1,345	-	1,345	70
Non Produced Assets	14	-	-	-	-	-	-
<b>Incurrence of Domestic Liabilities</b>		-	-	-	-	-	-
Securities Other Than Shares		-	-	-	-	-	-
Loans		-	-	-	-	-	-
<b>Incurrence of Foreign Liabilities</b>		373,605	-	373,605	124,292	497,897	446,422
Loans		373,605	-	373,605	124,292	497,897	446,422
<b>Total Receipts</b>		893,948	15,052,899	15,946,847	281,627	16,228,474	15,366,655

Description	Note	2018/2019 Actuals					2017/18
		Head	Treasury	Sub-Total	3rd Parties	Total	Total for All
		Controlled	Accounts	Government	Accounts	for All	
		Accounts	Accounts	Accounts	Accounts	Accounts	Accounts
		M'000	M'000	M'000	M'000	M'000	M'000
PAYMENTS							
Compensation of Employees		828,113	6,517,314	7,345,427	-	7,345,427	6,531,838
Wages and Salaries	6	805,278	5,096,417	5,901,695	-	5,901,695	5,443,418
Social Contribution	6	22,835	1,420,897	1,443,732	-	1,443,732	1,088,420
Goods and Service		1,151,781	2,994,295	4,146,075	72,781	4,218,856	3,860,522
Travel and Transport		221,548	474,475	696,023	-	696,023	662,659
Operating Costs		930,233	2,519,819	3,450,052	72,781	3,522,832	3,197,863
Other Use of Goods and Services		50,690	4,591	55,282	3,385	58,667	12,388
Other Use of Goods and Services	7	50,690	4,591	55,282	3,385	58,667	12,388
Interest		-	383,239	383,239	-	383,239	335,405
Domestic Interest	9	-	153,656	153,656	-	153,656	119,094
Foreign Interest	9	-	229,583	229,583	-	229,583	216,310
Transfers		1,116,548	1,054,879	2,171,428	27,194	2,198,621	2,622,768
Subsidies	10	12,687	272,255	284,942	-	284,942	310,253
Grants	11	108,715	731,484	840,199	25,286	865,485	1,305,782
Social Benefits	12	995,146	51,140	1,046,286	1,908	1,048,194	1,006,734
Other Expenses		15,511	628,244	643,755	-	643,755	744,602
Property Expense Other Than Interest	13	57	5,871	5,928	-	5,928	42
Miscellaneous Other Expense	13	15,454	622,373	637,827	-	637,827	744,560
Losses		-	-	-	-	-	4
Losses of Public Moneys	13	-	-	-	-	-	4
Acquisition of Financial Assets		-	469	469	-	469	-
Domestic Financial Assets		-	-	-	-	-	-
Foreign Financial Assets		-	469	469	-	469	-
Acquisition of Monetary Gold & Spcl Drawing Rights		-	-	-	-	-	-
Special Drawing Rights		-	-	-	-	-	-
Acquisition of Non Financial Assets		816,762	1,047,159	1,863,922	178,268	2,042,189	1,767,168
Fixed Assets	8	816,622	1,042,363	1,858,986	178,268	2,037,253	1,766,108
Non Produced Assets	8	140	4,796	4,936	-	4,936	1,060
Repayment of Domestic Liabilities		10,502	201,581	212,082	-	212,082	56,880
Securities Other Than Shares		-	-	-	-	-	-
Loans		-	201,581	201,581	-	201,581	-
Other Accounts Payable		10,502	-	10,502	-	10,502	56,880
Repayment of Foreign Liabilities		-	587,854	587,854	-	587,854	520,351
Loans		-	587,854	587,854	-	587,854	520,351
Total Payments		3,989,908	13,419,625	17,409,532	281,627	17,691,159	16,451,925
Cash at the beginning of the year	15	2,549,190	2,288,004	4,837,194	0	4,837,194	5,307,140
Cash Allocations		3,424,376		3,424,376	-	3,424,376	3,035,961
Exch. Rate Gain / Loss		(55)	-	(55)	-	(55)	-
Increase (Decrease) in cash		(3,095,960)	1,633,274	(1,462,685)	(0)	(1,462,685)	(1,085,270)
Deficit Financing							
Net Borrowing:				-		-	
Treasury Bills		-	-	-	-	-	270,778
Treasurey Bonds		-	-	-	-	-	344,547
Reduction in Cash and other Net Assets		-	-	-	-	-	615,325
Total Deficit Financing		-	-	-	-	-	615,325
Cash at the end of the year	15	2,877,551	3,921,278	6,798,830	-	6,798,830	4,837,194

**b. Consolidated Statement of Comparison of Budget and Actual Amounts**  
**For the Year Ended 31 March 2019**

Description	Actual 2018/19			Variance
	Actual	Final/ Revised	Approved	Variance Actual
	Amounts	Budget	Budget	to final/Revised
	M'000	M'000	M'000	M'000
<b>RECURRENT REVENUE</b>				
<b>Taxes</b>	<b>7,236,146</b>	<b>7,145,934</b>	<b>7,145,934</b>	<b>-90,213</b>
Income, Profit and Capital Gains	4,353,577	4,273,100	4,273,100	-80,477
Payroll and Workforce	0	0	0	0
Property	0	0	0	0
Goods and Services	2,881,528	2,872,123	2,872,123	-9,405
International Trade and Transactions	0	0	0	0
Other Taxes	1,041	711	711	-330
<b>Social Contributions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other Social Contributions	0	0	0	0
<b>Other Revenue</b>	<b>2,247,501</b>	<b>4,157,935</b>	<b>4,147,825</b>	<b>1,910,434</b>
Property Income	738,609	692,538	692,538	-46,071
Rand Monetary Compensation	232,178	232,668	232,668	490
Sale of Goods and Services	1,259,214	3,228,711	3,218,908	1,969,497
Fines, Penalties and Forfeits	4,573	3,742	3,711	-831
Voluntary Transfers other than Grants (NGOs)	276	276	0	0
Miscellaneous and Unidentified Revenue	12,652	0	0	-12,652
<b>SACU Receipts</b>	<b>5,542,236</b>	<b>5,538,155</b>	<b>5,538,155</b>	<b>-4,081</b>
SACU Receipts	5,542,236	5,538,155	5,538,155	-4,081
<b>Disposal of Financial Assets</b>	<b>36,666</b>	<b>0</b>	<b>0</b>	<b>-36,666</b>
Domestic Financial Assets	36,666	0	0	-36,666
Foreign Financial Assets	0	0	0	0
<b>Disp. Of Money Gold and Spcl Draw Rights</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Special Drawing Rights	0	0	0	0
<b>Disposal of Non Financial Assets</b>	<b>1,345</b>	<b>0</b>	<b>0</b>	<b>-1,345</b>
Fixed Assets	1,345	0	0	-1,345
Non Produced Assets	0	0	0	0
<b>Total Cash Inflows</b>	<b>15,063,895</b>	<b>16,842,024</b>	<b>16,831,914</b>	<b>1,778,129</b>
<b>RECURRENT EXPENDITURE</b>				
Compensation of Employees	6,765,114	6,651,811	6,458,016	-113,303
Travel and Transport	523,604	576,582	692,907	52,978
Operating Costs	2,443,056	2,544,442	2,439,533	101,387
Interest	392,783	455,709	383,497	62,926
Transfers	2,078,020	2,105,907	2,098,240	27,887
Other Expenses	628,135	634,411	654,384	6,276
Losses	0	86	86	86
Acquisition of Financial Assets	12,554	13,217	8,839	663
Acquisition of Monetary Gold & Spcl Drawing Rights	0	2,287	2,287	2,287
Acquisition of Non Financial Assets	127,528	118,191	52,975	-9,337
Repayment of Domestic Liabilities	201,581	230,000	230,000	28,419
Repayment of Foreign Liabilities	587,854	633,629	518,529	45,776
<b>Total Recurrent Expenditure</b>	<b>13,760,228</b>	<b>13,966,274</b>	<b>13,539,293</b>	<b>206,045</b>

**DEVELOPMENT RECEIPTS**

<b>Grants</b>	<b>666,682</b>	<b>1,423,511</b>	<b>1,380,733</b>	<b>756,829</b>
Foreign Governments	137,330	11,045	13,045	-126,284
International Organisations	529,352	1,412,466	1,367,688	883,113
Grants from Other General Government Units	0	0	0	0
<b>Incurrence of Domestic Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Securities Other Than Shares	0	0	0	0
Loans	0	0	0	0
<b>Incurrence of Foreign Liabilities</b>	<b>497,897</b>	<b>592,860</b>	<b>555,271</b>	<b>94,963</b>
Loans	497,897	592,860	555,271	498,395
<b>Total Capital Receipts</b>	<b>1,164,579</b>	<b>2,016,371</b>	<b>1,936,004</b>	<b>851,792</b>

Description	Actual 2018/19			Variance
	Actual Amounts	Final/ Revised Budget	Approved Budget	Variance Actual to final/Revised
	M'000	M'000	M'000	M'000
<b>DEVELOPMENT EXPENDITURES</b>				
<b>GOVERNMENT OF LESOTHO</b>	<b>2,766,547</b>	<b>3,699,260</b>	<b>3,565,252</b>	<b>933,511</b>
Head 01 - Agriculture & Food Security	22,210	126,586	126,586	104,376
Head 02 - Health	67,974	188,792	188,792	120,818
Head 03 - Education & Training	22,087	23,382	19,345	1,295
Head 04 - finance	231,623	429,591	429,478	197,968
Head 05 - Trade & Industry	11,302	20,508	20,508	9,206
Head 06 - Development Planning	8,464	100,000	100,000	91,536
Head 07 - Justice & Correctional Services	48,183	100,000	100,000	51,817
Head 08 - Home Affairs	279,980	287,088	285,788	7,108
Head 10 - Communications, Science & Tech	47,234	48,757	8,757	1,523
Head 11 - Law, Constitutional Affairs and Human Rts	16,211	20,000	20,000	3,789
Head 13 - Public Works & Transport	762,622	800,588	529,260	37,966
Head 14 - Forestry & Land Reclamation	112,236	112,638	112,638	402
Head 15 -Energy	227,488	181,000	181,000	-46,488
Head 17 - Tourism, Environment & Culture	70,706	93,062	93,631	22,356
Head 19 - Royal Palace	76,545	133,953	300,000	57,408
Head 37 - Defence	29,445	47,000	47,000	17,555
Head 39- Senate	0	42,000	42,000	42,000
Head 42 - Local Government & Chieftainship	392,447	351,018	391,865	-41,429
Head 43 - Gender Youth, Sports and Recreation	62,923	65,000	65,000	2,077
Head 44 - Public Service	3,073	8,100	5,000	5,027
Head 45 - Judiciary	18,000	18,000	10,000	0
Head 46 - Social Development	802	3,000	3,000	2,198
Head 48 - Mining	1,529	8,338	21,238	6,809
Head 49 - Police	53,897	72,500	72,500	18,603
Head 50 - Small business	43,371	70,100	70,100	26,729
Head 51 - Water	155,396	348,258	321,765	192,862

<b>DONOR GRANTS</b>	<b>694,143</b>	<b>944,765</b>	<b>927,988</b>	<b>250,622</b>
Head 01 - Agriculture & Food Security	37,223	43,503	0	6,280
Head 02 - Health	216,449	240,212	240,212	23,763
Head 03 - Education & Training	5,269	83,500	83,500	78,231
Head 04 -Finance	264,739	399,152	399,152	134,413
Head 05 - Trade & Industry	114,275	120,221	146,221	5,946
Head 06 - Development Planning	0	0	0	0
Head 08 - Home Affairs	0	0	0	0
Head 10 - Communications, Science & Tech	28,704	30,770	30,770	2,066
Head 13 - Public Works & Transport	0	0	0	0
Head 15 -Energy	14,471	14,980	15,706	509
Head 17 - Tourism, Environment & Culture	1,789	10,079	10,079	8,291
Head 42 - Local Government & Chieftainship	789	0	0	-789
Head 43 - Gender Youth, Sports and Recreation	0	973	973	973
Head 46 - Social Development	0	0	0	0
Head 51 - Water	10,178	1,375	1,375	-8,803
<b>DONOR LOANS</b>	<b>470,241</b>	<b>814,980</b>	<b>701,927</b>	<b>344,739</b>
Head 01 - Agriculture & Food Security	47,350	142,363	104,774	95,013
Head 02 - Health	53,094	32,910	32,910	-20,184
Head 03 - Education & Training	50,105	116,154	116,156	66,049
Head 04 - Finance	40,503	50,898	50,898	10,395
Head 10 - Communications, Science & Tech	11,556	11,592	11,592	36
Head 13 - Public Works & Transport	43,043	123,139	103,139	80,096
Head 15 -Energy	76,997	76,997	21,531	0
Head 46 - Social Development	11,561	32,139	32,139	20,577
Head 51 - Water	72,056	170,076	170,076	98,020
<b>Total Development Expenditure</b>	<b>3,930,931</b>	<b>5,459,006</b>	<b>5,195,167</b>	<b>1,528,075</b>
<b>Total Cash Outflows</b>	<b>17,691,159</b>	<b>19,425,279</b>	<b>18,734,459</b>	<b>1,734,120</b>
<b>Net Flow</b>	<b>-1,462,685</b>	<b>-566,885</b>	<b>33,459</b>	<b>895,801</b>



### c. Statement of Accounting Policies

The Consolidated Financial Statements have been prepared in accordance with the following accounting policies, which have been applied consistently, and in all material aspects, from one year to another, unless otherwise indicated.

#### Basis of Preparation

1. **Reporting entity** – These financial statements consolidate information for the national government, including its ministries, departments, Constitutional bodies and other Spending Units covered by the national budget. The lists of included and excluded agencies are shown below in the Statement of Consolidated Entities.
2. **Financial year** – The Government's fiscal year runs from 1st April to 31<sup>st</sup> March. These consolidated financial statements cover the year ended 31<sup>st</sup> March 2019 whilst the comparative actual figures reflect the 12 months ended 31<sup>st</sup> March 2018.
3. **Reporting currency** – All amounts have been presented in the Lesotho Loti (M). Transactions denominated in other currencies have been converted to Loti at the exchange rate prevailing at the time of transaction. Cash held in other currencies at the year-end have been converted to Lesotho Loti at the exchange rates prevailing on 31<sup>st</sup> March 2018, as advised by the Central Bank of Lesotho (CBL). Disclosures of borrowings held at 31<sup>st</sup> March 2019 and denominated in foreign currencies have been similarly converted to their Loti equivalents.
4. **Accounting basis** – The Consolidated Financial Statements comply with the provisions of the Public Financial Management and Accountability Act, 2011 excepting the requirement for their compliance to IPSAS. The Government has embarked on a roadmap for implementing the cash-basis IPSAS but does not yet comply for the following significant reasons:
  - (a) The financial statements do not consolidate all government-controlled entities. State owned enterprises, autonomous institutions and other extra-budgetary funds are not fully consolidated—this IPSAS requirement was relaxed in 2017.
  - (b) Centrally managed bank account balances are not fully reconciled as at 31<sup>st</sup> March 2019.
  - (c) The financial statements disclose a small number of accrual items which had not been cleared at the reporting date e.g. accounts payable, advances, provisions, third party trusts and deposits. The FY2018/19 flows on these are disclosed
5. **Previous year adjustments** - Corrections made by Spending Units to the reported figures of previous years have adjusted the comparative figures and cash balances

carried forward from the respective years. The adjustments are disclosed in the notes to the financial statements.

6. Receipts and Other Cash Inflows - Revenues include the tax collections by Lesotho Revenue Authority (LRA) net of tax refunds, receipts from the Southern African Customs Union (SACU), grants from development partners, dividends, royalties and miscellaneous non-tax revenues collected by Spending Units. Revenues are recognised in the financial records when received.
  - (a) **Grant aid** – grants received from local or foreign institutions are recorded when funds are received or, in respect of grant funded expenditures that benefit government but are disbursed by donors 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.
  - (b) **Foreign exchange gains** – realised gains are recognised on payment of funds.
  - (c) **Sale of investments** – revenues from the sale of shares in trading entities are recognised in the financial statements on receipt of the sale proceeds.
  - (d) **Borrowing receipts** – loans received from local or foreign institutions are recorded when funds are received or, in respect of loans disbursed by institutions to settle government obligations to third parties, upon receipt of notification that the disbursement has been made.
  - (e) **Short term borrowings** – receipts of Treasury Bills with tenures of less than one year are recorded on a net basis with the repayment of short term borrowings.
7. Payments and Other Cash Outflows - Unless otherwise specified, expenditures are recognised in the financial records when the final authorisation for payment is effected in the IFMIS.
  - (a) **Advances to local authorities** – advances of budgeted monies transferred to district councils were expensed at the time the final authorisation for payment of the advance is effected on the system. Adjustments were made to reflect actual payments incurred during the year by the district council.
  - (b) **Repayment of Borrowings** – Repayments of borrowed monies are recorded when the final authorisation for payment is entered on the system. The values are updated to account for the actual exchange rate applied by the Central Bank of Lesotho. The Notes to the Financial Statements identify the borrowing balances as at 31st March 2019.

- (c) Repayment of short term borrowings** – Repayments of Treasury Bills with tenures of one year or less are recorded on a net basis with short term borrowing receipts.
- (d) Inventories** – Payments for inventories purchased during the year are treated as expenditures. Stock balances and issues are maintained for statistical purposes. The financial value of stock balances is not recognized in the financial statements.
- (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 2019 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 2019 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 FY2018/19 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		
<b>Central Services</b> (managed by Min. Finance)		<b>District Councils</b> (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**

<b>State Owned Enterprises:</b>		
<ul style="list-style-type: none"> <li>Central Bank of Lesotho (CBL)</li> <li>Lesotho Post Bank</li> <li>Water &amp; Sewerage Corporation (WASCO)</li> <li>Basotho Enterprise Development Corporation (BEDCO)</li> </ul>	<ul style="list-style-type: none"> <li>Lesotho National Development Corporation (LNDC)</li> <li>Lesotho Electricity Company (LEC)</li> <li>Lesotho Tourism Development Corporation</li> </ul>	
<b>Autonomous Bodies</b>		
<b><i>Agriculture &amp; Food Security</i></b>	<b><i>Health and Social Welfare</i></b>	<b><i>Development Planning</i></b>
Lesotho Dairy	National Drug Service Organization	Council of Bureau of Statistics
Agriculture College	Lesotho Pharmaceutical Corporation	Council of National Manpower
Lesotho National Dairy Board		
<b><i>Finance</i></b>	<b><i>Education &amp; Training</i></b>	<b><i>Public Works</i></b>
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	
<b><i>Energy</i></b>	<b><i>Tourism, Environment &amp; Culture</i></b>	<b><i>Public Service</i></b>
Metolong Authority	Tourism Licensing Board	Public Service Tribunal
<b><i>Trade, Industry, Cooperatives &amp; Marketing</i></b>	<b><i>Gender, Youth, Sports &amp; Recreation</i></b>	<b><i>Local Government &amp; Chieftainship</i></b>
Trade Licensing Board	Stadium Board	Lesotho Housing
Lesotho Cooperative College	Youth Council	Land Administration Authority
	Lesotho Sports & Recreation Commission	
	<b><i>Extra-Budgetary Funds</i></b>	<b><i>Joint Ventures</i></b>
	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 include the original budget for FY2018/19 as approved by the National Assembly through the Appropriation (2018/19) Act, 2018. 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: FY2018/19 Summary Budget**

	Approved	Supplementary	Reallocation	Revised
Government Revenues	14,778,493,070			14,778,493,070
<b>Total Revenues</b>	<b>14,778,493,070</b>	-	-	<b>14,778,493,070</b>
<b>Recurrent Expenditure:</b>	<b>13,820,024,359</b>	<b>211,020,542</b>	-	<b>14,031,044,901</b>
Appropriated	10,666,578,434	211,020,542		10,877,598,976
Statutory	3,153,445,925			3,153,445,925
<b>Capital Expenditure:</b>	<b>5,910,111,475</b>	<b>614,692,065</b>	<b>390,215,468</b>	<b>6,915,019,008</b>
Appropriated	3,550,382,186	14,600,000	390,215,468	3,955,197,654
Grant Funded	1,141,270,047			1,141,270,047
Loan Funded	1,218,459,242	600,092,065		1,818,551,307
Contingency*	100,000,000	4,379,518		4,379,518
<b>Total Expenditure</b>	<b>19,830,135,834</b>	<b>830,092,125</b>	<b>390,215,468</b>	<b>20,950,443,427</b>

\* Supplementary budget for Contingency Fund only shows the balance after part of the funds it was holding were reallocated to Recurrent and Capital Budgets

Notes:

Cabinet has approved the application of the Contingency Fund and allocation of Supplementary estimates, and 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: FY2018/19 Use of Contingency Fund**

NO.	DATE	MINISTRY	RECURRENT	CAPITAL	CUMMULATIVE	BALANCE	PURPOSE
1	21/05/2018	Judiciary	6,529,936		6,529,936	93,470,064	Engagement of three Judges at the High Court of Lesotho
2	20/06/2018	Prime Minister's Office	8,114,638		14,644,574	85,355,426	Funds requested for hosting the 12th stop cervical breast cancer and prostate cancer conference.
3	4/07/2018	Defence	16,610,153		31,254,727	68,745,273	Funds requested for extension of the SADC Prevention Mission in Lesotho SAPMIL
4	04/07/2018	Public Works	3,061,449		34,316,176	65,683,824	Funds requested to top-up the purchase and production of materials for department of traffic and transport
5	12/07/2018	Local Government	485,487		34,801,663	65,198,337	Funds requested for financing District Administrators in regard to the Kings Birthday celebration
6	6/08/2018	Finance	820,000		35,621,663	64,378,337	To pay LNLVIP counterpart contribution
7							
7	15/09/2018	Public Works		4,600,000	40,221,663	59,778,337	Funds were requested for the finalization of the construction of the New State House Building
8		Communications		10,000,000	50,221,663	49,778,337	Funds were requested for expansion of private radio stations
9		Police	5,000,000		55,221,663	44,778,337	Procurement of police vehicles
10		Education	23,000,000		78,221,663	21,778,337	Payment of Graduates of reverting principals who have not exited the teaching service
		Local Government				14,778,337	MCC street lighting
11			7,000,000		85,221,663		
		Social Development				778,337	Additional budget for Social Assistance Project
12			14,000,000		99,221,663		
		Foreign Affairs				107,897	His Majesty childhood nutrition forum
13			670,440		99,892,103		
		<b>BALANCES</b>	<b>84,621,663</b>	<b>14,600,000</b>	<b>99,892,103</b>	<b>107,897</b>	
		<b>REPLENISHMENT</b>				<b>130,000,000</b>	
		<b>TOTAL</b>				<b>130,107,897</b>	
14	14/01/2019	Education & Training	15,000,000		114,892,103	115,107,897	To top-up subvention of the National University of Lesotho
		Law & Constitutional Affairs	7,000,000		121,892,103	108,107,897	To pay outstanding Swissbrough case and local high profile cases
15	11/01/2019	Foreign Affairs	17,920,383		139,812,486	90,187,514	To cater for recalled staff from the missions
16	11/01/2019	Prime Ministers Office				84,187,514	Additional budget of Prime Ministers office and his holidays
17	15/01/2019		6,000,000		145,812,486		
18	15/01/2019	Public Works and Transport	5,000,000		150,812,486	79,187,514	To bail out Lesotho Freight and Bus Service
19	1/02/2019	Prime Ministers Office	12,500,000		163,312,486	66,687,514	To Finance the National Reforms Dialogue activities
20	01/02/2019	Labour and Employment	3,136,127		166,448,613	63,551,387	Clearance of outstanding JHI bills accumulated over years due to shortage of funds
21	30/01/2019	Communications	37,400,867		203,849,480	26,150,520	To pay for communication and software
		Justice and Human Rights	970,500		204,819,980	25,180,020	Phurchase of VIP vehicles
22	01/02/2019	Judiciary	14,659,117		219,479,097	10,520,903	Phurchase of VIP vehicles
23	01/02/2019	National Assembly	1,991,808		221,470,905	8,529,095	Phurchase of VIP vehicles
24	01/02/2019	Public Service	1,021,308		222,492,213	7,507,787	Phurchase of VIP vehicles
25	01/02/2019	Ombudsman				6,521,421	To cater for relocation of Ombudsman's Office
26	06/02/2019		986,366		223,478,579		
27	06/02/2019	IEC	1,295,592		224,774,171	5,225,829	Payment of shortterm hire vehicles for IEC commissioners
28	27/02/2019	PM's Office	449,500		225,223,671	4,776,329	For the First Lady's Trip to Port Elizabeth to receive her Honorary Doctorate
						4,395,958	To cater or International tourism exhibition taken by the Minister in Berlin and Tokyo
29	27/03/2019	Tourism	380,371		225,604,042		
						4,379,518	Prosvion to buy set of tyres from Tren-Tyre Maseru for Hon. Minister utility vehicle( Landcruiser
30		Public Service	16,440		225,620,482		

## 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.

Description	Head Controlled	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
	Actual 2018/2019	Actual 2018/2019	Actual 2018/2019	Actual 2018/2019
	M'000	M'000	M'000	M'000
<b>Taxes</b>	-	<b>7,236,146</b>	-	<b>7,236,146</b>
Income, Profit and Capital Gains	-	4,142,035	-	4,142,035
Payroll and Workforce	-	-	-	-
Property	-	-	-	-
Goods and Services	-	3,093,070	-	3,093,070
International Trade and Transactions	-	-	-	-
Other Taxes	-	1,041	-	1,041
<b>Total Taxes</b>	-	<b>7,236,146</b>	-	<b>7,236,146</b>

## Note 2: Non-Tax Revenues

Collections of non-tax revenues were as follows:

Description	Head Controlled	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
	Actual 2018/2019	Actual 2018/2019	Actual 2018/2019	Actual 2018/2019
	M'000	M'000	M'000	M'000
<b>Property Income</b>	<b>68</b>	<b>738,542</b>	<b>-</b>	<b>738,609</b>
Interest	68	70,253	-	70,320
Dividends	-	321,917	-	321,917
<i>Dividends Received from Financial Public Corporations</i>	-	-	-	-
<i>Dividends Received from Non Financial Public Corporations</i>	-	-	-	-
<i>Dividends - Other</i>	-	210,000	-	210,000
Withdrawals from Income of Quasi Corporations	-	-	-	-
Property Income Attributed to Insurance Policyholders	-	-	-	-
Rent - Non Produced Assets	-	346,372	-	346,372
<i>Industrial Minerals Royalties</i>	-	339,011	-	339,011
<i>Surface Rent</i>	-	3,335	-	3,335
<i>Ground Rent</i>	-	4,026	-	4,026
<b>Rand Monetary Compensation</b>	<b>-</b>	<b>232,178</b>	<b>-</b>	<b>232,178</b>
<b>Sale of Goods and Services</b>	<b>3,545</b>	<b>1,255,669</b>	<b>-</b>	<b>1,259,214</b>
Sales by Market Establishments	-	994,479	-	994,479
<i>Electricity - Muela</i>	-	62,138	-	62,138
<i>Water Royalties - LHDA</i>	-	932,341	-	932,341
Administrative Fees	1,531	38,410	-	39,941
Incidental Sales by Non Market Establishments	2,013	152,224	-	154,237
Imputed Sales of Goods and Services	-	70,556	-	70,556
Fines Penalties and Forfeits	-	4,273	-	4,273
Voluntary Transfers other than Grants (NGOs)	300	-	-	300
Miscellaneous and Unidentified Revenue	7,084	5,844	-	12,927
	-	-	-	-
<b>Total Non-Tax Revenue</b>	<b>10,996</b>	<b>2,236,505</b>	<b>-</b>	<b>2,247,501</b>

## 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 FY2018/19 were from those shown below.

Entity Name	Supervising Spending Unit	Dividends Received Actual	
		2018/2019	2017/2018
Lesotho National Insurance Group	Finance	3,000,000	3,006,200
Lesotho Life Assurance Company	Finance	-	-
Central Bank of Lesotho	Finance	84,396,000	147,566,000
AON	Finance	395,854	-
Maluti Mountain Brewery	Finance	-	1,490,278
Avani	Finance	-	2,436,897
Letseng Mine	Mining	210,000,000	60,000,000
Standard Lesotho Bank	Finance	24,125,000	-
<b>Total</b>		<b>321,916,854</b>	<b>214,499,375</b>

**Note 4: Grants received**

Grants received during the year ended 31<sup>st</sup> March 2019 were:

	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
Description	Actual 2018/2019 M'000	Actual 2018/2019 M'000	Actual 2018/2019 M'000	Actual 2018/2019 M'000
<b>Grants from Foreign Governments</b>	<b>76,144</b>	<b>-</b>	<b>61,186</b>	<b>137,330</b>
Current Donor Grants - Foreign Governments	33	-	27,786	27,819
Capital Donor Grants - Foreign Governments	76,111	-	33,400	109,511
<b>Grants from International Organisations</b>	<b>433,203</b>	<b>-</b>	<b>96,149</b>	<b>529,352</b>
Current Donor Grants – Multilateral Partners	5,527	-	7,987	13,514
Capital Donor Grants – Multilateral Partners	427,676	-	88,162	515,838
<b>Grants from Other General Government Units</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Current Grants from Central Government	-	-	-	-
Capital Grants from Central Government	-	-	-	-
	-	-	-	-
<b>Total Grants</b>	<b>509,347</b>	<b>-</b>	<b>157,335</b>	<b>666,682</b>

**Note 6: Compensation of Employees**

Payments of FY2018/19 employee compensation are made up of the following:

	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
Description	Actual 2018/2019 M'000	Actual 2018/2019 M'000	Actual 2018/2019 M'000	Actual 2018/2019 M'000
<b>Wages and salaries</b>	<b>805,278</b>	<b>5,096,417</b>	<b>-</b>	<b>5,901,695</b>
Non Statutory Salaries in Cash	412,811	4,544,743	-	4,957,554
Statutory Salaries in Cash	-	144,494	-	144,494
Wages in Cash	193,803	211,524	-	405,328
Allowances in Cash - Non Statutory Posts	157,259	170,925	-	328,184
Allowances in Cash - Statutory Posts	-	2,780	-	2,780
Salaries and Wages - Own Account Capital	-	-	-	-
Wages and Salaries in Kind	41,405	21,951	-	63,356
<b>Social Contributions</b>	<b>22,835</b>	<b>1,420,897</b>	<b>-</b>	<b>1,443,732</b>
Actual Social Contributions	-	525,644	-	525,644
Imputed Social Contributions	-	-	-	-
Unfunded Pensions and Gratuities	22,835	895,253	-	918,088
	-	-	-	-
<b>Total Compensation of Employee</b>	<b>828,113</b>	<b>6,517,314</b>	<b>-</b>	<b>7,345,427</b>



### *Note 7: Other Use of Goods and Services*

	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
Description	Actual 2018/2019 M'000	Actual 2018/2019 M'000	Actual 2018/2019 M'000	Actual 2018/2019 M'000
<b>Other Use of Goods and Services - Own Account Capital</b>	<b>50,690</b>	<b>4,591</b>	<b>3,385</b>	<b>58,667</b>
Purchase of Construction Materials – Own Account Capital	-	-	-	-
Consultancies - Own Account Capital	7,437	-	3,385	10,822
Purchase of Other Goods and Services - Own Account Capital	43,254	4,591	-	47,845
Travel and Transport - Own Account Capital	-	-	-	-
	-	-	-	-
<b>Total cost of other goods and services consumed</b>	<b>50,690</b>	<b>4,591</b>	<b>3,385</b>	<b>58,667</b>

### *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 FY2018/19.

	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
Description	Actual 2018/2019 M'000	Actual 2018/2019 M'000	Actual 2018/2019 M'000	Actual 2018/2019 M'000
<b>Fixed Assets</b>	<b>816,622</b>	<b>1,042,363</b>	<b>178,268</b>	<b>2,037,253</b>
Buildings and Structures	706,884	673,266	164,646	1,544,796
Machinery and Equipment	59,039	311,202	13,622	383,863
Acquisition of Other Fixed Assets	50,699	57,895	-	108,594
Acquisition of Inventories	-	-	-	-
Acquisition of Valuables	-	-	-	-
<b>Non-Produced Assets</b>	<b>140</b>	<b>4,796</b>	<b>-</b>	<b>4,936</b>
Land	140	4,796	-	4,936
Subsoil Assets	-	-	-	-
Other Naturally Occurring Assets	-	-	-	-
Intangible Non Produced Assets	-	-	-	-
	-	-	-	-
<b>Total value of property, plant and equipment expensed</b>	<b>816,762</b>	<b>1,047,159</b>	<b>178,268</b>	<b>2,042,189</b>

### *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 2018/2019 M'000	Actual 2018/2019 M'000	Actual 2018/2019 M'000	Actual 2018/2019 M'000
<b>Domestic Interest</b>	-	153,656	-	153,656
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	-	153,656	-	153,656
<b>Foreign Interest</b>	-	229,583	-	229,583
Bilateral Interest	-	21,996	-	21,996
Multilateral Interest	-	186,166	-	186,166
Financial Institutions Interest	-	35	-	35
Export Credit Interest	-	21,386	-	21,386
Foreign Interest - Own Account Capital	-	-	-	-
<b>Total interest payable</b>	-	383,239	-	383,239

#### *Note 10: Subsidies*

	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
Description	Actual 2018/2019 M'000	Actual 2018/2019 M'000	Actual 2018/2019 M'000	Actual 2018/2019 M'000
<b>Subsidies</b>	-	-	-	-
<b>To Public Corporations</b>	12,687	272,255	-	284,942
Subsidies - Non Financial Public Corporations	12,687	272,255	-	284,942
Subsidies - Financial Public Corporations	-	-	-	-
<b>To Private Enterprises</b>	-	-	-	-
<b>On Products</b>	-	-	-	-
Petroleum Levy	-	-	-	-
Subsidy on Agricultural Inputs	-	-	-	-
<b>Total subsidies for the year</b>	12,687	272,255	-	284,942

#### *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 2018/2019 M'000	Actual 2018/2019 M'000	Actual 2018/2019 M'000	Actual 2018/2019 M'000
<b>Grants</b>	-	-	-	-
<b>To Foreign Governments</b>	-	-	-	-
<b>To International Organisations</b>	-	33,282	-	33,282
Commonwealth Secretariat	-	5,342	-	5,342
ACP	-	575	-	575
Group Of 77	-	144	-	144
SADC	-	27,121	-	27,121
UNFPA	-	101	-	101
<b>To Other General Government Units</b>	108,715	698,202	25,286	832,203
Current Grants Paid to Central Government	-	372,240	-	372,240
Current Grants Paid to Extra Budgetary Units	71,267	162,540	-	233,806
Current Grants Paid to Local Governments	-	-	-	-
Grants in Aid Paid to Central Government	-	-	-	-
Grants in Aid Paid to Extra Budgetary Units	37,449	135,272	25,286	198,006
Grants in Aid Paid to Local Governments	-	28,150	-	28,150
Capital Grants Paid to Central Government	-	-	-	-
Capital Grants Paid to Extra Budgetary Units	-	-	-	-
Capital Grants Paid to Local Governments	-	-	-	-
<b>Total grants for the year</b>	108,715	731,484	25,286	865,485

### *Note 12: Social Benefits*

Social benefits comprised:

	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
Description	Actual 2018/2019 M'000	Actual 2018/2019 M'000	Actual 2018/2019 M'000	Actual 2018/2019 M'000
<b>Social Benefits</b>	-	-	-	-
<b>Social Security Benefits</b>	-	12	-	12
<b>Social Assistance Benefits</b>	991,386	47,380	1,908	1,040,674
Old Age Pension	713,156	-	-	713,156
APC Pension	5,338	-	-	5,338
Public Assistance in Cash	-	43,179	1,908	45,087
School Feeding Program	187,400	-	-	187,400
Safety Net	81,797	-	-	81,797
LLA Pensions	3,696	-	-	3,696
Public Assistance in Kind	-	4,201	-	4,201
<b>Employer Social Benefits</b>	3,760	3,748	-	7,508
Compensation	3,760	3,748	-	7,508
Other School and Medical Fees - Foreign Missions	-	-	-	-
<b>Total social benefits</b>	995,146	51,140	1,908	1,048,194

### Note 13: Other Operating Expenses

	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
Description	Actual 2018/2019 M'000	Actual 2018/2019 M'000	Actual 2018/2019 M'000	Actual 2018/2019 M'000
<b>Property Expense Other Than Interest</b>	57	5,871	-	5,928
Withdrawals from Income of Quasi Corporations	-	-	-	-
Property Expense Attributed to Insurance Policyholders	-	-	-	-
<b>Rent of Non Produced Assets</b>	57	5,871	-	5,928
Rent and Lease of Land for Government Use	57	5,871	-	5,928
<b>Miscellaneous Other Expense</b>	15,454	622,373	-	637,827
<b>Current</b>	15,454	622,373	-	637,827
Transfers to Institutions Caring for Orphans	-	4,142	-	4,142
Student Grants - National Manpower Development	-	577,032	-	577,032
Legal Compensation	-	1,457	-	1,457
Maseru City Council - Government Housing Property Expense	-	180	-	180
Motor Vehicle Assurance	15,454	19,936	-	35,390
Non Life Insurance Premiums	-	19,621	-	19,621
<b>Capital</b>	-	-	-	-
Capital Transfers - Non Financial Public Corporations	-	-	-	-
<b>Losses of Public Moneys</b>	-	-	-	-
<b>Losses of Public Moneys</b>	-	-	-	-
Cash Losses Reported	-	-	-	-
Actual Cash Losses	-	-	-	-
<b>Bad Debt Expense</b>	-	-	-	-
<b>Exchange Rate Losses</b>	-	-	-	-
Exchange Rate Losses - Foreign Bank Accounts	-	-	-	-
Exchange Rate Losses - Foreign Currency Loans	-	-	-	-
Losses on Disposals	-	-	-	-
<b>Asset Impairment Losses</b>	-	-	-	-
Impairment Expense - Buildings and Structures	-	-	-	-
Impairment Expense - Machinery and Equipment	-	-	-	-
Impairment Expense - Other Fixed Assets	-	-	-	-
Impairment Expense - Valuables	-	-	-	-
Impairment Expense - Non Produced Assets	-	-	-	-
<b>Total</b>	15,511	628,244	-	643,755

### Note 14: Proceeds from the Sale of Assets

	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
Description	Actual 2018/2019 M'000	Actual 2018/2019 M'000	Actual 2018/2019 M'000	Actual 2018/2019 M'000
<b>Disposal of Fixed Assets</b>	-	1,345	-	1,345
Buildings and Structures	-	-	-	-
Machinery and Equipment	-	1,345	-	1,345
<b>Disposal of Other Fixed Assets</b>	-	-	-	-
<b>Disposal of Inventories</b>	-	-	-	-
<b>Disposal of Valuables</b>	-	-	-	-
<b>Disposal of Non-Produced Assets</b>	-	-	-	-
<b>Total Proceed received</b>	-	1,345	-	1,345

### 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 2019		Accounts at 1st April 2018	
	Number	Balance	Number	Balance
		M'000		M'000
<b><u>Locally Denominated Accounts:</u></b>				
Central Bank of Lesotho	61	3,618,403	63	2,721,581
Ned Bank Lesotho	31	43,031	38	47,194
Standard Lesotho Bank	150	611,052	139	725,724
First National Bank	11	39,875	13	57,934
Lesotho Post Bank	30	402,577	21	513,160
ABSA	1	3,163	1	3,052
<b>Total</b>	<b>284</b>	<b>4,718,100</b>	<b>275</b>	<b>4,068,645</b>
<b><u>Foreign Currency Accounts</u></b>				
Central Bank of Lesotho	36	195,649	63	127,240
Standard Lesotho Bank	6	947,957	7	54,520
First National Bank	2	25,605		
Foreign Diplomatic Missions	22	85,891	22	88,927
<b>Total</b>	<b>66</b>	<b>1,255,102</b>	<b>92</b>	<b>270,686</b>
<b>Government Accounts Balance</b>	<b>350</b>	<b>5,973,203</b>	<b>367</b>	<b>4,339,331</b>
<b><u>Monies Held in Trust:</u></b>				
Central Bank of Lesotho	2	333,090	1	342,360
Standard Lesotho Bank	26	6,679	30	18,609
First National Bank	2	1,190		
Lesotho Post Bank	7	13,865	9	13,876
<b>Trust Monies Balance</b>	<b>37</b>	<b>354,825</b>	<b>40</b>	<b>374,845</b>
<b>GRAND TOTAL</b>	<b>387</b>	<b>6,328,028</b>	<b>407</b>	<b>4,714,176</b>

#### Notes:

- The reported balances of locally denominated accounts of M4.069 billion in FY2017/18 was understated by M833 million where Treasury Bill and Bonds Blocked bank account was erroneously omitted. The correct figure would have been M 4.902 billion.
- Cash allocations are the amounts transferred from Treasury to the spending units/ heads-controlled 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 2018/19 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%

### *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

***Schedule 3: Accounts Receivable and other 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 spending units and period for which amounts are overdue. It records those debts owed to the Government budget agencies. It excludes moneys owed to sub-vented agencies (e.g. Tertiary education institutions), extra budgetary funds (e.g. National Manpower Development scheme), rental arrears; rechargeable works; refunds of overpayments to employees and suppliers; replacement of returned to sender (bounced) cheques; interest and principal payments due on loans made to individuals and institutions; and advances where the acquittal is overdue.

**Table 8: Overdue Debt Analysis**

Analysis by Spending Unit	Period Overdue				Total Receivables Arrears at 31 March 2019
	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	
Head 01 Agriculture & Food Security	6,804				6,804
Head 02 Health	1,030	161	99,267	93	100,551
Head 03 Education & Training	34	13	11	10	67
Head 05 Trade & Industry	38				38
Head 08 Home Affairs	5,317	56			5,373
Head09 Prime Ministers Office	449	8,488	149	9,799	18,884
Head 10 Communications, Science & Tech	98	30			128
Head 11 Law & Constitutional Affairs				9,385	9,385
Head 12 Foreign Affairs & Int. Relations	465				465
Head 13 Public Works & Transport	296				296
Head 15 Energy, Meteorology & Water Affairs		13,482	15,802		29,283
Head 16 Labour & Employment		14			14
Head 21 Principal Repayment	256,088				256,088
Head 38 National Assembly	42	-	4	-	46
Head 40 Ombudsman	43				43
Head 41 Independent Electoral Commission	54				54
Head 42 Local Government & Chieftainship	-	22	-	1,125	1,147
Head 43 Gender, Youth, Sports & Recreation	131	-	-	11	142
Head 40 Ombudsman	43				43
Head 44 Public Service	41				41
Head 45 Judiciary			136		136
Head 37 Defence	9	366	138	469	981
Head 48 Mining	51	377	12	16	456
Head 49 Police & Public Safety		298			298
Head 50 Small Business	58				58
Head 51 Water				31	31
<b>TOTAL</b>	<b>264,287</b>	<b>23,307</b>	<b>115,519</b>	<b>20,938</b>	<b>424,050</b>

***Schedule 4: 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 31<sup>st</sup> March 2014 which indicated an underfunding of M5.560 billion and the valuator's revised report which assessed the underfunding as M5.890 billion as at 31<sup>st</sup> March 2016.

#### ***Schedule 5: Public Debt***

Public Debt comprises domestic and external borrowings. The increase in the debt stock reflects the additional domestic borrowing, 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**

		01 April 2018	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019
NO.	Category	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	826,926,371.63			64,724,297.09	21,996,188.47	873,970,973.87
2	Multilateral	9,170,910,611.23		660,761,525.00	455,324,977.44	186,165,995.45	10,799,742,429.85
3	Export Credit	650,666,591.02		279,300,000.00	67,636,654.74	21,385,655.03	987,681,803.94
4	Other Financial Institution	335,759.65			167,606.66	35,201.60	109,163.77
	<b>Total</b>	<b>10,648,839,334</b>	<b>-</b>	<b>940,061,525</b>	<b>587,853,536</b>	<b>229,583,041</b>	<b>12,661,504,371</b>

**Table 11: Domestic Liabilities**

		01 April 2018	2018/2019	2018/2019	2018/2019	2018/2019
NO.	Category	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	874,703,700.00	2,058,317,593.95	2,056,253,293.95	54,800,871.64	876,768,000.00
2	Treasury Bonds	1,097,438,900.00	880,186,900.00	201,580,600.00	93,190,496.16	1,776,045,200.00
3	Fiscal Bills	0.00	556,170,000.00			556,170,000.00
	<b>Total</b>	<b>1,972,142,600</b>	<b>3,494,674,494</b>	<b>2,257,833,894</b>	<b>147,991,368</b>	<b>3,208,983,200</b>

Notes:

The Opening balance differs from previous closing balances because the following adjustments are made

1. For Bilateral, Refurbishment of the Convention Centre the balance was erroneously indicated as M2,157,040 whereas the correct balance was M19,157,040
2. For Export Credits, the loan balances were recorded correctly, but the summation formula was not correct. It has been corrected and they sum up to M650, 666,591,02
3. For Multilateral, there was an oversight when recording tranches for Phuthiatsana, Feeder Road study balances were not included and they have now been included.

Furthermore, balances for Greater Maseru Water and Wool and Mohair Promotion and E-Government were erroneously recorded hence total for Multilateral was indicated as

M9,320,118,904,61 and the total outstanding debt was recorded as M10,718,740,936 while it was supposed to reflected as M10,648,839,333,53

**Table 12: Debt Opening and Closing Balances and Exchange Rates**

Currency	As at 31 March 2018			As At 31 March 2019			Change 2018/19 (per cent)		
	Exchange rate	Balance (currency)	Balance Maloti	Exchange rate	Balance (currency)	Balance Maloti	Exchange rate	Balance (currency)	Balance (Maloti)
AED	3.5400	53,401,000	189,039,541.60	3.9496	48,798,801	192,735,746	12%	-9%	2%
BUA	15.0736	57,501,554	866,753,332.70	20.2434	51,881,553	1,050,259,028	34%	-10%	21%
CAD	9.6900	689,054	6,676,932.40	10.8582	613,034	6,638,054	12%	-11%	-1%
CHF	12.9300	3,553,738	45,949,826.20	14.643	3,202,452	46,893,505	13%	-10%	2%
CNY	1.89	311,306,825	588,369,899.00	2.1689	435,305,480	944,134,056	15%	40%	60%
DKK	1.5103	16,276,938	24,583,541.20	2.1789	9,946,787	21,673,054	44%	-39%	-12%
EUR	14.5578	133,082,546	1,937,389,091.00	16.3818	121,184,369	1,985,218,096	13%	-9%	2%
GBP	16.1200	739,827	11,926,007.70	19.0681	520,374	9,922,543	18%	-30%	-17%
JPK	120.0000	2,695,989	323,518,649.70	131.9000	1,911,107	252,075,030	10%	-29%	-22%
KWD	42.4700	8,228,820	349,477,981.30	47.6800	7,447,560	355,099,661	12%	-9%	2%
NOK	1.5100	2,639,992	3,986,388.40	1.681	2,362,568	3,971,477	11%	-11%	0%
SAR	3.4500	85,328,000	294,381,600.20	2.8656	77,357,250	221,674,936	-17%	-9%	-25%
SEK	1.4500	16,267,542	23,587,936.60	1.5715	14,607,015	22,954,924	8%	-10%	-3%
USD	12.9400	126,121,999	1,632,018,667.00	14.5836	133,621,944	1,948,688,983	13%	6%	19%
XDR	15.6377	274,311,391	4,289,607,557.00	20.2434	273,954,101	5,545,762,439	29%	0%	29%
XEU	14.5578	4,188,315	60,972,652.90	16.3818	3,277,642	53,693,676	13%	-22%	-12%
ZAR	1.0000	335,760	599,728.30	1.0000	109,164	109,164	0%	-67%	-82%
			10,648,839,333.20			12,661,504,371			

**Table 13: Annual Principal Repayment Schedule**

External Debt	Balance at 31 March 2019	Principal Repayment Schedule (Maloti millions)					
		2019/20	2020/21	2021/22	2022/23	2023/24	After 2023/24
Multilateral lenders	10,799,742,429.85	10,680.90	10,562.60	10,284.70	9,889.90	9,461.60	46,319.50
Bilateral lenders	873,970,973.87	806.50	766.30	716.20	648.00	551.20	2,180.30
Commercial banks	109,163.77	-	-	-	-	-	-
Export Credits	987,681,803.94	1,460.90	1,936.60	2,003.30	1,889.80	1,726.40	7,040.80
<b>Total external debt</b>	<b>12,661,504,371.43</b>	<b>12,948.30</b>	<b>13,265.50</b>	<b>13,004.20</b>	<b>12,427.70</b>	<b>11,739.20</b>	<b>55,540.60</b>

#### *Schedule 6: 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 FY2018/19 transactions and year-end status.

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

Benefitting Agency	Balance at 31 March 2018	Transactions 2018/19			Balance at 31 March 2019	Arrears at 31 March 2019	
		Loans Repaid	Cancelled	Disbursed		Principal	Interest
IDA Infrastructure	2,835,492.00	2,835,492.00	62,380.82		-		
ADB Line of Credit	1,454,380.59	1,454,380.59	14,543.81		-		
Tikoe Factory Shells	47,900,000.00	7,900,000.00	669,500.00		40,000,000.00		
CGM	12,000,000.00	12,000,000.00	230,000.00		-		
Tikoe Phase 2 Factory Shells	202,789,827.00				202,789,827.00		
Telecom National Network Phase II	222,726,839.00				222,726,839.00	66,731,611.70	74,517,233.39
Telecom National Network Phase I	205,986,835.00				205,986,835.00	34,933,333.32	29,282,154.98
BADEA 132 Maseru Water Supply I	63,023,315.44				63,023,315.44	72,786,747.60	3,346,316.99
BADEA 133 Maseru Water Supply II	78,097,437.64				78,097,437.64	20,708,712.00	1,915,875.86
OFID 134 Maseru Supply II	85,500,487.03				85,500,487.03	40,833,059.15	8,584,999.85
IDA 2400 Infrastructure Engineering	18,119,448.31				18,119,448.31	8,055,870.34	1,915,875.86
IDA 3995 Water Sector Improvement Project	48,814,091.58				48,814,091.58	12,038,833.38	1,790,502.82
Lesotho Electricity Supply Project	39,866,677.00	1,944,715.96	807,057.12		37,921,961.04		
	<b>1,029,114,830.59</b>	<b>26,134,588.55</b>	<b>1,783,481.75</b>		<b>1,002,980,242.04</b>	<b>256,088,167.49</b>	<b>121,352,959.75</b>

***Schedule 7: Payment Arrears***

Payment arrears are payment obligations on Government to individuals, suppliers, lenders or contractors that were due for settlement prior to 31st March 2019, 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 2019
	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	
Head 01 Agriculture & Food Security				1,497	1,497
Head 01 Agric				1,497	1,497
Head 02 Health	61,708	7,762	2,511	52,134	124,116
Head 03 Education & Training	18,110	499	10,173	5,295	34,077
Head 04 Finance			71,870.74	1,686.34	73,557
Head 05 Trade & Industry	1,339	148	-	335	1,822
Head 07 Justice & Correctional Services				1,114	1,114
Head 09 Prime Minister's Office	1,000	166	1,261	893	3,320
Head 10 Communications, Science & Tech		69,416			69,416
Head 11 Law & Constitutional Affairs				835	835
Head 12 Foreign Affairs & Int. Relations	7,319	-	76	768	8,163
Head 13 Public Works & Transport	63	2,730			2,793
Head 14 Forestry & Land Reclamation	11,110				11,110
Head 13 Public Works	63	2,730			2,793
Energy, Meteorology & Water					
Head 15 Affairs		4,710	542		5,252
Head 16 Labour & Employment	2,044				2,044
Head 17 Tourism, Environment & Culture			8,591		8,591
Head 18 Audit			7	123	129
Head 20 Public Service Commission				66	66
Head 23 Pension & Gratuities				24,313	24,313
Head 26 Refund of Erroneous Receipts		10			10
Head 37 Defense & National Security	27,452	30,353	7,382	26,972	92,159
Head 38 National Assembly		380			380
Head 39 Senate	87	1,190	328		1,605
Independent Electoral					
Head 41 Commission	880	1,331	2,202	2,651	7,065
Local Government &					
Head 42 Chieftainship	134,137	1,891	731	3,418	140,177
Head 43 Gender	942	1,622	177	1,896	4,637
Head 44 Public Service	250	399	29	147	825
Head 45 Judiciary	216	20,226			20,443
Head 46 Social Development		1,637			1,637
Directorate on Corruption &					
Head 47 Economic Offences				86	86
Head 48 Mining	436	46	22	1,628	2,132
Head 48 Mining	436	36	11	1,621	2,103
Head 49 Police	10,812	33,128			43,940
Head 50 Small Business	2,080	54			2,134
Head 37 Defence	27,452	30,353	7,382	26,972	92,159
Head 51 Water				40,036	40,036
<b>TOTAL</b>	<b>307,935</b>	<b>210,819</b>	<b>113,296</b>	<b>195,984</b>	<b>828,034</b>



### *Schedule 8: 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**

Benefitting entity Date and purpose	Lending Institution and Main terms	Balance of guarantee at 31 March 2018	Balance of guarantee at 31 March 2019
MPS and statutory Positions	FNB	70,070,680.02	52,579,792.75
Maseru E textile	Standard Bank	10,864,202.18	6,095,713.33
Eclat Evergood	Standard Bank		29,500,000.00
TZICC	Standard Bank	39,529,263.00	32,450,000.00
WASCO	NEDBANK	16,825,282.65	5,386,012.52
Statutory Positions	Standard Bank		596,583.53
LUQY'S Manufacturing (PTY)	FNB	3,438,675.60	4,170,909.60

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**

Start Year	Beneficiary	Lender	Exposure at 31 March, 2019 M'	Exposure at 31 March, 2018 M'
	WASCO (PTY) LTD	Nedbank	5,386,012.52	16,825,282.65
2016	Maseru E Textile	Standard Lesotho Bank	6,095,713.33	10,864,202.18
2014	CGM	Standard Lesotho Bank		
	Members of 10th Parliament	Nedbank		70,070,680.02
	LUQY's Manufacturing	FNB	4,170,909.60	3,438,675.60
2014	Presitex Industry PTY	Standard Lesotho Bank		
2014	Eclat Evergood Textiles	Standard Lesotho Bank	29,500,000.00	
2015	PS and Statutory positions	Standard Lesotho Bank	52,579,792.75	70,070,680.02
2014	TZICC	Standard Lesotho Bank	32,450,000.00	39,529,263.00
2015	Statutory Positions	Standard Bank	596,583.53	
2015	Members of 9th Parliament, PS	Nedbank		
2017	Local Government	Nedbank	1,072,673.98	1,837,209.10

212,635,992.57

## Schedule 9: 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'000	M'000	M'000	M'000	Total M'000
Head 02	Health				13	99,688				99,701
Head 03	Education & Training				5	96		509		610
Head 09	Prime Minister's Office					18,884				18,884
Head 10	Communications					74				74
Head 12	Foreign Affairs							4		4
Head 13	Public Works							3		3
Head 14	Forestry & Land Reclamation					8				8
Head 20	Public Service Commission				1					1
Head 23	Pensions and Gratuities					8,427				8,427
Head 37	Defence							205		205
Head 38	National Assembly					38				38
Head 39	Senate					71		66		137
Head 41	IEC							10		10
Head 42	Local Government & Chieftainship				11	12				23
Head 43	Gender, Youth, Sports & Recreation					142				142
Head 44	Public Service							281		281
Head 46	Social Development							275		275
Head 47	Directorate on Corruption & Economic Offences						17	1		18
Head 48	Mining				17	77				93
Head 49	Police					298		443		742
Head 50	Small Business				50			570		620
GRAND TOTAL		-	-	-	97	127,815	17	2,367	-	130,296

## Appendix 1: Analysis of Receipts and Payments by Spending Unit

**Table 19: 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	32,629,765	258,614,930	80,224,452	106,782,785	(252,543,498)
02 Health	13,090,349	1,936,643,947	315,287,205	337,517,394	(1,945,783,787)
03 Education and Training	4,633,569	2,393,972,402	52,723,469	77,461,374	(2,414,076,737)
04 Finance	13,112,270,785	706,200,405	298,141,328	536,865,029	12,167,346,679
05 Trade and Industry	11,375,510	43,973,023	73,748,569	189,552,048	(148,400,992)
06 Development Planning	110,940	687,771,099	-	8,464,228	(696,124,386)
07 Justice and Correctional Services	503,432	216,711,168	317,588	48,438,848	(264,328,995)
08 Home Affairs	28,088,808	158,824,024	-	279,980,112	(410,715,328)
09 Prime Minister's Office	-	189,703,260	25,318,716	-	(164,384,544)
Communications, Science and					
10 Technology	7,826,809	181,421,000	42,356,175	87,493,987	(218,732,003)
11 Law and Constitutional Affairs	8,900,128	66,637,065	-	16,211,225	(73,948,163)
Foreign Affairs and International					
12 Relations	-	380,223,351	-	797,620	(381,020,971)
13 Public Works and Transport	23,997,405	132,783,725	68,535,676	805,665,376	(845,916,019)
Forestry Range and Soil					
14 Conservation	42,544	69,511,567	-	112,236,188	(181,705,211)
15 Energy and Meteorology	274,975,969	29,203,066	91,164,063	318,956,936	17,980,030
16 Labour and Employment	8,274,522	66,585,660	-	-	(58,311,138)
17 Tourism, Environment & Culture	4,429,343	153,627,486	3,247,631	72,494,828	(218,445,340)
18 Auditor General's Office	533,484	26,917,517	-	-	(26,384,033)
19 His Majesty's Office	-	6,171,300	-	76,544,538	(82,715,838)
20 Public Service Commission	-	15,332,255	-	-	(15,332,255)
37 Defence and National Security	1,478,267	603,056,260	-	29,444,982	(631,022,976)
38 National Assembly	-	82,250,038	-	-	(82,250,038)
39 Senate	-	18,384,045	-	-	(18,384,045)
40 Ombudsman	-	9,478,959	-	-	(9,478,959)
41 Independent Electoral Commission	367,625	75,382,158	408,266	-	(74,606,267)
Local Government and					
42 Chieftainship Affairs	2,198,024	471,162,467	1,121,330	393,236,035	(861,079,148)
Gender & Youth, Sports &					
43 Recreation	52,966	87,531,558	-	62,923,092	(150,401,683)
44 Public Service	8,614,017	38,708,465	-	3,073,234	(33,167,682)
45 Judiciary	4,192,062	106,556,506	-	17,999,999	(120,364,443)
46 Social Development	-	270,892,819	29,750,093	12,362,945	(253,505,671)
Directorate on Corruption &					
47 Economic Offences	-	27,804,117	-	-	(27,804,117)
48 Mining	567,125,297	21,384,555	-	1,529,434	544,211,307
49 Police and Public Safety	10,119,190	639,262,171	-	53,897,140	(683,040,120)
Small Business Development,					
50 Cooperatives & Marketing	189,211	100,630,078	-	43,370,753	(143,811,620)
51 Water	937,874,796	111,933,466	82,234,451	237,630,569	670,545,212
<b>Total Appropriated</b>	<b>15,063,894,817</b>	<b>10,385,245,910</b>	<b>1,164,579,012</b>	<b>3,930,930,698</b>	<b>1,912,297,221</b>
<b>Statutory and Centralized Expenditure</b>					-
21 Principal Repayment		789,434,136			(789,434,136)
22 Interest Charges		383,239,129			(383,239,129)
23 Pensions and Gratuities		2,095,468,614			(2,095,468,614)
24 Statutory Salaries & Gratuities		42,298,688			(42,298,688)
Subscriptions to International					
25 Financial Organisations		64,362,215			(64,362,215)
26 Refund to Erroneous Receipts		179,778			(179,778)
30 Centralised Items		-			-
31 Contingencies		-			-
<b>Total Statutory &amp; Centralized</b>	<b>-</b>	<b>3,374,982,560</b>	<b>-</b>	<b>-</b>	<b>(3,374,982,560)</b>
<b>Totals</b>	<b>15,063,894,817</b>	<b>13,760,228,470</b>	<b>1,164,579,012</b>	<b>3,930,930,698</b>	<b>(1,462,685,339)</b>

## Appendix 2: Budget Comparison - Analysis by Spending Unit

**Table 20: FY2018/19 Budget versus Actual – Revenues**

An extract from the Statement of Budget comparison and Actual Amounts

	Collecting Unit	Original	Revised (as per Submission by Spending Units)	Actual	Variance
01	Agriculture and Food Security	24,398,248	24,398,248	32,629,765	34%
02	Health	22,707,254	2,083,847,918	13,090,349	-42%
03	Education and Training	5,052,077	5,052,077	4,633,569	-8%
04	Finance	12,811,705,298	12,811,705,298	13,112,270,785	2%
05	Trade and Industry	10,242,688	10,242,688	11,375,510	11%
06	Development Planning	62,000	62,000	110,940	79%
07	Justice and Correctional Services	221,800	189,800	503,432	127%
08	Home Affairs	34,210,000	34,210,000	28,088,808	-18%
09	Prime Minister's Office	-	-	-	#DIV/0!
10	Communications, Science and Technology	7,222,500	7,222,500	7,826,809	8%
11	Law and Constitutional Affairs	1,361,365	1,361,365	8,900,128	554%
12	Foreign Affairs and International Relations	-	-	-	#DIV/0!
13	Public Works and Transport	18,309,207	18,309,207	23,997,405	31%
14	Forestry Range and Soil Conservation	233,000	233,000	42,544	-82%
15	Energy and Meteorology	312,914,364	312,914,364	274,975,969	-12%
16	Labour and Employment	4,705,856	8,274,522	8,274,522	76%
17	Tourism, Environment & Culture	4,299,975	4,299,975	4,429,343	3%
18	Auditor General's Office	926,981	926,981	533,484	-42%
19	His Majesty's Office	-	-	-	#DIV/0!
20	Public Service Commission	-	-	-	#DIV/0!
37	Defence and National Security	1,700,500	1,700,500	1,478,267	-13%
38	National Assembly	-	-	-	#DIV/0!
39	Senate	-	-	-	#DIV/0!
40	Ombudsman	-	-	-	#DIV/0!
41	Independent Electoral Commission	-	-	367,625	#DIV/0!
42	Local Government and Chieftainship Affairs	1,712,024	1,712,024	2,198,024	28%
43	Gender & Youth, Sports & Recreation	243,500	243,500	52,966	-78%
44	Public Service	6,112,800	6,388,680	8,614,017	41%
45	Judiciary	3,979,788	3,979,800	4,192,062	5%
46	Social Development	-	-	-	#DIV/0!
47	Directorate on Corruption & Economic Offences	-	-	-	#DIV/0!
48	Mining	529,545,069	529,545,069	567,125,297	7%
49	Police and Public Safety	5,662,100	5,662,100	10,119,190	79%
50	Small Business Development, Cooperatives & Marketing	112,150	112,150	189,211	69%
51	Water	970,852,526	969,430,000	937,874,796	-3%
<b>Total</b>		<b>14,778,493,070</b>	<b>16,842,023,766</b>	<b>15,063,894,817</b>	<b>2%</b>

**Table 21: FY2018/19 Budget versus Actual – Recurrent Expenditures**

An extract from the Statement of Budget comparison and Actual Amounts

Spending Unit	Original Budget (as per Spending Units submissions)	Revised (as per Submission by Spending Units)	Actual	Variance
<b>Appropriated Expenditure</b>				
01 Agriculture and Food Security	285,284,556	298,216,680	245,682,806	14%
02 Health	2,013,724,125	2,055,529,836	1,944,647,318	3%
03 Education and Training	2,391,349,939	2,435,811,214	2,393,972,402	0%
04 Finance	868,705,943	785,912,898	706,200,405	19%
05 Trade and Industry	43,176,320	44,908,871	43,065,940	0%
06 Development Planning	693,600,083	693,599,084	687,778,099	1%
07 Justice and Correctional Services	227,208,192	226,794,222	216,942,963	5%
08 Home Affairs	165,762,900	165,755,448	158,823,421	4%
09 Prime Minister's Office	117,684,199	186,808,921	189,703,260	-61%
Communications, Science and				
10 Technology	152,200,155	191,854,029	181,421,000	-19%
11 Law and Constitutional Affairs	65,992,681	76,441,551	66,637,065	-1%
Foreign Affairs and International				
12 Relations	358,346,766	345,396,191	380,223,351	-6%
13 Public Works and Transport	0	0	158,491,729	#DIV/0!
Forestry Range and Soil				
14 Conservation	80,890,727	80,890,728	69,511,567	14%
15 Energy and Meteorology	27,730,118	29,711,100	29,203,066	-5%
16 Labour and Employment	53,659,803	76,900,029	66,585,660	-24%
17 Tourism, Environment & Culture	87,467,929	88,055,733	153,627,486	-76%
18 Auditor General's Office	27,575,356	27,830,410	26,917,517	2%
19 His Majesty's Office	6,943,357	6,943,357	6,171,300	11%
20 Public Service Commission	13,389,679	15,614,423	15,332,255	-15%
37 Defence and National Security	608,479,205	630,580,393	603,056,260	1%
38 National Assembly	80,278,915	83,499,376	82,429,938	-3%
39 Senate	18,200,406	18,866,057	18,568,157	-2%
40 Ombudsman	9,953,200	9,909,829	9,478,959	5%
Independent Electoral				
41 Commission	70,547,108	71,842,697	75,382,158	-7%
Local Government and				
42 Chieftainship Affairs	480,221,770	487,707,257	471,162,467	2%
Gender & Youth, Sports &				
43 Recreation	90,266,365	91,154,428	87,531,558	3%
44 Public Service	39,415,134	40,791,598	38,708,465	2%
45 Judiciary	112,447,500	115,203,480	128,418,323	-14%
46 Social Development	248,598,171	293,462,984	260,959,476	-5%
Directorate on Corruption &				
47 Economic Offences	28,207,540	28,534,355	27,804,117	1%
48 Mining	24,635,798	25,651,689	21,384,555	13%
49 Police and Public Safety	643,450,187	650,475,694	639,262,171	1%
Small Business Development,				
50 Cooperatives & Marketing	106,436,093	103,634,661	100,630,078	5%
51 Water	166,046,146	168,527,310	111,933,466	33%
<b>Total Appropriated</b>	<b>10,407,876,365</b>	<b>10,652,816,532</b>	<b>10,417,648,757</b>	<b>0%</b>
<b>Statutory and Centralized Expenditure</b>				
21 Principal Repayment	748,528,548	863,629,477	789,434,136	-5%
22 Interest Charges	382,153,243	444,275,725	383,239,129	0%
23 Pensions and Gratuities	1,829,045,789	1,880,045,789	2,095,468,614	-15%
24 Statutory Salaries & Gratuities	41,704,554	50,598,710	42,298,688	-1%
Subscriptions to International				
25 Financial Organisations	72,207,452	72,207,452	64,362,215	11%
26 Refund of Erroneous Receipts	2,700,000	2,700,000	179,778	93%
30 Centralised Items	0			0%
<b>Total Statutory &amp; Centralized</b>	<b>3,076,339,586</b>	<b>3,313,457,153</b>	<b>3,374,982,560</b>	<b>-10%</b>
<b>Total Recurrent Expenditure</b>	<b>13,484,215,951</b>	<b>13,966,273,686</b>	<b>13,792,631,317</b>	<b>-2%</b>
31 Contingencies	100,000,000			
<b>Total Recurrent + Contingencies</b>	<b>13,584,215,951</b>	<b>13,966,273,686</b>		

**Table 22: FY2018/19 Budget versus Actual – Development Expenditures**

Spending Unit		Original Budget	Contingency Fund	Supplementary	Reallocated	Revised Budget	Actual	Variance
<b>01</b>	<b>Agriculture &amp; Food Security</b>	<b>123,758,687</b>	-	-	-	<b>123,758,687</b>	<b>106,782,785</b>	<b>14%</b>
	GoL Funded	49,834,787		-		49,834,787	22,209,900.05	
	Development Partner - Grants	41,665,000		-		41,665,000	37,222,909.82	
	Development Partner - Loans	32,258,900		-		32,258,900	47,349,975.47	
<b>02</b>	<b>Health</b>	<b>461,913,522</b>	-	-	-	<b>461,913,522</b>	<b>337,517,394</b>	<b>27%</b>
	GoL Funded	188,792,188		-		188,792,188	67,974,466.99	
	Development Partner - Grants	240,211,636		-		240,211,636	216,449,019.10	
	Development Partner - Loans	32,909,698		-		32,909,698	53,093,908.36	
<b>03</b>	<b>Education and Training</b>	<b>218,998,789</b>	-	<b>4,037,000</b>	<b>4,037,000</b>	<b>223,035,789</b>	<b>77,461,374</b>	<b>65%</b>
	GoL Funded	19,345,000		<b>4,037,000</b>	4,037,000	23,382,000	22,087,117.43	
	Development Partner - Grants	83,500,000		-		83,500,000	5,269,416.21	
	Development Partner - Loans	116,153,789		-		116,153,789	50,104,840.00	
<b>04</b>	<b>Finance</b>	<b>879,528,125</b>	-	-	-	<b>879,528,125</b>	<b>536,865,029</b>	<b>39%</b>
	GoL Funded	429,478,225		-		429,478,225	231,623,210.01	
	Development Partner - Grants	399,151,889		-		399,151,889	264,738,898.01	
	Development Partner - Loans	50,898,011		-		50,898,011	40,502,921.23	
<b>05</b>	<b>Trade &amp; Industry</b>	<b>249,707,838</b>	-	-	-	<b>249,707,838</b>	<b>189,552,048</b>	<b>24%</b>
	GoL Funded	175,584,196		-		175,584,196	11,302,321.19	
	Development Partner - Grants	74,123,642		-		74,123,642	114,274,975.62	
	Development Partner - Loans	-		-		-	63,974,751.00	
<b>06</b>	<b>Development Planning</b>	<b>108,679,912</b>	-	-	-	<b>108,679,912</b>	<b>8,464,228</b>	<b>92%</b>
	GoL Funded	100,000,000		-		100,000,000	8,464,227.50	
	Development Partner - Grants	8,679,912		-		8,679,912	-	
	Development Partner - Loans	-		-		-	-	
<b>07</b>	<b>Justice, Human Rights &amp; Rehab</b>	<b>100,000,000</b>	-	-	-	<b>100,000,000</b>	<b>48,438,848</b>	<b>52%</b>
	GoL Funded	100,000,000		-		100,000,000	48,182,787.02	
	Development Partner - Grants	-		-		-	256,060.54	
	Development Partner - Loans	-		-		-	-	
<b>08</b>	<b>Home Affairs</b>	<b>285,788,417</b>	-	<b>11,300,000</b>	<b>11,300,000</b>	<b>297,088,417</b>	<b>279,980,112</b>	<b>2%</b>
	GoL Funded	285,788,417		<b>11,300,000</b>	11,300,000	297,088,417	279,980,112.05	
	Development Partner - Grants	-		-		-	-	
	Development Partner - Loans	-		-		-	-	
<b>10</b>	<b>Communications, Science &amp; Tech</b>	<b>168,767,406</b>	<b>10,000,000</b>	<b>40,000,000</b>	<b>30,000,000</b>	<b>208,767,406</b>	<b>87,493,987</b>	<b>48%</b>
	GoL Funded	10,000,000	10,000,000	<b>40,000,000</b>	30,000,000	50,000,000	47,233,681.17	
	Development Partner - Grants	93,836,603		-		93,836,603	28,703,896.20	
	Development Partner - Loans	64,930,803		-		64,930,803	11,556,409.20	
<b>11</b>	<b>Law &amp; Constitutional Affairs</b>	<b>20,000,000</b>	-	-	-	<b>20,000,000</b>	<b>16,211,225</b>	
	GoL Funded	20,000,000		-		20,000,000	16,211,225.46	
	Development Partner - Grants	-		-		-	-	
	Development Partner - Loans	-		-		-	-	
<b>12</b>	<b>Foreign Affairs and International Relations</b>	<b>20,000,000</b>	-	-	-	<b>20,000,000</b>	<b>797,620</b>	
	GoL Funded	20,000,000		-		20,000,000	797,620.00	
	Development Partner - Grants			-		-	-	
	Development Partner - Loans			-		-	-	
<b>13</b>	<b>Public Works &amp; Transport</b>	<b>967,360,000</b>	<b>4,600,000</b>	<b>300,343,708</b>	<b>295,743,708</b>	<b>1,267,703,708</b>	<b>805,665,376</b>	<b>17%</b>
	GoL Funded	480,360,000	4,600,000	<b>300,343,708</b>	295,743,708	780,703,708	762,622,002.27	
	Development Partner - Grants	-		-		-	-	
	Development Partner - Loans	487,000,000		-		487,000,000	43,043,373.33	
<b>14</b>	<b>Forestry and Land Reclamation</b>	-	-	-	-	-	<b>112,236,188</b>	<b>#DIV/0!</b>
	GoL Funded	-		-		-	112,236,187.91	
	Development Partner - Grants	-		-		-	-	
	Development Partner - Loans	-		-		-	-	
<b>15</b>	<b>Energy and Meteorology</b>	<b>218,237,037</b>	-	-	-	<b>218,237,037</b>	<b>318,956,936</b>	<b>-46%</b>
	GoL Funded	181,000,000		-		181,000,000	227,487,974.54	
	Development Partner - Grants	15,706,100		-		15,706,100	14,471,478.98	
	Development Partner - Loans	21,530,937		-		21,530,937	76,997,482.64	

17	Tourism,Environment & Cultu.	111,140,339	-	10,000,000	10,000,000	121,140,339	72,494,828	35%
	GoL Funded	93,631,339		10,000,000	10,000,000	103,631,339	70,705,925.69	
	Development Partner - Grants	17,509,000		-		17,509,000	1,788,902.45	
	Development Partner - Loans	-		-		-		
19	His Majesty's Office	300,000,000	-	-	-	300,000,000	76,544,538	74%
	GoL Funded	300,000,000		-		300,000,000	76,544,538.00	
	Development Partner - Grants	-		-		-		
	Development Partner - Loans	-		-		-		
37	Defence and National Security	47,000,000	-	-	-	47,000,000	29,444,982	37%
	GoL Funded	47,000,000		-		47,000,000	29,444,982.22	
	Development Partner - Grants	-		-		-		
	Development Partner - Loans	-		-		-		
39	Senate	42,000,000	-	-	-	42,000,000	-	
	GoL Funded	42,000,000		-		42,000,000		
	Development Partner - Grants	-		-		-		
	Development Partner - Loans	-		-		-		
42	Local Government & Chieftain.	391,865,125	-	253,000	253,000	392,118,125	393,236,035	0%
	GoL Funded	391,865,125		253,000	253,000	392,118,125	392,446,909.97	
	Development Partner - Grants	-		-		-	789,125.00	
	Development Partner - Loans	-		-		-		
43	Gender and Youth, Sports .	65,973,462	-	-	-	65,973,462	62,923,092	5%
	GoL Funded	65,000,000		-		65,000,000	62,923,091.77	
	Development Partner - Grants	973,462		-		973,462	-	
	Development Partner - Loans	-		-		-	-	
44	Public Service	5,000,000	-	3,100,000	3,100,000	8,100,000	3,073,234	
	GoL Funded	5,000,000		3,100,000	3,100,000	8,100,000	3,073,233.91	
	Development Partner - Grants	-		-		-		
	Development Partner - Loans	-		-		-		
45	Judiciary	10,000,000	-	31,900,000	31,900,000	41,900,000	17,999,999	-80%
	GoL Funded	10,000,000		31,900,000	31,900,000	41,900,000	17,999,998.95	
	Development Partner - Grants	-		-		-		
	Development Partner - Loans	-		-		-		
46	Social Development	163,000,000	-	-	-	163,000,000	12,362,945	92%
	GoL Funded	3,000,000		-		3,000,000	801,576.65	
	Development Partner - Grants	30,000,000		-		30,000,000	-	
	Development Partner - Loans	130,000,000		-		130,000,000	11,561,368.00	
48	Mining	21,238,100	-	-	-	21,238,100	1,529,434	93%
	GoL Funded	21,238,100		-		21,238,100	1,529,434.36	
	Development Partner - Grants	-		-		-	-	
	Development Partner - Loans	-		-		-	-	
49	Police and Public Safety	72,500,000	-	-	-	72,500,000	53,897,140	26%
	GoL Funded	72,500,000		-		72,500,000	53,897,139.61	
	Development Partner - Grants	-		-		-	-	
	Development Partner - Loans	-		-		-	-	
50	Small Business Development	88,500,000	-	-	-	88,500,000	43,370,753	51%
	GoL Funded	88,500,000		-		88,500,000	43,370,752.93	
	Development Partner - Grants	-		-		-	-	
	Development Partner - Loans	-		-		-	-	
51	Water	769,154,716	-	3,881,760	3,881,760	773,036,476	237,630,569	69%
	GoL Funded	350,464,809		3,881,760	3,881,760	354,346,569	155,396,118.00	
	Development Partner - Grants	135,912,803		-		135,912,803	10,178,181.77	
	Development Partner - Loans	282,777,104		-		282,777,104	72,056,269.64	
	<b>TOTAL</b>	<b>5,910,111,475</b>	<b>14,600,000</b>	<b>404,815,468</b>	<b>390,215,468</b>	<b>6,314,926,943</b>	<b>3,930,930,698</b>	<b>33%</b>
<b>Sources of Funding - Summary</b>								
	GoL Funded	3,550,382,186	14,600,000	14,600,000		3,955,197,654	2,766,546,536	22%
	Development Partner - Grants	1,141,270,047	-	-	-	1,141,270,047	694,142,864	39%
	Development Partner - Loans	1,218,459,242	-	-	-	1,218,459,242	470,241,299	61%
	Development Partner additions as per Supplementary			600,092,065		600,092,065		
	<b>TOTAL</b>	<b>5,910,111,475</b>	<b>14,600,000</b>	<b>614,692,065</b>	<b>-</b>	<b>6,915,019,008</b>	<b>3,930,930,698</b>	<b>33%</b>



**Appendix 3: FY2018/19 Original to Revised Budget**  
**Table 23: Recurrent Expenditure – Original to Revised Budget**

	Spending Unit	Original Budget	Use of Contingency Fund	Supplementary Budgets	Reallocation	Revised Budget
<b>Appropriated Expenditure</b>						
01	Agriculture and Food Security	285,284,556		0		285,284,556
02	Health	2,054,906,082		0		2,054,906,082
03	Education and Training	2,391,349,940	38,000,000	38,000,000		2,429,349,940
04	Finance	868,705,943	820,000	820,000		869,525,943
05	Trade and Industry	43,176,320		0		43,176,320
06	Development Planning	693,599,069		0		693,599,069
07	Justice and Correctional Services	229,710,499	970,500	970,500		230,680,999
08	Home Affairs	165,762,899		0		165,762,899
09	Prime Minister's Office	117,684,198	27,064,138	27,064,138		144,748,336
10	Communications, Science and Technology	152,248,158	37,400,867	37,400,867		189,649,025
11	Law and Constitutional Affairs	65,992,681	7,000,000	7,000,000		72,992,681
12	Foreign Affairs and International Relations	328,577,594	18,590,823	18,590,823		347,168,417
13	Public Works and Transport	139,737,411	8,061,449	8,061,449		147,798,860
14	Forestry Range and Soil Conservation	193,196,249		0		193,196,249
15	Energy and Meteorology	27,730,118		0		27,730,118
16	Labour and Employment	53,659,803	3,136,127	3,136,127		56,795,930
17	Tourism, Environment & Culture	87,624,992	380,371	380,371		88,005,363
18	Auditor General's Office	27,575,356		0		27,575,356
19	His Majesty's Office	6,943,358		0		6,943,358
20	Public Service Commission	13,389,679		0		13,389,679
37	Defence and National Security	613,970,240	16,610,153	16,610,153		630,580,393
38	National Assembly	80,278,884	1,991,808	1,991,808		82,270,692
39	Senate	18,200,406		0		18,200,406
40	Ombudsman	8,403,102	986,366	986,366		9,389,468
41	Independent Electoral Commission	70,547,108	1,295,592	1,295,592		71,842,700
42	Local Government and Chieftainship Affairs	480,221,770	7,485,487	7,485,487		487,707,257
43	Gender & Youth, Sports & Recreation	90,266,365		0		90,266,365
44	Public Service	39,624,114	1,037,808	1,037,808		40,661,922
45	Judiciary	102,447,449	21,189,053	21,189,053		123,636,502
46	Social Development	248,744,172	14,000,000	14,000,000		262,744,172
47	Directorate on Corruption & Economic Offences	28,207,540		0		28,207,540
48	Mining	24,635,798		0		24,635,798
49	Police and Public Safety	643,450,187	5,000,000	5,000,000		648,450,187
50	Small Business Development, Cooperatives & Marketing	105,436,098		0		105,436,098
51	Water	165,290,296		0		165,290,296
	<b>Total Appropriated</b>	<b>10,666,578,434</b>	<b>211,020,542</b>	211,020,542	0	<b>10,877,598,976</b>
<b>Statutory and Centralized Expenditure</b>						
21	Principal Repayment	748,528,548		0		748,528,548
22	Interest Charges	382,153,243		0		382,153,243
23	Pensions and Gratuities	1,829,045,789		0		1,829,045,789
24	Statutory Salaries & Gratuities	35,104,554		0		35,104,554
25	Subscriptions to International Financial Organisations	72,207,452		0		72,207,452
26	Refund to Erroneous Receipts	2,700,000		0		2,700,000
30	Centralised Items	83,706,339		0		83,706,339
	<b>Total Statutory &amp; Centralized</b>	<b>3,153,445,925</b>	0	0	0	<b>3,153,445,925</b>
	<b>Total Recurrent Expenditure</b>	<b>13,820,024,359</b>	<b>211,020,542</b>	211,020,542	0	<b>14,031,044,901</b>
31	Contingencies	100,000,000		0	0	
	<b>Total Recurrent + Contingencies</b>	<b>13,920,024,359</b>	<b>211,020,542</b>	211,020,542	0	<b>14,031,044,901</b>

**Table 24: Development Expenditure Budget**

	Spending Unit	Original Budget	Contingency Fund	Supplementary	Reallocated	Revised Budget
<b>01</b>	<b>Agriculture &amp; Food Security</b>	<b>123,758,687</b>	-	-	-	<b>123,758,687</b>
	GoL Funded	49,834,787		-		49,834,787
	Development Partner - Grants	41,665,000		-		41,665,000
	Development Partner - Loans	32,258,900		-		32,258,900
<b>02</b>	<b>Health</b>	<b>461,913,522</b>	-	-	-	<b>461,913,522</b>
	GoL Funded	188,792,188		-		188,792,188
	Development Partner - Grants	240,211,636		-		240,211,636
	Development Partner - Loans	32,909,698		-		32,909,698
<b>03</b>	<b>Education and Training</b>	<b>218,998,789</b>	-	<b>4,037,000</b>	<b>4,037,000</b>	<b>227,072,789</b>
	GoL Funded	19,345,000		<b>4,037,000</b>	4,037,000	27,419,000
	Development Partner - Grants	83,500,000		-		83,500,000
	Development Partner - Loans	116,153,789		-		116,153,789
<b>04</b>	<b>Finance</b>	<b>879,528,125</b>	-	-	-	<b>879,528,125</b>
	GoL Funded	429,478,225		-		429,478,225
	Development Partner - Grants	399,151,889		-		399,151,889
	Development Partner - Loans	50,898,011		-		50,898,011
<b>05</b>	<b>Trade &amp; Industry</b>	<b>249,707,838</b>	-	-	-	<b>249,707,838</b>
	GoL Funded	175,584,196		-		175,584,196
	Development Partner - Grants	74,123,642		-		74,123,642
	Development Partner - Loans	-		-		-
<b>06</b>	<b>Development Panning</b>	<b>108,679,912</b>	-	-	-	<b>108,679,912</b>
	GoL Funded	100,000,000		-		100,000,000
	Development Partner - Grants	8,679,912		-		8,679,912
	Development Partner - Loans	-		-		-
<b>07</b>	<b>Justice, Human Rights &amp; Rehab</b>	<b>100,000,000</b>	-	-	-	<b>100,000,000</b>
	GoL Funded	100,000,000		-		100,000,000
	Development Partner - Grants	-		-		-
	Development Partner - Loans	-		-		-
<b>08</b>	<b>Home Affairs</b>	<b>285,788,417</b>	-	<b>11,300,000</b>	<b>11,300,000</b>	<b>308,388,417</b>
	GoL Funded	285,788,417		<b>11,300,000</b>	11,300,000	308,388,417
	Development Partner - Grants	-		-		-
	Development Partner - Loans	-		-		-
<b>10</b>	<b>Communications, Science &amp; Te</b>	<b>168,767,406</b>	<b>10,000,000</b>	<b>40,000,000</b>	<b>30,000,000</b>	<b>248,767,406</b>
	GoL Funded	10,000,000	10,000,000	<b>40,000,000</b>	30,000,000	90,000,000
	Development Partner - Grants	93,836,603		-		93,836,603
	Development Partner - Loans	64,930,803		-		64,930,803
<b>11</b>	<b>Law &amp; Constitutional Affairs</b>	<b>20,000,000</b>	-	-	-	<b>20,000,000</b>
	GoL Funded	20,000,000		-		20,000,000
	Development Partner - Grants	-		-		-
	Development Partner - Loans	-		-		-
<b>12</b>	<b>Foreign Affairs and International Relations</b>	<b>20,000,000</b>	-	-	-	<b>20,000,000</b>
	GoL Funded	20,000,000		-		20,000,000
	Development Partner - Grants	-		-		-
	Development Partner - Loans	-		-		-
<b>13</b>	<b>Public Works &amp; Transport</b>	<b>967,360,000</b>	<b>4,600,000</b>	<b>300,343,708</b>	<b>295,743,708</b>	<b>1,568,047,416</b>
	GoL Funded	480,360,000	4,600,000	<b>300,343,708</b>	295,743,708	1,081,047,416
	Development Partner - Grants	-		-		-
	Development Partner - Loans	487,000,000		-		487,000,000
<b>14</b>	<b>Forestry and Land Reclamation</b>	-	-	-	-	-
	GoL Funded	-		-		-
	Development Partner - Grants	-		-		-
	Development Partner - Loans	-		-		-
<b>15</b>	<b>Energy and Meteorology</b>	<b>218,237,037</b>	-	-	-	<b>218,237,037</b>
	GoL Funded	181,000,000		-		181,000,000
	Development Partner - Grants	15,706,100		-		15,706,100
	Development Partner - Loans	21,530,937		-		21,530,937

<b>17</b>	<b>Tourism, Environment &amp; Cultu.</b>	<b>111,140,339</b>	<b>-</b>	<b>10,000,000</b>	<b>10,000,000</b>	<b>131,140,339</b>
	GoL Funded	93,631,339		<b>10,000,000</b>	10,000,000	113,631,339
	Development Partner - Grants	17,509,000		-		17,509,000
	Development Partner - Loans	-		-		-
<b>19</b>	<b>His Majesty's Office</b>	<b>300,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>300,000,000</b>
	GoL Funded	300,000,000		-		300,000,000
	Development Partner - Grants	-		-		-
	Development Partner - Loans	-		-		-
<b>37</b>	<b>Defence and National Security</b>	<b>47,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,000,000</b>
	GoL Funded	47,000,000		-		47,000,000
	Development Partner - Grants	-		-		-
	Development Partner - Loans	-		-		-
<b>39</b>	<b>Senate</b>	<b>42,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,000,000</b>
	GoL Funded	42,000,000		-		42,000,000
	Development Partner - Grants	-		-		-
	Development Partner - Loans	-		-		-
<b>42</b>	<b>Local Government &amp; Chieftain.</b>	<b>391,865,125</b>	<b>-</b>	<b>253,000</b>	<b>253,000</b>	<b>392,371,125</b>
	GoL Funded	391,865,125		<b>253,000</b>	253,000	392,371,125
	Development Partner - Grants	-		-		-
	Development Partner - Loans	-		-		-
<b>43</b>	<b>Gender and Youth, Sports .</b>	<b>65,973,462</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,973,462</b>
	GoL Funded	65,000,000		-		65,000,000
	Development Partner - Grants	973,462		-		973,462
	Development Partner - Loans	-		-		-
<b>44</b>	<b>Public Service</b>	<b>5,000,000</b>	<b>-</b>	<b>3,100,000</b>	<b>3,100,000</b>	<b>11,200,000</b>
	GoL Funded	5,000,000		<b>3,100,000</b>	3,100,000	11,200,000
	Development Partner - Grants	-		-		-
	Development Partner - Loans	-		-		-
<b>45</b>	<b>Judiciary</b>	<b>10,000,000</b>	<b>-</b>	<b>31,900,000</b>	<b>31,900,000</b>	<b>73,800,000</b>
	GoL Funded	10,000,000		<b>31,900,000</b>	31,900,000	73,800,000
	Development Partner - Grants	-		-		-
	Development Partner - Loans	-		-		-
<b>46</b>	<b>Social Development</b>	<b>163,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>163,000,000</b>
	GoL Funded	3,000,000		-		3,000,000
	Development Partner - Grants	30,000,000		-		30,000,000
	Development Partner - Loans	130,000,000		-		130,000,000
<b>48</b>	<b>Mining</b>	<b>21,238,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,238,100</b>
	GoL Funded	21,238,100		-		21,238,100
	Development Partner - Grants	-		-		-
	Development Partner - Loans	-		-		-
<b>49</b>	<b>Police and Public Safety</b>	<b>72,500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,500,000</b>
	GoL Funded	72,500,000		-		72,500,000
	Development Partner - Grants	-		-		-
	Development Partner - Loans	-		-		-
<b>50</b>	<b>Small Business Development</b>	<b>88,500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88,500,000</b>
	GoL Funded	88,500,000		-		88,500,000
	Development Partner - Grants	-		-		-
	Development Partner - Loans	-		-		-
<b>51</b>	<b>Water</b>	<b>769,154,716</b>	<b>-</b>	<b>3,881,760</b>	<b>3,881,760</b>	<b>776,918,236</b>
	GoL Funded	350,464,809		<b>3,881,760</b>	3,881,760	358,228,329
	Development Partner - Grants	135,912,803		-		135,912,803
	Development Partner - Loans	282,777,104		-		282,777,104
	<b>TOTAL</b>	<b>5,910,111,475</b>	<b>14,600,000</b>	<b>404,815,468</b>	<b>390,215,468</b>	<b>6,719,742,411</b>
<b>Sources of Funding - Summary</b>				<b>-</b>		
	GoL Funded	3,550,382,186	14,600,000	<b>404,815,468</b>	390,215,468	4,298,013,122
	Development Partner - Grants	1,141,270,047	-	-	-	1,141,270,047
	Development Partner - Loans	1,218,459,242	-	-	-	1,218,459,242
	<b>TOTAL</b>	<b>5,910,111,475</b>	<b>14,600,000</b>	<b>404,815,468</b>	<b>390,215,468</b>	<b>6,657,742,411</b>

## Appendix 4: Controlled Entities and Investments - Status of Annual Reporting (As at 31<sup>st</sup> August 2019)

**Table 25: 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 SUBMITTED FOR AUDIT
	<b>CHRISTIAN HEALTH ASSOCIATION OF LESOTHO:</b>				
	ST.JOSEPH'S HOSPITAL	2018/19	UNQUALIFIED		
	ROMA COLLEGE OF NURSING	2018/19	UNQUALIFIED		
	FATIMA HEALTH CENTRE-CHAL	2018/19	UNQUALIFIED		
	NAZARETH HEALTH CENTRE	2018/19	UNQUALIFIED		
	ST.BENEDICT HEALTH CENTRE-CHAL	2018/19	UNQUALIFIED		
	ST.BERNARD HEALTH CENTRE-CHAL	2018/19	UNQUALIFIED		
	SCOTT HOSPITAL	2018/19	UNQUALIFIED		
	MATELILE HEALTH CENTRE	2018/19	UNQUALIFIED		
	MASEMOUSE HEALTH CENTRE	2018/19	UNQUALIFIED		
	RIBANEMG HEALTH CENTRE	2018/19	UNQUALIFIED		
	MOFOKA HEALTH CENTRE	2018/19	UNQUALIFIED		
	SCOTT SCHOOL OF NURSING	2018/19	UNQUALIFIED		
	EMMAUS HEALTH CENTRE	2018/19	UNQUALIFIED		
	HOLY FAMILY HEALTH CENTRE	2018/19	UNQUALIFIED		
	ST.JOSEPH'S KORO KORO HEALTH CENTRE	2018/19	UNQUALIFIED		
	MOFUMAHALI OA ROSARY HEALTH CENTRE	2018/19	UNQUALIFIED		
	MOTSEKUOA HEALTH CENTRE	2018/19	UNQUALIFIED		
	PAKI HEALTH CENTRE	2018/19	UNQUALIFIED		
	ST.ANDREWS HEALTH CENTRE	2018/19	UNQUALIFIED		
	ST.PETER CLAVER HEALTH CENTRE	2018/19	UNQUALIFIED		
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 AUDIT.
	LEROTHOLI POLYTECHNIC	2007/2008	QUALIFIED	2008/2009 - 2017/18	FINANCIAL STATEMENTS FROM 2008/09 - 2016/17 SUBMITTED FOR AUDIT.
	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 PROGRESS.

FINANCE	LESOTHO REVENUE AUTHORITY	2017/18	UNQUALIFIED	NIL	
	PENSION FUND				
	PARTIAL CREDIT GUARANTEE FUND				
	ROAD FUND	2018/2019	DISCLAIMER		
	AVANI LESOTHO (PTY) LTD	2017	UNQUALIFIED	NIL	FINANCIAL YEAR RUNS FROM JANUARY TO DECEMBER
	LESOTHO INSTITUTE OF ACCOUNTANTS	2018/2019	UNQUALIFIED	NIL	
	CENTRAL BANK OF LESOTHO				
	LESOTHO CONTINUOUS SURVEY METHODOLOGY PROJECT	2016/17	UNQUALIFIED		
TRADE AND INDUSTRY	PETROLEUM FUND	2018/19	UNQUALIFIED		
	LESOTHO NATIONAL DEVELOPMENT CORPORATION	2018/2019	UNQUALIFIED		
	LESOTHO NATIONAL DEVELOPMENT CORPORATION AND ITS SUBSIDIARY COMPANIES	2017/2018	UNQUALIFIED		
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 TO JUNE.
	LOTI BRICK	2015/2016	ADVERSE	2016/17-2017/18	
	MALUTI MOUNTAIN BREWERY	2016	UNQUALIFIED	2017	FINANCIAL YEAR RUNS FROM JANUARY TO DECEMBER. AUDIT FOR 2017 IN PROGRESS.
PRIME MINISTER'S OFFICE	NATIONAL AIDS COMMISSION	2016/17	UNQUALIFIED	2017/18	FINANCIAL STATEMENTS FOR 2017/18 SUBMITTED FOR AUDIT.
COMMUNICATIONS	LESOTHO COMMUNICATIONS AUTHORITY	2018/19	UNQUALIFIED		
	LESOTHO POSTAL SERVICES	2007/2008	DISCLAIMER	2008/2009-2017/2018	FINANCIAL STATEMENTS FROM 2008/09 TO 2012/13 SUBMITTED FOR AUDIT.
	LESOTHO POST BANK	2016	UNQUALIFIED	NIL	FINANCIAL YEAR RUNS FROM JANUARY TO DECEMBER
	LESOTHO COMMUNICATIONS AUTHORITY	2018/2019	UNQUALIFIED		
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	2018/2019	UNQUALIFIED		
	LEC (PTY)LTD URBAN DISTRIBUTION REHABILITATION AND TRANSMISSION EXPANSION PROJECT	2018/2019	UNQUALIFIED		
LABOUR	DIRECTORATE OF DISPUTE PREVENTION AND RESOLUTION	2014/2015	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	2014/2015	UNQUALIFIED		
	LESOTHO CHAMBER OF COMMERCE				
	LOIC	2014/2015	DISCLAIMER	2015/2016, 2016/2017 & 2017/2018	
WATER	METOLONG AUTHORITY	2018/2019	UNQUALIFIED		
	WATER AND SEWERAGE COMPANY	2016/2017	ADVERSE	2017/2018	2017/2018 FINANCIAL STATEMENTS NOT YET SUBMITTED TO AUDITOR GENERAL.
	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	
	MASERU WASTE WATER PROJECT	2016/17	UNQUALIFIED		
MINING	MOTHAIE DIAMONDS	2015/16	ADVERSE OPINION		

## **PART 2**

# **AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS OF THE GOVERNMENT OF LESOTHO FOR THE YEAR ENDED 31 MARCH 2019**



## **CHAPTER 1: CONSOLIDATED FINANCIAL STATEMENTS**

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### **1.1 CONSOLIDATED FINANCIAL STATEMENTS**

Consolidated Financial Statements are the financial statements of an economic entity in which cash receipts, cash payments and cash balances of the controlling entity and its controlled entities are presented as that of a single entity.

### **1.2 LEGAL BASIS**

According to Section 4 of the Public Financial Management and Accountability (PFMA) Act 2011, functions of the Minister include preparation of consolidated quarterly and annual financial statements for Government and for Parliament, and other reports and statements required from time to time.

The Minister is further obliged by Section 35 of the PFMA Act 2011 to prepare consolidated financial statements only in relation to the finances of Government and those statements should be submitted to the Auditor-General for audit within five months of the end of the financial year.

### **1.3 CASH BASIS OF ACCOUNTING**

Section 35(3) of the PFMA Act 2011 requires that the consolidated financial statements should be prepared in accordance with International Public Sector Accounting Standards. Section 62 of the same Act further states that until such time as the Minister publishes the date of commencement of the accrual basis of accounting, the cash basis of accounting shall remain in operation.

The cash basis of accounting recognises transactions and events only when cash (including cash equivalents) is received or paid by the entity. Financial statements prepared under the cash basis provide readers with information about sources of cash raised during the period, the purpose for which cash was used and the cash balances at the reporting date. The measurement focus in the financial statements is balances of cash and changes therein.

### **1.4 FINANCIAL GUIDANCE AND INSTRUCTIONS**

Detailed guidance and instructions exist with respect to internal control and maintenance of accounting records in the form of:

- Treasury Regulations 2014

- Public Procurement Regulations 2007
- Stores Regulations 1969
- Circulars issued by the Treasury

These requirements are intended to safeguard Government property and to ensure the collection and use of resources in the public interest.

## **1.5 PREPARATION AND SUBMISSION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were prepared in accordance with the PFMA Act 2011 and the Treasury Regulations 2014, which require that the financial statements should be submitted for audit within five months after the closure of the financial year.

The consolidated financial statements for the year ended 31 March 2019 were submitted for audit on 3 September 2019. It appeared that those financial statements were submitted just to meet the deadline of 31 August, not taking into account their completeness, validity and accuracy. Following on my initial review of the financial statements, I had to return them to Treasury due to these accounts' major disagreements and uncertainties.

The Accountant-General resubmitted the financial statements for audit on 11 November 2019. The last version of the financial statements was submitted on 7 July 2020.

## **1.6 STATEMENTS SUBMITTED FOR AUDIT**

The consolidated financial statements submitted for audit comprised:

- Consolidated Statement of Cash Receipts and Payments depicting total cash receipts, total cash payments and opening and closing cash balances;
- Consolidated Statement of Budget and Actual Amounts showing revenue and expenditure compared with amounts authorised by the Legislature;
- Statement of Accounting Policies and Statement of Controlled Entities;
- Notes to the financial statements and Disclosure schedules to the financial statements.

## **1.7 IMPLEMENTATION OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS**

The Accountant-General has reported that the Treasury has evaluated its annual reporting practices against the requirements of IPSAS under the cash basis of accounting, established the gaps and developed a roadmap for achieving compliance. The preparation of the consolidated financial statements for 2018/19 continued the journey that commenced in 2015/16 and introduced several quality enhancements, including the reporting of the movements in financial assets and liabilities, opening and closing cash balances. The statements for 2018/19, takes into account revision of IPSAS in 2017.

However, it is reported that though the Government has embarked on a roadmap for implementing the cash-basis IPSAS, compliance is still a challenge due to the following:

- a) The financial statements do not consolidate all government-controlled entities. State Owned Enterprises, autonomous institutions and other extra budgetary funds are not fully consolidated.
- b) Centrally managed bank account balances were not fully reconciled as at 31 March 2019.
- c) The financial statements disclose a small number of accrual items, which had not been cleared at the reporting date, e.g. accounts payable, advances, provisions, third party trusts and deposits.

## **1.8 COMMENDATION ON THE CONSOLIDATED FINANCIAL STATEMENTS**

The Treasury has put considerable effort into improving the year-end preparation process of the financial statements. This includes both improved documentation that supported and validated the financial statements balances. It is gratifying to note initiatives taken to improve reliability of financial reporting. These include upgrading of IFMIS, which is intended to provide Treasury the opportunity to review its business processes to improve data and processing security, transaction efficiency and accountability.

I have taken note of the Minister's commitment to clear payment arrears for previous and current financial years during 2019/20 for enhancing quality of the financial statements.

I have also noted that some issues raised from previous years have been addressed. I do understand that it can take some time and significant Treasury resources to fully address on-going challenges.

## **1.9 RECURRING ISSUES**

Even though there are commendable efforts in improving financial statements, there are recurring issues, which I have raised for several years but not yet resolved to date. Some of these issues occurred due to introduction of IFMIS in the financial year 2009/10 and what is disturbing most is the fact that they do not only distort financial statements but also contravene constitutional requirements.

The recurring issues are as follows:

### **a) Irregular treatment of advances from the Contingencies Fund**

Advance warrants from the Contingencies Fund are irregularly treated as release warrants and therefore expenditure incurred from the advance warrants cannot be established. Those advances from the Contingencies Fund have not been cleared thereby contravening requirements of the constitution.

### **b) Omission of Below-The-Line accounts**

Prior to financial year 2009/10, the Accountant-General prepared a Statement of Assets and Liabilities as at last day of the financial year. Below-The-Line accounts formed cash assets and liabilities of Government, however the balances of these accounts had not been brought forward since 1 April 2009. Over the years the explanation has always been that the balance would be reconciled and brought to account. Once again the Accountant-General has stated that they are yet to complete the task of reconciliation. The balances of Below-The-Line accounts not brought forward from financial year 2009/10 are listed on Table 1.1.

**Table 1.1 – Balances of Below-The-Line Accounts**

<b>DESCRIPTION</b>	<b>GOLFIS Balance M'000</b>	<b>Bank Balance M'000</b>
<b>ASSETS:</b>		
Cash at Bank (401)	(2,629,192)	3,661,176
Cash Foreign Missions (402)	(76,289)	16,451
Cash on Deposit (403)	(24,588)	(13,802)
Cash in Transit (404)	(1,010,853)	733,536
Cash with Projects (405)	(801,939)	(517,344)
Imprests (411)	10,570	4,133
Advances (423)	(78,814)	(201,250)
Advances Public Officers (424)	(2,102)	(391)
Contingencies (425)	3,704	79,455
Investments Special Funds (427)	201,520	201,520
Advances Clearing Accounts (428)	3,830,265	4,773,841
Suspense Clearing Accounts (431)	7,739	(53,633)
Trading Accounts (432)	4,679	(8,160)
<b>LIABILITIES:</b>		
Deposits – Other (503)	(113,011)	(128,322)
Deposits – General (504)	(2,318)	(2,346)
Special Funds (511)	(273,104)	(160,153)

**Source: Previous Audit Reports and previous consolidated financial statements**

**c) Non-reconciliation of bank accounts**

The issue of non-reconciliation of bank accounts has been raised for more than four decades and makes it difficult to establish cash position of the Government. The Accountant-General has indicated that the new main bank accounts have been opened for Epicor 10.2 as a means of improving bank reconciliation for future years beginning from 2019/20. I am yet to see whether this initiative will bear fruitful results.

## **CHAPTER 2: AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

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### **2.1 AUDIT OF FINANCIAL STATEMENTS**

The Government's financial statements allow the reader to track overall spending. The main focus for my report on the audit of the consolidated financial statements is to provide assurance that they present fairly financial position and performance of Government. Confidence in the reliability of government reporting allows Parliament to properly scrutinise the Government's financial performance and direction.

### **2.2 CONSTITUTIONAL AND LEGAL BASIS FOR AUDIT**

The responsibility for audit of the financial statements of the Government of Lesotho and entities in which it has more than 50% shareholding rests with the Auditor-General. Mandate of the Auditor-General for audit, the right of access to all documents and the independence of the Office are enshrined in Section 117 of the Constitution of Lesotho.

The Audit Act 2016 expands this right of access to include explanations and information as well as access to all Government property.

### **2.3 AUDIT OPINION**

It is important to understand that an audit provides reasonable assurance as to the accuracy and completeness and fair presentation of the financial statements in accordance with the applicable financial framework. It is possible that when I audit not all misstatements, as a result of error or fraud will be detected. However, when issuing an opinion I am satisfied that I have obtained sufficient and appropriate audit evidence, which leads to my belief that any undetected misstatements would not be material.

### **2.4 AUDIT METHODOLOGY**

My responsibility is to undertake the audit and obtain appropriate and sufficient audit evidence as required by the International Standards of Supreme Audit Institutions (ISSAIs) as issued by the International Organisation of Supreme Audit Institutions (INTOSAI). These standards ensure that my audit is conducted with appropriate rigour and professionalism.

The main objective of the audit was to ensure that the reported financial statement balances materially agree with the accounts and records maintained by Treasury Department and Spending Units, and to ensure

that the balances fairly present and disclose the financial operations of the Government of Lesotho. The audit of the Consolidated Financial Statements included obtaining evidence through inspection, observation and the verification of some balances through third party confirmation.

In addition, I have performed tests of controls, to assess the accuracy, completeness and reliability of balances and other financial information used during the financial statement preparation process. The audit was not designed to detect fraud, and therefore the results of my audit cannot be relied upon to identify and/or disclose all such matters. However, the audit was planned and executed so that I can have a reasonable expectation of detecting material misstatements resulting from irregularities, including error and/or fraud.

## CHAPTER 3: FINANCIAL POSITION OF THE GOVERNMENT OF LESOTHO

### 3.1 FINANCIAL POSITION OF THE GOVERNMENT OF LESOTHO

The Government had estimated a deficit of M2.692 billion for financial year 2018/19 to be financed by additional borrowings and a drawdown of cash reserves but the actual deficit was M1.463 billion. The actual revenue reported in the financial statements for the year ended 31 March 2019 was M16.228 billion and the actual expenditure of M17.691 billion. Total revenue fell short of the budget by 5% whereas there was overall budget execution of 89% on total expenditure. Table 3.1 reflects a summary of the financial position of the Government of Lesotho based on approved budget at 31 March 2019.

It is worth mentioning that the Administration account is basically the Contingencies Fund from which the Minister of Finance can make advances to Spending Units for unforeseen expenditure. The accountability of such advances is still a challenge as payments made from advances are included in the recurrent and development actual expenditure. My concerns about the Contingencies Fund are elaborated later in this report under paragraph 10.5, **"Advances from the Contingencies Fund"**.

**Table 3.1 – Financial Position of the Government of Lesotho**

Item	Approved Budget (M'000)	Actual (M'000)	Variance (M'000)	Budget Exec. (%)
<b>Revenue</b>				
Recurrent	14,778,493	15,063,895	-285,402	102
Donor Funds	2,359,729	1,164,579	1,195,150	49
<b>Total</b>	<b>17,138,222</b>	<b>16,228,474</b>	<b>909,748</b>	<b>95</b>
<b>Expenditure</b>				
Recurrent	13,820,025	13,760,228	59,797	100
Development	5,910,111	3,930,927	1,979,184	67
Administration	100,000	-	100,000	-
<b>Total</b>	<b>19,830,136</b>	<b>17,691,155</b>	<b>2,138,981</b>	<b>89</b>
<b>Deficit</b>	<b>(2,691,914)</b>	<b>(1,462,681)</b>	<b>(1,229,233)</b>	<b>54</b>

**Source:** Appropriation Act 2018/19, Book of Estimates 2018/19 and financial statements

Furthermore, the Accountant-General has reported that cash held in banks at 31 March 2019 was M6.328 billion inclusive of monies held in trust to



the amount of M355 million. There was an increase of M781 million compared to previous year's balance of M5.547 billion, also inclusive of M375 million for trust monies. However, the Consolidated Statement of Cash Receipts and Payments shows cash decrease of M1.463 billion.

Government external debt amounted to M12.661 billion and domestic debt was M3.209 billion resulting into a total debt of M15.870 as at 31 March 2019. Government debt has increased by M3.179 billion or 25% compared to previous year debt of M12.691 billion.

## CHAPTER 4: CASH BALANCES

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### 4.1 CASH BALANCES

One of the most important tasks of the Accountant-General is the management of the Government's cash balances in order to see that funds are available for disbursement when and where required. Therefore the responsibility of cash management rests with the Accountant-General.

Financial Statements prepared under cash basis provide readers with information about sources of cash raised during the period, the purposes for which cash was used and the cash balances at the reporting date. The **measurement focus in the financial statements is balances of cash and changes therein.**

### 4.2 REPORTED CASH BALANCES

The Consolidated Statement of Cash Receipts and Payments shows opening cash of M4.837 billion, cash decrease of M1.463 billion and closing cash of M6.799 billion.

The issue of non-reconciliation of bank accounts keeps on prevailing as there is a difference of M471 million between a balance of M6.799 billion in the Consolidated Statement of Cash Receipts and Payments and a bank balance of M6.328 billion reflected in the Notes to the financial statements and bank confirmations.

### 4.3 CASH POSITION

In the last audited financial statements for the year 2017/18, it was reported that cash with banks amounted to M4.714 billion. However, the Accountant-General has disclosed that an amount of M833 million for Treasury Bills and Bonds Blocked account was omitted and therefore the figure should have been M5.547 billion.

There were 387 bank accounts with a total balance of M6.328 billion as at 31 March 2019 whereas there were 408 bank accounts with a balance of M5.547 billion as at 31 March 2018 resulting into a net decrease of 21 bank accounts and net cash increase of M781 million as indicated on Table 4.1.

**Table 4.2– Cash Position**

Analysis per Bank	31 March 2019		31 March 2018		Variance	
	No.	Amount	No.	Amount	No.	Amount
<b>Locally Denominated Accounts</b>						
Central Bank of Lesotho	61	3,618,403	64	3,554,581	-3	63,822
Nedbank Lesotho	31	43,031	38	47,194	-7	-4,163
Standard Lesotho Bank	150	611,052	139	725,724	11	-114,672
First National Bank	11	39,875	13	57,934	-2	-18,059
Lesotho Post Bank	30	402,577	21	513,160	9	-110,583
ABSA	1	3,163	1	3,052	-	111
<b>Total</b>	<b>284</b>	<b>4,718,101</b>	<b>276</b>	<b>4,901,645</b>	<b>8</b>	<b>-183,544</b>
<b>Foreign Currency Accounts</b>						
Central Bank of Lesotho	36	195,649	63	127,240	-27	68,409
Standard Lesotho Bank	6	947,957	7	54,520	-1	893,437
First National Bank	2	25,605	-	-	2	25,605
Foreign Missions	22	85,891	22	88,927	-	-3,036
<b>Total</b>	<b>66</b>	<b>1,255,102</b>	<b>92</b>	<b>270,687</b>	<b>-26</b>	<b>984,415</b>
<b>Monies held in Trust</b>						
Central Bank of Lesotho	2	333,090	1	342,360	1	-9,270
Standard Lesotho Bank	26	6,679	30	18,609	-4	-11,930
First National Bank	2	1,190	-	-	2	1,190
Lesotho Post Bank	7	13,865	9	13,876	-2	-11
<b>Total</b>	<b>37</b>	<b>354,824</b>	<b>40</b>	<b>374,845</b>	<b>-3</b>	<b>-20,021</b>
<b>Grand Total</b>	<b>387</b>	<b>6,328,027</b>	<b>408</b>	<b>5,547,177</b>	<b>-21</b>	<b>780,850</b>

Source: Consolidated Financial Statements

#### 4.4 COMPARISON OF CONSOLIDATED FINANCIAL STATEMENTS BALANCES AND BANK CONFIRMATIONS

The issue of non-reconciliation of bank accounts still prevailed during the year under review. Comparison of consolidated financial statements submitted in September 2019 and bank confirmations revealed some discrepancies in terms of number of bank accounts and bank balances

There were 404 bank accounts held at different banks as reported in the consolidated financial statements with a total balance of M6.393 billion whereas scrutiny of bank confirmations revealed that there were 398 bank accounts with balances totalling M6.351 billion thus resulting into a net

difference of M42 million. Discrepancies were noted on accounts held at Nedbank and Standard Lesotho Bank.

In response to audit query, the Accountant-General rectified the discrepancies with the banks and resubmitted the accounts in July 2020. However there was still a discrepancy of two bank accounts that the Standard Lesotho Bank explained they were opened in July 2019 and therefore it was a mistake on their side to have included them in the confirmation of balances as at 31 March 2019.

#### **4.5 CROWN AGENTS ACCOUNTS**

The Government of Lesotho held a current account, call account and surplus balance fund with the Crown Agents, in the United Kingdom for many years and in 2016 those accounts were closed with the instruction of the Accountant-General acting on the directive of the Minister. The balances were transferred to the Central Bank of Lesotho and the bank confirmations as at 31 March 2017 and 31 March 2018 showed a balance of M363.6 million. There was a withdrawal of M200 million in December 2018 leaving a balance of M163.6 million which stood as such at 31 March 2019.

I could not ascertain whether the withdrawal of M200 million was regular and valid as the directive of the Minister did not specify how those funds would be utilised. I was not provided with documentation supporting the withdrawal; moreover, the description of the withdrawal in the bank statement was not conclusive enough as it was just stated as 'funding'.

#### **4.6 UNSPENT FUNDS ACCOUNT**

Section 83(2) of the Treasury Regulations requires the Accountant-General to review all official bank accounts annually and arrange for closure of any accounts considered, invalid and inactive, and transfer any balance to the Consolidated Fund.

During the financial year 2017/18, twenty-six (26) bank accounts with the total balance of M25.2 million were closed and transferred to a bank account styled "Unspent Funds" held in the Central Bank of Lesotho. The Accountant-General further closed and transferred thirty-seven (37) bank accounts with balances totalling M224.4 million to the Unspent Funds Account in 2018/19, bringing total funds to M249.6 million. In December 2018, funds to the tune of M170 million were transferred from Unspent Funds Account to the Consolidated Fund leaving a balance of M74.3 million.

I have noted the following anomalies in regard to this bank account:

- The opening and operation of this bank account was found to be irregular as it contravened the requirements of the Treasury Regulations that balances of closed bank accounts should be transferred to the Consolidated Fund.
- A payment of M190,035.00 made to SBICLSMX for bonds was erroneously debited from the Unspent Funds Account on 31 December 2018 instead of Treasury Bills and Bonds Account. The Unspent Funds Account was understated by M190,035.00 as at 31 March 2019. The bank rectified the error fourteen (14) months later on 19 March 2020 by crediting the Unspent Funds Account.

#### **4.7 WITHDRAWALS FROM TREASURY BILLS AND BONDS ACCOUNT**

The Government of Lesotho operates Treasury Bills and Bonds account held with the Central Bank of Lesotho. The Treasury Bills and Bonds are money market instruments used to manage liquidity in the economy so as to control inflation.

The audit revealed that two withdrawals amounting to M150 million and M300 million were made from Treasury Bills and Bonds account to Consolidated Fund account on 7 December 2018 and 27 December 2018 respectively. However, the Treasury Department failed to provide sufficient documentation substantiating a withdrawal of M300 million; the only available documents were copies of instruction letters to the Central Bank of Lesotho. As a result, the validity of the withdrawal could not be ascertained.

## CHAPTER 5: CASH RECEIPTS

### 5.1 CASH RECEIPTS

Recurrent and capital are the two streams of receipts that constitute the resources of the Government of Lesotho. Recurrent receipts consist of tax revenues and non-tax revenues. Capital receipts comprise miscellaneous capital receipts and donor funds (loans and grants).

### 5.2 TRENDS IN CASH RECEIPTS

Actual revenue collected for the financial year 2018/19 as shown by the records of the Treasury was M16.228 billion which is slightly higher than the previous year figure by 5.6%. Table 5.2 shows revenue collected for the financial year 2018/19 by classification compared to three previous years revenue.

**Table 5.2– Trends in cash receipts**

Description	2018/19 M'000	2017/18 M'000	2016/17 M'000	2015/16 M'000
A	B	C	D	E
Income, profit	4,142,035	3,509,318	3,723,087	3,714,606
International trade	-	317,619	257,039	250,107
Goods and services	3,093,070	2,609,948	2,418,705	2,187,420
Other taxes	1,041	1,319	1,858	1,154
SACU Receipts	5,542,236	6,154,199	4,518,966	6,398,620
<b>Total Taxes</b>	<b>12,778,382</b>	<b>12,592,403</b>	<b>10,919,655</b>	<b>12,551,907</b>
Other revenue	2,247,501	1,637,183	1,791,956	1,302,679
Disposal of Assets	38,011	58,647	581	568
<b>Total Recurrent Receipts</b>	<b>15,063,894</b>	<b>14,288,233</b>	<b>12,712,192</b>	<b>13,855,154</b>
Grants	666,682	632,000	1,201,544	908,891
Loans	497,897	446,422	193,756	-
<b>Total Capital Receipts</b>	<b>1,164,579</b>	<b>1,078,422</b>	<b>1,395,300</b>	<b>908,891</b>
<b>Grand Total</b>	<b>16,228,473</b>	<b>15,366,655</b>	<b>14,107,492</b>	<b>14,764,045</b>

Source: Consolidated Financial Statements

## **5.3 RECURRENT RECEIPTS**

### **5.3.1 Collection per ministry and revenue category**

Recurrent receipts amounted to M15.063 billion and the top four receivers of revenue were Ministry of Finance, Ministry of Water, Ministry of Mining and Ministry of Energy by 87%, 6%, 4% and 2% respectively. Tax on income, goods & services and SACU receipts under the Ministry of Finance account for 85% of total recurrent receipts. Sale of goods amounts to M1.259 billion under several ministries and account for 8% of total receipts. This figure includes M933 million of water royalties. Details of revenue collection per ministry and category are shown on Table 5.3.1.

**Table 5.3.1 – Collection per ministry and revenue category**

Ministry	Income (M'000)	Goods & Services (M'000)	Other Taxes (M'000)	Property Income (M'000)	Rand Monetary (M'000)	Sale of Goods (M'000)	Fines (M'000)	Miscella neous (M'000)	SACU (M'000)	Financial Assets (M'000)	Non Financial Assets (M'000)	TOTAL (M'000)
Agriculture	-	-	-	-	-	32,630	-	-	-	-	-	32,630
Health	-	122	-	-	-	12,969	-	-	-	-	-	13,091
Education	-	-	-	-	-	3,629	-	1,005	-	-	-	4,634
Finance	4,142,035	2,879,039	925	183,357	232,178	105,521	88	4,839	5,542,236	20,708	1,345	13,112,271
Trade	-	-	-	-	-	11,376	-	-	-	-	-	11,376
Planning	-	-	-	-	-	111	-	-	-	-	-	111
Justice	-	-	-	-	-	497	6	-	-	-	-	503
Home Affairs	-	-	-	-	-	28,089	-	-	-	-	-	28,089
Communications	-	-	-	-	-	7,827	-	-	-	-	-	7,827
Law	-	76	-	-	-	2,017	-	6,808	-	-	-	8,901
Public Works	-	-	-	-	-	23,997	-	-	-	-	-	23,997
Forestry	-	-	-	-	-	43	-	-	-	-	-	43
Energy	-	211,542	-	-	-	63,434	-	-	-	-	-	274,976
Labour	-	-	-	-	-	8,275	-	-	-	-	-	8,275
Tourism	-	1,572	-	-	-	2,857	-	-	-	-	-	4,429
Auditor-General	-	-	-	-	-	533	-	-	-	-	-	533
Defence	-	-	-	-	-	1,478	-	-	-	-	-	1,478
Loc. Government	-	-	117	-	-	2,081	-	-	-	-	-	2,198
Gender	-	-	-	-	-	53	-	-	-	-	-	53
Public Service	-	-	-	-	-	7,866	472	276	-	-	-	8,614
Judiciary	-	-	-	-	-	486	3,706	-	-	-	-	4,192
Mining	-	-	-	551,159	-	8	-	-	-	15,958	-	567,125
Police	-	719	-	-	-	9,401	-	-	-	-	-	10,120
Small Business	-	-	-	-	-	189	-	-	-	-	-	189
Water	-	-	-	4,026	-	933,849	-	-	-	-	-	937,875
<b>Total</b>	<b>4,142,035</b>	<b>3,093,070</b>	<b>1,042</b>	<b>738,542</b>	<b>232,178</b>	<b>1,259,216</b>	<b>4,272</b>	<b>12,928</b>	<b>5,542,236</b>	<b>36,666</b>	<b>1,345</b>	<b>15,063,530</b>



### **5.3.2 Southern African Customs Union Receipts**

The budget amount for Southern African Customs Union (SACU) receipts was M5.538 billion while actual receipts was M5.542 billion slightly over budget by 1%. Even though there was budget execution of 100%, there was a decrease of 9.9% from previous year figure of M6.154 billion. SACU receipts accounted for 37% of the total recurrent revenue in 2018/19.

### **5.3.3 Personal Income Tax**

The budget for Personal Income Tax was M2.130 billion while actual collection was M4.142 billion resulting into over collection of M2.012 billion or 94%. Personal Income Tax revenue represents 27 per cent of the total Recurrent Revenue for 2018/19.

According to records, two revenue items namely Company Tax and Withholding Tax were budgeted at M1.020 billion and M872 million respectively and there was no collection on both items. I indicated in my previous reports that revenue was always collected under these items and to reflect no collection give misleading information as such revenues are always collected.

It was explained that the Lesotho Revenue Authority aggregates the taxes into one account, Income Tax and as such it was difficult to establish how much was collected under each revenue item.

However, I still maintain that these revenues should be classified separately to be in line with the Book of Estimates and other statistical purposes.

### **5.3.4 Interest from Non-financial Public Corporations**

The budget for Interest from Non-Financial Corporations was M118 million. The Itemised Revenue Analysis report under this sub-head shows six line items with no estimates but there were collections totalling M34 million.

The explanation given was that Interest from Non-financial corporations was budgeted under one line item, but actual collections were recorded in specific line items depending on the donor code.

As I had already indicated in one of the preceding paragraphs, budget lines should correspond with actual collections in order to determine budget execution and to avoid distortion of information to the users.

### **5.3.5 Revenue from Electricity Access Pilot Project**

The consolidated financial statements and Ministry of Energy's financial statements reflected actual revenue of M274,975,969 while IFMIS ledger reflected M273,684,601 resulting into a difference of M1,291,368.

Management responded that the difference of M1,291,368 was revenue collected from Electricity Access Pilot Project at Mpiti Sekake, Qholaqhoe and Dilli-Dilli and was not captured into the IFMIS. The revenue was supposed to be posted under Sale of Services, which had a budget of M884,364, in the IFMIS.

Management further indicated the variance would be rectified once the proper GOL revenue collection procedures are adapted for the remaining project of Dilli-Dilli and Sexondo and the transfer of electricity networks to LEC was in the process.

I have not been provided with information as to the whereabouts of M1,291,368.

### **5.3.6 Dividends**

Government has several state-owned enterprises and also owns shares in 16 trading companies. The Lesotho National Development Corporation, which is wholly state-owned enterprise, also has shares in three of these companies.

Dividends received in 2018/19 amounted to M321,916,854 from five entities as indicated on Table 5.3.6. The Ministry of Mining had budgeted M150 million for dividends and received M210 million from one mine. Surprisingly, there is no budget for dividends under the Ministry of Finance in the Book of Estimates for 2018/19. Despite the omission of the budget in the Book of Estimates, the Ministry of Finance received M111,916,854.

**Table 5.3.6– Dividends received in 2018/19**

Entity	Sector	Government Ownership	Dividends received in 2018/19	Comments
Lets'eng Diamonds	Mining	30%	210,000,000	-
Kao Mining	Mining	25%	-	-
Liqhobong Mining Development	Mining	25%	-	-
Lemphane Diamonds	Mining	26.5%	-	-
Mothae Diamonds	Mining	30%	-	70% of shares sold in 2016/17
Gem Stone (Show Ridge)	Mining	25%	-	-
Reskol Diamond Mine	Mining	10%	-	-
Central Bank of Lesotho	Banking	100%	84,396,000	
Standard Lesotho Bank	Banking	9.6%	24,125,000	-
AON	Insurance	5%	395,854	-
National Insurance General Group	Insurance	20%	3,000,000	-
National Life Insurance	Insurance	12%	-	-
Econet Lesotho	Communications	30%	-	-
Lesotho Flour Mills	Milling	49%	-	-
Maluti Mountain Brewery	Brewing	4.75%	-	LNDC owns 51%
Avani Sun International	Hospitality	36.4%	-	LNDC owns 16.7%
Loti Brick	Brick making	22.8%	-	LNDC owns 73.6%
<b>Total Dividends</b>			<b>321,916,854</b>	

Source: Consolidated Financial Statements and Ministries' Financial Statements

## 5.4 DONOR RECEIPTS

During the year under review, fifteen (15) ministries were recipients of donor funds totalling M1.164 billion. Ten (10) ministries received both loans and grants whereas five (5) received grants only as indicated on Table 5.4. The largest recipients were the ministries of Health and of Finance by 27% and 26% respectively on the total donor funds.

**Table 5.4– Donor Receipts**

<b>Ministry</b>	<b>Grants</b>	<b>Loans</b>	<b>Total</b>	<b>Share on total funds (%)</b>
	<b>(M'000)</b>	<b>(M'000)</b>	<b>(M'000)</b>	
Agriculture	42,707	37,517	80,224	6.9
Health	222,577	92,710	315,287	27.1
Education	5,269	47,454	52,723	4.5
Finance	258,478	39,663	298,141	25.6
Trade	5,199	68,550	73,749	6.3
Justice	318	-	318	0.0
PM's Office	25,319	-	25,319	2.2
Communications	30,766	11,590	42,356	3.6
Public Works	33,400	35,136	68,536	5.9
Energy	14,167	76,997	91,164	7.8
Tourism	3,248	-	3,248	0.3
Local Government	1,121	-	1,121	0.1
IEC	408	-	408	0.0
Soc. Development	13,527	16,224	29,751	2.6
Water	10,178	72,056	82,234	7.1
<b>Total</b>	<b>666,682</b>	<b>497,897</b>	<b>1,164,579</b>	<b>100.0</b>

**Source:** Ministries' financial statements

## CHAPTER 6: CASH PAYMENTS

### 6.1 CASH PAYMENTS

Cash payments are made for recurrent expenditure and development expenditure. Recurrent/Consumption expenditure is made for goods and services for current use to directly satisfy individual or collective needs whereas development expenditure is government spending on goods and services intended to create future benefits such as infrastructure investment in transport, health, communications, etc.

### 6.2 TREND IN CASH PAYMENTS

Cash payments have increased by 6% in 2018/19, from M16.452 billion in 2017/18 to M17.402 billion. Significant increase of 16% was on development expenditure from M3.610 billion in 2017/18 to M3.109 billion in 2018/19 as indicated on Table 6.2.

**Table 6.2 – Trend in cash payments**

Description	2018/19 M'000	2017/18 M'000	2016/17 M'000	2015/16 M'000
<b>Recurrent Expenditure</b>				
Compensation of employees	6,734,840	6,136,651	5,789,502	5,376,251
Goods and services	3,011,334	2,891,349	3,014,250	2,943,853
Transfers	2,072,199	2,513,464	2,009,646	2,103,604
Losses	6	4	7	28,627
Other Expenses	644,079	711,018	545,450	696,869
Acquisition of assets	144,101	177,871	44,727	895,130
Loan Repayments	789,435	577,231	525,960	475,781
Interest Payments	396,645	335,405	313,412	322,780
<b>Total</b>	<b>13,792,639</b>	<b>13,342,993</b>	<b>12,242,954</b>	<b>12,842,895</b>
<b>Development Expenditure</b>				
GOL	2,837,874	2,225,424	2,680,998	2,433,162
Grants	434,598	594,669	661,995	172,790
Loans	337,378	288,841	562,933	501,104
<b>Total</b>	<b>3,609,850</b>	<b>3,108,934</b>	<b>3,905,926</b>	<b>3,107,056</b>
<b>Grand Total</b>	<b>17,402,489</b>	<b>16,451,927</b>	<b>16,148,880</b>	<b>15,949,951</b>

Source: Consolidated Financial Statements

### **7.1 NON-CASH ASSETS**

Assets are resources controlled by an entity, as a result of past events and from which future economic benefits or service potential are expected to flow to the entity. Non-cash Assets are assets that are not readily or easily convertible into cash or cash equivalents e.g. receivables.

### **7.2 ON-LENT LOANS**

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.

Table 7.3 shows that four state owned enterprises, namely LNDC, TELECOM, WASCO and LEC, had a total of 13 projects with an opening balance of M1,029,114,831. During the year, 5 projects made a total repayment of M26,134,589 and the cancelled debt for these projects amounted to M1,783,482. At the end of the year, 3 projects under LNDC had cleared their loans and 10 projects had an outstanding balance of M1,002,980,242. Seven projects under WASCO and TELECOM had arrears of M256,088,168 and M121,352,960 on principal repayments and interest charges respectively at 31 March 2019.

**Table 7.3 – Status of On-lent loans**

Statutory Body	Project name	Opening Balance 1 April 2018	Principal Repayments	Cancelled	Closing Balance 31 March 2019	Arrears at 31 March 2019	
						Principal	Interest
LNDC	IDA Infrastructure	2,835,492	2,835,492	62,381	-	-	-
	ADB Line of credit	1,454,381	1,454,381	14,544	-	-	-
	Tikoe Factory Shells	47,900,000	7,900,000	669,500	40,000,000	-	-
	CGM	12,000,000	12,000,000	230,000	-	-	-
TELECOM	Tikoe Phase 2 factory Shells	202,789,827	-	-	202,789,827	-	-
	Telecom Nat Network Phase 2	222,726,839	-	-	222,726,839	66,731,612	74,517,233
	Telecom Nat Network Phase 1	205,986,835	-	-	205,986,835	34,933,333	29,282,155
	BADEA 132 Maseru Water Supply 1	63,023,315	-	-	63,023,315	72,786,748	3,346,317
WASCO	BADEA 133 Maseru Water Supply 2	78,097,438	-	-	78,097,438	20,708,712	1,915,876
	OFID 134 Maseru Supp. 2	85,500,487	-	-	85,500,487	40,833,060	8,585,000
	IDA 2400 Infrastructure Engineering	18,119,448	-	-	18,119,448	8,055,870	1,915,876
	IDA 3995 Water Sect Imp Project	48,814,092	-	-	48,814,092	12,038,833	1,790,503
LEC	Lesotho Elect Supply Project	39,866,677	1,944,716	807,057	37,921,961	-	-
<b>Total</b>		<b>1,029,114,831</b>	<b>26,134,589</b>	<b>1,783,482</b>	<b>1,002,980,242</b>	<b>256,088,168</b>	<b>121,352,960</b>

Source: Consolidated Financial Statements and Debt Records

**Audit concerns:**

- Telecomm/ECONET did not make repayments on principal amounts and payment of interest charges on two projects during the year under review. Telecomm has defaulted for three years since 2016/17 and once again it is in arrears of the principal and interest totalling M101,664,945 and M103,799,388 respectively at the end of 2018/19.
- WASCO defaulted in the last two financial years. In 2016/2017 WASCO did not make payments on both the principal and interest on four projects. During the financial year 2017/18 WASCO repaid the principal of M48,814,092 for one project and it did not pay interest amounting to M22,122,728 for five projects and principal repayments of M105,727,566 for four projects.

Once again in 2018/19, WASCO failed to make repayments on the principal and interest charges for five projects and was in arrears of principal repayments and interest charges to the tune of M17,553,572 and M154,423,223 respectively.



## CHAPTER 8: GOVERNMENT LIABILITIES

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### 8.1 LIABILITIES

Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in outflow from the entity resources embodying economic benefits or service potential.

### 8.2 EXTERNAL ASSISTANCE

External Assistance is all official resource, which the recipient can use or otherwise benefit from in pursuit of its objectives. The official resources include loans, grants, technical assistance, guarantees or other forms of assistance provided or committed under a binding agreement by multilateral or bilateral external agencies or governments.

During the year under review, the Government of Lesotho received loans and grants from donors.

#### 8.2.1 Donor Grants

Donor grants received during the year amounted to M667 million broken down as follows:

Foreign Governments	137,330,000
International Organisations	<u>529,352,000</u>
<b>Total</b>	<b><u>666,682,000</u></b>

#### 8.2.2 Donor Loans

The Minister of Finance is empowered to raise loan funds externally for the purpose of financing development projects or such other purposes, as he deems necessary in the public interest.

##### a) Correction of errors

The financial statements for the year ended 31 March 2018 indicated that the government had a closing external stock of M10.719 billion. However, the current financial statements show the previous year closing balance to be M10.649 billion. Therefore the opening balance for 2018/19 is different from the closing balance for 2017/18 due to the following adjustments made:

- An amount of M2,157,040 for refurbishment of the Convention

Centre was understated by M17,000,000. The correct balance is M19,157,040.

- Under Export Credit, the closing balance of M588,369,810 was understated by M62,296,781. The correct figure is M650,666,591.
- The closing loan balance of M9,320,118,905 was overstated by M149,208,294 for multilateral donors due to erroneous recording of projects' balances for Greater Maseru Water, Wool and Mohair Promotion and E-Government. The correct figure is M9,174,910,611.

## **b) Status of External Debt as at 31 March 2019**

External debt stock amounted to M12.662 billion as at 31 March 2019 after taking into consideration exchange rates as of that date. The repayments and interest charges were M588 million and M229 million respectively. These figures were correctly stated in the Consolidated Statement of Cash Payments and Receipts. However, disbursements of M940 million reflected in Debt records is different from the figure of M498 million in the Consolidated Statement of Cash Receipts and Payments resulting into an understatement of M442 million. Status of external debt as at 31 March 2019 is shown on Table 8.2.2.

**Table 8.2.2 – Status of External Debt**

<b>Category</b>	<b>Opening Balance</b>	<b>Disbursements</b>	<b>Repayments</b>	<b>Interest</b>	<b>Closing Balance</b>
Bilateral	826,926,372	-	64,724,297	21,996,188	873,970,974
Multilateral	9,170,910,611	660,761,525	455,324,977	186,165,995	10,799,742,430
Export Credit	650,666,591	279,300,000	67,636,655	21,385,655	987,681,804
Other Fin. Instit.	335,759	-	167,607	35,202	109,164
<b>Total</b>	<b>10,648,839,333</b>	<b>940,061,525</b>	<b>587,853,536</b>	<b>229,583,040</b>	<b>12,661,504,372</b>

Source: Consolidated Financial Statements and Debt Records

## **8.3 DOMESTIC LIABILITIES**

### **8.3.1 Domestic Debt**

The Minister of Finance is also empowered by the Loans and Guarantees Act, 1967 to raise loans internally for financing development projects. Domestic debt comprises Treasury Bills, Fiscal Bills and Treasury Bonds issued by Central Bank of Lesotho. Fiscal

Bills and Treasury Bonds finances the fiscal deficit when the need arises while Treasury Bills are used to mop up excess liquidity.

In his budget speech for the financial year 2018/19, the Minister of Finance indicated that the Lesotho's overall fiscal position remained weak for most of 2017/18, with irregular spikes of shortages in cash and foreign reserves. Government revenue was projected to be M845.7 million below budget by the end of this fiscal year and the Lesotho Revenue Authority was likely to miss its tax collection target by about M684.4 million. The fiscal deficit was estimated at 5.7 per cent of GDP up from the budgeted 4.8 per cent. The resulting deficit was to be financed through domestic borrowing and drawdown of deposits.

During the year under review, the Government raised bills and bonds totalling M3.495 billion, made principal repayments of M2.258 billion and interest payments of M148 million. The fiscal bills of M556 million were to finance the budget deficit estimated at 5.7 per cent of GDP up from the budgeted 4.8 per cent. The outstanding debt at 31 March 2019 was M3.209 billion as depicted on Table 8.3.1.

The proceeds from sale of Treasury Bills were saved in a blocked account for the repayment of the principal, while the interest was budgeted and paid from the recurrent budget.

**Table 8.3.1 - Status of Domestic Debt as at 31 March 2019**

Category	Opening	Newly issued	Repayment	Interest	Closing
Treasury Bills	874,703,700	2,058,317,594	2,056,253,293	54,800,872	876,768,001
Treasury Bonds	1,097,438,900	880,186,900	201,580,600	93,190,496	1,776,045,200
Fiscal Bills	-	556,170,000	-	-	556,170,000
<b>Total</b>	<b>1,972,142,600</b>	<b>3,494,674,494</b>	<b>2,257,833,893</b>	<b>147,991,368</b>	<b>3,208,983,201</b>

Source: Consolidated Financial Statements and Debt Records

### 8.3.2 Pension Liabilities

The Public Officers' Defined Contribution Pension Fund was established in 2008 to deliver pension benefits to contributing members employed in the Lesotho public service. The Act establishing the Fund requires actuarial valuations at regular intervals to assess the viability of the Fund to pay future pension and benefit obligations.

## Audit concern:

The last valuation report indicated that there was underfunding of M5.890 billion as at 31 March 2016. There are no subsequent actuarial evaluation reports on the latest status of the pension liability and I had also indicated in my latest report that the Government needs to consider reducing this liability to secure future benefits of employees.

### 8.3.3 Guaranteed Loans

Guaranteed loans comprises of amounts guaranteed by the Government in respect of loans issued to state-owned enterprises, Members of Parliament, public officials and businesses.

As for loans for Members of Parliament, Government acts as a guarantor and also pays interest accruing from MPs loans. During the year under Government paid interest charges totalling M5,664,720 to Nedbank Lesotho.

Outstanding guaranteed loans amounted to M131,851,686 at 31 March 2019 as indicated on Table 8.3.3. The amount has decreased by M10,713,627 as compared to the financial year 2017/18; which is a good indication that some beneficiaries had repaid their loans accordingly.

**Table 8.3.3– Guaranteed Loans**

Start Year	Beneficiary	Lender	Balance at 31 March 2019	Balance at 31 March 2018	Increase/ (Decrease)
	WASCO (PTY) LTD	Nedbank	5,386,013	16,825,283	(11,439,270)
2016	Maseru E textile	Standard Lesotho Bank	6,095,713	10,864,202	(4,768,489)
	MPS and Statutory Positions	FNB	52,579,793	70,070,680	(17,490,887)
	LUQY's Manufacturing	FNB	4,170,910	3,438,676	732,234
2014	Eclat Evergood Textiles	Standard Lesotho Bank	29,500,000	-	29,500,000
2015	Statutory Position holders	Standard Lesotho Bank	596,584	-	596,584
2014	TZICC	Standard Lesotho Bank	32,450,000	39,529,263	(7,079,263)
2017	Local Government	Nedbank	1,072,674	1,837,209	(764,535)
	<b>Total</b>		<b>131,851,686</b>	<b>142,565,313</b>	<b>(10,713,627)</b>

Source: Public Debt records

### 8.3.4 Contingent Liabilities

Contingent liabilities are possible or present obligations that arise from past events. Existence of possible obligations is confirmed only

by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of an entity. Present obligations are not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Government had contingent liabilities of M3.1 billion at 31 March 2019 as indicated on Table 8.3.4.

**Table 8.3.4 – Contingent Liabilities**

Ministry	No. of claimants/ Beneficiaries	Nature of contingent	Exposure at 31 March 2019	Exposure at 31 March 18
Health	5	Medical negligence, assault and business damage	28,050,000	3,050,000
Education	6	Salary arrears following restructuring, assault of a student and unfair dismissal	7,177,598	-
Dev. Planning	Not stated	Not stated	87,678	-
Justice	36	Unlawful dismissal and underpayment of arrears	1,089,393	3,410,432
Home Affairs	586	Tour imprests claims	7,201,051	7,201,051
Law	1	Diamond mine compensatory damages and security on cost award	3,025,000,000	3,025,000,000
Foreign Affairs	3	Litigation	13,717,472	-
Public Works	1	Claim	935,737	935,737
Labour	1	Lawsuit	100,000	100,000
Defence	90	17 months salaries of staff dismissed in 2017	8,670,240	-
	4	Legal claim, payment demands and damages for loss of profit	1,121,930	3,674,270

Ministry	No. of claimants/ Beneficiaries	Nature of contingent	Exposure at 31 March 2019	Exposure at 31 March 18
Local Government	11	Loss of sales and profits, tenders, court order, etc.	6,542,751	5,085,984
Gender	1	Court order	169,552	-
Police		Civil claims	-	1,104,219
Judiciary	1	Court order	69,584	1,190,303
Small Business	1	Lawsuit	369,219	-
<b>Total</b>			<b>3,100,302,205</b>	<b>3,050,751,996</b>

Source: Ministries' financial statements

## 8.4 PAYABLES

### 8.4.1 Payment of arrears

Payment arrears are payment obligations on Government to individuals, suppliers, lenders or contractors that were due for settlement prior to 31 March 2019, but remained unpaid as at that date. The Government had payment arrears totalling M828 million at 31 March 2019 and included in this amount is M308 million which has been outstanding for more than one year.

#### Audit concern

I have noted that payment arrears are mostly caused by non-compliance to public procurement procedures as purchase orders are sometimes raised after the services or goods have already been received.

### 8.4.2 Trust Monies

Section 24 of the Public Financial Management and Accountability Act 2011 states that trust moneys should be separately identified from the public monies and accounted for. Trust funds are classified into Main Trust Funds and Operating Trust Funds.

Main Trust Funds refer to an obligation enforceable in equity, which rests on a person (the trustee) as owner of some specific property (the trust property) to deal with that property for the benefit of another person (the beneficiary) or for the advancement of certain purposes. Example of such is the Guardian Fund administered by the Master of the High Court.

Operating Trust Fund Accounts facilitate transactions relating to the Ministries and Departments administrative role as an employer. These transactions include deductions from employees' salaries with regards to contributions to the Pension Fund, housing loan repayments, insurance premiums and other deductions for onward payment to the respective payees.

The Accountant-General operates Trust Monies Fund account held at the Central Bank of Lesotho. Administrators of trust fund accounts are required to maintain records and reconcile these records with those of the Accountant-General.

**a) Non-reconciliation of accounts**

The closing bank balance of M332,686,090.07 as at 31 March 2019 was not reconciled with records held by relevant ministries and departments. Due to the lack of reconciliation between Treasury records and ministerial records, the accuracy and completeness of the closing bank balance could not be verified. Furthermore, lack of reconciliation of records makes the account prone to misstatements whether deliberate or unintentional.

**b) Outstanding issue on irregular transfer of money from Trust Funds Account to the Consolidated Fund**

In my 2016/17 Audit Report, I reported that the Minister's directive was contrary to the requirements of the Constitution and of the PFMA Act 2011, to transfer an amount of M450 million from the Trust Monies Account into the Consolidated Fund, for onward transfer to Recurrent Expenditure Account. The amount of M450 million was from the Loan Bursary Fund administered by the National Manpower Development Secretariat (NMDS).

I have not been made aware of the necessary legislative requirements made to regularise the situation and whether the Government had eventually settled its liability of M450 million.

## **CHAPTER 9: LOSSES AND ACCIDENTS**

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### **9.1 LOSSES AND ACCIDENTS REPORTS**

The Accountant-General has reported a total amount of M130 million shown on Table 9.1 for losses of cash and stores, write-offs and accidents. However, I have not been provided with documents supporting this figure.

My office has also compiled a statement of losses and accidents from copies of reports from ministries. There were 5 losses of stores amounting to M16,820; 4 losses of cash totalling M247,967 and 126 accidents to the tune of M879,599 as reflected on Table 9.1.

### **9.2 MINISTRY OF AGRICULTURE AND FOOD SECURITY**

#### **a) Loss of cash – M110,541.80**

The Principal Secretary for Agriculture and Food Security has reported that on 12 December 2018, a group of five men with guns attacked and robbed the Accounts office at the Department of Crops. The robbers took cash from sale of agricultural inputs amounting to M110,541.80.

The incidence was reported to Maseru Central Charge Office and in January 2019, the matter was still under investigation, (Case number RCI(MCCO)44/12/18).

#### **b) Loss of Tractor Tyres – M16,710.42**

There was a loss of tractor tyres, which occurred on 22 September 2017 at Foso Machinery Stores. The preliminary enquiries revealed that the security company was liable for the loss and therefore had to assume responsibility over the loss as per contract. The loss was reported to Mabote Police Station and the matter was under investigation, (Case number RCI 74/09/17). The cost of lost tyres was M16,710.42.



## **9.4 MINISTRY OF EDUCATION AND TRAINING**

### **a) Loss of cash – M61,200**

The Ministry of Education and Training reported loss of cash totalling M61,200.00 at the School Supply Unit. It was stated that the responsible officer was given money to pay the casual labourers in the districts of Berea, Thaba-Tseka, Mokhotlong, Botha-Bothe and Leribe but did not make payments. The loss occurred on 10 February 2017 and reported to the Principal Secretary for Finance on 12 February 2018. The incidence was not reported to the Police.

In May 2018, the Principal Secretary for Finance wrote a letter to the responsible officer requesting him to show cause why he could not be surcharged for the said loss. I have not been made aware if the surcharge was actually effected.

## **9.5 MINISTRY OF PUBLIC WORKS**

### **a) Loss of cash – M72,000**

My office received a copy of Loss Report from the Chief Accounting Officer for Public Works on 1 May 2018 reporting loss of cash amounting to M72,000.00 which occurred in the financial year 2001/02 at the Department of Rural Roads, in Qacha's Nek. The loss report has stated that the loss occurred due to direct negligence and there was no evidence in the files that the matter was reported to the Police.

The Chief Accounting Officer recommended a surcharge of two officers still in the civil service.

**Table 9.1 - Losses and Accidents Report 2018/19**

Spending Unit	TREASURY					AUDIT							
	Stores Amount M'000	Cash Amount M'000	Accidents Amount M'000	Amount M'000	Total Amount M'000	Stores		Cash		Accidents		Total	
						No.	Amount	No.	Amount	No.	Amount	No.	Amount
Agriculture	-	-	-	-	-	1	16,710	1	110,542	-	-	2	127,252
Health	13	99,688	-	-	99,701	-	-	-	-	-	-	-	-
Education	5	96	509	-	610	-	-	1	61,200	9	178,608	10	239,808
Finance	-	-	-	-	-	-	-	-	-	14	14,525	14	14,525
Trade	-	-	-	-	-	-	-	-	-	2	-	2	-
Dev. Planning	-	-	-	-	-	-	-	-	-	-	-	-	-
Justice	-	-	-	-	-	-	-	-	-	-	-	-	-
Home Affair's	-	-	-	-	-	-	-	-	-	-	-	-	-
PM's Office	-	18,884	-	-	18,884	-	-	-	-	11	-	11	-
Communications	-	74	-	-	74	-	-	-	-	-	-	-	-
Law	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign	-	-	4	-	4	-	-	-	-	2	8,191	2	8,191
Public Works	-	-	3	-	3	-	-	1	72,000	15	58,208	16	130,208
Forestry	-	-	8	-	8	-	-	-	-	-	-	-	-
Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Labour	-	-	-	-	-	3	5,500	-	-	27	34,900	30	40,400
Tourism	-	-	-	-	-	-	-	-	-	-	-	-	-
PSC	1	-	-	-	1	-	-	-	-	-	-	-	-
Pensions	-	8,427	-	-	8,427	-	-	-	-	-	-	-	-
Defence	-	-	205	-	205	-	-	-	-	8	132,546	8	132,546
Nat. Assembly	-	38	-	-	38	-	-	-	-	1	22,561	1	22,561
Senate	-	71	66	-	137	-	-	-	-	-	-	-	-
IEC	-	-	10	-	10	-	-	-	-	4	-	4	-
Loc. Government	11	12	-	-	23	1	5,500	-	-	-	-	1	5,500
Gender	-	142	-	-	142	-	-	-	-	-	-	-	-
Public Service	-	-	281	-	281	-	-	-	-	9	1,350	9	1,350
Judiciary	-	-	-	-	-	-	-	1	4,225	-	-	1	4,225
Soc. Development	-	-	275	-	275	-	-	-	-	12	298,057	12	298,057
DCEO	-	-	1	17	18	-	-	-	-	-	-	-	-
Mining	17	77	-	-	94	-	-	-	-	1	20,603	1	20,603
Police	-	298	443	-	741	-	-	-	-	-	-	-	-
Small Business	50	-	570	-	620	-	-	-	-	11	110,050	11	110,050
TOTAL	97	127,807	2,375	17	130,296	5	16,820	4	247,967	126	879,599	135	1,144,386

Source: Consolidated Financial Statements, Copies of Loss and Accident Reports

Source: Consolidated Financial Statements, Copies of Loss and Accident Reports

## **PART 3**

# **FINANCIAL MANAGEMENT AND BUDGETARY CONTROL**

## **CHAPTER 10: APPROPRIATION ACCOUNTS**

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### **10.1 ISSUES FROM THE CONSOLIDATED FUND**

The Consolidated Fund is at any point the amount standing to the credit of the Government of Lesotho. Issues from the Consolidated Fund maybe divided into:

- Supply Services/Appropriated Expenditure
- Consolidated Fund Standing Services

#### **a) 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.

#### **b) 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.

### **10.2 BUDGETARY CONTROL**

The Ministry of Finance is the custodian of the Consolidated Fund and it has the central responsibility for advising the Government on financial policy.

Within the framework created by the constitutional arrangements for finance, Government has to collect revenue and apply it in expenditure for all services required of it and has to make administrative arrangements accordingly. Hence there is a Budgetary Authority directing and supervising executive departments in this work. The functions of the Budget Office can be categorised into the following:

- Planning of budgetary estimates for Government as a whole and supervise their execution by spending units, making adjustments as may be necessary according to circumstances.

- Relating financial policy to manpower deployment.
- Administrative control over the financial mechanism, by making and enforcing rules for the conduct of financial business.

The Budget Office should do all it can to protect the budget. It is not expected to process requests, which cannot be accommodated within the budget.

### **10.3 APPROPRIATION ACCOUNTS**

Appropriation Accounts are accounts of the voted expenditure and charged expenditure of the Government for each financial year compared with the amounts of the voted and charged for different purposes as specified in the schedules appended to the Appropriation Act. These Accounts list the original budget estimates and supplementary estimates and indicate actual development and recurrent expenditure on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both charged and voted items of the budget.

Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provisions and are, therefore, complementary to the financial statements.

### **10.4 EXPENDITURE**

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.

The Ministry of Finance controls Government expenditure, in the sense of allocating the amount of money to be made available for each purpose to each spending unit. It also advises spending units on financial matters and assists them to maintain proper practices in the expenditure of public money.

Government expenditure is broken down into recurrent expenditure and development/capital expenditure. The summarised position of actual expenditure during 2018/19 against appropriations is given on Table

10.4. There were unspent allocations of M27 million under recurrent expenditure and M1.979 billion under development expenditure.

**Table 10.4 - Summary of Appropriation Accounts**

	<b>Appropriation</b>	<b>Direct Charges</b>	<b>Total</b>
	<b>M'000</b>	<b>M'000</b>	<b>M'000</b>
Recurrent	10,750,285	3,069,740	13,820,025
Development	5,910,111	-	5,910,111
<b>Total</b>	<b>16,660,396</b>	<b>3,069,740</b>	<b>19,730,136</b>
<b>Actual Expenditure</b>			
Recurrent	10,417,648	3,374,982	13,792,630
Development	3,930,931	-	3,930,931
<b>Total</b>	<b>14,348,579</b>	<b>3,374,982</b>	<b>17,723,561</b>
<b>Unspent Allocation</b>			
Recurrent	332,637	(305,242)	27,395
Development	1,979,180	-	1,979,180
<b>Total</b>	<b>2,311,817</b>	<b>(305,242)</b>	<b>2,006,575</b>

Source: Consolidated Financial Statements, Appropriation Act 2018/19 and Book of Estimates

## 10.5 SUPPLEMENTARY BUDGET

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.

Furthermore, Section 114 of the Constitution requires that 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.

The Supplementary Appropriation Bill to the amount of M1,192,028,075

has been presented before Parliament to regularise additional funding on development budget and to replace the advance from the Contingencies Fund.

At the time of my reporting, the Supplementary Appropriation Bill for 2018/19 was not yet enacted by Parliament.

#### a) **Supplementary Development Budget for 2018/19**

The Supplementary Appropriation Bill consists of development budget M981,007,533 of which M419,415,468 was funded by the Government of Lesotho and M561,592,065 funded by international partners as indicated on Table 10.5a below:

**Table 10.5a – Supplementary Development Budgets**

<b>Ministry</b>	<b>GOL</b>	<b>Donors</b>	<b>Total</b>
Agriculture	-	11,583,712	11,583,712
Health	-	54,132,776	54,132,776
Education	4,037,000	27,753,820	31,790,820
Finance	-	15,879,091	15,879,091
Trade	-	19,700,170	19,700,170
Home Affairs	11,300,000	-	11,300,000
PM's Office	4,600,000	-	4,600,000
Communications	40,000,000	8,684,257	48,684,257
Public Works	310,343,708	297,158,360	607,502,068
Energy	-	28,195,453	28,195,453
Tourism	10,000,000	-	17,927,873
Loc. Government	253,000	-	253,000
Public Service	3,100,000	7,927,873	11,027,873
Judiciary	31,900,000	-	31,900,000
Soc. Development	-	9,859,344	9,859,344
Water Affairs	3,881,760	80,717,209	84,598,969
<b>Total</b>	<b>419,415,468</b>	<b>561,592,065</b>	<b>981,007,533</b>

Source: Consolidated Financial Statements and Supplementary Appropriation Bill 2018/2019

#### b) **Unnecessary Supplementary Provision**

Supplementary demand should only be resorted to in exceptional and urgent cases. While requesting a supplementary grant, a Spending Unit has to keep in view the resources available or likely to be available during the year and exercise due caution while forecasting its additional budgetary requirements of funds.

I am of the view that a supplementary estimates of M981 million on development expenditure was not necessary as I have already stated earlier on Table 10.4 that the final development expenditure amounted to M3.931 billion against the original budget of M5.910 billion.

Under GOL funds, the original budget was M3,550,381 and actual expenditure amounted to M2,766,545 as indicated on Table 10.5b resulting into a budget execution of 78%. However, there were additional funds of M434 million and budget execution was reduced to 69%.



**Table 10.5b – Development Budget Execution on GOL Funds**

Ministry	Approved Budget (M'000)	Advances from Contingencies Fund (M'000)	Supplementary Budget (M'000)	Total Funds (M'000)	Actual Expenditure (M'000)	Variance (M'000)	Budget Execution (%)
A	B	C	D	E (B+C+D)	F	G (E-F)	H (F/E%)
Agriculture	49,835	-	-	49,835	22,210	27,625	45
Health	188,792	-	-	188,792	67,974	120,818	36
Education	19,345	-	4,037	23,382	22,087	1,295	94
Finance	429,478	-	-	429,478	231,623	197,855	54
Trade	175,584	-	-	175,584	11,302	164,282	6
Planning	100,000	-	-	100,000	8,464	91,536	8
Justice	100,000	-	-	100,000	48,183	51,817	48
Home Affairs	285,788	-	11,300	297,088	279,980	17,108	94
PM's Office	-	-	4,600	4,600	-	4,600	0
Communications	10,000	10,000	40,000	60,000	47,234	12,766	79
Law	20,000	-	-	20,000	16,211	3,789	81
Foreign	20,000	-	-	20,000	798	19,202	4
Public Works	480,360	4,600	310,344	795,304	762,622	32,682	96
Forestry	-	-	-	-	112,236	-112,236	-
Energy	181,000	-	-	181,000	227,488	-46,488	126
Tourism	93,631	-	10,000	103,631	70,706	32,925	68
His Majesty's Office	300,000	-	-	300,000	76,544	223,456	26
Defence	47,000	-	-	47,000	29,445	17,555	63
Senate	42,000	-	-	42,000	-	42,000	-
Loc. Government	391,865	-	253	392,118	392,447	-329	100
Gender	65,000	-	-	65,000	62,923	2,077	97

Ministry	Approved Budget (M'000)	Advances from Contingencies Fund (M'000)	Supplementary Budget (M'000)	Total Funds (M'000)	Actual Expenditure (M'000)	Variance (M'000)	Budget Execution (%)
Public Service	5,000	-	3,100	8,100	3,073	5,027	38
Judiciary	10,000	-	31,900	41,900	18,000	23,900	43
Soc. Development	3,000	-	-	3,000	802	2,198	27
Mining	21,238	-	-	21,238	1,529	19,709	7
Police	72,500	-	-	72,500	53,897	18,603	74
Small Business	88,500	-	-	88,500	43,371	45,129	49
Water	350,465		3,882	354,347	155,396	198,951	44
<b>Total</b>	<b>3,550,381</b>	<b>14,600</b>	<b>419,416</b>	<b>3,984,397</b>	<b>2,766,545</b>	<b>1,217,852</b>	<b>69</b>

Source: Consolidated Financial Statements, Contingencies Warrants and Supplementary Appropriation Bill 2018/2019

## 10.6 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.

The Appropriation Act 2018/19 had allocated the Contingencies Fund an amount of M100,000,000 and total advances made from the fund amounted to M99,892,103. The Contingencies Fund was further replenished by M130,000,000 though not approved by the Appropriation Act. Advances made from the second allocation amounted to M125,728,439 bringing total advances to M225,620,542. This amount of M225,620,542 is further broken down into advances on development expenditure amounting to M14,600,000 and on recurrent expenditure to the tune of M211,020,542 as indicated on Table 10.6. Full details and reasons for advances are reflected in Appendix 1 to this report.

**Table 10.6 – Advances from the Contingencies Fund in 2018/19**

Ministry	Advances			Nature of advance	
	1st Allocation	2nd Allocation	Total	Development	Recurrent
Education	23,000,000	15,000,000	38,000,000	-	38,000,000
Finance	820,000	-	820,000	-	820,000
Justice	-	970,500	970,500	-	970,500
PM's Office	8,114,638	18,949,500	27,064,138	-	27,064,138
Communications	10,000,000	37,400,867	47,400,867	10,000,000	37,400,867
Law	-	7,000,000	7,000,000	-	7,000,000
Foreign Affairs	670,440	17,920,383	18,590,823	-	18,590,823
Public Works	7,661,449	5,000,000	12,661,449	4,600,000	8,061,449
Labour	-	3,136,127	3,136,127	-	3,136,127
Tourism	-	380,371	380,371	-	380,371
Defence	16,610,153	-	16,610,153	-	16,610,153
National Assembly	-	1,991,808	1,991,808	-	1,991,808
Ombudsman	-	986,366	986,366	-	986,366
IEC	-	1,295,592	1,295,592	-	1,295,592
Local Government	7,485,487	-	7,485,487	-	7,485,487
Public Service	-	1,037,808	1,037,808	-	1,037,808
Judiciary	6,529,936	14,659,117	21,189,053	-	21,189,053
Social Development	14,000,000	-	14,000,000	-	14,000,000

Ministry	Advances			Nature of advance	
	1st Allocation	2nd Allocation	Total	Development	Recurrent
Police	5,000,000	-	5,000,000	-	5,000,000
<b>Total</b>	<b>99,892,103</b>	<b>125,728,439</b>	<b>225,620,542</b>	<b>14,600,000</b>	<b>211,020,542</b>

Source: Consolidated Financial Statements and Contingencies Warrants

I still have the same concerns for the past ten years regarding advances from the Contingencies Fund; irregular replenishment of the fund, non-maintenance of separate records for these advances and contingencies warrants being treated as release warrants.

My greatest worry is failure to comply with the constitutional requirements for so many years and to date, Parliament is yet to regularise advances from the Contingencies Fund totalling M1,369,632,630 since 2009/10 broken down as follows:

Financial Year	Outstanding Amount
2009/10	153,438,670
2010/11	99,592,440
2011/12	71,358,522
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
2018/19	225,620,542
<b>Total</b>	<b>1,369,632,630</b>

## 10.7 CENTRALISED ITEMS VOTE

An officer who is appointed to be the administrative head of an administrative unit of Government in respect of which a head of revenue and expenditure exists is responsible for financial control of that unit and is Chief Accounting Officer for that head, and personally accountable to the Legislature.

Parliament allocates funds to each Head of Expenditure, which is a separate administrative unit through which public business is transacted (ministry or department). A Chief Accounting Officer is responsible for regularity and propriety of all expenditure out of the Head of

Expenditure for which he signs the financial statements/appropriation accounts.

The Appropriation (2018/2019) Act, under recurrent expenditure, includes an amount of M83,706,339 for Head 30 – Centralised Items. In the Book of Estimates, this figure is broken down into M40,000,000 for salaries vacant posts and M43,706,339 for vehicles, cycles and equine.

**Audit Concerns:**

- There is no designated Chief Accounting Officer for this Head of Expenditure.
- No expenditure incurred under Head 30 as the Ministry of Finance issued warrants from this Head to other Heads of Expenditure to finance vacant positions and for procurement of vehicles.
- There is no legislation governing administration of Head 30-Centralised Items and therefore legal accountability of funds under this head could not be established.
- Even though there was a reserved amount of M43,706,339 for purchase of vehicles, a total amount of M23,642,733 was also advanced from the Contingencies Fund for purchase of VIP and police vehicles for the following ministries:

Ministry	Description	Amount
Police	Police Vehicles	5,000,000
Justice	VIP Vehicle	970,500
Judiciary	VIP Vehicle	14,659,117
National Assembly	VIP Vehicle	1,991,808
Public Service	VIP Vehicle	1,021,308
<b>Total</b>		<b>23,642,733</b>

## **PART 4**

### **ACCOUNTABILITY OF SPENDING UNITS**

## **CHAPTER 11: CORPORATE ISSUES**

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### **11.1 ADMINISTRATION OF GOVERNMENT SERVICES**

The detailed administration of government services is the responsibility of executive ministries and a term of “spending unit” is used to denote each unit which has some degree of administrative and financial independence by powers delegated direct by the Minister of Finance.

Finance is an inseparable element in all policy questions and financial responsibility has wider implications for efficient management; consequently financial and administrative responsibility is concentrated on the Chief Accounting Officer. The Chief Accounting Officer’s responsibilities spring from the basic conception underlying Government financial procedure and organisation, namely that due regard can never be paid to financial considerations if finance and administration are divorced.

### **11.2 TASK OF THE DEPARTMENTS**

The provisions of services for the public, is the role of the spending units, who must present the best possible services within the limits of the funds available to them. In many cases limitation is severe, setting a barrier to aspirations of departments seeking to develop their activities. However if unlimited funds were available, it should not be readily assumed that the more is spent the better the service will be.

The PFMA Act 2011 requires Chief Accounting Officers to ensure that public money allocated by Parliament is used efficiently to achieve programme objectives approved by Parliament. The Act further demands a spending unit of Government to prepare quarterly and annual reports, which include:

- Details of the programme results achieved, including the impact of new policies implemented in that year and in the previous years, and set out the performance indicators used to assess programme performance; and
- Financial statements prepared in accordance with International Public Sector Accounting Standards.

### **11.3 GOVERNANCE ISSUES**

In the public sector, governance is a combination of processes for managing and monitoring the organisation's activities in achieving its objectives. Basically, governance is the means by which goals are determined and accomplished. There is a code of conduct implemented to ensure appropriate behaviour and establish credibility. To ensure success and ethical behaviour, the principles of setting direction, instilling ethics, overseeing results, accountability reporting and correcting course are used in public sector governance.

#### **a) Corporate Plans and Annual Operational Plans**

Corporate and operational plans are important as they set targets, and outline performance indicators, which assist with monitoring the performance of the entity. Few ministries had corporate/strategic plans and there is still a problem in preparing annual operational plans. I wish to highlight that those ministries without plans may have performance issues, which in turn lead to ineffective and inefficient service delivery.

#### **b) Internal Audit**

The PFMA Act 2011 requires each Chief Accounting Officer to establish an internal audit function within his spending unit to assess risks facing the spending unit in achieving its programme objectives and the mitigation measures in place; assess adequacy and effectiveness of the internal controls and also to report significant internal control issues and recommended improvements.

Despite the requirements of PFMA Act 2011, most spending units do not have internal audit function. They rely on the Ministry of Finance to carry out internal audit work for them.

#### **c) Audit Committees**

Audit Committees play an important role in reviewing and advising on important components of an entity's corporate governance. An effective Audit Committee provides additional oversight of key audit functions and there are often strong correlations between the effectiveness of the audit committee and the effectiveness of



an agency's control structures. The establishment and independence of Audit Committees are stated in Section 11 of the Treasury Regulations, 2014.

Audit Committees are not yet in place to oversee key audit functions.

**d) Quarterly and Annual Reports**

A spending unit is obliged by PFMA Act 2011 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 International Public Sector Accounting Standards.

I appreciate efforts taken by the ministries of Development Planning and of Finance in ensuring that spending units prepare quarterly reports.

## CHAPTER 12: ACCOUNTING FOR RECURRENT EXPENDITURE

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### 12.1 RECURRENT EXPENDITURE

Recurrent expenditure relates to all payments other than for capital assets, including on goods and services, (wages and salaries, employer contributions), interest payments, subsidies and transfers.

Recurrent expenditure is mainly financed by **Government revenue**, which includes government tax, non-tax revenue (property income, administration fees, fines) and capital revenue (sales of assets or stocks).

#### 12.1.1 Budget Execution

During financial year 2018/19, total recurrent expenditure of M10.418 billion was incurred under 35 Heads of Expenditure against approved budget of M10.667 billion resulting into overall budget execution of 98%.

I have earlier indicated grave and constant concern on non-maintenance of separate records for the advances from Contingencies Fund and contingencies warrants being treated as release warrants. As such expenditure of M10.418 billion is inclusive of advances of which I could not determine the total amount of these advances. For purposes of comparison of budget and actual expenditure, I had to add total advances of M211 million from the Contingencies Fund (though not yet approved by Supplementary Appropriation Act) to the approved budget of M10.667 billion making a total of M10.878 billion. The overall budget execution was 96% as indicated on Table 12.1.

##### a) Low Budget Execution

Even though there was a satisfactory budget execution of 96%, Ministries of Forestry and Water Affairs recorded very low budget execution of 36% and 68% respectively.

##### b) Excess Expenditure

It is the duty of the Chief Accounting Officer to ensure that his ministry plans and watches expenditure so as to avoid making payments in excess of the funds available at any given time. The

Chief Accounting Officer of the ministry where the excess occurs should send an explanation to the Budget Controller explaining how it occurred and what steps have been taken to prevent a recurrence. The Minister will cause the explanation to be investigated and decide on surcharge action. When the Statement of Excess is presented before Parliament, it will include a report of the Minister's findings.

Section 112 (3)(b) of the Constitution stipulates that if in respect of any financial year it is found that any moneys have been expended for any purpose in excess of the amount appropriated to that purpose by the Appropriation Act, a statement of excess showing the sums spent should be laid before both Houses of Parliament and, when the statement of excess has been approved by the National Assembly, a Supplementary Appropriation Bill should be introduced in the Assembly, providing for the issue of such sums from the Consolidated Fund and appropriating them to the purposes specified therein.

Furthermore, If at any time it appears from the Minister's record that expenditure has been incurred in excess of the authorised provision for a head of expenditure, Section 27 (6) of the PFMA Act 2011 empowers him to impose a surcharge of M1,000 or the amount of the excess, whichever is the lesser amount, on the person who was Chief Accounting Officer for that head at that time.

#### **Audit Concerns:**

- Twelve (12) Heads of Expenditure highlighted in blue on Table 12.1 exceeded the budget with a range of 1-75%. However, requirements of the Constitution and PFMA Act 2011 on Statement of Excess and Surcharge for Excess Expenditure respectively were not complied with.
- No explanations to the Budget Controller on how excess expenditures occurred and what steps have been taken to prevent a recurrence.
- There was no evidence that Statement of Excess was prepared and laid before both Houses of Parliament and also that the Minister imposed a surcharge on Chief Accounting Officers responsible for excess.

**Table 12.1- Budget Execution**

Ministry	Appropriation Amount	Advance from Contingencies Fund	Total Funds	Actual Expenditure	(Over)/Under Expenditure	Budget Execution (%)
A	B	C	D (B+C)	E	F (D-E)	G (E/D%)
Agriculture	285,284,555	-	285,284,555	245,682,806	39,601,749	86
Health	2,054,906,081	-	2,054,906,081	1,944,647,318	110,258,763	95
Education	2,391,349,939	38,000,000	2,429,349,939	2,393,972,402	35,377,537	99
Finance	868,705,943	820,000	869,525,943	706,200,405	163,325,538	81
Trade	43,176,320	-	43,176,320	43,065,940	110,380	100
Development Planning	693,599,074	-	693,599,074	687,778,099	5,820,975	99
Justice	229,710,499	970,500	230,680,999	216,942,963	13,738,036	94
Home Affairs	165,762,900	-	165,762,900	158,823,421	6,939,479	96
PM's Office	117,684,199	27,064,138	144,748,337	189,703,260	(44,954,923)	131
Communications	152,248,158	37,400,867	189,649,025	181,421,000	8,228,025	96
Law	65,992,681	7,000,000	72,992,681	66,637,065	6,355,616	91
Foreign	328,577,594	18,590,823	347,168,417	380,223,351	(33,054,934)	110
Public Works	139,737,411	8,061,449	147,798,860	158,491,729	(10,692,869)	107
Forestry	193,196,247	-	193,196,247	69,511,567	123,684,680	36
Energy	27,730,118	-	27,730,118	29,203,066	(1,472,948)	105
Labour	53,659,803	3,136,127	56,795,930	66,585,660	(9,789,730)	117
Tourism	87,624,994	380,371	88,005,365	153,627,486	(65,622,121)	175
Auditor-General	27,575,356	-	27,575,356	26,917,517	657,839	98
Majesty's Office	6,943,358	-	6,943,358	6,171,300	772,058	89
PSC	13,389,679	-	13,389,679	15,332,255	(1,942,576)	115
Defence	613,970,240	16,610,153	630,580,393	603,056,260	27,524,133	96
National Assembly	80,278,884	1,991,808	82,270,692	82,429,938	(159,246)	100



Ministry	Appropriation Amount	Advance from Contingencies Fund	Total Funds	Actual Expenditure	(Over)/Under Expenditure	Budget Execution (%)
A	B	C	D (B+C)	E	F (D-E)	G (E/D%)
Senate	18,200,406	-	18,200,406	18,568,157	(367,751)	102
Ombudsman	8,403,102	986,366	9,389,468	9,478,959	(89,491)	101
IEC	70,547,108	1,295,592	71,842,700	75,382,158	(3,539,458)	105
Local Government	480,221,770	7,485,487	487,707,257	471,162,467	16,544,790	97
Gender	90,266,365	-	90,266,365	87,531,558	2,734,807	97
Public Service	39,624,114	1,037,808	40,661,922	38,708,465	1,953,457	95
Judiciary	102,447,499	21,189,053	123,636,552	128,418,323	(4,781,771)	104
Social Development	248,744,172	14,000,000	262,744,172	260,959,476	1,784,696	99
DCEO	28,207,540	-	28,207,540	27,804,117	403,423	99
Mining	24,635,798	-	24,635,798	21,384,555	3,251,243	87
Police	643,450,187	5,000,000	648,450,187	639,262,171	9,188,016	99
Small Business	105,436,097	-	105,436,097	100,630,078	4,806,019	95
Water Affairs	165,290,296	-	165,290,296	111,933,466	53,356,830	68
<b>Total</b>	<b>10,666,578,487</b>	<b>211,020,542</b>	<b>10,877,599,029</b>	<b>10,417,648,758</b>	<b>459,950,271</b>	<b>96</b>

Source: Consolidated Financial Statements, Appropriation Act 2018/19 and Contingencies Warrants

## CHAPTER 13: ACCOUNTING FOR DEVELOPMENT EXPENDITURE

### 13.1 DEVELOPMENT EXPENDITURE

Development/Capital expenditure relate to payments for acquisition of fixed capital assets, stock, land or intangible assets. A good example would be building of schools, hospitals or roads.

Sources of funding are broken down into

- **Donor grants** – all non-repayable unrequited payments from governments or international organisations, including budget support, project grants or debt relief.
- **Donor loans**– repayable Government financing transactions with non-resident individuals, enterprises, governments and international organisations.
- **Government revenue** – includes government tax, non-tax revenue and capital revenue.

#### 13.1.1 Donor Grants

Donor grants received during the year amounted to M667 million which was short of budgeted amount of M1.141 billion by 42%. The recipients of the grants totalling M667 million were 15 ministries listed on Table 13.1a below. Total grants used amounted to M694 million resulting into usage of 104%.

**Table 13.1a – Grants received and usage**

Ministry	Foreign Government	International Organisations	Total Grants received	Total Grants Used	Variance	Usage
	M'000	M'000	M'000	M'000	M'000	%
A	B	C	D (B+C)	E	F (D-E)	G
Agriculture	-	42,707	42,707	37,223	5,484	87
Health	70,912	151,665	222,577	216,449	6,128	97
Education	-	5,269	5,269	5,269	-	100
Finance	-	258,478	258,478	264,739	(6,261)	102
Trade	5,199	-	5,199	114,275	(109,076)	2,198
Justice	-	318	318	-	318	-
PM's Office	25,319	-	25,319	-	25,319	-
Communications	-	30,766	30,766	28,704	2,062	93
Public Works	33,400	-	33,400	-	33,400	-

Ministry	Foreign Government	International Organisations	Total Grants received	Total Grants Used	Variance	Usage
	M'000	M'000	M'000	M'000	M'000	%
A	B	C	D (B+C)	E	F (D-E)	G
Energy	2,500	11,667	14,167	14,471	-304	102
Tourism	-	3,248	3,248	1,789	1,459	55
Loc Government	-	1,121	1,121	789	332	70
IEC	-	408	408	-	408	-
Soc. Development	-	13,527	13,527	-	13,527	-
Water	-	10,178	10,178	10,178	-	100
<b>Total</b>	<b>137,330</b>	<b>529,352</b>	<b>666,682</b>	<b>693,886</b>	<b>(27,204)</b>	<b>104</b>

Source: Consolidated Financial Statements and Ministries' Financial Statements

It was further noted that the grants received by the Ministry of Trade and Industry amounted to M114,274,976 as per ministry's financial statements and the consolidated financial statements show an amount of M5,128,092 resulting into an overstatement of M109,146,884.

### 13.1.2 Donor Loans

#### a) Loans received and spent

Loans received in 2018/19 per consolidated financial statements and ministries' financial statements amounted to M498 million which was below the budget of M1.218 billion by 59%.

However the amount of M498 million compared with the expenditure of M470 million resulted into usage of 94% as shown on Table 13.1b. Four ministries recorded excess expenditure ranging from 2% to 26%.

**Table 13.1b – Loans received and spent**

Ministry	Loans Received	Loan Expenditure	Under/(Over) Expenditure	Usage
	M'000	M'000	M'000	%
A	B	C	D (B-C)	E (C/B)
Agriculture	37,517	47,350	(9,833)	126
Health	92,710	53,094	39,616	57
Education	47,454	50,105	(2,651)	106
Finance	39,663	40,503	(840)	102

Ministry	Loans Received	Loan Expenditure	Under/(Over) Expenditure	Usage
	M'000	M'000	M'000	%
A	B	C	D (B-C)	E (C/B)
Trade	68,550	63,975	4,575	93
Communications	11,590	11,556	34	100
Public Works	35,136	43,043	(7,907)	123
Energy	76,997	76,997	-	100
Social Development	16,223	11,561	4,662	71
Water	72,056	72,056	-	100
<b>Total</b>	<b>497,896</b>	<b>470,240</b>	<b>27,656</b>	<b>94</b>

Source: Consolidated financial statements and Ministries' financial statements

### 13.1.3 Budget Execution by source of funding

The total budget was M5.910 billion and total expenditure was M3.931 billion resulting into overall budget execution of 67% as indicated on Table 13.1c below. There was a very low budget execution of 39% under donor loans. Table 13.1d shows budget execution by source of funding and ministries.

**Table 13.1c – Budget execution by source of funding**

	Budget (M'000)	Actual (M'000)	Variance (M'000)	Budget Execution (%)
Government of Lesotho	3,550,381	2,766,545	783,836	78
Donor Grants	1,141,271	694,142	447,129	61
Donor Loans	1,218,460	470,240	748,220	39
<b>Total</b>	<b>5,910,112</b>	<b>3,930,927</b>	<b>1,979,185</b>	<b>67</b>



**Table 13.1d - Budget Execution by source of funding and ministries**

Ministry	Budgeted Expenditure				Actual Expenditure				(Over)/Under expenditure M'000	Budget Exec. (%)
	GOL M'000	Grants M'000	Loans M'000	Total M'000	GOL M'000	Grants M'000	Loans M'000	Total M'000		
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E (B+C+D)</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I (F+G+H)</b>	<b>J (E-I)</b>	<b>K (I/E%)</b>
Agriculture	49,835	41,665	32,259	123,759	22,210	37,223	47,350	106,783	16,976	86
Health	188,792	240,212	32,910	461,914	67,974	216,449	53,094	337,517	124,397	73
Education	19,345	83,500	116,154	218,999	22,087	5,269	50,105	77,461	141,538	35
Finance	429,478	399,152	50,898	879,528	231,623	264,739	40,503	536,865	342,663	61
Trade	175,584	74,124	-	249,708	11,302	114,275	63,975	189,552	60,156	76
Planning	100,000	8,680	-	108,680	8,464	-	-	8,464	100,216	8
Justice	100,000	-	-	100,000	48,183	256	-	48,439	51,561	48
Home Affairs	285,788	-	-	285,788	279,980	-	-	279,980	5,808	98
Communications	10,000	93,837	64,931	168,768	47,234	28,704	11,556	87,494	81,274	52
Law	20,000	-	-	20,000	16,211	-	-	16,211	3,789	81
Foreign	20,000	-	-	20,000	798	-	-	798	19,202	4
Public Works	480,360	-	487,000	967,360	762,622	-	43,043	805,665	161,695	83
Forestry	-	-	-	-	112,236	-	-	112,236	-112,236	-
Energy	181,000	15,706	21,531	218,237	227,488	14,471	76,997	318,956	-100,719	146
Tourism	93,631	17,509	-	111,140	70,706	1,789	-	72,495	38,645	65
His Majesty	300,000	-	-	300,000	76,544	-	-	76,544	223,456	26
Defence	47,000	-	-	47,000	29,445	-	-	29,445	17,555	63
Senate	42,000	-	-	42,000	-	-	-	-	42,000	-
Loc. Government	391,865	-	-	391,865	392,447	789	-	393,236	-1,371	100
Gender	65,000	973	-	65,973	62,923	-	-	62,923	3,050	95

Ministry	Budgeted Expenditure				Actual Expenditure				(Over)/Under expenditure M'000	Budget Exec. (%)
	GOL M'000	Grants M'000	Loans M'000	Total M'000	GOL M'000	Grants M'000	Loans M'000	Total M'000		
A	B	C	D	E (B+C+D)	F	G	H	I (F+G+H)	J (E-I)	K (I/E%)
Public Service	5,000	-	-	5,000	3,073	-	-	3,073	1,927	61
Judiciary	10,000	-	-	10,000	18,000	-	-	18,000	-8,000	180
Soc. Development	3,000	30,000	130,000	163,000	802	-	11,561	12,363	150,637	8
Mining	21,238	-	-	21,238	1,529	-	-	1,529	19,709	7
Police	72,500	-	-	72,500	53,897	-	-	53,897	18,603	74
Small Business	88,500	-	-	88,500	43,371	-	-	43,371	45,129	49
Water	350,465	135,913	282,777	769,155	155,396	10,178	72,056	237,630	531,525	31
<b>Total</b>	<b>3,550,381</b>	<b>1,141,271</b>	<b>1,218,460</b>	<b>5,910,112</b>	<b>2,766,545</b>	<b>694,142</b>	<b>470,240</b>	<b>3,930,927</b>	<b>1,979,185</b>	<b>67</b>

Source: Consolidated Financial Statements and Book of Estimates

## CHAPTER 14: ACCOUNTABILITY OF RECURRENT REVENUE

### 14.1 BUDGET EXECUTION

Chief Accounting Officers are responsible for all aspects of the collection of revenue and for rendering proper account of the sums received under specific Heads of Revenue assigned to them. The other objective of revenue control is to prevent theft or fraud by revenue collectors or to minimise losses should they occur.

Revenue collected by Chief Accounting Officers amounted to M15.064 billion against the budget of M14.778 billion thus resulting into over-collection of M285 million or 2% as indicated on Table 14.1.

**Table 14.1 – Budget Execution on Recurrent Revenue**

Ministry	Budget per Estimates book	Actual Revenue per CFS	Under/(over) collection	Collection (%)
Agriculture	24,398,248	32,629,765	(8,231,517)	134
Health	22,707,254	13,090,349	9,616,905	58
Education	5,052,077	4,633,569	418,508	92
Finance	12,811,705,298	13,112,270,785	(300,565,487)	102
Trade	10,242,688	11,375,510	(1,132,822)	111
Dev. Planning	62,000	110,940	(48,940)	179
Justice	221,800	503,432	(281,632)	227
Home Affairs	34,210,000	28,088,808	6,121,192	82
Communications	7,222,500	7,826,809	(604,309)	108
Law	1,361,365	8,900,128	(7,538,763)	654
Public Works	18,309,207	23,997,405	(5,688,198)	131
Forestry	233,000	42,544	190,456	18
Energy	312,914,364	274,975,969	37,938,395	88
Labour	4,705,856	8,274,522	(3,568,666)	176
Tourism	4,299,975	4,429,343	(129,368)	103
Auditor-General	926,981	533,484	393,497	58
Defence	1,700,500	1,478,267	222,233	87
IEC	-	367,625	(367,625)	-
Local Government	1,712,024	2,198,024	(486,000)	128
Gender	243,500	52,966	190,534	22
Public Service	6,112,800	8,614,017	(2,501,217)	141
Judiciary	3,979,788	4,192,062	(212,274)	105
Mining	529,545,069	567,125,297	(37,580,228)	107
Police	5,662,100	10,119,190	(4,457,090)	179
Small Business	112,150	189,211	(77,061)	169
Water	970,852,526	937,874,796	32,977,730	97
<b>Total</b>	<b>14,778,493,070</b>	<b>15,063,894,817</b>	<b>(285,401,747)</b>	<b>102</b>

Source: Book of Estimates and Consolidated Financial Statements

## 14.2 UNDER COLLECTION OF REVENUE BY LESS THAN 50% ON LINE ITEMS

My audit revealed that 76 revenue items under different ministries recorded budget execution at range of 0-49% as shown on Appendix 2.

### a) Ministry of Health

The Ministry of Health fell short of the estimates by 42% on the overall. The Queen Mamohato Memorial Hospital (QMMH) had 10 revenue items with budget execution ranging from 0-43%. The National Health Training Centre (NHTC) recorded budget execution at the range of 0-40% on 8 revenue items. The most alarming items are as follows and the reasons for the shortfalls were not provided.

Cost Centre	Revenue Item	Budget	Actual	Under collection
QMMH	Inpatient fees	1,986,660	855,155	1,131,505
QMMH	Outpatient fees	4,498,680	708,438	3,790,242
QMMH	Inpatient fees	2,550,000	73,096	2,476,904
NHTC	College fees	2,210,410	285,715	1,924,695
NHTC	Meals and Accommodation	1,081,120	128,292	952,828
NHTC	Valuation fees	500,000	8,200	491,800

### b) Ministry of Education

The budget for sale of services under the Technical & Vocational Education was M150,000 and actual revenue was M15,160 resulting into a shortfall of M134,840. The Technical & Vocational School of Thaba-Tseka had budgeted school fees for M283,357 and only managed to collect M15,160. I was not provided with the reasons as to why there were low sales of services for that year and also what contributed to low collection of fees. One can only speculate that there was low intake of students for that year or students failed to pay school fees.

### c) Ministry of Communications

The Ministry had planned to collect M2,500,000 for newspaper advertising but only managed to collect M208,470 resulting into under collection of M2,291,530 (91%). The Chief

Accounting Officer explained that the former Minister closed the newspaper for a period of two years alluding that the newspaper was biased towards the opposition.

**d) Ministry of Forestry**

The overall budget for the ministry was M233,000 and actual revenue was M42,544 resulting into a shortfall of M190,456 or 18% budget execution. Six districts had budgeted revenue totalling M194,996 for sale of products/services however there was no collection.

**e) Ministry of Energy**

I had already indicated earlier under paragraph 5.2.5 that the ministry had budgeted M884,364 for sale of services but there was no collection under this revenue item. The ministry has indicated that they had actually collected M1,291,368 from Electricity Access Pilot Project at Mpiti Sekake, Qholaqhoe and Dilli-Dilli but not accounted for in the government books of accounts.

**Oil Levy**

The budget for Oil Levy as per the estimates book was M228,000,000 and actual collection was M189,048,715 resulting in an under collection of M38,951,285. Management responded that according to their budget submission to the Ministry of Finance, the budget was M182,400,000 not M228,000,000 captured to the system. They explained that the budget was on the basis of the gazette that was increasing oil levy from 66 lisente to 80 lisente per litre.

Even though this revenue item had not scored budget execution of below 50%, I just wish to bring to the attention of the ministry that the Minister of Finance makes final decision on the estimates of revenue following his assessment and other considerations.

**f) Ministry of Tourism**

Ministry of Tourism had budgeted M720,000 for hire of buildings and structures but collected M245,515 resulting into a shortfall of M474,485. Reasons of shortfall were not provided.

**g) Ministry of Gender & Youth, Sports and Recreation**

The budget for the Ministry of Gender was M243,500 while actual revenue was M52,966 resulting into an under collection of M190,534 (78%). The budget for hire of buildings and structures was M158,000 and the outturn was M500. Management responded that 2018/19 has been a pilot year for transfer of Setsoto and Mafeteng stadiums to Lesotho Sports and Recreation Commission 2018/19. They had anticipated to collect 10% of revenue proceeds at the end of every year as stated in the Memorandum of Understanding.

The course fees for vocational centres were budgeted at M68,000 but there was no collection. Management indicated that the centres are meant for vulnerable children and were not even sure that the fees would be paid.

**14.3 OVER COLLECTION OF REVENUE ON LINE ITEMS**

The budget execution on some revenue items ranged from 150-9443 % as shown on Appendix 3. The reasons of over-collection were not stated in the ministries' financial statements.

- Ophthalmic fees and X-ray fees recorded budget execution ranging from 179-1435 % in four hospitals under the Ministry of Health.
- Collection on sale of tender documents in six ministries (Health, Education, Planning, Justice, Defence and Local Government) was above the budget varying between 65 and 752%.
- Budget for other fines, penalties and forfeits under the Ministry of Public Service was M5,000 and actual revenue was M472,172 resulting into a budget execution of 9443%.
- Judicial fines in Mafeteng, Leribe and Thaba-Tseka exceeded the budget at the range of 68-275%.

This over collection of revenue may indicate unexpected events or significant changes of which I have not been made aware.

## **Ministry of Communications**

The ministry collected M7,540,359 under Sale of Services against a budget of M4,652,000 resulting into over collection of M2,888,359 (62%). Management responded that over collection was due to delay in payments by international clients because funds from the previous year were only reflected in the current year.

I am of the view that the challenge here is unrealistic budgeting since the previous year's budget and actual collection were M6,000,000 and M6,026,408 respectively but the budget for the current year was M4,652,000.

## **CHAPTER 15: KEY RECOMMENDATIONS TO SPENDING UNITS**

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Spending Units that are keen to implement audit recommendations have positively improved in either or both financial and compliance.

### **a) Implementation of audit recommendations**

The Chief Accounting Officers should ensure implementation of audit recommendations as well as strengthening supervision of activities they preside over. This will help in ensuring full compliance with existing laws and regulations to minimise instances of irregular expenditure and fraudulent activities in ministries and departments. In addition, Chief Accounting Officers need to exercise utmost due care and be more vigilant in execution of duties to avoid instances of committing government to actions that result into losses.

### **b) Strengthening supervision and monitoring of Government programmes**

Chief Accounting Officers and supervisory authorities need to strengthen the aspects of monitoring and evaluation of programmes being implemented as part of their fiduciary duty, to ensure that initiated contracts are properly concluded and value for money obtained. Appropriate supervision and monitoring should facilitate timely corrective measures where necessary. Special attention needs to be accorded to contract management to ensure timeliness of completion of projects and realization of value for money.

### **c) Improve quality of accounting records**

Public officials should adhere to Government accounting policies and procedures in order to avoid omission of transactions and balances from the books of account. There is need for ministries to improve on documentation of transactions and filing of supporting documents to avoid cases of unsupported balances, unsupported expenditure and unsupported adjustments in the financial statements. The Chief Accounting Officers in particular need to take initiatives to ensure proper maintenance of accounting records and to strengthen supervision of activities they preside over.

This will help in ensuring full compliance with existing laws and regulations to minimise instances of irregular expenditure and fraudulent activities in ministries and departments.



## **PART 5**

# **AUDIT OF STATUTORY BODIES**

## **CHAPTER 16: AUDIT OF STATUTORY BODIES**

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### **16.1 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.

### **16.2 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 failure of the organisation to prepare the accounts on time or failure or delay to approve the accounts by the Board of Directors.

### **16.3 AUDIT OF THE 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 that came to attention of the auditors during the audit is forwarded to the chairperson of the Board of Directors.

The legislation setting up a statutory body read with Section 28 of the Audit Act 2016 requires the appropriate Minister to present the audited accounts of a statutory body to Parliament. As much as I direct audit reports to appropriate ministers, these reports are not presented in Parliament contrary to the requirements of the law.

## 16.4 COMMISSIONED AUDITS

Under Section 24 of the Audit Act 2016, 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.

## 16.5 AUDIT CONCLUSIONS ON THE FINANCIAL STATEMENTS

The primary objective of financial audit is to give an opinion on the fairness and reasonableness of the financial statements. The opinion can either be unqualified or qualified.

Unqualified opinion is given when the audited accounts are reasonably reliable and there are no important reservations about them.

Qualified opinion is when the error in the accounts is thought to likely have such a serious effect. The reasons for qualification can either be **uncertainty** as to whether material does or does not exist in the accounts or **disagreement** with the way something has been dealt with in the accounts. When qualifying the accounts the strength of nature of circumstance is also considered, whether it is material or fundamental.

There could be a qualification on the strength of material uncertainty or material disagreement. Where there is fundamental uncertainty, there will be a disclaimer of opinion and fundamental disagreement is a basis for an adverse opinion.

Table 16.5 shows opinions on the audited financial statements of various statutory bodies and reasons for qualification where applicable, are stated in the subsequent paragraphs.

**Table 16.5– Audit Opinions on the financial statements**

<b>Organisation</b>	<b>Last audited financial statements</b>	<b>Opinion</b>
<b>Authorities and Corporations</b>		
Land Administration Authority	31 March 2019	Unqualified
Lesotho Communications Authority	31 March 2019	Unqualified
Lesotho Electricity and Water Authority	31 March 2019	Unqualified
Lesotho Revenue Authority	31 March 2019	Unqualified
Lesotho Tourism Development Corporation	31 March 2018	Unqualified
Lesotho National Development Corporation	31 March 2019	Unqualified
Basotho Enterprise Development Corporation	31 March 2015	Unqualified
Basotho Enterprise Development Corporation	31 March 2016	Disclaimer
Lesotho Housing and Land Development Corp	31 March 2015-17	Disclaimer
<b>Companies</b>		
OK Bazaars (Lesotho) (Proprietary) Limited	30 June 2019	Unqualified
Avani Lesotho	31 Dec. 2018	Unqualified
LEC Communications (PTY) LTD	31 March 2019	Unqualified
Water and Sewerage Company	31 March 2019	Adverse
<b>Other Statutory Bodies</b>		
Directorate of Dispute Prevention and Resolution	31 March 2016	Unqualified
Lesotho Nursing Council	31 March 2014	Unqualified
National Aids Commission	31 March 2018	Unqualified
Council on Higher Education	31 March 2019	Unqualified
Petroleum Fund	31 March 2019	Unqualified
National University of Lesotho	30 June 2018	Qualified
Road Fund	31 March 2019	Disclaimer
Trading Accounts		
National Drug Service Organisation	31 March 2018	Qualified
<b>Development Projects</b>		
Smallholder Agricultural Development Project	31 March 2019	Unqualified
Wool and Mohair	31 March 2019	Unqualified
Health Sector Reform Programme	31 March 2019	Unqualified
Lesotho Education Quality for Equality	31 March 2019	Unqualified
Lesotho Basic Education Improvement	31 March 2019	Unqualified
Global Fund Projects	31 March 2019	Unqualified
Lesotho Tax Modernisation Project	31 March 2019	Unqualified
Public Financial Management Reform	31 March 2019	Unqualified
Urban Distribution Rehabilitation and Transmission Expansion Project	31 March 2019	Unqualified
Private Sector Competiveness Economic Diversification	31 March 2019	Unqualified
Lesotho Continuous Survey Methodology	31 March 2019	Unqualified
E-Government Infrastructure	31 March 2019	Unqualified
Transport Infrastructure and Connectivity Project – Donor funds	31 March 2019	Unqualified

<b>Organisation</b>	<b>Last audited financial statements</b>	<b>Opinion</b>
Transport Infrastructure and Connectivity Project – Counterpart Contribution	31 March 2019	Qualified
Metolong Authority	31 March 2019	Unqualified
Lesotho Lowlands Rural Supply and Sanitation	31 March 2019	Unqualified
SAICM	31 March 2019	Unqualified
Economic Diversification Support	31 March 2019	Unqualified
Social Assistance – Original	31 March 2019	Unqualified
Social Assistance – Additional	31 March 2019	Unqualified
National Biosafety Framework	31 March 2019	Qualified

## **16.6 BASIS FOR QUALIFIED OPINIONS**

### **16.6.1 Lesotho Housing and Land Development Corporation – 31 March 2015-17**

#### **Basis for Disclaimer of Opinion**

- There was no inventory listing of Corporation inventory reflected in the financial position in the amounts of M16,292,944, M15,740,927 and M3,644,492 for the three financial years 2014/15, 2015/16 and 2016/17 respectively. Consequently, the valuation, completeness and existence of the inventory could not be ascertained.
- There were un-supported revenue transactions amounting to M1,675,987 and M4,117,705 in 2014/15 and 2015/16 relating to both sale of plots and rental income respectively.
- There was a contract retention fee sitting on the balance sheet amounting to M2,624,468 and M1,777,349 in 2014/15 and 2015/16 respectively of which there were not supporting listing/schedule that made up the balance.
- There was no general ledger maintained for the cost of sales amount of M6,459,595 and M954,288 in 2015/16 and 2016/17 reported in the financial statements of the corporation respectively. Therefore, I was unable to perform appropriate audit procedures to confirm the reasonableness of this amount.

- There was neither supporting documentation nor clear explanation provided for a suspense account with a balance of M928,835 at the year ended 31 March 2017. Therefore, I was unable to perform appropriate procedures to confirm the reasonability of this amount.
- From financial year 2015/16, investment property of the corporation is valued at fair value model as allowed by IAS 40 and the internal policies. However, there was no revaluation done to this investment property valued at M244,479,800 as adjustments were necessary.
- There was a customer site deposits liability of M6,824,061 and contract retention fee liability of M555,863 sitting on the balance sheet of which no supporting listings/schedules were provided for in the financial year 2015/16 and 2016/17 respectively.
- There was a provision for project expenses amounting to M4,597,612 sitting on the balance sheet at financial year 2016/17 of which there was no supporting documents.

#### **16.6.2 Basotho Enterprises Development Corporation – 31 March 2016**

##### **Basis for Disclaimer of Opinion**

- Bank reconciliations for balances totalling M15,801,885 as at year end were not performed by the Corporation. Bank confirmation from Nedbank for current account balance in the amount of M8,300,373 as at year end was not received despite request having been sent.
- The opening balance for Micro Finance Debtors does not reconcile with audited financial statements for the year ended 31 March 2015 closing balance leaving an unexplained difference of M3,634,176.
- The audited financial year ended 31 March 2015 listing for trade payables and rental deposits amounting to M420,903 and M920,100 respectively were requested from management of the Corporation but not provided.

### **16.6.3 Water and Sewerage Company – 31 March 2019**

#### **Basis for Adverse opinion**

- The reasonableness of Property, Plant and Equipment's carrying value reported at M1.4 billion in the financial statements could not be ascertained as periodic revaluation exercise has not been conducted for more than ten years.
- Year-end inventory valuation included non-existent quantities resulting in overstatement of inventory value by M8.9 million.
- An amount of M0.38 million worth of materials consumed during the year was not included in the cost of materials consumed and there was no evidence that the M16.2 million omitted last year had been adjusted in the prior year's earnings.
- Trade and other receivables balance included unsubstantiated credit balances of over M20 million for which there had been no movement over the years.
- Year-end liabilities amounting to M2.62 million including audit fee were omitted in the financial statements.
- Cash and cash equivalent included M1.6 million relating to non-existent cash balance in a suspense account.

### **16.6.4 National University of Lesotho – 30 June 2018**

#### **Basis for Qualified Opinion**

The University had a provision for legal cases amounting to M7,520,394 as at year end. Legal confirmation for these cases was sent to the University lawyers but to date of the preparation of this report, no response has been received to substantiate this provision. Due to this scope limitation, I could not be provided with a list of cases making up this amount and the chances of either winning or losing them so that the figure could appropriately be disclosed. The existence of these cases could therefore not be confirmed.

#### **16.6.5 National Drug Service Organisation – 31 March 2018**

##### **Basis for qualified opinion**

The Organisation's financial statements reflected a suspense account amount of M6,423,503.00 under Trade and Other Payables. Management could not explicitly state the basis of the amount.

#### **16.6.6 Road Fund – 31 March 201**

##### **Basis for Disclaimer of opinion**

- Limited access to the records of other service organisations (Department of Traffic and Oil Companies) mandated by Road Transport Act 1981 and Lesotho (Petroleum Fund) Regulations 2009 to collect road users fees and road maintenance levy on petrol and diesel.
- The completeness of revenue from the Department of Traffic could not be ascertained due to missing receipt books. Even when using alternative audit procedures, satisfactory conclusion could not be reached as to the accuracy and completeness of figures reported in the financial statements.
- Confirmation amounts from Road Directorate and Maseru City Council were found to differ from the amounts recorded in the financial statements by M1, 120,742.78 and M25, 399,479.47 respectively due to improper reconciliations.
- Road Fund is required by the Public Financial Management and Accountability (PFMA) Act 2011 to prepare financial statements in accordance with IFRS. However, the Fund does not fully comply with the requirements of IFRS.

#### **16.6.7 Transport Infrastructure and Connectivity Project (Counterpart Contribution) – 31 March 2019**

##### **Basis for Qualified Opinion**

The financial statements were overstated by an amount of M399,999 for fuel and lubricants for vehicles of the ministry wrongly charged to the Project.



## 16.6.8 National Biosafety Framework – 31 March 2018

### Basis for Adverse opinion

- The Expenditure of M4,731,926 in the financial Statements was misstated as it differed from the Cash Book figure of M4,568,003 and Lead Schedule figure of M4,686, 085.
- The Statement of Budget versus Actual was not presented in the Financial Statements as required by IPSAS under cash basis of accounting.
- There was unexplainable difference of USD 243,078.56 for expenditure in the financial statements.

## 16.7 AUDITS IN PROGRESS

Table 16.7 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 2019.

**Table 16.7 - Audits in progress in June 2020**

Statutory Body/Project	Last audited financial statements		Financial statements under audit in August 2020	
	Year	Opinion	Year(s)	Remarks
<b>Corporations</b>				
Basotho Enterprises Development Corporation	31 March 2016	Disclaimer	31 March 2017-18	In-progress
Lesotho Housing and Land Development Corporation	31 March 2017	Disclaimer	31 March 2018-20	In-progress
<b>Companies</b>				
Lesotho Electricity Company	31 March 2018	Qualified	31 March 2019	In-progress
Loti Brick	31 March 2016	Qualified	31 March 2017-18	In-progress
Maluti Mountain Brewery	31 December 2017	Unqualified	31 December 2018-19	In-progress
<b>Other Statutory Bodies</b>				
Lesotho National Dairy Board	31 March 2015	Unqualified	31 March 2016-17	In-progress
Lesotho Nursing Council	31 March 2014	Unqualified	31 March 2015-18	In-progress
Lerotholi Polytechnic	31 March 2008	Qualified	31 March 2009-17	In-progress

Statutory Body/Project	Last audited financial statements		Financial statements under audit in August 2020	
	Year	Opinion	Year(s)	Remarks
Lesotho Postal Services	31 March 2008	Disclaimer	31 March 2009-11	In-Progress
Examinations Council of Lesotho	31 March 2016	Unqualified	31 March 2017-18	In-progress
Lesotho College of Education	31 March 2009	Disclaimer	31 March 2010-19	In-progress
Roads Directorate	31 March 2014	Qualified	31 March 2015	In-progress
<b>Development Projects</b>				
Enhanced Integrated Framework	31 March 2018	Unqualified	31 March 2019	In-progress
Maseru Waste Water	31 March 2018	Unqualified	31 March 2019	In-progress

**Source:** Records and reports of the Auditor-General

## 16.8 AUDIT OF CHRISTIAN HEALTH ASSOCIATION OF LESOTHO INSTITUTIONS

The Ministry of Health has a Memorandum of Understanding with the Proprietors of the Church Health Institutions who are members of the Christian Health Association of Lesotho (CHAL). The Ministry of Health is responsible for the provision of public health care to all inhabitants of Lesotho and the Proprietors of the Church Health Institutions provide complimentary health and social services in a non-profit manner within established policies, guidelines, protocols and technical supervision of the Ministry of Health.

One of the conditions for continued financing is that the Auditor-General should audit the accounts of all CHAL institutions or any other person(s) authorised by him, based on the fact that CHAL receives subvention from Government.

I have audited financial statements of 83 CHAL institutions for the year ended 31 March 2019 and issued unqualified opinions on 46 institutions, 32 qualified opinions, 4 adverse opinions and 1 had a disclaimer of opinion. Audit results are reflected on Tables 16.8a and 16.8b.

The financial statements of 32 institutions with qualified opinion had almost the same reasons of qualification, which included the following:

- No evidence of ownership documents in respect of land and buildings reported in the financial statements.
- Insufficient documentation to support negative amounts shown as adjustments from previous year errors.

- Inclusion of unexplained suspense amounts in figures for trade and other receivables; and other payables.
- Variances between amounts in the ledgers and those shown in the financial statements.
- Un-reconciled debit and credit figures in the trial balances.
- Lack of supporting evidence in respect of accumulated surplus and revaluation reserve in the adjustments of statement of changes in equity in some.

**Table 16.8a – Audited CHAL Institutions**

<b>Institution</b>	<b>Opinion</b>
Bethel Health Centre	Unqualified
Emmanuel Health Centre	Unqualified
Emmaus Health Centre	Unqualified
Fatima Health Centre	Unqualified
Fobane Health Centre	Unqualified
Hermitage Health Centre	Unqualified
Holy Cross Health Centre	Unqualified
Holy Family Health Centre	Unqualified
Kolo Health Centre	Unqualified
Maluti Adventist College	Unqualified
Maluti Hospital	Unqualified
Mapheleng Health Centre	Unqualified
Maputsoe SDA Health Centre	Unqualified
Masemouse Health Centre	Unqualified
Maseru SDA Health Centre	Unqualified
Matelile Health Centre	Unqualified
Matukeng Health Centre	Unqualified
Mofoka Health Centre	Unqualified
Mofumahali oa Rosary Health Centre	Unqualified
Motsekuoa Health Centre	Unqualified
Mount Tabor Health Centre	Unqualified
Narareth Health Centre	Unqualified
Paki Health Centre	Unqualified
Ribaneng Health Centre	Unqualified
Roma College of Nursing	Unqualified
Sacred Heart Health Centre	Unqualified
Samaria Health Centre	Unqualified
Scott Hospital	Unqualified
Scott School of Nursing	Unqualified
Sekake Health Centre	Unqualified
St. Andrews Health Centre	Unqualified
St. Barnabas Health Centre	Unqualified
St. Benedict Health Centre	Unqualified
St. Bernard Health Centre	Unqualified

<b>Institution</b>	<b>Opinion</b>
St. David Health Centre	Unqualified
St. Francis Health Centre	Unqualified
St. Gabriel Health Centre	Unqualified
St. Joseph's Hospital	Unqualified
St. Joseph's Koro Koro Health Centre	Unqualified
St. Leonard Health Centre	Unqualified
St. Matthew Health Centre	Unqualified
St. Peter Claver Health Centre	Unqualified
St. Rodrique Health Centre	Unqualified
Tebellong Hospital	Unqualified
Tsepo Health Centre	Unqualified
Villa Maria Health Centre	Unqualified
Auray Health Centre	Qualified
Bethany Health Centre	Qualified
Good Shepherd Health Centre	Qualified
Immaculate Conception Health Centre	Qualified
Little Flower Health Centre	Qualified
Louis Gerard Health Centre	Qualified
Mahobong Health Centre	Qualified
Mamohau Hospital	Qualified
Maryland Health Centre	Qualified
Mohlanapeng Health Centre	Qualified
Montmatre Health Centre	Qualified
Mositi – Our Lady of Lourdes	Qualified
Mount Olivet Health Centre	Qualified
Paray Hospital	Qualified
Paray School of Nursing	Qualified
Pontmain Health Centre	Qualified
Sebedia Health Centre	Qualified
Seboche Hospital	Qualified
Sion Health Centre	Qualified
St. Anne Health Centre	Qualified
St. Denis Health Centre	Qualified
St. James (Mokhotlong)	Qualified
St. Leo Health Centre	Qualified
St. Magdalene Health Centre	Qualified
St. Margaret Health Centre	Qualified
St. Martin's Health Centre	Qualified
St. Monica's Health Centre	Qualified
St. Paul Health Centre	Qualified
St. Peters Health Centre	Qualified
St. Rose Health Centre	Qualified
St. Theresa (Bela-Bela) Health Centre	Qualified
St. Theresa Mashai Health Centre	Qualified

**Table 16.7b - Qualifications with fundamental disagreements or uncertainties**

<b>Institution</b>	<b>Opinion</b>	<b>Reasons for qualification</b>
Lephoi Health Centre	Adverse	The Health Centre incurred a net deficit of M569,842 for the year ended 31 March 2019 and the current liabilities exceeded the current assets by M550,992.
Marakabei Health Centre	Adverse	The Health Centre incurred a net deficit of M802,164 for the year ended 31 March 2019 and the current liabilities exceeded its current assets by M829,320.
Popa Health Centre	Adverse	There was a net deficit of M605,245 for the year ended 31 March 2019 and the current liabilities exceeded its current assets by M433,732.
St. James Hospital	Adverse	<ul style="list-style-type: none"> <li>The hospital incurred a net deficit of M2,629,525 for the year ended 31 March 2019 and the current liabilities exceeded its current assets by M5,893,712.</li> <li>The Hospital is running on a bank overdraft with an overdrawn balance of M6,196,906. Management has pledged grants from CHAL as collateral for the overdraft facility. In the event of the overdraft facility being cancelled for defaulted, the Hospital might have a forced closure.</li> <li>Included in trade and other receivables is a sundry debtors balance of M1,744,360. This figure represents amounts advanced to the Health Centres which are supervised by the Hospital; namely Popa Health Centre, Marakabei Health Centre and Lephoi Health Centre. This amount disclosed as current asset does not seem realisable as the Health Centres are not financially sound to repay the debts and future grants.</li> </ul>
Loretto Health Centre	Disclaimer	<ul style="list-style-type: none"> <li>The agreement, current year general ledger and reconciliations in respect of an Investment amounting to M240,000 were not provided.</li> </ul>

Institution	Opinion	Reasons for qualification
		<p>Statements provided were for an investment with a fair value of M106,097 as at year end. Returns in the form of interest income were not reflected in the financial statements, as there was no movement during the year. Requests for confirmations sent to STANLIB were not responded to. As a result, I could not verify existence and accuracy of the investment of M240,000.</p> <ul style="list-style-type: none"> <li>• There is an unexplained suspense account with a debit balance of M396,124. Fixed assets register did not agree with the annual financial statements with variances of M7,790 and M255,637 for cost and accumulated depreciation respectively.</li> </ul>

## **PART 6**

# **AUDIT INSPECTIONS**

### 17.1 SMALLHOLDER AGRICULTURAL DEVELOPMENT PROJECT

The objective of the Smallholder Agricultural Development Project (SADP) is to increase marketed output among project beneficiaries in Lesotho's smallholder agriculture sector. The two major expected outcomes are:

- Increased agricultural market opportunities
- Productivity and quality of market-oriented crops and livestock

The following weaknesses were noted during the audit of the project:

#### a) **Non-accountability of funds by some beneficiaries**

SADP entered into an 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 should be reported on after completing the stipulated milestone.

It was discovered that 214 beneficiaries were given M56,386,480. The funds accounted for amounted to M33,263,957 leaving a variance of M23,122,523 as at 31 March 2019. Failure to produce financial reports by some beneficiaries may suggest that funds could have been used for unintended purpose.

Management was advised to put appropriate control measures for ensuring accountability of funds by beneficiaries.

#### b) **Non-disclosure of beneficiaries' contribution**

The Project Agreement requires that beneficiaries' contributions in-kind should be expressed in monetary value and be disclosed together with cash contributions in the financial statements.

I have expressed a concern for the past several years that the beneficiaries' contributions were not reflected in the financial statements as required by the Agreement.



### **18. LESOTHO BLOOD TRANSFUSION SERVICES**

#### **18.1 MANAGEMENT OF BLOOD COLLECTION STRATEGIES**

The Lesotho Blood Transfusion Services (LBTS) within the Ministry of Health is responsible for blood transfusion services in the country and supplies all hospitals with safe blood through donor recruitment and selection, blood collection, screening, storage and distribution to hospitals. It has two regional blood transfusion centres situated in Leribe and Mphahle's hoek and has extended the services to Queen Elizabeth II Hospital in Maseru city for easy access.

A performance audit was undertaken to assess the efficiency of measures put in place by LBTS to collect blood and blood products that are safe, accessible and adequate to meet the needs of the nation. The following shortcomings were identified:

##### **18.1.1 Absence of the National Blood Transfusion Committee**

The Lesotho National Blood Transfusion Policy of 2006 provides for the establishment of the National Blood Transfusion Committee (NBTC) responsible for advising the Minister of Health on conducting periodic reviews and evaluation of LBTS activities to enhance improved performance. The committee had not been established and there was no reason provided for non-establishment of the NBTC. Non-establishment of NBTC resulted in the Minister of Health not getting advice on strategic issues affecting LBTS and LBTS activities not being supervised, reviewed and evaluated.

It was recommended to Management to convince the Minister of Health to establish the NBTC to ensure that activities of LBTS are reviewed and evaluated as well as giving advice to the Minister so that LBTS can perform up to the required standard.

Management responded that the Lesotho National Blood Transfusion Policy (LNBTP) stipulates that Lesotho Blood Transfusion Services (LBTS) should be a specialized, non-profit making organization with adequate budget and management team consisting of trained and experienced staff, and also that the LBTS should be de-linked from the Laboratory Services.

It was further stated the Ministry of Health has reviewed and drafted Lesotho Public Health Bill, 2012 which includes establishment of Lesotho Blood Transfusion Services that will comply with norms and standards as stipulated in the Lesotho National Blood Transfusion Policy (LNBTP). Management was also of the view that the inclusion of blood transfusion services in that bill will facilitate establishment of NBTC.

#### **18.1.2 Non-functional Regional Blood Transfusion Centres**

The Regional Blood Transfusion Centres (RBTC's) were not fully functional as there were no donor recruitment, laboratory services and administration functions but only blood collection service was offered and mostly collected blood from walk-in donors. The reason provided was that there was shortage of staff, which could not enable LBTS to have those functional units in the centres. However, the establishment of LBTS organisational structure and creation of positions would address this.

The absence of other functional units within the centres resulted in low blood collection by RBTCs.

Management was advised to ensure that Regional Blood Transfusion Centres have adequate resources so that they can be fully functional to assist LBTS headquarters with blood transfusion services in the country.

#### **18.1.3 Shortage of staff**

The audit established that there was indeed shortage of staff as there were fifteen (15) staff members at LBTS Headquarters and the proposed creation of positions indicated that there was a shortage of seventeen (17) positions. Due to shortage of staff, LBTS has not been able to attend invitations to educate and collect blood and blood products, provide services at headquarters when staff took field trips, go to the public places such as shopping centres/malls to disseminate information on blood transfusion, as required and to provide adequate counselling services as there was no position of counsellor.

At Queen Elizabeth II Hospital (Queen II) there were two members of staff; a Nursing Officer and an Office Assistant and there was a shortage of three positions.

- In Leribe (Northern Region) the filled positions were a Phlebotomist, an Office Assistant and a Nursing Assistant temporarily borrowed from the hospital. The centre had a shortage of eight positions.
- In Mphahle's hoek (Southern Region) there were Office Assistant, Nursing Officer, and a Nursing Assistant who were also temporarily borrowed from the hospital. There was a shortage of ten positions.

Management commented that there has been shortage of staff at the LBTS since its creation in 1984 because it was created as a section of the laboratory services; it depends on laboratory services for all resources, both human and financial. After developing LNBTP in February 2006, LBTS was allocated its own budget for goods and supplies with no budget for human resources in April 2006. They made a follow up on creation of positions for different levels of LBTS staff in 2015 when the employment contracts of the staff supported by PEPFAR were coming to an end. The proposed organisational structure and justification for creation of positions for inclusion in the strategic plan for human resources for health was submitted in 2016.

Shortage of staff resulted in work overload for existing staff members and had a negative impact on the services offered by LBTS.

It was recommended that LBTS should approach the Principal Secretary for Health for intervention on creation of additional positions to ensure efficiency of blood transfusion services.

#### **18.1.4 Inadequate dissemination of information**

There was inadequate information dissemination and the reason given was shortage of staff as there was one Donor Recruiter responsible to disseminate information for the whole country. The following evidenced lack of information dissemination:

- There were no public awareness campaigns planned by LBTS but participated in the campaigns organised by Lesotho Red Cross Society.
- Information Education and Communication (IEC) materials produced by LBTS were prepared to address questions by donors and were distributed to walk-in-donors at the time they visited the centres to donate.

- LBTS did not provide IEC materials to the general public.
- LBTS has never designed nor distributed a donor newsletter.

Moreover, LBTS did not have a record of media contacts either electronically or physically. There were no articles sent to print media and electronic media; no arranged annual Media Event in November each year as required.

Inadequate information dissemination, poor implementation of media and communication strategies resulted in information not reaching the targeted groups.

The following recommendations were made to LBTS:

- To concentrate more on utilising IEC material to disseminate information and distribute them in such a way that they reach majority of target population.
- To increase frequency of blood transfusion issues on media platforms and maybe to consider using those with a wider coverage such as social media.

#### **18.1.5 Inadequate measures to facilitate voluntary non-remunerated blood donation**

- a) LBTS did not facilitate formation of voluntary non-remunerated blood donor clubs and did not coordinate existing ones. There were two clubs, which were said to be active; Pledge 25 Legele High School and Makaota Life Savers.
- b) LBTS is required to visit the clubs every other three-months to collect blood and give badges as incentives to club members. LBTS communicated through telephones with these clubs instead of visiting and there was no record confirming what was communicated.
- c) It was further discovered that LBTS has never organised venues (independent clinics) for donor education and recruitment of new donors. The Donor Recruiter always joined blood collection team during blood collection where donor education and recruitment would also be carried out.
- d) There were weekly plans for blood collection, which were not always followed as they were sometimes interrupted by invitations from organisations inviting LBTS for blood collection.

- e) In the RBTCs there were no plans as blood was collected from walk-in donors and when there were invitations or occasions within the region attended by LBTS team from Headquarters the staff from the centre would join.

The reason provided for inadequate measures was that there was only one person (donor recruiter) responsible for both activities hence it was not possible to organise and attend to venues (independent donor clinics) and facilitate formation and coordination of clubs due to work overload. As a result, the public lacked awareness on the importance of blood donation.

Management was advised to ensure formation and coordination of sustainable donor clubs by devising other means of interacting with youths and communities; and adhere to planned education and recruitment clinics in order to promote voluntary non-remunerated blood donation.

#### **18.1.6 Inadequate promotion of donor motivation and retention**

To promote donor motivation and retention, LBTS should provide incentives such as badges, trophies, etc. depending on number of donations from the first donation and in intervals of five donations. It was revealed that not all the time the incentives were available to be given to donors due to shortage of funds.

It was also established that LBTS did not have a list of donors identified as regular donors. The register used was meant to record donors on everyday blood collection, which did not allow identification of regular donors.

The inadequate promotion of donor motivation and retention has resulted in declining numbers of repeat donors. The number of repeat donors declined from two thousand five hundred and eighty-two (2582), two thousand three hundred and seventeen (2317) and two thousand one hundred and sixty -five (2165) in the years 2015, 2016 and 2017 respectively. In 2018, the number of repeat donors could not be established due to inadequate information. That was a reflection that LBTS was not doing enough to know and retain the repeat donors.

LBTS was encouraged to have a clear record of regular donors for ease of reference and also to plan, budget and fully execute motivation and retention activities.

### 18.1.7 Ineffective procedures for non-conforming blood units

The procedures followed after blood collection revealed that a total of one thousand seven hundred and ninety-five (1795) blood units for the years under review did not conform and were discarded. Furthermore, procedures for corrective and preventive actions for non-conforming blood units were found to be ineffective as there was escalating rate of TTIs especially syphilis as indicated on Table 18.1.7. The increase in non-conformances resulted in decrease in total blood collected.

**Table 18.1.7 -Blood units found with TTIs in the years 2015 to 2018**

Year	Total blood units collected	No. of blood units with HIV	No. of blood units with HBsAg/HVB	No. of blood units with HCV	No. of blood units with syphilis	Total No. of non-conformances
2015	7879	191	68	37	192	488
2016	5008	130	41	15	193	379
2017	5429	99	44	28	204	375
2018	6412	197	67	32	257	553
<b>Total</b>	<b>24728</b>	<b>617</b>	<b>220</b>	<b>112</b>	<b>846</b>	<b>1795</b>

Source: LBTS yearly statistics 2015, 2016, 2017 and 2018

LBTS responded that they advise donors on healthy lifestyle to reduce non-conformances, however the position of Counsellor (responsible for advising on healthy lifestyle) had been vacant for some time.

It was recommended that Management should liaise with Health Education Division and other responsible organisations to intensify health education programmes.

### 18.1.8 Inadequate utilisation of other blood collection strategies

LBTS did not adequately utilise other blood collection strategies provided in the LBTS Donor Recruitment Guidelines 2014, such as annual planning of clinics, recruiting quality donors, focusing on safe blood donor selection, mobilizing of youth to ensure future generation of voluntary non-remunerated blood donors and focusing on strengthening partnerships within the community.

On contrary LBTS relied more on school visits where they were able to collect more and safe blood units. However, the Ministry of Education and Training restricted LBTS from collecting blood in schools through their correspondence of January 2016, January 2018 and January 2019. This resulted in acute drop in blood collections but increase in family donations as depicted on Table 18.1.8 below:

**Table 18.1.8 - Target and Actual collection for the years 2015 to 2018**

Year	Target	Total blood Collected	Family donations	Total Collection Less Family Donation
2015	9000	7879	213	7666
2016	9000	5008	1043	3965
2017	6000	5429	1754	3675
2018	8000	6412	2413	3999

Source: LBTS yearly statistics 2015, 2016, 2017 and 2018

The following recommendations were made to LBTS to increase utilisation of other strategies:

- To advise Minister of Health to liaise with Ministry of Education and Training to provide blood transfusion education at early age.
- To device its strategies to reach the youth at all levels of their groupings.
- To balance utilisation of all blood collection strategies in order to ensure that problems encountered with either of the strategies would not affect continuous collection of blood.

## **18.2 GENERAL CONCLUSION AND MANAGEMENT RESPONSE**

It was concluded from the audit that LBTS was not efficiently and effectively utilising measures put in place to collect blood and blood products as supported by inadequate dissemination of information, failure to reach annual targets of blood collection, poor maintenance of regular blood donors and failure to ensure that procedures for preventive and corrective actions reduce non-conformances.

The general response from Management was that the inefficiency of LBTS to utilise measures put in place to collect adequate blood and blood products is caused by the shortage of staff and the non-existent of formal organizational structure which consists of a management team of trained and experienced staff. LBTS operates with one mobile blood collection team due to staff shortage and this results in not being able to attend all the invitations for blood donation clinics and limited education to potential blood donors.

They further indicated that the Ministry was in the process of engaging the consultant to assist in the review of Ministry of Health strategic plan, which would include the Organizational Structure incorporating departments such as LBTS that do not exist in our current structure.

## **CHAPTER 19: MINISTRY OF FINANCE**

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### **19.1 LESOTHO MILLENNIUM DEVELOPMENT AGENCY**

Lesotho Millennium Development Agency (LMDA) is an organisation set by the Government of Lesotho under Millennium Challenge Account – Lesotho Authority Act, 2008 as amended by Legal Notice No. 151 of 2013. Its mandate is on healthcare facilities maintenance, development and implementation of Compact II. It executes its mandate in conjunction with the Ministry of Health as the lead agency. The Government of Lesotho currently funds LMDA.

Although LMDA has complied with Lesotho laws and policies, which govern use of public funds, there are some weaknesses that the organisation has to address as follows:

#### **19.1.1 Absence of combined assurance**

It was noted that LMDA was lacking behind in terms of combined assurance, as there was no audit committee, internal audit and risk management functions. However, evaluation of internal control system revealed that there were policies in place guiding human resources, financial and procurement processes.

LMDA was advised to initiate the establishment of Audit Committee and internal audit function to avoid the oversight of financial control, compliance to laws and regulations, accounting practices and auditing processes being compromised.

#### **19.1.2 Discrepancies in recruitment process**

LMDA was given a new mandate starting 2018 ending 2023, therefore had to recruit all staff members from January 2018 to carry out the new mandate from April 2018. The Recruitment and Selection Guidelines were developed to ensure the recruitment of high calibre staff. Internal job advertisements for all positions were published giving first priority to staff, which was already in the previous mandate to fill in the positions upon selection. An external advert for filling of the remaining vacant positions could be sourced from the market. Benchmark for a pass in oral interview was set at 75% and above.



Review of recruitment process revealed a lot of inconsistencies in decisions made, which could be translated into conflict of interest. There were incidents where recruitment policies and guidelines were not followed and that raised a concern on the validity of appointments of some officers. The inconsistencies included the following:

- There was no evidence that one officer had gone for an interview as interview results in her file were for the position awarded to the other candidate.
- Another officer was successful during oral interview for the position applied for but was not awarded the position instead the position was awarded to unsuccessful competing candidate who only sat for a written assessment.
- One officer scored 69.9% during a written assessment but was appointed to the position despite scoring below set pass mark of 75%.
- An officer was not successful during oral interview. However, it appeared that the results were tampered with, as original marks could not be substantiated. The officer was not given the opportunity for written assessment, as was the case for other candidates who failed oral interviews.

### **19.1.3 Obstruction of LMDA mandate by the Ministry of Health**

Ministry of Health (MoH) has signed the Memorandum of Understanding (MOU) with LMDA to establish a collaborative approach among the parties as the key government role players in ensuring achievement of the key objectives of the government in relation to the healthcare facilities maintenance in Lesotho. MoH agreed to work with LMDA to plan and provide guidance on the programme maintenance based on their strategic priorities and grant access to health care facilities at all times.

On the contrary, it was noted that MoH obstructs LMDA's mandate yet it is the main role player in provision of health services, as indicated in the following instances:

- a) It was discovered that LMDA planned to roll out catering services for Quthing, Qacha's Nek, Thaba-Tseka and Mokhotlong districts.

During the procurement process, before awarding of contracts, there was an instruction from MoH to eliminate Machabeng hospital, in Qacha's Nek under lot 7, stating that MoH has already engaged a service provider.

- b) LMDA completed procurement process of engaging caterers for Mokhotlong hospital and St. Peter health clinic under Lot 4. It was recommended that the contract be awarded to Ken Con Catering but was withdrawn due to court order following a concern by Rhythm and Blues Catering that they had signed a catering contract with MoH for the same.

MoH should have informed LMDA of the on-going contracts during their planning meetings to avoid duplicating efforts.

#### **19.1.4 Outstanding Advance – M1.98 Million**

There was an outstanding advance to the amount of M1,983,252.14 to Trencon Liquidators. Funds were advanced to Trencon Liquidators in two trenches i.e. M1,500,000.00 in 2013 and M482,552.15 in 2015.

This advance was still outstanding in October 2019 with no evidence that there are any measures put in place for recovery of these funds. It is doubtful if these funds will ever be recovered given a long time that they have been outstanding.

It was recommended that management see to it that by the end of 2019/2020 financial year funds that were advanced to Trencon Liquidators should be recovered in full.

#### **19.1.5 Non submission of insurance policies**

There was an amount of M3,724,390.93 paid to eight (8) contractors who had provided electricity services maintenance for healthcare facilities, but had not submitted insurance policies contrary to the requirements of the Lesotho Millennium Development Agency's Fiscal Accountability Plan (FAP) of 12 June 2018.

No measures were taken to ensure compliance to FAP. Therefore, should disputes arise in the event of injuries, death, damage/loss or negative environmental impact, LMDA might find itself subjected to litigation and costs settlements.

#### **19.1.6 Withholding of performance guarantee – M44,634,179**

Payment to the amount of M44,634,179 guarantee to LMDA by Lombard insurance was not included in the notes to financial statements. This amount plus interest earned was claimed following non-compliance of contract back in 2016. It was not clear why the funds were neither transferred to the Consolidated Fund nor disclosed/accounted for in the previous year's financial statements. This amounts to non-compliance to accounting standards.

It was recommended that management should at all times consult the Ministry of Finance for clarity and appropriately account for these funds.

## **20.1 MASERU CITY COUNCIL**

Maseru City Council (MCC) was declared a local authority in 1989 under the Urban Government Act of 1983. Since then it has been operational without a council until in 2005 when a council was established under the Local Government Act 1997 as amended in 2004. MCC is mandated to contribute to the achievement of environmentally sustainable and socially inclusive urban development and management.

A performance audit was carried out at MCC in June 2019 to assess how human resource and finance systems were managed towards the achievement of MCC mandate. The audit revealed the following shortcomings:

### **20.1.1 HUMAN RESOURCE SYSTEMS**

#### **a) Recruitment and Resourcing**

Section 14 of MCC Staff Management Regulations of 2003 requires that the establishment of the Council should be determined by allocating a definite number of posts with prescribed grades, job descriptions and specifications.

Contrary to the requirements of the regulations, MCC did not have a established number of officers in lower positions such as Street Cleaners, Latrine Attendants, Refuse Collectors and Parking Marshals; making it difficult to assess positions filled against the established positions hence unrealistic budgeting for personnel emoluments. The recruitment process especially for lower positions (labourers) was not in accordance with the regulations as it was not based neither on vacancy factor nor established positions but was mostly influenced by external forces (political pressure). Without a clear organisational structure with specific numbers of required personnel and allowing externally influenced recruitment, MCC runs a risk of absorbing more staff than required while attracting a huge wage bill.

It was recommended that MCC management should ensure that the organisational structure is developed with specific numbers for human resource per position to avoid absorbing more than required personnel as this has bad financial implications.

Management indicated that it has noted this issue and has started strict adherence to Local Government Service Regulations.

## **b) Staff Promotions**

Local Government Service Regulations 2011 state that promotions within Local Government Service should be based on merit and among other things relevant experience, consistent good performance and good conduct and availability of vacant positions. Promotions have to be approved by the Local Government Service Commission.

Promotions especially for lower grades from LA 7 to LA 10 at MCC were not carried out in the most transparent manner as in most cases were direct promotions, which were not approved by the Local Government Service Commission (LGSC) and there was also no indication of the availability of vacancies. Without the approval of LGSC, it was difficult for MCC to offer the promoted officers the corresponding salaries instead they were offered incentives as compensation.

Management was advised to ensure that promotions are made in accordance with the requirements of the regulations.

## **c) Re-designations and Re-deployment**

Re-designation is a process of changing the positions designation and has to be approved by the management who would instruct human resource unit to act accordingly. Section 34 (2) of the Local Government Service Regulations (2011) requires that re-deployment should be authorised by the Commission.

Technical departments made re-designation and re-deployment of staff without involvement of human resources or authorisation by Local Government Service Commission. Hence there were discrepancies between human resource department and technical departments regarding re-designations and re-deployment.

It was recommended that management should ensure that human resource department performs all its functions without interference from other departments/functional areas and the relevant authority should effect the human resource changes.

#### **d) Performance Appraisals**

Performance management system is a tool used to communicate the organisational goal to the employees individually, allot individual accountability towards that goal; track progress in the achievement of the goals assigned and evaluates individual performance. According to Section 84 (1) of the Local Government Service Regulations of 2011, Performance review should be carried out at least twice a year.

It was discovered that MCC staff performance was not monitored, as performance appraisal system was not implemented. Officers filled in the performance appraisal forms only when they were to be promoted or given incentive allowance.

It was advised that management should enforce the operationalization of performance appraisal system to track and monitor staff performance and establish capacity building programmes where necessary.

MCC acknowledged that Human Resource office would develop a performance appraisal system and implement it quarterly or bi-annually.

#### **e) Incentive Allowance**

An incentive allowance is a monetary gift provided to an employee based on performance, which is thought of as one way to entice the employee to continue delivering positive results. The Local Government Regulations of 2011 state that all allowances that constitute the compensable factors of each job should cease to be paid on coming into operations of these regulations.

MCC was offering incentive allowance to staff members against the requirements of the law and it was treated as part of the basic salary. At the time of audit (May 2019) it was established that MCC was paying a total of M76, 754.00 per month (M921, 048.00 per year) as incentive allowance for seventy-two (72) officers.

It was recommended that MCC should weigh the cost and benefit of providing monetary incentive allowance and also ensure adherence to the law.

Management responded by mentioning that it would systematically discontinue the incentive allowance in order to adhere to Local Government Service Regulations taking into account that staff had already taken legal action against termination of incentive allowance.

#### **f) Cell phone benefit**

MCC has a Cell phone Policy listing members of staff eligible for the cell phone benefit and monthly airtime entitlements depending on their level of responsibilities.

MCC cell phone policy was not well managed. There was no control regarding monthly over limits by the beneficiaries and MCC paid for the exceeded limits. For instance, in December 2018 and January 2019 the total cost for cell phone contracts was M25,955. MCC paid service providers a due amount of M72,602 resulting into an overpayment of M46,647.

The audit further established that the two-month entitlement for the Administrative Secretary was M2,000 but the Council paid M20,892.35 and that resulted into an overpayment of M18,892.35. Within this period the Administrative Secretary acted as Town Clerk for three weeks and his cell phone expenses (different number) amounted to M8,727.10 against the limit of M3,000. Cell phone usage for this officer for two months period amounted to M29,169.45 which is 62% of total overpayments.

The position of Town Clerk was filled in January 2019 but the Administrative Officer continued to enjoy cell phone benefits for Town Clerk up to March 2019. MCC further paid M6,297.40 over his limit.

It was recommended that MCC management should ensure that there is adherence to the cell phone policy and take action against non-adherence. MCC responded that the contract post-paid model attracted overspending and has therefore reduced the entitlements and opted for pre-paid model.

### **20.1.2 FINANCIAL MANAGEMENT SYSTEMS**

MCC financial management controls were not adhered to and there was no enforcement of the financial management Laws and regulations. The following irregularities were observed:

#### **a) Property rates**

Section 45 of Municipal and Urban Councils Financial Regulations of 1988 states that all necessary steps should be taken for the recovery of all rates, fees, charges and other revenues due and payable to the Council.

There was no database for rateable areas in Maseru hence property taxes were not collected from them. Furthermore, valuations to update the status of the properties were not done hence property rates were charged on valuations that were last done in 2004. MCC indicated that there was lack of funds to update the valuation roll but piecemeal updates are continuing to remedy the archaic information.

It was recommended that MCC management should monitor the collection of property rates and therefore maximise revenue collection strategies, as this would enhance its financial viability.

#### **b) Parking Fees**

Parking fees form part of MCC revenue collection stream and were collected by Parking Marshalls placed in designated areas. The lowest charge for 0-10minutes is M1.50 and the highest would depend on the time taken by individuals.

There was no monitoring tool to ensure that the amount remitted at the end of the day was what was actually collected for the day. It was further established that MCC was running a loss by paying Parking Marshals as they were bringing very little to the Council against the cost of their engagement. Cost and benefit analysis was not done. MCC paid total wages of M2,827,200.00 for eighty (80) parking marshals who brought in M1,400,250.19 for the financial year 2018/19.

MCC was advised to develop a system that could enhance the cash collection and be easily monitored. The system could reduce employing more staff that is costly to the Council.

Management mentioned that they would explore different strategies to improve the collection system.



### **c) Management of petty cash**

Section 98 (a) of the Municipal and Urban Councils Financial Regulation (1988) allows for the use of standing imprest to enable minor local purchases to be made when it is not possible for payment to be made through the Accounting Unit. Petty cash requisitions should have receipts attached as proof of purchase.

- There were inadequate controls in the management of petty cash, as it was not used for emergency expenditure only but for some items such as printing paper and cleaning materials that could have been procured by the procurement unit.
- There were no receipts attached to the payment vouchers to validate cash payments making it difficult to ascertain whether it was used for intended purposes.

It was recommended that MCC management should intensify the controls regarding use of petty cash. Management indicated that they had now resorted to the use of purchase orders and has limited petty cash usage to emergencies that require small amounts.

### **d) Pay as you Earn tax**

Pay As You Earn (PAYE) tax is deducted from individuals' salary and should be remitted to the Lesotho Revenue Authority on monthly basis.

MCC was not remitting PAYE withheld from staff to LRA on monthly basis as required by law. The PAYE withheld and not remitted to LRA amounted to M4,481,383.00 and M6,117,614.41 for financial years 2017/18 and 2018/19 respectively. Management response was that the grant MCC received has been systematically decreasing as a result they have only been able to pay net salaries and barely paid for operational costs.

Management was advised to prioritise its activities and put in place clear financial management controls to avoid using money due to LRA and also to ensure proper adherence to finance laws and take action against non-compliance.

#### **e) Staff Investment Fund**

MCC Investment Fund was established in March 2013 to assist MCC staff to voluntarily invest certain amounts annually, which earned interest on monthly basis. MCC management made a decision that MCC would borrow staff the lump-sum amount at the beginning of the year to be invested and would be paid by staff on monthly basis as per minutes of the management meeting of 7 December 2012.

The Investment Fund was not properly managed as funds were transferred from other MCC investment accounts to Staff Investment Fund without knowing the number of staff interested and the amounts they would wish to invest.

MCC management was advised to ensure proper financial management of its funds since staff investments was not for the benefit of MCC.

#### **f) Outstanding Payments**

Suppliers who have provided goods, works and services should be paid in return. However, MCC was owing office space rent amounting to M856,770.29 as of February 2019 while other suppliers were owed M1,520,304.24 dating as far back as 2016.

It was recommended that MCC should protect its image by putting strict financial controls in place and ensuring adherence. Management's response indicated that they would seek a bail out from the central government to meet these debts.

### **20.2 LERIBE DISTRICT COUNCIL**

#### **20.2.1 IRREGULARITIES IN PROCUREMENT PROCEDURES**

##### **a) Incomplete Invitations to Tender**

In the previous audit report of 2016/17, it was indicated that contracts were awarded to the non-qualifying bidders for supply of tyres, repair and maintenance of yellow plant and trucks. A follow-up was made to establish the developments regarding non-compliance with procurement processes and procedures. It was found that the situation is still the same and one of the contributing factors was that the invitation to bid was not specific

enough to guide the process, as it only required submission of experience of work, reference letters, registration dates and bid security whereas the standard requirement for invitation to bid should have the following information not limited to:

- Bid questions
- Required forms to be completed such as Bidder Qualification Sheet, Declaration Forms, Copies of business licenses, etc.
- Scope of work, e.g. Routine maintenance, Non-routine repairs
- Evaluation Criteria
- Monitoring the implementation
- Terms of payment
- Quality Assurance

If the invitations to bid are not informative enough, there is a risk of engaging contractors who are not fully conversant with the required services hence the quality of service might be compromised and that could be a health hazard to workers.

Management was therefore advised to engage knowledgeable personnel with relevant expertise such as the Senior Technical Officer (STO) in preparation of bid documents and evaluation of tenders to ensure that contracts are awarded to appropriate bidders.

#### **b) Non-tendering of works above threshold**

Schedule 1 1 (C) of the Public Procurement Regulations 2007 requires that, for goods and services above M100,000.00 the open tender method of procurement should be applied. Contrary to the requirement Leribe District Council irregularly contracted six (6) suppliers listed on Table 20.2.1b for the work amounting to M5,723,861.90 without open tendering.

It was further noted there was a pending suspension case of the District Council Secretary due to this irregularity.

**Table 20.2.1b- Non-tendering of works above threshold**

Name of Supplier	Description of contract	Amount paid for the year
Sehlabaka	Maintenance and repair of yellow plant	1,030,525.49
Barloworld	Maintenance of yellow plant	150,000.00
LT Parts and Supply	Maintenance and repair of tipper trucks and tankers	771,031.03
Man Automotive	Maintenance of trucks	483,758.90
Marian	Supply and delivery of roads materials	2,413,755.50
KNS Gensen	Maintenance and repairs of tipper trucks and tanker	874,790.98
<b>TOTAL</b>		<b>5,723,861.90</b>

If the open tendering is not followed, there is a risk of engaging incompetent contractors. Management was therefore encouraged to follow proper procurement procedures to avoid sub-standard work and fruitless expenditure.

### **c) Evaluation of vehicle maintenance contract performance**

There were no evaluation reports indicating whether maintenance and repair service of the Council's vehicles had actually been rendered and to the required standard. Therefore, the authenticity of a total payment of M9,651,599.87 to nine suppliers listed on Table 20.2.1c below could not be ascertained.

**Table 20.2.1c - Payments made without proof of service delivery**

Name of Supplier	Description of contract	Amount paid for the year
Sehlabaka	Maintenance and repair of yellow plant	1,030,525.49
Barloworld	Maintenance of yellow plant	150,000.00
LT Parts and Supply	Maintenance and repair of tipper trucks and tankers	771,031.03
Man Automotive	Maintenance of trucks	483,758.90
Marian	Supply and delivery of yellow plant	2,413,755.50
KNS Gensen	Maintenance and repairs of tipper trucks and tanker	874,790.98
Motor Vehicle & Plant	Maintenance of yellow plant	856,422.00
Phofsons	Maintenance of yellow plant	788,297.00
Stepandre	Supply of tyres	2,283,018.97
<b>TOTAL</b>		<b>9,651,599.87</b>

Source: Payment Vouchers

If there is no proof of services delivery, there is a risk that public funds may be expended for services not rendered and there won't be future references in case incompetent suppliers tender for other jobs.

It was recommended to the Council to accelerate on-going investigation to find out whether payments were made for the services actually rendered and also to ensure that there are contract evaluation reports.

#### **20.2.2 DOUBTFUL PAYMENT OF WAGES**

The Leribe Community Council paid an amount of M352,362.00 to labourers at the Community Councils, however that amount could not be substantiated due to incomplete documentation from the Community councils. There were letters of instruction, which only showed the names of labourers, number of days worked and the rate per day.

There was no proof of amount received by an individual labourer, signature of a labourer acknowledging receipt of cash/cheque was not appended and where the signature was appended the amount received was not shown. Time sheets were also not signed as proof that the labourers have actually worked on the dates mentioned.

There is a risk that wages might have been paid to wrong people, as there was no proof that the paid labourers have actually worked for stipulated days and for some there was no proof of amount and labourer paid.

The Council was encouraged to ensure that labourers sign for wages paid and daily clock sheets, as proof that payments are effected for services actually delivered and wages received by the rightful owners.

#### **20.2.3 UNACCOUNTED RENT AT MANKA COMMUNITY COUNCIL**

Manka Community Council entered into a Rental Agreement with the Independent Electoral Commission (IEC) with 10% increase every year for a period of 36 months, from 2<sup>nd</sup> November 2015 to 1<sup>st</sup> November 2018. The Agreement did not stipulate how IEC would pay rent. Moreover, there was no evidence that outstanding rent totalling M15,480.96 has been actually collected for the duration of the contract.

Management was advised to make further investigations on the matter and ensure that money for rent is paid accordingly and accounted for.

## 20.2.4 REMITTANCE OF TAX TO LESOTHO REVENUE AUTHORITY

Tax is the money charged or withheld by the payer from the gross amount of the payee. Taxes collected at Leribe District Council included; Pay as You Earn (PAYE) being tax charged from employee's earnings and the Withholding Tax, which levied on payment of supply of services. Withholding tax is applicable to both resident and non-resident suppliers.

The Income Tax Regulations 1994, Section 25 (a & b) require that tax withheld or charged must be remitted to the Lesotho Revenue Authority (LRA) within fifteen (15) days from the end of the month in which it was withheld/charged.

This requirement was not adhered to in that there were instances where tax was not remitted at all while in other cases there was a delay in remittance of tax to LRA as follows:

### a) Tax not remitted to LRA

- PAYE totalling to M1,641,739.64 for staff of Leribe District Council, charged for seven months listed on Table 20.2.4a was not remitted to the Lesotho Revenue Authority.

**Table 20.2.4a -PAYE not remitted to LRA**

Month	Gross Amount	Total PAYE
April 2017	1,305,384.00	238,782.17
May 2017	1,305,384.00	238,782.17
June 2017	1,305,384.00	229,142.14
July 2017	1,301,533.50	230,697.74
August 2017	1,301,533.50	230,697.74
September 2017	1,352,912.50	236,818.84
October 2017	1,353,593.50	236,818.84
<b>TOTAL</b>		<b>1,641,739.64</b>

Source: Payment vouchers for salaries

- Withholding tax to the amount of M27,845.04, withheld on the 28<sup>th</sup> December 2017 from a payment to Stepandre Spares and Services was not remitted to the Lesotho Revenue Authority.

### b) Delay in remitting tax to LRA

PAYE totalling M1,503,154.54 for staff of the council and the Community Councillors from November 2017 to March 2018 was remitted on 28 April 2018. Tax amounting to M297,587.81

withheld from different contractors and suppliers from August 2017 to March 2018 was remitted on 27 April 2018.

If tax is not remitted on time, there is a risk that it might be irregularly used for other purposes and that will distort the financial position of the LRA on collection of tax revenue.

It was recommended to Management to see to it that all tax charged or withheld is remitted to LRA on or before the 15<sup>th</sup> of the following month of collection.

### **c) Non-availability of records**

The audit team could not verify the correctness of PAYE for the months of November 2017 and February to March 18 due to absence of the accounting records for those months. The payroll was also not available hence the audit could not confirm whether salaries were paid to established positions and to existing employees.

Non-availability of accounting records could imply manipulation to hide fraudulent actions or funds might have been misappropriated on payment of ghost employees.

Management was encouraged to make a follow up on the accounting records and appreciate the importance of availing records for auditing purposes.

## **20.2.5 ORGANISATIONAL PERFORMANCE**

The Council's annual performance report reflected that there was progress in implementation of planned projects on construction of rural roads, maintenance of water systems and management of solid waste.

### **a) Construction of Rural Roads**

For the financial year 2017/18, this component of the project was divided into two (2) outputs or sectors with a budget of M20 million. The status of implementation on planned activities of the 2 sectors of the project was as follows:

**i. Construction of Tsikoane –Tsabalira 23Km gravel road**

Auditors could not determine the relationship between budget execution and actual outputs versus planned outputs as there was no monetary information provided. However, the following were noted:

- The formation of the 23 km road, 20 km was completed and 3km was still in progress.
- Out of 30 planned drifts, 5 were completed and 25 still in progress.
- The spreading of the 23 Km gravel road was 7.1km complete and 15.9km was still in progress.
- In regard to 75 culverts plan, 15 were finished with 61 remaining.
- Construction of three (3) bridges planned was not yet started.

**ii. Likhetlane-Hleoheng 25 Km gravel road**

For this financial year, the works on this project did not commence due to the following reasons as explained by the Leribe District Council:

- Late release of funds for capital projects impacted negatively on the roads construction (i.e repairs of machinery, fuel and lubricants, employment of labourers, construction materials etc.
- Construction of three (3) bridges planned was not yet started.
- Numerous breakdowns of the Council's fleet that hindered progress.
- The construction of Lepaqa road by the resolution of District Council that was not in the plan. Moreover, blasting activity that was unforeseen and the council tendering processes, which took longer than expected.
- The heavy rainfall was a serious contributing factor in delaying construction of roads and bridges at Matsoku Community Council.
- The construction of the main bridge that connects Mokhotlong and Leribe districts, which was a directive from the Minister on the basis that the bridge was an immense importance to the community of those districts.



## b) Maintenance of Water Systems

The budget for maintenance of water systems (hand pumps), market stalls, fencing of grave yards and construction of footbridges for different villages was M3,748,531.70.

### i) Maputsoe Urban Council

The spring catchments, water tanks construction, re-plastering of water tanks, and cleaning and maintenance of boreholes were completed. While at Ha Polaki the spring catchment and tank construction were still in progress. The total budget for these activities amounted to M306,552.41 and the breakdown is illustrated on Table 20.2.5ci.

**Table 20.2.5ci – Activities in Maputsoe Urban Council**

Activities	Allocated Funds	Activities	Status
Ha Mathata	84,589.72	Spring catchment and water tank construction	Completed
Ha Maputsoe	24,780.00	Re Plastering of water tank	Completed
Kholokoe	61,922.29	Spring catchment and Tank construction	Completed
St Monicas	30,450.00 6,531.00	2 Boreholes cleaning and maintenance	Completed
Ha Polaki	98,279.40	Spring catchment and water tank construction	In Progress
<b>Total</b>	<b>306,552.41</b>		

### ii) Fencing of Burial Sites and Construction of Market stalls

- **Tsoili-tsoili:** The amount of M280,664.00 was budgeted for this project. Fencing of burial grounds was done in 5 selected villages with a total amount of M194,333.70, leaving uncommitted amount of M86,330.30. The quotations were still expected from the contractors for fencing of Kolonyama Park in June 2019. The estimated cost of this work was M70,000.00.
- **Manka:** Fencing of graveyards on selected areas was fully completed with a budget of M280,666.66 and a total cost of M280,547.26 resulting into a budget execution of 100% and 100% performance as indicated on Table 20.2.5cii below.

**Table 20.2.5cii - Fenced graveyards**

<b>Project Name</b>	<b>Activities</b>	<b>Progress</b>	<b>Amount</b>
Ha Monyane A Ha Monyane B Ha Keenya	Fencing burial grounds in the mentioned villages	Complete Complete Complete	45,524.75
Ha Ramaboella Ha Ntahli Ha Foka	Fencing burial grounds in the mentioned villages	Complete Complete Complete	61,247.45
Ha Ramosalla Ha Motlau	Fencing burial grounds in the mentioned villages	Complete Complete	47,101.55
Ha Tjopa Peka Nkotjo Ha Leburu Nts'irele	Fencing burial grounds in the mentioned villages	Complete Complete Complete	67,000.05
Ha Mosamo Ha Mathapolane Ha Mafata	Fencing burial grounds in the mentioned villages	Complete Complete Complete	59,673.45
<b>TOTAL</b>			<b>280,547.26</b>

- **Hleoheng:** The budget for the fencing of graveyards in Hleoheng Community Council on selected areas was budgeted M280,666.66. At the Lepamo and Mashapha, fencing was completed with costs of M60,000.00 and M55,570.42 respectively. However, fencing at Sethubatha and Takalimane was completed but cost not indicated. The performance status for Mothamane, Hleoheng (1) and Hleoheng (2) was not indicated in the report.

### iii) **Solid Waste Management**

There were no performance reports on Solid Waste Management.

### **21. LESOTHO INSTITUTE OF PUBLIC ADMINISTRATION AND MANAGEMENT**

#### **21.1 BACKGROUND INFORMATION**

The Lesotho Institute of Public Administration and Management (LIPAM) is one of the departments in the Ministry of the Public Service. Its core business is to advance management and leadership skills, capacities and capabilities of public servants through top quality training programmes, research, and consultancy services aimed at enhancing their proficiency in the delivery of services to the people of Lesotho.

The institute is divided into two sections:

**a) Academic programmes** which covers;

**i. Long-term Programmes:**

- Diploma in Human Resource Management and Labour Laws (DHRMLL) and;
- Diploma in Public Administration and Management (DPAM)

**ii Short-term programmes:**

- Short-term training for civil servants
- Parastatal staff

#### **21.2 AUDIT FINDINGS**

My office carried out an audit inspection of the Lesotho Institute of Public Administration and Management for the financial years 2015/16, 2016/17 and 2017/18 and the following irregularities were noted:

##### **21.2.1 IMPLEMENTATION OF THE CORE BUSINESS OF LIPAM**

**a) Non-Implementation of Masters of Arts in Leadership and Strategy Programme**

LIPAM and the Institute of Public Administration (IPA) from Ireland carried out training needs assessment in 2009 through the financial support of Irish Aid to the maximum of Euro 245,000. The assessment resulted into a two-year Masters Programme that was meant to capacitate senior management across the public sector with strategic management competencies that would stimulate better services to their country. The programme

targeted the Principal Secretaries (PSs) and their deputies, Directors and other senior officials.

According to the Memorandum of Understanding between IPA and LIPAM, in the event that LIPAM attracts between 25 and 45 students to the Masters programme, the fees would be Euro3,500 per student per annum, of which LIPAM would receive a rebate of Euro 1,100 from the IPA. The rebate was to facilitate the undertaking of roles and responsibilities of LIPAM in the Masters programme while the IPA would receive Euro 2,400 to facilitate in undertaking its roles and responsibilities. If more than 45 students register, the fees would be reduced.

### **Audit Concern:**

The program commenced in August 2011 but ended in 2012/13 due to failure to pay fees by the Lesotho Government (Ministry of Public Service) as per agreement. It appeared that the viability of the programme was not considered and that resulted into a wasteful expenditure as the first lot of students did not graduate. Travel costs for officers who travelled between Lesotho and Ireland to arrange for this long-term training also became fruitless expenditure.

Management was advised to always comply with the requirements of MOU, as it is a binding document and improper implementation of programmes of this nature could lead to the donors refraining from their funding initiatives.

### **b) Enrolment of non-government officials**

LIPAM's mandate is to advance management and leadership skills, capacities and capabilities of public servants through top quality training programmes, research, and consultancy services aimed at enhancing their proficiency in the delivery of services to the people of Lesotho.

Contrary to the requirement, LIPAM enrolled a high number of non-governmental officials particularly in Diploma in Human Resources Management and Labour Law, thus derailing the purpose for which this training institute was established. Table 21.2.1b below illustrates the low rate of enrolment of civil servants over the period of three years under review.

**Table 21.2.1b - Enrolment of non-government officers**

Year	Total enrolment	Category	Enrolment per category	Enrolment (%)
2015/16	131	Public Servants	51	45
		Non-government officials	62	55
2016/17	172	Public Servants	36	21
		Non-government officials	136	79
2017/18	131	Public Servants	31	24
		Non-government officials	100	76

Source: LIPAM records

Enrolment of non-government officials at higher numbers defeats the purpose of LIPAM of advancing management and leadership skills, capacities and capabilities of public servants, which could lead to a continued poor service delivery to the citizens of Lesotho. Management was advised to revise the strategy and prepare the action plan for implementation of core business of the Government with this program.

### **c) Irregular engagement of staff**

In August 2017, the Minister for Public Service granted authority to engage facilitators with substantial experience in the respective fields from both the civil service and the private sector. Facilitators would be paid M150 per hour as an incentive or compensation for their expertise and additional work that they would be undertaking in excess of their normal daily schedule.

#### **Audit Concerns:**

- Most of LIPAM staff holding strategic and operational positions were engaged as facilitators in this long-term training and were paid salaries under the Long-term Training Account. It was established that the support staff such as Drivers, Office Assistants, Librarians and Coordinators were also paid incentives from this programme account though they did not contribute substantial expertise or experience to the programme other than their normal duties in their job descriptions.
- The facilitators were paid allowances in excess of the approved amount of M150 per hour for training ranging from M225 to M250 per hour. Support staff, which was not supposed to benefit from this programme were irregularly

paid; Cleaners and Librarians were paid M1,500 per month, Coordinators M2,500 per month and Drivers were paid M70 per hour. The application of unauthorised rates resulted into a total overpayment of M528,349.46 for three consecutive years as indicated on Table 21.2.1c below.

**Table 21.2.1c - Overpayment of staff**

<b>Period</b>	<b>Amount Due</b>	<b>Amount Drawn</b>	<b>Overpayment</b>
2015/16	164,927.61	309,686.41	144,758.80
2016/17	228,566.67	387,090.00	158,523.33
2017/18	295,142.67	520,210.00	225,067.33
<b>Grant total</b>	<b>688,636.95</b>	<b>1,216,986.41</b>	<b>528,349.46</b>

Source: LIPAM records

Other training activities of the Institute might have been compromised due to these overpayments.

Management was advised to comply with the authority granted to avoid unnecessary overpayments. If there is a need for any adjustment, approval should be sought from relevant authorities.

## **21.3 MANAGEMENT OF TUITION FEES**

### **a) Unauthorised increase of Tuition fees**

A minister responsible for LIPAM should regulate any adjustment on the tuition fees through Government gazette. However, LIPAM increased the fees from 23% to 28% for the three consecutive years under review from 2015/16 to 2017/18 without authority from the Minister of Public Service. The increase is as shown below:

<b>Academic Year</b>	<b>Fees per student</b>
2015/16	M5,575.00
2016/17	M6,850.00
2017/18	M7,150.00

If the fees structure and the hourly rates are changed by unauthorised people without considering factors of inflation and other needs for different programmes, that might hinder the attainment of the objective of the Government with this entity.

LIPAM was advised to follow proper procedure of seeking authority from the Minister of Public Service on fee adjustments.

## b) Outstanding fees

The students were expected to pay half of the fee within the first six months of the academic year and the remaining balance should be paid before the final examinations.

It was observed that fees totalling M291,623.00 were still outstanding at the end of the three academic years under review, but such students were allowed to sit for examinations. The outstanding fees are as summarised on Table 21.3b.

**Table 21.3b - Outstanding fees**

<b>Academic year</b>	<b>Number of students</b>	<b>Course/Year</b>	<b>Amount owing</b>
2015/16	14	DPA/ year 1	33,993
2015/16	14	DHRMLL/ year 1	31,027
2016/17	33	DHRMLL/ year1	118,350
2016/17	10	DHRMLL/ year 2	14,853
2016/17	14	DPA /year 1	47,700
2016/17	16	DPA/ year 2	45,700
<b>TOTAL</b>			<b>291,623</b>

Source: LIPAM records

If appropriate measures are not taken to ensure that fees are settled, students may take advantage of enrolling with LIPAM, knowing that they can complete their courses without making complete payments.

A recommendation was made that fees should be paid within stipulated period, failing which the certificates should not be issued prior to settlement of outstanding fees.

## 21.4 NON-COMPLIANCE WITH PROCUREMENT PROCEDURES

Public Procurement Regulations 2007 schedule 1 (b) states that for goods and services procured between the values of M30, 000 to M100,000 three quotations should be obtained from three different service providers. Contrary to the requirement, quotations were not sought for three hall hire and catering services ranging from M30,452 to M65,411. It was further noted that those services were focused on one supplier, which raises a suspicion as to whether total payments of M149,539.50 were genuinely made.

The use of one supplier might lead to the risk of anti-competitive specifications, which may favour one company over other competitors,

thus resulting into corruption. It was recommended that management should ensure that quotations are obtained from a minimum of three suppliers in order to compare prices.

## **21.5 OUTSTANDING PAY AS YOU EARN**

The Income Tax Act 1993 requires an employer to deduct Pay As You Earn (PAYE) tax from employment income of his/her employee(s), and the employer who fails to deduct PAYE is personally liable to pay to the Commissioner the amount of tax which has not been so deducted; but he/she is entitled to recover this amount from the payee (employee).

Contrary to this requirement, it was found that part-time Lecturers and staff were charged source tax instead of PAYE and that resulted into a shortfall of M77,813. LIPAM settled the shortfall following LRA request, however the amount of M77,813 was never recovered from the employees.

Management was advised to always comply with tax requirements to avoid unnecessary shortfalls.



## **PART 7**

### **CORPORATE ISSUES OF THE OFFICE OF THE AUDITOR-GENERAL**

## **CHAPTER 22: GENERAL MATTERS**

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### **22.1 INTRODUCTION**

Public sector auditing is a critical component of good governance and the Office of the Auditor-General (OAG), through the oversight role provides opinion, information and advice to those charged with the stewardship of public resources. This insight helps the government to improve fair and equitable application of laws and regulations, enhance performance and efficiency, increase accountability, and fight fraud and corruption. OAG therefore promotes a conducive environment for investment on economic and social development, thus, improvement in the livelihoods and well being of the citizens.

With increased stakeholder consciousness on administration of public resources, the demand for public accountability has increasingly become evident, compelling OAG as a key player in the accountability cycle to effectively report on the use of public resources. The preceding chapters present the financial status and stewardship of public resources by government Ministries, Departments and Agencies (MDAs) for the financial year 2018/19, thus, demonstrates OAG contribution towards strengthening accountability, transparency and integrity through public audit.

### **22.2 LEGAL MANDATE**

The two legal Frameworks namely, Section 117 of the Constitution of Lesotho and the Audit Act of 2016, govern the OAG. 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. This OAG achieves 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 agencies carry out activities with due regard to economy, efficiency and effectiveness.

## **22.3 OAG BUSINESS MODEL**

The audit activities are based on the office Strategic Plan 2018-2023 that demonstrates a clear picture of the long-term intent and guides the audit and development activities towards the achievement of strategic pillars. The strategy is fundamental in ensuring that the office consistently performs to the highest quality standards by virtue of its alignment to AFROSAI-E<sup>1</sup> Institutional Capacity Building Framework (ICBF). The framework has five development perspectives on which SAIs can develop capacity namely:

- Independence and legal framework,
- Organisational management and governance,
- Implementation of International Standards of Supreme Audit Institutions (ISSAIs) and methodology,
- Human resource, and
- Communication and stakeholder management.

Furthermore, the strategy takes into consideration the national goals and priorities, ensuring that the audits are relevant and respond to the stakeholders' needs and expectations.

## **22.4 STRATEGIC DIRECTION**

OAG strategic direction is based on the notion that accomplishing its mandate requires determining a future and mapping the way towards reaching the desired future. This notion translates into OAG creating a vision of being an independent and proactive Supreme Audit Institution that promotes public accountability and transparency. This can be achieved by promoting sustainable public accountability and transparency, providing professional auditing services to all stakeholders whilst creating a respectful workplace where its diverse workforce can strive for excellence and realise their full career potential.

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<sup>1</sup> AFROSAI-E is a regional body for supreme audit institutions in English speaking countries and has developed the framework to assist the SAIs in building own capacity in five development perspectives

The achievement of the mission is pivoted by the following strategic pillars, which also form strategic focus of the office:

- Strengthening the OAG Independence
- Expanding the Audit Services
- Improving the quality and impact of audit reports
- Developing capacity, professionalism and motivation of staff
- Enhancing the professional relationship with stakeholders

## **22.5 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.

### **22.5.1 Audit Function**

OAG audit work is divided into three types of audits namely; Financial, Compliance and Performance Audits.

#### **a) 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 accounts.

#### **b) Compliance Audits**

Compliance audit is the independent assessment of whether a given subject matter complies with applicable authorities and identified criteria. Compliance audits involves assessing whether activities, financial transactions and information comply, in all material respects, with the authorities, which govern the audited entity.

### **a) 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. Any changes in standards are taken into account and adopted to keep abreast with developments and best practice in auditing.

### **22.5.2 Support and Development Activities**

The OAG technical support function is 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. OAG ensures high quality auditing through quality control and quality assurance reviews.

Administrative support is also provided through finance, human resources, procurement of goods and services, legal and administration services essential in ensuring that audits are conducted efficiently.

## **22.6 PRODUCTS AND SERVICES**

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. This is executed through a five-year Strategic Plan (2018/19-2022/23) that articulates the audit and development goals and objectives from a strategic perspective. These are cascaded into annual operational plan, which includes audit and development activities prioritised on a risk-based approach.

My office performed its normal duties of auditing the consolidated financial statements of the Government of Lesotho, and books of accounts of Statutory Bodies, Christian Health Association of Lesotho (CHAL) institutions and Development projects. We also undertook performance audits to assess ministries' contribution on the following government priority areas:

- Management of multilateral environmental agreements

- Improvement in educational facilities
- Improvement in the management of blood transfusion services

Besides performing its normal duties of auditing, the office focused on the following strategic objectives:

- a) Strengthening OAG independence
- b) Staff Development, Professionalism and motivation
- c) Enhancing the professional relationship with stakeholders

### **22.6.1 STRENGTHENING OAG INDEPENDENCE**

OAG focus during the financial year 2018/2019 was on transiting from the civil service to an autonomous and independent institution in accordance with the Audit Act, 2016. This involved the Audit Advisory Committee assumption of duties in preparing for the recruitment of employees into the new OAG, employee sensitisation on the envisaged transitional arrangements, key stakeholder engagement on the human resource matters, employee compensation in particular.

### **22.6.2 STAFF DEVELOPMENT, PROFESSIONALISM AND MOTIVATION**

#### **a) Training and Development**

Development needs are based on OAG's intention to strengthen present and future performance, the OAG Strategic plan, Annual operation plan, Professional bodies requirements in which auditors are members (ACCA, LIA and other Audit Institutions such as: INTOSAI, AFROSAI, AFROSAI-E) are crucial for needs identification. This is executed through an annual training and development plan aimed at enhancing staff knowledge and performance improvement.

During the financial year 2018/19, staff members participated in the short-term training listed on Table 22.6.2.

**Table 22.6.2 - Training undertaken during 2018/19**

<b>Training</b>	<b>Period</b>	<b>Participants</b>	<b>Remarks</b>
Audit Methodology	October 2018	40	Improved auditors' skills on improved ways of auditing. Audits are conducted in compliance with improved and separate audit manuals
Audit of Extractive Industries	January 2019	45	Focus on an area of audit not normally audited, yet crucial for growing the economy. Key stakeholders engaged for providing insight into the area and obtaining awareness of audit aspects in the area. First Audit is on-going
Staff Motivation	February 2019	124	Transitional activities bred low staff morale and productivity, requiring morale enhancement. OAG to considers this as an on-going undertaking
	September 2018		An interSAI activity in Eswatini, where SAI of Botswana, Lesotho, Eswatini and Mozambique participated, and this offered participants an insight into the operation of Mozambique Court of Audit. Half a day was spent in Maputo during this visit

Source: OAG records

## **b) Knowledge and Experience Sharing**

OAG is a member of various organisations and it participates in knowledge sharing-sharing activities organised by these organisations. These organisations are the International Organisation of Supreme Audit Institutions (INTOSAI), the African Organisation of Supreme Audit Institutions (AFROSAI) and the African Organisation of English Speaking Supreme Audit Institutions (AFROSAI-E). 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.

I attended the annual Governing Board meeting organised by African Organisation of English-Speaking Supreme Audit Institutions (AFROSAI-E) held in Rwanda in May 2018. The meeting focused on strategic review for AFROSAI-E and Supreme Audit Institutions.

My office is also a member of various working groups in some of these organisations and attended a meeting of INTOSAI Working Group on Environmental Audit in Indonesia, in July 2018. The focus for the meeting was on Improving the Quality of Urban Environment, Sustainable Land Management and Environmental Audit and Society.

## **22.7 PROFESSIONAL RELATIONSHIP WITH STAKEHOLDERS**

It is OAG's mandate to engage with its clients and stakeholders effectively and continuously as their relations' impact on the audit work. With more consultations and engagement with the clients and stakeholders, a better working environment can be created.

### **a) Workshops' for stakeholders**

During this financial year, apart from the normal interaction during the audit process, OAG had some encounters through workshops, radio and television programmes. The office held four workshops for media in November 2018 and for Public Accounts Committee, Civil Society Organisations, and Ministries, Departments and Agencies in January, February and March 2019 respectively. This provided a platform for sharing OAG's role, performance and impact made to government programmes, and getting feedback on stakeholders' expectations.

### **b) Interaction with PAC**

OAG close interaction with PAC is recognised during the briefing of PAC on the audit report, which is followed by the PAC hearings with Chief Accounting Officers responding to issues raised in the Auditor-General's reports. In this collaboration the Auditor-General becomes a witness and supports PAC with the documentary evidence and 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 endeavours to improve the usefulness of the audit reports through communicating the audit approach, findings and recommendations to PAC members so that they can engage with Chief Accounting Officers efficiently.

## 22.8 OAG HUMAN RESOURCES

OAG staff compliment in April 2018 was 161, comprising 133 auditors and 28 corporate services staff. These employees facilitate the strategic and operational efficiency towards the attainment of strategic objectives and goals.

During the year, the Human Resource vacancy stood at 26 as indicated on Table 22.8 below, constituting 16% of the OAG staff compliment largely resulting from staff turnover of auditors. This shortfall adversely impacted the OAG capacity to audit all the Ministries, Departments and Agencies, and in particular, the timely production of the Audit Report on the consolidated financial statements for 2017/18.

**Table 22.8 – Staff position in 2018/19**

<b>Staffing categories</b>	<b>Established positions</b>	<b>Filled positions</b>	<b>Variance</b>
Financial /compliance audit	108	88	20
Performance audit	19	14	5
Corporate services	34	33	1
<b>Total</b>	<b>161</b>	<b>137</b>	<b>26</b>

Preparations are underway to increase the number of auditors and lobby for budget increase to strengthen capacity for audit and thereby increase the audit coverage.

## 22.9 CHALLENGES FACING OAG

Although the OAG managed to undertake its statutory obligation during the financial year 2018/19, there were some challenges that impeded optimum performance such as the following:

- Transitional activities proved a daunting task with various developments precipitating an environment of uncertainty to employees, with subsequent plummet on productivity levels.

- Inadequate resources to finance the OAG transitional arrangements to align with the Act
- Delay and non-submission of financial statements by some of the Statutory Bodies and Projects executives.
- Delaying the completion of assignments on time due to some audited entities delaying to provide information during the audit, while some delay to sign the audit queries, and approving audited accounts.
- Capacity constraints in terms of Human Resource, Technical Skills, Information Technology infrastructure adversely affecting effective execution of the mandate.

## **PART 8**

### **APPENDICES**

# APPENDIX 1

## ADVANCES FROM THE CONTINGENCIES FUND 2018/19

Warrant No.	Date	Ministry	Recurrent	Capital	Cumulative	Balance	Purpose
			1 <sup>st</sup> Allocation				
1	21/05/2018	Judiciary	6,529,936		6,529,936	100,000,000	Engagement of three Judges at the High Court of Lesotho
2	20/06/2018	Prime Minister's Office	8,114,638		14,644,574	85,355,426	Funds requested for hosting the 12 <sup>th</sup> stop cervical breast cancer and prostate cancer conference.
3	04/07/2018	Defence	16,610,153		31,254,727	68,745,273	Funds requested for extension of the SADC Prevention Mission in Lesotho SAPMIL
4	04/07/2018	Public Works	3,061,449		34,316,176	65,683,824	Funds requested to top-up the purchase and production of material of traffic and transport.
5	12/07/2018	Local Government	485,487		34,801,663	65,198,337	Funds requested to financing District Administrators in regard to the Kings Birthday Celebration
6	06/08/2018	Finance	820,000		35,621,663	64,378,337	To pay LNLVIP counterpart contribution
7	15/09/2018	Public Works		4,600,000	40,221,663	59,778,337	Funds were requested for the finalization of the construction of the New State House Building
8		Communications		10,000,000	50,221,663	49,778,337	Funds were requested for expansion of private radio stations
9		Police	5,000,000		55,221,663	44,778,337	Procurement of police vehicle

Warrant No.	Date	Ministry	Recurrent	Capital	Cumulative	Balance	Purpose
10		Education	23,000,000		78,221,663	21,778,337	Payment of Gratuities of reverting principals who have not exited the teaching service
11		Local Government	7,000,000		85,221,663	14,778,337	MCC Street lighting
12		Social Development	14,000,000		99,221,663	778,337	Additional budget for Social Assistance Project
13		Foreign Affairs	670,440		99,892,103	107,897	His Majesty's Childhood Nutrition Forum
		<b>BALANCES</b>	<b>84,621,663</b>	<b>14,600,000</b>	<b>99,892,103</b>	<b>107,897</b>	
		<b>REPLENISHMENT</b>				<b>130,000,000</b>	
		<b>TOTAL</b>				<b>130,107,897</b>	
14	14/01/2019	Education and Training	15,000,000		114,892,103	115,107,897	To top-up subvention of the National University of Lesotho
15	11/01/2019	Law & Constitutional	7,000,000		121,892,103	108,107,897	To pay outstanding Swissbourgh case and local high profile cases
16	11/01/2019	Foreign Affairs	17,920,383		139,812,486	90,187,514	To cater for recalled staff from the missions
17	15/01/2019	Prime Minister's Office	6,000,000		145,812,486	84,187,514	Additional budget of Prime Minister's Office and his holidays.
18	15/01/2019	Public Works and Transport	5,000,000		150,812,486	79,187,514	To bail out Lesotho Freight and Bus Service
19	01/02/2019	Prime Minister's office	12,500,000		163,312,486	66,687,514	To Finance the National Reforms Dialogue activities.
20	01/02/2019	Labour and Employment	3,136,127		166,448,613	63,551,387	Clearance of Outstanding JHI bills accumulated over year due to shortage
21	30/01/2019	Communications	37,400,867		203,849,480	26,150,520	To pay for communication and software

Warrant No.	Date	Ministry	Recurrent	Capital	Cumulative	Balance	Purpose
22	01/02/2019	Justice	970,500		204,819,980	25,180,020	Purchase of VIP vehicles
23	01/02/2019	Judiciary	14,659,117		219,479,097	10,520,903	Purchase of VIP vehicles
24	01/02/2019	National Assembly	1,991,808		221,470,905	8,529,095	Purchase of VIP vehicles
25	01/02/2019	Public Service	1,021,308		222,492,213	7,507,787	Purchase of VIP vehicles
26	06/02/2019	Ombudsman	986,366		223,478,579	6,521,421	To cater for relocation of Ombudsman's Office
27	06/02/2019	IEC	1,295,592		224,774,171	5,225,829	Payment of short-term hire vehicles for IEC commissioners
28	27/02/2019	Prime Minister's Office	449,500		225,223,671	4,776,329	For the First Lady's Trip to Port Elizabeth to receive her Honorary
29	27/03/2019	Tourism	380,371		225,604,042	4,395,958	To cater or International tourism exhibition taken by the Minister in
30		Public service	16,500		225,620,542	4,379,458	Provision to buy set of tyres from Tren-Tyre Maseru for Hon. Minister utility vehicle (Land cruiser)
	<b>Total</b>		<b>211,020,542</b>	<b>14,600,000</b>	<b>225,620,542</b>	<b>4,379,458</b>	

**UNDER COLLECTION OF REVENUE BY LESS THAN  
50% ON REVENUE ITEMS**

Account Code Description	Budget	Collection	Variance	%
<b>Ministry of Health</b>				
<b>Administration</b>				
Registration & licensing Maternity home	1,500	-	1,500	-
Registration & licensing Laboratory	7,800	3,000	4,800	38
Ambulance Registration Licence	750	-	750	-
<b>Queen Mamohato Memorial Hospital</b>				
Flight Operations	382,000	-	382,000	-
In patients Fees	1,986,660	855,155	1,131,505	43
Mortuary fees	2,576	173	2,403	7
Ophthalmic fees	36,750	13,475	23,275	37
Orthopaedic fees	390,000	168,539	221,461	43
Out patient	4,498,680	708,438	3,790,242	16
RSA referrals	316,724	56,635	260,089	18
Laboratory Testing Services	541,260	106,181	435,079	20
Inpatient Admin fees	2,550,000	73,096	2,476,904	3
X Ray	435,000	148,522	286,478	34
<b>Maseru Queen 2 Hospital</b>				
Dental fees	120,300	53,410	66,890	44
Sale of maps, books & other publications	5,000	-	5,000	-
<b>Leribe Hospital (Motebang)</b>				
Mortuary	2,000	658	1,342	33
Sale of maps	10,000	-	10,000	-
<b>Berea Hospital</b>				
Ambulance fees	500	200	300	40
Laboratory fees	6,750	650	6,100	10
Inpatient Admin fees	25,500	12,375	13,125	49
<b>Mafeteng Hospital</b>				
Sale of Maps, books and other publications	5,000	-	5,000	-
Inpatient admin fees	52,500	5,685	46,815	11
<b>Mohale's Hoek</b>				
Ambulance fees	5,600	1,800	3,800	32
Mortuary fees	4,996	1,055	3,941	21

<b>Account Code Description</b>	<b>Budget</b>	<b>Collection</b>	<b>Variance</b>	<b>%</b>
In-Patients fees	325,000	118,345	206,655	36
Private patient fees	7,320	-	7,320	0
Sale of maps, books				
<b>Quthing</b>				
Sale of maps, books	5,000	-	5,000	0
Laboratory Testing Services	9,495	360	9,135	4
In patient Admin fee	23,850	9,045	14,805	38
<b>Qacha's Nek</b>				
Private Patients	80,040	31,728	48,312	40
Sale of Maps	5,000	305	4,695	6
Inpatient Admission fees	24,000	7,220	16,780	30
<b>Mokhotlong</b>				
Ophthalmic fees	3,750	263	3,487	7
<b>NHTC</b>				
College fees	2,210,410	285,715	1,924,695	13
Dental fees	132,000	-	132,000	0
Examination fees	191,500	27,526	163,974	14
Meals and accommodation	1,081,120	128,292	952,828	12
Valuation fees	500,000	8,200	491,800	2
Remark Examination	6,000	-	6,000	0
Graduation Attire	1,100	-	1,100	0
Caution fees	110,000	44,100	65,900	40
<b>Ministry of Education</b>				
<b>Administration</b>				
Interest Other	20,000	-	20,000	0
<b>Tech &amp;Voc. Educ. &amp; Training/tech &amp;Voc</b>				
Logbooks	10,000	-	10,000	0
Sale of services	150,000	15,160	134,840	10
<b>Tech &amp; Voc. Thaba-Tseka</b>				
School Fees	283,357	10,700	272,657	4
<b>Development Planning</b>				
Sale of goods or products	20,000	-	20,000	0
<b>Communications</b>				
Newspaper Advertising	2,500,000	208,470	2,291,530	8



Account Code Description	Budget	Collection	Variance	%
<b>Public Works</b>				
<b>Building Design services</b>				
Registration of Cat. Construction	517,450	249,425	268,025	48
Sale of tender	257,500	122,900	134,600	48
<b>Buildings</b>				
Rent from Gov. Properties- commercial	13,000	-	13,000	0
<b>Ministry of Forestry</b>				
Sale of Products - Maseru	20,000	-	20,000	0
Sale of Products - Berea	30,000	-	30,000	0
Sale of Products - Leribe	30,000	-	30,000	0
Sale of services - Leribe	30,000	-	30,000	0
Sale of products - Mafeteng	20,004	-	20,004	0
Sale of Products - Mohale's hoek	39,996	-	39,996	0
Sale of products - Quthing	24,996	-	24,996	0
<b>Ministry of Energy</b>				
Sale of services	884,364	-	884,364	0
Sale of tender	30,000	3,800	26,200	13
<b>Ministry of Tourism</b>				
<b>Administration</b>				
Hire of buildings and structures	720,000	245,515	474,485	34
<b>Districts</b>				
Guest Houses-Berea	4,460	-	4,460	0
Hotels & lodges	5,000	-	5,000	0
Off Sales	33,600	7,424	26,176	22
Club licences	1,400	-	1,400	0
Hotels and lodges- Leribe	20,000	3,092	16,908	15
Hotels & licences – Botha-Bothe	7,000	2,739	4,261	39
Guest Houses – Mokhotlong	15,400	-	15,400	0
Guest houses- Qacha's Nek	11,200	3,324	7,876	30
Off sales- Qacha's Nek	99,600	19,218	80,382	19
Guesthouses – Quthing	14,000	2,032	11,968	15
Hotels & licences – Quthing	4,460	84	4,376	2
Guest houses - Mohale's hoek	11,200	728	10,472	7
Restaurant & canteens – Mohale's hoek	18,400	912	17,488	5
Guest Houses – Thaba-Tseka	11,200	2,732	8,468	24
Off Sales - Thaba-Tseka	80,400	13,440	66,960	17
Restaurant & canteens – ThabaTseka	21,200	-	21,200	0
<b>Ministry of Gender</b>				

<b>Account Code Description</b>	<b>Budget</b>	<b>Collection</b>	<b>Variance</b>	<b>%</b>
<b>Districts</b>				
Course Fees	68,000	-	68,000	0
Hire of Buildings and Structures	36,000	500	35,500	1
Sale of Produce	1,000	-	1,000	0
<b>Sports and Recreation</b>				
Hire of Buildings and Structures	122,000	-	122,000	0

**OVER COLLECTION BY MORE THAN 100 PER CENT  
ON REVENUE ITEMS**

<b>Account Code Description</b>	<b>Budget</b>	<b>Collection</b>	<b>Variance</b>	<b>%</b>
<b>Ministry of Health</b>				
<b>Administration</b>				
Registration & Licencing of Private hospital	4,000	24,000	(20,000)	600
Registration & Licensing of Physiotherapy	1,000	5,250	(4,250)	525
Registration & Licensing of Medi-outlet	3,000	6,250	(3,250)	208
Sale of Tender, Bidding and Contract	31,750	270,400	(238,650)	852
<b>Maseru -Queen II Hospital</b>				
Ophthalmic fees	1,800	25,830	(24,030)	1435
Private Patients fees	151,500	290,725	(139,225)	192
X-ray	15,300	206,865	(191,565)	1352
Ambulance Fees	10,000	19,780	(9,780)	198
<b>Leribe Hospital</b>				
Ophthalmic fees	2,025	11,265	(9,240)	556
Outpatients	400,005	618,947	(218,942)	155
Laboratory testing services	18,000	27,850	(9,850)	155
<b>Berea</b>				
Ophthalmic fees	15,150	27,075	(11,925)	179
<b>Mohale's hoek</b>				
X ray services	7,995	58,519	(50,524)	732
<b>Qach's Nek</b>				
Laboratory testing Services	12,510	25,495	(12,985)	204
<b>Mokhotlong</b>				
Private Patients	10,620	26,958	(16,338)	254
<b>NHTC</b>				
Application fees	51,000	135,900	(84,900)	266
<b>Ministry of Education</b>				
<b>Administration</b>				
Sale of tender Bidding	80,000	131,825	(51,825)	165

Account Code Description	Budget	Collection	Variance	%
<b>Thaba Tseka Tech/Vocational</b>				
Rent from Government Properties	6,605	25,425	(18,820)	385
<b>Ministry of Planning</b>				
<b>Administration</b>				
Sale of tender, bidding and contract	32,000	66,000	(34,000)	206
<b>Bureau of Statistics</b>				
Sale of maps, other publications, etc.	10,000	18,260	(8,260)	183
<b>Ministry of Justice</b>				
<b>Administration</b>				
Sale Tender, Bidding	50,000	124,000	(74,000)	248
Sale of goods or products- LCS Berea	12,000	57,250	(45,250)	477
Sale of products - LCS Leribe	20,000	48,000	(28,000)	240
Sale of Products -LCS Botha-Bothe	5,000	12,290	(7,290)	246
Prison Industries	4,000	15,418	(11,418)	385
Sale of Products- Mokhotlong	5,000	16,500	(11,500)	330
Prison industries -Mohales hoek	5,000	30,700	(25,700)	614
<b>Ministry of Home affairs</b>				
Permits	3,500,000	8,465,920	(4,965,920)	242
<b>Ministry of Communications</b>				
Sale of services	4,652,000	7,532,109	(2,880,109)	162
<b>Ministry of Law</b>				
Trademarks, Births, deaths	1,250,695	2,004,466	(753,771)	160
<b>Ministry of Public Works</b>				
<b>Department of Traffic</b>				
Motor Registration	1,223,424	2,126,398	(902,974)	174
<b>Ministry of Employment</b>				
Issue of Employment Certificates	4,500,000	8,074,415	(3,574,415)	179
Attestation fee	55,000	87,621	(32,621)	159
<b>Ministry of Tourism</b>				
<b>Administration</b>				
Casino Licence	55,000	141,886	(86,886)	258

Account Code Description	Budget	Collection	Variance	%
Off Sales	81,600	423,376	(341,776)	519
Restaurants & Canteens	17,600	117,260	(99,660)	666
<b>Berea</b>				
Restaurants & Canteens	12,000	43,006	(31,006)	358
<b>Botha-Bothe</b>				
Restaurants & Canteens	9,205	30,304	(21,099)	329
<b>Mafeteng</b>				
Restaurants & Canteens	26,000	69,520	(43,520)	267
<b>Ministry of Defence</b>				
Band Hire	7,000	21,214	(14,214)	303
Sale of tender documents	40,000	79,200	(39,200)	198
<b>Ministry of Local Government</b>				
<b>Maseru</b>				
Pound & grazing fees	630	11,146	(10,516)	1769
Sale of goods & products	1,000	21,300	(20,300)	2130
Tender fees	16,800	44,000	(27,200)	262
<b>Mafeteng</b>				
Rent from Government properties commer	4,200	11,003	(6,803)	262
Tender fees	9,000	35,420	(26,420)	394
<b>Berea</b>				
Tender fees	10,000	32,500	(22,500)	325
<b>Botha-Bothe</b>				
Sale of Advertising	3,000	12,800	(9,800)	427
<b>Qacha's Nek</b>				
Pound & grazing	85	2,366	(2,281)	2784
Public Toilets	12,415	24,876	(12,461)	200
<b>Thaba-Tseka</b>				
Market fees	7,875	17,400	(9,525)	221
Pound & grazing	3,150	14,817	(11,667)	470
public toilets	2,100	15,878	(13,778)	756
<b>Mohale's Hoek</b>				

<b>Account Code Description</b>	<b>Budget</b>	<b>Collection</b>	<b>Variance</b>	<b>%</b>
Tender fees	25,000	64,000	(39,000)	256
<b>Ministry of Public Service</b>				
Other fines, Penalties and forfeits	5,000	472,172	(467,172)	9443
<b>Judiciary</b>				
Court Fees -Subordinate Court	22,980	318,139	(295,159)	1384
Judicial Fines - Mafeteng	292,488	491,329	(198,841)	168
Judicial fines - Leribe	122,136	457,406	(335,270)	375
Court fees - Botha-Bothe	6,176	32,831	(26,655)	532
Court fees - Qacha's Nek	3,248	10,387	(7,139)	320
Judicial Fines - Thaba-Tseka	256,626	481,873	(225,247)	188
<b>Ministry of Police</b>				
Identity Photographs	430,000	887,125	(457,125)	206
Police Outside Services	2,400,000	4,550,845	(2,150,845)	190
Road Accidents Reports	54,000	94,500	(40,500)	175
<b>Ministry of Small Business</b>				
Crops and Livestock licences	75,150	147,075	(71,925)	196
<b>Ministry of Water</b>				
Permits	32,000	79,974	(47,974)	250
Spring and water Quality	9,625	36,159	(26,534)	376