



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

**A/C/REP/1-78 (Vol. 2)**

**22 JULY 2021**

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

Honourable Minister,

**REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS  
OF THE GOVERNMENT OF LESOTHO FOR THE YEAR  
ENDED 31<sup>ST</sup> MARCH 2020**

---

I submit my report on the Consolidated Financial Statements of the Government of Lesotho for the year ended 31<sup>st</sup> March, 2020 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 the Act as well as Section 37 of the Public Financial Management and Accountability Act 2011.

Yours faithfully,

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

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



## TABLE OF CONTENTS:

		<b>Page</b>
	<b>OVERVIEW</b>	<b>1-2</b>
	<b>AUDIT CERTIFICATE</b>	<b>3-7</b>
<b>PART 1</b>	<b>AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GOVERNMENT OF LESOTHO FOR THE YEAR ENDED 31 MARCH 2020</b>	<b>8-62</b>
<b>PART 2</b>	<b>AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS OF THE GOVERNMENT OF LESOTHO FOR THE YEAR ENDED 31 MARCH 2020</b>	<b>63-63</b>
Chapter 1	Consolidated Financial Statements	64-69
Chapter 2	Audit of the Consolidated Financial Statements	70-72
Chapter 3	Cash Balances	73-81
Chapter 4	Cash Receipts	82-88
Chapter 5	Cash Payments	89-91
Chapter 6	Accounts Receivable	92-99
Chapter 7	Liabilities	100-107
Chapter 8	Losses and Accidents	108-112
<b>PART 3</b>	<b>PUBLIC FINANCIAL ADMINISTRATION</b>	<b>113-113</b>
Chapter 9	Administration of Public Finance	114-119
<b>PART 4</b>	<b>ACCOUNTABILITY OF SPENDING UNITS</b>	<b>120-120</b>
Chapter 10	Responsibility of Executive Departments	121-123
Chapter 11	Accountability of Recurrent Revenue by Chief Accounting Officers	124-134
Chapter 12	Accountability of Expenditure	135-135
Chapter 13	Supply Services/Appropriated Expenditure	136-142
Chapter 14	Consolidated Fund Standing Services	143-145
<b>PART 5</b>	<b>BUDGET PRIORITIES FOR FINANCIAL YEAR 2019/20</b>	<b>146-146</b>
Chapter 15	Government Priorities for Financial Year 2019/20	147-170
<b>PART 6</b>	<b>AUDIT OF STATUTORY BODIES</b>	<b>171-171</b>
Chapter 16	Audit of Statutory Bodies	172-179

<b>PART 7</b>	<b>AUDIT INSPECTIONS</b>	<b>180-180</b>
Chapter 17	Ministry of Health	181-182
Chapter 18	Ministry of Home Affairs	183-189
Chapter 19	Prime Minister's Office	190-201
Chapter 20	Independent Electoral Commission	202-205
Chapter 21	Ministry of Water	206-212
<b>Part 8</b>	<b>Corporate Issues of the Office of the Auditor-General</b>	<b>213-213</b>
Chapter 22	Corporate Issues of the Office of the Auditor-General	<b>214-221</b>
<b>PART 9</b>	<b>APPENDICES</b>	<b>222-235</b>

## **OVERVIEW**

This report presents the results of my audit of the Consolidated Financial Statements of the Government of Lesotho for the year ended 31 March 2020 and various other audits undertaken in ministries, departments, agencies and statutory bodies subject to my audit. The matters included in this report are selective as they are being brought to the attention of Parliament as per my reporting requirements.

The main objectives of this report are to:

- Draw the attention of Parliament, Government and other decision makers to matters arising from carrying out my oversight role as the Auditor-General;
- Comment and provide information on various financial management and reporting, governance and administrative issues;
- Highlight some matters of recurring nature and make some observations on the status of action taken; and
- Maintain an official record in terms of reports of matters arising and audit findings made in various entities for future reference.

The preparation of Consolidated Financial Statements comprising several statements of accounts including the public debt statement is the responsibility of the Minister of Finance. I therefore advise readers of this report to refer to a complete set of the consolidated financial statements of Government of Lesotho on Pages 9-62 published by the Minister of Finance and the Accountant-General to gain a comprehensive understanding of the structure of budget allocations, revenue collection, public debt and the results of government financial operations and the financial position of Government as at 31 March 2020.

The audit of these statements is of paramount importance to the Nation. In this respect, my role is to provide assurance to the Parliament and other stakeholders that these statements properly present the budget allocations, expenditure, revenue and other government's financial activities and the financial position for the year to which they relate.

I am pleased to note that many matters raised in audit management letters issued to Chief Accounting Officers and Heads of Statutory Bodies throughout the audit cycle have been dealt with satisfactorily. However, there is still lack of responsiveness by some audited entities.

I have noted with satisfaction that a large number of statutory bodies with legal provisions to produce annual financial statements are now up to date with their annual accounts. I encourage others to make more efforts to produce their annual accounts in a timely manner so that the auditing of the same could be undertaken in a timely manner and further reduce the audit backlog. I also urge ministers responsible for statutory bodies and development projects to present to the Parliament the audited financial statements of these entities as required by the Public Financial Management and Accountability Act 2011 and Audit Act 2016.

I should also state my dissatisfaction brought by the Development Projects funded by the Government of Lesotho, which do not prepare financial statements as the accountability of these funds is highly compromised by not being audited

Finally, I wish to record my personal gratitude to members of my staff who sincerely carried out their duties with dedication and devotion despite some constraints. It is their professional resilience and devotion that has made it possible for me to deliver on the constitutional mandate and contribute to making a difference to the lives of Basotho. I also appreciate the support from our development partners, in particular the African Development Bank for contributing to the strengthening of operational capacity within the office.

I would also like to acknowledge the Government for its commitment to the continuous Public Financial Management reforms, which are aimed at further enhancing public accountability. Special thanks to the Parliament for its oversight function and continued scrutiny of my report. The public hearing sessions conducted by the Public Accounts Committee during the scrutiny of the audit reports have been instrumental in continuously improving the management of public resources by the Chief Accounting Officers and those charged with the responsibility of utilising public resources.



**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 2020**

---

**ADVERSE OPINION**

I have audited the consolidated financial statements of the Government of Lesotho (the Government) set out on pages 9–62, which comprise the consolidated statement of cash receipts and payments as at 31 March 2020, 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 2020, 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**

- a) I could not establish with certainty the number of bank accounts the Government of Lesotho held in various banks and the balances thereon as at 31 March 2020. The Accountant-General did not maintain properly the register for bank accounts and the banks also provided inconsistent information regarding active, new and closed accounts.

- b) Note 15 to the financial statements shows that Government had 374 accounts totalling M5.311 billion as at 31 March 2020 however, the Consolidated Statement of Cash Receipts and Payments reflect that Government had cash of M8.724 billion resulting into unexplained difference of M3.474 billion.
- c) The Government of Lesotho had 374 bank accounts with a total amount of M5.311 billion as at 31 March 2020 whereas at 31 March 2019, there were 387 accounts totalling M6.328 billion resulting into a cash decrease of M1.017 billion and a decrease by 13 accounts. However, the Statement of Consolidated Receipts and Payments reflect a cash increase of M1.877 billion.

## **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 2020.
- 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. OMISSION OF BELOW-THE- LINE ACCOUNTS**

The balances of Below-The-Line accounts as at 31 March 2009 have not been brought forward since 1 April 2009. This omission has misstated the consolidated financial statements of the Government of Lesotho for the past eleven (11) years.

#### **4. REGULARITY OF EXPENDITURE**

- a) The issue of regularising a transfer of M450 million per Minister's directive from the Trust Monies Account into the Consolidated Fund, for onward transfer to Recurrent Expenditure Account in 2016/17 has not been resolved. The transfer has not yet been regularised through Supplementary Appropriation Act contrary to the requirements of Section 112(2) of the Constitution and Section 24(4)(b) of the Public Financial Management and Accountability (PFMA) Act 2011 that issues from the consolidated fund to voted heads of expenditure should be through Appropriation Act.
- b) Regularisation of excess expenditure still remains a challenge. Statements of Excess have not been presented before Parliament for regularisation of expenditure in the past years. During the year under review, three (3) spending units recorded excess recurrent expenditure but Statement of Excess has not been presented before Parliament, thus contravening the requirements of Section 112(3)(b) of the Constitution of Lesotho and the Public Financial Management and Accountability (PFMA) Act 2011.
- c) Advances from the Contingencies Fund totalling M226 million and M166 million for the financial years 2018/19 and 2019/20 respectively were not yet approved by Parliament at the of my reporting through Supplementary Appropriation Acts. The amounts so advanced have not been replaced contrary to the requirements of Section 114 of the Constitution.

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**  
**ACTING AUDITOR-GENERAL**

**22 JULY 2021**

# **PART 1**

## **AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

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



# Kingdom of Lesotho

Annual Consolidated Financial  
Report For the Year Ended 31st  
March 2020

Audited Version - July 2021

## Table of Contents

Abbreviations.....	11
I. Report by the Minister of Finance.....	12
II. Report by Accountant General.....	14
A. Treasury Mandate .....	14
B. Compliance on Public Finance Legal Framework .....	14
C. General Commentary .....	15
D. Commentary on Consolidated Financial Statements .....	16
E. SIGNIFICANT ISSUES.....	22
III. Consolidated Financial Statements For the year ended 31 <sup>st</sup> March 2020.....	25
A. Consolidated Statement of Cash Receipts and Payments .....	26
B. Consolidated Statement of Comparison of Budget and Actual Amounts .....	28
C. Statement of Accounting Policies .....	30
D. Statement of Consolidated Entities .....	34
IV. Notes to the Consolidated Financial Statements .....	36
V. Disclosure Schedules to the Consolidated Financial Statements.....	46
Appendix 1: Analysis of Receipts and Payments by Spending Unit.....	55
Appendix 2: Budget Comparison – Analysis by Spending Unit .....	56
Appendix 3: FY2019/20 Original to Revised Budget.....	60
Appendix 4: Controlled Entities and Investments – Status of Annual Reporting (As at 30 October 2020) .....	62

### List of Tables

Table 1: Controlled entities included in consolidation .....	34
Table 2: Controlled entities excluded from consolidation.....	35
Table 3: FY2019/20 Summary Budget (as provided by the Budget Department) .....	36
Table 4: FY2019/20 Use of Contingency Fund.....	38

### List of Figures

Figure 1: FY2019/20 Revenues .....	17
Figure 2: FY2019/20 Revenue Trends.....	18
Figure 3: FY2019/20 Aggregate expenditure .....	19
Figure 4: FY2019/20 Recurrent Expenditures.....	19
Figure 5: FY2019/20 Capital Expenditures .....	20
Figure 6: FY2019/20 Public Debt.....	20
Figure 7: FY2019/20 Cash Balances .....	21

## 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**

Per the 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 2019/2020, in line with International Public Sector Accounting Standards (IPSAS) for audit.

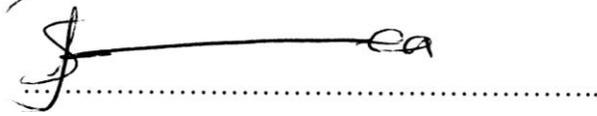
Consolidated Financial Statements are produced mainly to meet accountability and transparency objectives of the Government. They are intended to present the extent to which Ministries, Departments and Agencies have performed throughout the year and how they have complied with their budgets as approved by Parliament. The Government allocated these funds with the sole intention to deliver public services to the nation and to achieve strategic objectives in accordance with the policy priorities set out in the National Strategic Development Plan II (NSDP).

As a result of the COVID 19 Pandemic that affected the entire globe, we as Lesotho have been also struck by the negative impacts of the Pandemic. Due to lockdown, shift working and disturbed modes of operating, we had a two-month delay in submission the Consolidated Annual Financial Statements. The fiscal position which has been grappling, has been weakened further by the COVID 19. As committed in the 2019/2020 budget speech, we still have the payment arrears that were planned to be paid in 2019/2020. However, they have been paid in 2020/2021 as we had to double check the validity of those arrears prior to their clearance.

We have been supported during these trying times by our development partners being; the International Monetary Fund (IMF), European Union (EU), the World Bank and the African Development Bank helping us to achieve our key mandate through the Public Financial Management Reform and Action Plan (PFMRAP). An initiative that is mainly focusing on improved quality financial reporting.

Finally, my gratitude extends to the Accountant General and her team for her dedication, hard work and professionalism in compiling these Consolidated Financial Statements for the Financial Year 2019/2020 during the unusual times. They are continuously setting the bar higher in compiling and complying with the law and the International Public Sector

Accounting Standards. I therefore commit to providing Treasury Department the continued support in striving to ensure that our financial reporting is reliable, relevant and on time.

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

**Honourable Thabo Sophonea MP**

Minister of Finance

09<sup>th</sup> July 2021



## 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. Compliance on Public Finance Legal Framework

The Treasury is also charged with responsibility to enhance compliance to the public financial laws. The Treasury has strengthened the compliance of the Laws and enforcement of the Internal Controls by rigorous Inspectorate function. To ensure that this is a success, the Lesotho Mounted Police Service has dedicated a team which works with Treasury to enforce compliance. There are a number of cases in the courts of law where officers are suspected to have misappropriated funds.

The cases are listed here below:

Case Number	Case Reference	Ministry
CIR/63/10/15	Lephoto & Others	Finance
CIR/110/05/16	Mpho Damane & Matiisetso Theoha	Judiciary
CIR/31/06/17	Teboho Seilane & Others	Finance
CIR/45/08/17	Thato Mathaba & Others	Works
CIR/57/12/17	Mamolemo Mohlomi	Health
CIR/132/03/17	Mampoi Makhetha & Others	Water
CIR/27/01/18	Mahlomohang Mokete	Health
CIR/38/03/18	Thato Phofu	Defence

## **C. General Commentary**

The consolidated financial statements are produced annually to give the electorate, taxpayers, Members of Parliament and development partners (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-basis 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 2020 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 FY2019/20 cash flows and financial performance of the Government of Lesotho.

## **D. 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 (2019/2020) Bill, 2019/2020 budget was M20,931 billion from the original appropriation of M19,471 billion. The budget was revised with M1,459 billion.

As a result of the above revision the Contingency Fund ended up holding an amount to the tune of M173,6 million. M63million was allocated to Capital Expenditure Budget and M160,1 million to Recurrent Expenditure Budget. M7,2 million remained unallocated.

Recurrent Revenue Budget remained at the originally budgeted amount of M17,114 billion.

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

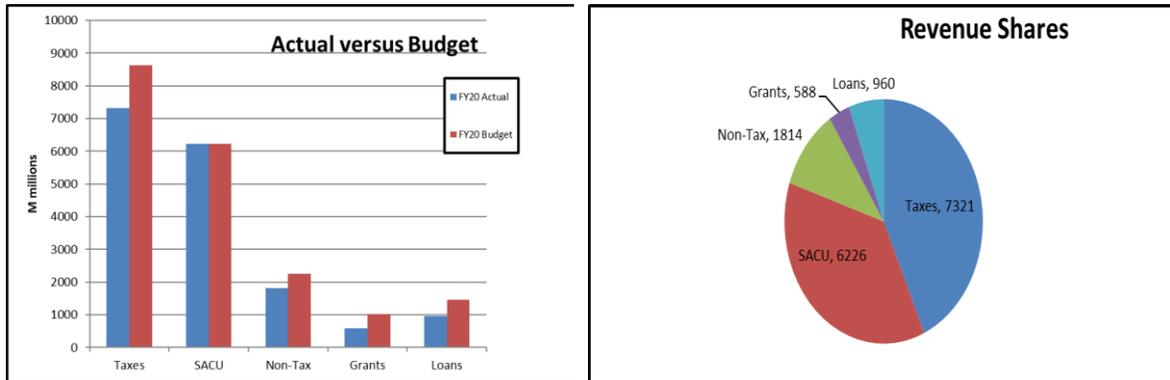
### **Overall performance**

The appropriated budget projected a Consolidated Fund unfunded deficit of M 476.9million to be funded by additional borrowing. 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 M1.305 billion. The financial performance of each component follows.

## Revenues

The overall revenue collections (excluding loans and project grants) for FY2019/20 were M 15.361billion, which is M 297 million more than the revenue actuals for the previous year which was M 15.064billion. 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.

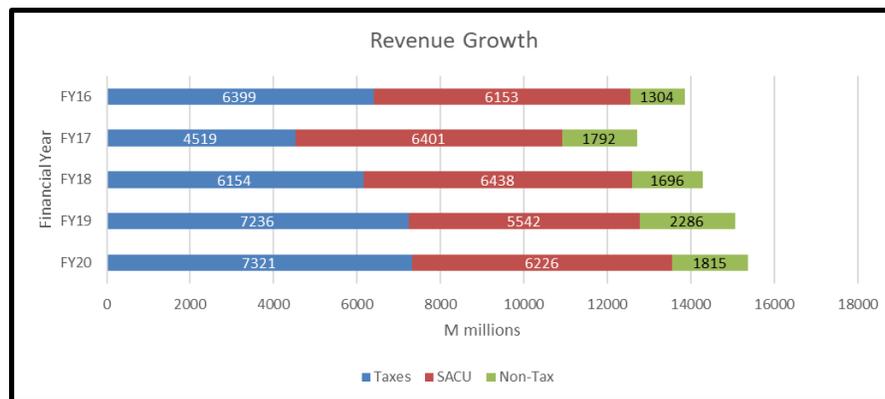
**Figure 1: FY2019/20 Revenues**



Southern Africa Customs Union (SACU) receipts of M 6.226 billion during FY2019-/20 as per budget. These receipts were higher than the M 5.542 billion received in the previous year. Actual tax revenues of M 7.321 billion (compared to FY2019/20 of M 7.236) increased slightly.

**Figure 2** provides the trend in revenue receipts and especially illustrates the significance, volatility and increase in the SACU receipts.

**Figure 2: FY2019/20 Revenue Trends**



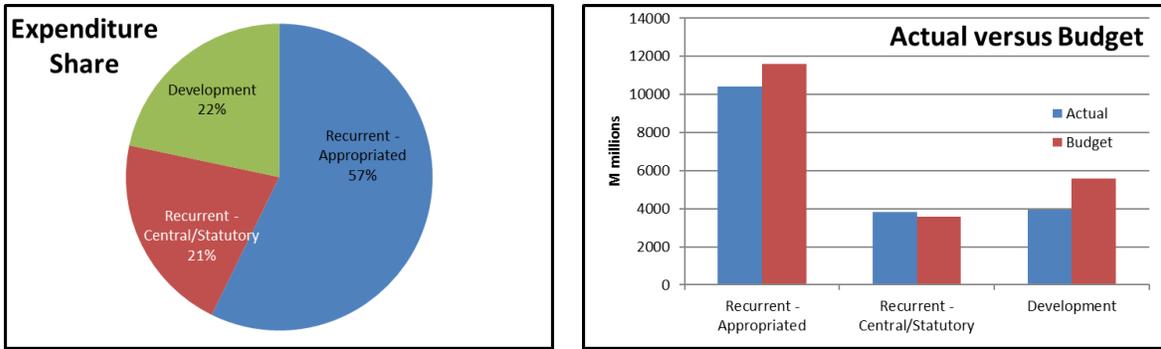
## Expenditures

The total originally approved expenditure budget for FY2019/20 was M19.472 billion of which M 14.203 billion (72%) was allocated to recurrent and M 5.168 billion (28%) towards achieving the government’s infrastructure and other development objectives. The recurrent provision can be further broken down between the appropriated amounts for release to Spending Units of M 10.630 billion and the statutory/centralized budgets of M3.672 billion managed by the Ministry of Finance for pensions, debt servicing, statutory salaries and related expenses and the Contingency Fund.

It should be noted that the expenditure budget has been revised to M20.931 billion of which M14.203 billion has been allocated to recurrent expenditure, whilst M5.592 billion for capital expenditure. The Contingency Fund was revised to M174 million, of which a balance of M7 million was still held on 31 March 2020. The revision of the expenditure is yet to be approved by Parliament, in accordance with Supplementary Appropriation (2019/2020) Bill.

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

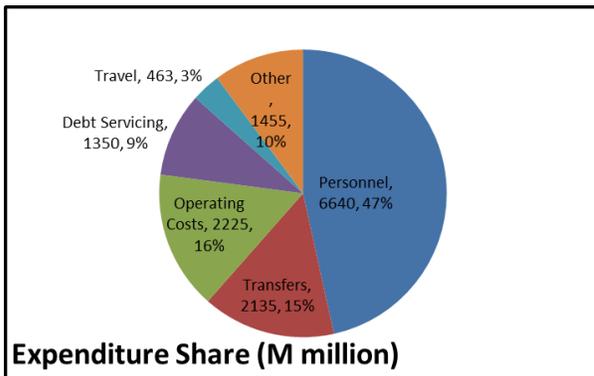
**Figure 3: FY2019/20 Aggregate expenditure**



**Recurrent expenditures**

The FY2019/20 recurrent expenditures were M 14.268 billion. **Figure 4** illustrates that compensation of employees accounted for 57% of recurrent expenditures and reflects a 90% 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.

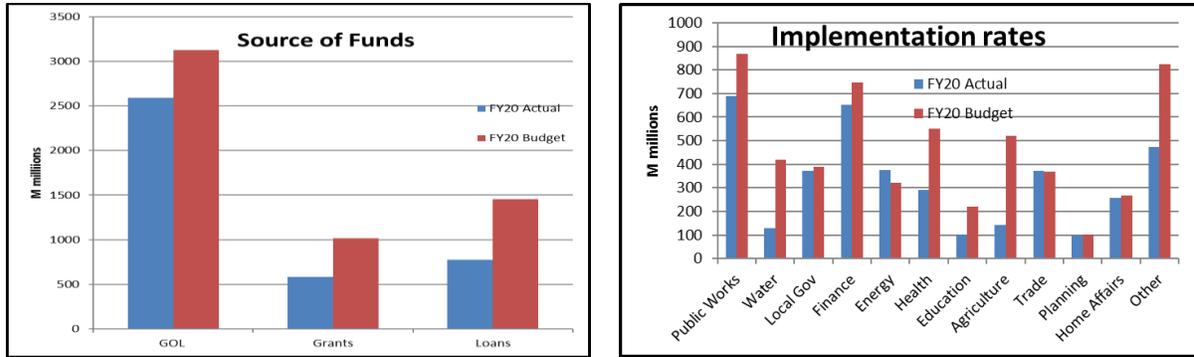
**Figure 4: FY2019/20 Recurrent Expenditures**



**Capital Expenditures**

Overall project expenditure was M 3.948 billion against the budget of M5.592 billion representing an execution rate of 71%. **Figure 5** illustrates that the implementation rate varied considerably across the three funding categories, ranging from 83% of domestic resources to 58% and 53% for grant and loan funded expenditures, respectively.

**Figure 5: FY2019/20 Capital Expenditures**

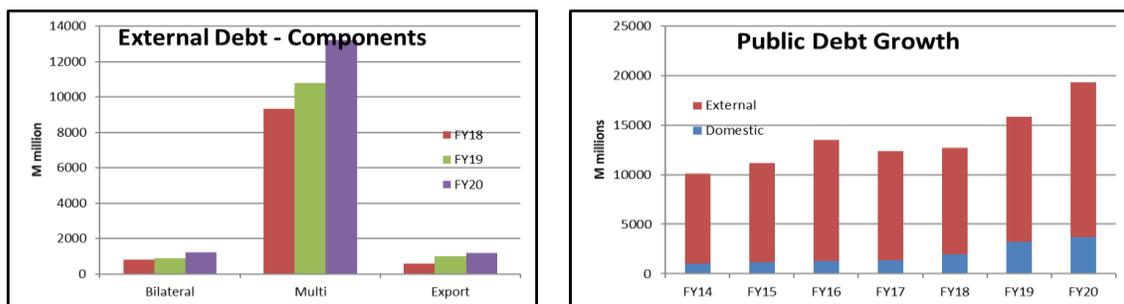


47% of the capital expenditure budget is accounted for by eleven Spending Units (Public Works, Water, Local Government, Finance, Energy, Development Planning, Trade and Industry, Health, Home Affairs and Agriculture). Project execution rates varied across these agencies ranging from 27% for Agriculture and Food Security to 117% 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 FY2019/20 from M 15.870 billion to M19.320 billion (25%), as illustrated in Figure 6. There were no new external debt agreements during FY2019/20. External debt disbursements of M 884 million and loan redemptions of M 74887 million were made. Over the seven-year period since FY2013/14, the loan stock has increased by 91%. The annual debt servicing costs (i.e. interest, and principal repayments) for FY2019/20 were M 3.364 billion.

**Figure 6: FY2019/20 Public Debt**

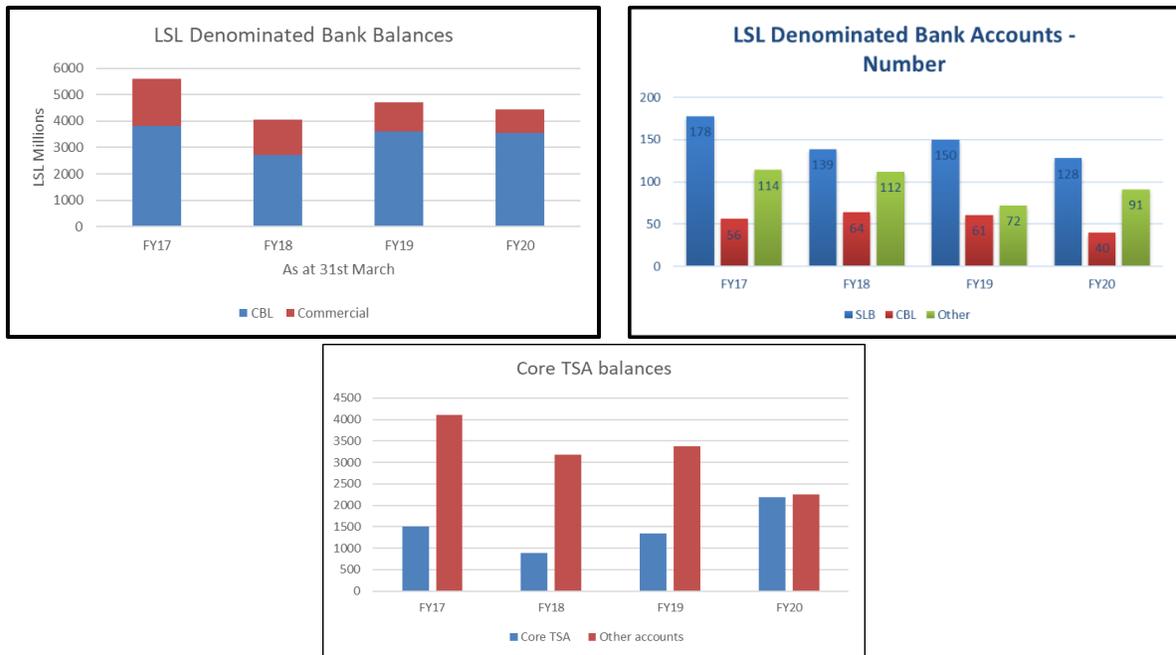


## Cash

During FY2019/20 the government’s cash LSL balances decreased from M 4.714 billion to M 4.446 billion. At the end of the year the actual cash balance was M 4.945 billion showing a decrease from M 5.973 billion in the closing cash balance. Additional borrowing has been the main source for funding the budget deficit. During the same period the total cash balances decreased by 17% from the previous financial year balances.

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

**Figure 7: FY2019/20 Cash Balances**



Unlike in the previous financial years, core TSA accounts and other Maloti denominated accounts both hold almost equivalent balances. Much of that money is earmarked for particular projects, loan servicing, liquidity management and extra budgetary purposes and is unavailable for meeting future budgeted expenditures. The core-Treasury Single Account (TSA) includes the Consolidated Fund bank account and is the repository for all government revenues and the source of its expenditure funding. The balance at 31<sup>st</sup> March 2020 had largely been consumed by payment vouchers expensed in FY2018/19 but where their payment overflowed to early FY2019/20 – as explained below under the year-end payment and arrears.

## **E. SIGNIFICANT ISSUES**

My previous report I indicated issues that adversely impact on the quality of the consolidated financial report. Some of the issues still remain a challenge but efforts are underway to address them over a period of time. The Minister of Finance through the Treasury Department has been mandated to develop a Roadmap that will improve the audit opinion from adverse to clean. This Road map shall be developed in the year 2020/2021 for implementation thereof.

### **Submission of Chief Accounting Officers reports for Consolidation**

My concern last financial year was the delay for the CAOs to submit financial reports. This year the delay has been aggravated by COVID-19 pandemic. The submissions were done from August 2020 to Mid October 2020. CAOs must start to own the preparation of the reports for their spending units so that they are able to account for their budgets and the level of service delivery.

The other challenge that we encountered as we worked on the consolidation, which also contributed to the delay, is the fragmented arrangement that exists within the spending units for the Project Implementation Units (PIUs) with the Accounting Units of the same spending units. There seems to be lack of coordination and collaboration between these units. It is as though the two units work under different CAOs. The challenge was experienced particularly in the Ministries of Health and Agriculture & Food Security. These ministries were amongst the last to submit.

Late submissions prohibit us to adequately scrutinize the submission, hence the failure improve on the quality of the consolidated report.

### **IFMIS Upgrade**

IFMIS was successfully upgraded from Epicor 7.3.5 to 10.2 on 01 April 2019. There are however teething problems that emerged due to the customizations that were done on the product in order for it to conform to our requirements and our unique business processes. Furthermore, there were accessibility challenges due to failure to connect some points, mainly in the districts. Interfaces with other financial systems were not complete by the end of the 2019/20 financial year. These predicaments are gradually being addressed with the vendor and development partners and will soon be resolved.

Currently, we are working tirelessly on the opening balances.. This will enhance the financial reports in the future years.

## **Review of the PFM legal framework**

There are gaps in the legal framework that require to be addressed. Some of these gaps occurred as a result of the implementation of the upgraded IFMIS, whilst some accrue as consequences of the reforms in the public sector finance fraternity. As I prepare this report, the PFMA Act, 2011, is under review. When the exercise is done the Treasury Regulations will be reviewed too.

## **Budget**

I have observed inconsistencies in the budget figures. Figures on the Appropriation Act are not similar to the budget book and the budget data that was sourced from the Budget Department.

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.

## **Administration of the Accounting Cadre**

It is my pleasure to report that the challenges that were caused by the Ombudsman determination have been resolved and the positions at the Ministry of Finance are currently being filled by the Public Service Commission.

CAOs are also expected to fill the senior positions of the Accounting Cadre structure in their respective ministries. This will help them to enhance quality of the Financial Reports and the timeliness thereof, impacting positively by increasing transparency and accountability which will ultimately be so for the entire government.

## **Year-end payments and arrears**

**Year-end payment surges.** This is a persistent 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 situation causes the government to have arrears that must be cleared in the subsequent financial years. For 2018/19, some of the arrears that spilled over to 2019/20 could not be paid before validation. As a result, the exercise to validate the previous financial years was undertaken. The exercise revealed that the government had arrears that amounted to M1 billion of which M300 million was paid by the ministries with their 2019/2020 budget. The remaining balance of the arrears continues to be paid during 2020/21.

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 department.

A handwritten signature in cursive script, appearing to read "Mahase", is written over a horizontal dotted line.

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

Accountant General

09<sup>th</sup> July 2021

### **III. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2020**

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 2020**

Description	Note	2019/2020 Actuals				2018/2019 Total for All Accounts M'000
		Controlled Accounts M'000	Treasury Accounts M'000	3rd Parties Accounts M'000	Total for All Accounts M'000	
<b>Revenue</b>						
<b>Funding/ Cash Allocations</b>			-	-	<b>3,203,698</b>	<b>3,424,376</b>
Funding/ Cash Allocations		3,203,698	-	-	3,203,698	3,424,376
<b>Taxes</b>		<b>16</b>	<b>7,320,570</b>	-	<b>7,320,586</b>	<b>7,236,146</b>
Income, Profit and Capital Gains	1	-	4,105,014	-	4,105,014	4,142,035
Goods and Services	1	-	3,213,106	-	3,213,106	3,093,070
Other Taxes	1	16	2,450	-	2,466	1,041
<b>Grants</b>		<b>408,793</b>	-	<b>179,554</b>	<b>588,347</b>	<b>666,682</b>
Foreign Governments	4	-	-	34,266	34,266	137,330
International Organisations	4	408,793	-	142,345	551,138	529,352
Grants from Other General Government Units	4	-	-	2,942	2,942	-
<b>Other Revenue</b>		<b>17,628</b>	<b>1,736,395</b>	<b>599</b>	<b>1,754,621</b>	<b>2,247,501</b>
Property Income	2	68	508,964	-	509,031	738,609
Rand Monetary Compensation	2	-	197,273	-	197,273	232,178
Sale of Goods and Services	2	8,359	1,027,494	-	1,035,853	1,259,214
Fines, Penalties and Forfeits	2	-	1,929	-	1,929	4,273
Voluntary Transfers other than Grants (NGOs)	2	815	-	599	1,413	300
Miscellaneous and Unidentified Revenue	2	8,386	735	-	9,121	12,927
<b>SACU Receipts</b>		-	<b>6,226,210</b>	-	<b>6,226,210</b>	<b>5,542,236</b>
SACU Receipts		-	6,226,210	-	6,226,210	5,542,236
<b>Disposal of Financial Assets</b>		-	<b>58,918</b>	-	<b>58,918</b>	<b>36,666</b>
Domestic Financial Assets		-	58,918	-	58,918	36,666
<b>Disposal of Non Financial Assets</b>		-	<b>1,221</b>	-	<b>1,221</b>	<b>1,345</b>
Fixed Assets	14	-	1,221	-	1,221	1,345
<b>Incurrence of Foreign Liabilities</b>		<b>733,800</b>	-	<b>226,036</b>	<b>959,836</b>	<b>497,897</b>
Loans		733,800	-	226,036	959,836	497,897
<b>Total Receipts</b>		<b>4,363,934</b>	<b>15,343,314</b>	<b>406,189</b>	<b>20,113,437</b>	<b>19,652,850</b>
<b>PAYMENTS</b>						
<b>Compensation of Employees</b>		<b>792,058</b>	<b>6,334,637</b>	-	<b>7,126,695</b>	<b>7,345,427</b>
Wages and Salaries	6	788,686	5,215,086	-	6,003,772	5,901,695
Social Contribution	6	3,372	1,119,551	-	1,122,922	1,443,732
<b>Goods and Service</b>		<b>1,429,114</b>	<b>2,809,523</b>	<b>180,064</b>	<b>4,418,700</b>	<b>4,218,856</b>
Travel and Transport	5	254,399	433,183	3,208	690,790	696,023
Operating Costs	5	1,174,715	2,376,340	176,856	3,727,911	3,522,832
<b>Other Use of Goods and Services</b>		-	-	-	-	<b>58,667</b>
Other Use of Goods and Services	7	-	-	-	-	58,667
<b>Interest</b>		<b>56</b>	<b>515,278</b>	-	<b>515,333</b>	<b>383,239</b>
Domestic Interest	9	56	270,118	-	270,174	153,656
Foreign Interest	9	-	245,160	-	245,160	229,583

Description	Note	2019/2020 Actuals				2018/2019
		Head	Treasury	3rd Parties	Total	Total for All
		Controlled Accounts M'000	Accounts M'000	Accounts M'000	for All Accounts M'000	Accounts M'000
<b>Transfers</b>		<b>1,128,089</b>	<b>985,016</b>	<b>27,766</b>	<b>2,140,872</b>	<b>2,198,621</b>
Subsidies	10	476	272,061	-	272,536	284,942
Grants	11	73,900	655,273	27,766	756,940	865,485
Social Benefits	12	1,053,714	57,683	-	1,111,396	1,048,194
<b>Other Expenses</b>		<b>19,356</b>	<b>834,898</b>	<b>-</b>	<b>854,254</b>	<b>643,755</b>
Property Expense Other Than Interest	13	-	32	-	32	5,928
Miscellaneous Other Expense	13	19,356	834,866	-	854,222	637,827
<b>Losses</b>		<b>-</b>	<b>492</b>	<b>-</b>	<b>492</b>	<b>-</b>
Losses of Public Moneys	13	-	492	-	492	-
<b>Acquisition of Financial Assets</b>		<b>-</b>	<b>194</b>	<b>-</b>	<b>194</b>	<b>469</b>
Foreign Financial Assets		-	194	-	194	469
<b>Acquisition of Non Financial Assets</b>		<b>791,612</b>	<b>818,838</b>	<b>198,358</b>	<b>1,808,809</b>	<b>2,042,189</b>
Fixed Assets	8	783,984	813,842	191,858	1,789,684	2,037,253
Inventories	8	7,628	-	-	7,628	-
Valuables	8	-	-	6,500	6,500	-
Non Produced Assets	8	-	4,996	-	4,996	4,936
<b>Repayment of Domestic Liabilities</b>		<b>-</b>	<b>585,845</b>	<b>-</b>	<b>585,845</b>	<b>212,082</b>
Securities Other Than Shares		-	556,170	-	556,170	-
Loans		-	29,675	-	29,675	201,581
Other Accounts Payable		-	-	-	-	10,502
<b>Repayment of Foreign Liabilities</b>		<b>-</b>	<b>763,922</b>	<b>-</b>	<b>763,922</b>	<b>587,854</b>
Loans		-	763,922	-	763,922	587,854
<b>Transfers of revenue and unspent funds</b>		<b>20,964</b>	<b>-</b>	<b>-</b>	<b>20,964</b>	<b>-</b>
Transfers of revenue and unspent funds		20,964	-	-	20,964	-
<b>Total Payments</b>		<b>4,181,249</b>	<b>13,648,643</b>	<b>406,189</b>	<b>18,236,080</b>	<b>17,691,159</b>
Cash at the beginning of the year	15	2,877,551	3,921,278	-	6,798,830	4,837,194
Exch. Rate Gain / Loss		-	-	-	-	(55)
<b>Increase (Decrease) in cash</b>		<b>182,686</b>	<b>1,694,672</b>	<b>-</b>	<b>1,877,357</b>	<b>1,961,690</b>
Net Change in Deposits, Imprests and Financial Assets and Liabilities		-	(7,774)	-	(7,774)	-
Year End adjustments to be cleared		56,031	-	-	56,031	-
<b>Cash at the end of the year</b>	15	<b>3,116,268</b>	<b>5,608,176</b>	<b>-</b>	<b>8,724,444</b>	<b>6,798,830</b>

**B. Consolidated Statement of Comparison of Budget and Actual Amounts**  
**For the Year Ended 31 March 2020**

Description	Actual 2019/20			Variance
	Actual M'000	Final/ Revised M'000	Approved M'000	Variance Actual M'000
<b>RECURRENT REVENUE</b>				
<b>Taxes</b>	<b>7,320,586</b>	<b>8,621,844</b>	<b>8,621,844</b>	<b>1,301,258</b>
Income, Profit and Capital Gains	4,105,014	4,720,792	4,720,792	615,778
Goods and Services	3,213,106	3,899,745	3,899,745	686,639
Other Taxes	2,466	1,307	1,307	-1,159
<b>Other Revenue</b>	<b>1,754,621</b>	<b>2,102,204</b>	<b>2,218,839</b>	<b>347,583</b>
Property Income	509,031	837,335	837,335	328,303
Rand Monetary Compensation	197,273	117,793	235,166	-79,480
Sale of Goods and Services	1,035,853	1,141,418	1,141,418	105,565
Fines, Penalties and Forfeits	1,929	3,980	3,980	2,051
Voluntary Transfers other than Grants (NGOs)	1,413	739	0	-675
Miscellaneous and Unidentified Revenue	9,121	939	939	-8,182
<b>SACU Receipts</b>	<b>6,226,210</b>	<b>6,226,200</b>	<b>6,226,200</b>	<b>-10</b>
SACU Receipts	6,226,210	6,226,200	6,226,200	-10
<b>Disposal of Financial Assets</b>	<b>58,918</b>	<b>43,891</b>	<b>43,891</b>	<b>-15,028</b>
Domestic Financial Assets	58,918	43,891	43,891	-15,028
<b>Disposal of Non Financial Assets</b>	<b>1,221</b>	<b>0</b>	<b>0</b>	<b>-1,221</b>
Fixed Assets	1,221	0	0	-1,221
<b>Total Cash Inflows</b>	<b>15,361,557</b>	<b>16,994,139</b>	<b>17,110,774</b>	<b>1,632,583</b>
<b>RECURRENT EXPENDITURE</b>				
Compensation of Employees	6,639,625	7,000,056	6,898,023	360,431
Travel and Transport	463,270	492,977	494,219	29,708
Operating Costs	2,224,629	2,398,790	2,226,379	174,161
Interest	515,563	480,561	393,618	-35,001
Transfers	2,135,210	2,118,626	1,967,841	-16,584
Other Expenses	856,808	886,332	662,241	29,524
Losses	492	96	96	-396
Acquisition of Financial Assets	5,994	12,470	9,748	6,476
Acquisition of Monetary Gold & Spcl Drawing Rights	0	2,563	2,563	2,563
Acquisition of Non Financial Assets	76,199	71,824	33,218	-4,375
Repayment of Domestic Liabilities	585,845	585,845	279,433	0
Repayment of Foreign Liabilities	763,922	745,441	457,631	-18,481
<b>Total Recurrent Expenditure</b>	<b>14,267,557</b>	<b>14,795,582</b>	<b>13,425,010</b>	<b>528,024</b>
<b>DEVELOPMENT RECEIPTS</b>				
<b>Grants</b>	<b>588,347</b>	<b>861,472</b>	<b>861,472</b>	<b>273,126</b>
Foreign Governments	34,266	6,500	6,500	-27,766
International Organisations	551,138	826,792	826,792	275,654
Grants from Other General Government Units	2,942	28,180	28,180	25,238
<b>Incurrence of Foreign Liabilities</b>	<b>959,836</b>	<b>657,794</b>	<b>657,794</b>	<b>-302,042</b>
Loans	959,836	657,794	657,794	960,796
<b>Total Capital Receipts</b>	<b>1,548,183</b>	<b>1,519,266</b>	<b>1,519,266</b>	<b>-28,917</b>

Description	Actual 2019/20			Variance
	Actual M'000	Final/ Revised M'000	Approved M'000	Variance Actual M'000
<b>DEVELOPMENT EXPENDITURES</b>				
<b>GOVERNMENT OF LESOTHO</b>	<b>2,588,948</b>	<b>2,892,008</b>	<b>2,747,001</b>	<b>304,276</b>
Head 01 - Agriculture & Food Security	21,596	34,801	34,801	13,205
Head 02 - Health	88,480	161,420	103,420	72,940
Head 03 - Education & Training	47,581	60,552	60,552	12,971
Head 04 - finance	326,474	359,417	358,630	32,944
Head 05 - Trade & Industry	274,720	278,784	115,560	4,064
Head 06 - Development Planning	98,102	102,600	102,600	4,498
Head 07 - Justice & Correctional Services	45,565	51,984	51,984	6,419
Head 08 - Home Affairs	257,467	267,247	267,247	9,780
Head 10 - Communications, Science & Tech	34,574	35,488	35,488	914
Head 11 - Law, Constitutionl Affairs and Human Rts	1,395	6,474	6,474	5,079
Head 13 - Public Works & Transport	387,064	391,495	401,360	4,431
Head 15 -Energy	218,046	220,614	200,614	2,569
Head 17 - Tourism, Environment & Culture	47,418	62,000	80,000	14,582
Head 19 - Royal Palace	75,965	75,965	76,000	0
Head 37 - Defence	46,910	47,000	47,000	90
Head 42 - Local Government & Chieftainship	370,047	388,135	388,135	18,088
Head 43 - Gender Youth, Sports and Recreation	51,268	52,367	58,367	1,098
Head 44 - Public Service	0	1,000	5,000	1,000
Head 45 - Judiciary	15,815	25,870	32,000	10,055
Head 48 - Mining	2,333	7,921	17,921	5,589
Head 49 - Police	38,534	53,000	63,000	14,466
Head 50 - Small business	42,066	51,008	71,981	8,942
Head 51 - Water	96,314	156,867	168,867	60,553
<b>DONOR GRANTS</b>	<b>585,069</b>	<b>968,834</b>	<b>986,548</b>	<b>383,765</b>
Head 01 - Agriculture & Food Security	36,777	147,007	147,007	110,230
Head 02 - Health	165,206	323,913	323,913	158,707
Head 03 - Education & Training	6,823	20,280	20,280	13,458
Head 04 -Finance	244,642	285,754	285,754	41,112
Head 05 - Trade & Industry	79,681	55,669	53,926	-24,012
Head 10 - Communications, Science & Tech	1,658	23,400	23,400	21,742
Head 15 -Energy	23,532	41,830	41,830	18,298
Head 17 - Tourism, Environment & Culture	2,651	7,064	5,916	4,413
Head 42 - Local Government & Chieftainship	662	0	0	-662
Head 43 - Gender Youth, Sports and Recreation	230	0	0	-230
Head 46 - Social Development	8,700	9,396	30,000	695
Head 51 - Water	14,505	54,520	54,520	40,015
<b>DONOR LOANS</b>	<b>773,542</b>	<b>937,376</b>	<b>948,194</b>	<b>163,834</b>
Head 01 - Agriculture & Food Security	82,736	246,416	246,416	163,680
Head 02 - Health	37,855	45,059	45,059	7,203
Head 03 - Education & Training	47,076	91,895	91,895	44,819
Head 04 - Finance	80,783	79,024	79,024	-1,759
Head 05 - Trade & Industry	16,375	16,664	16,664	289
Head 10 - Communications, Science & Tech	18,982	36,400	36,400	17,418
Head 13 - Public Works & Transport	302,109	73,874	84,692	-228,235
Head 15 -Energy	132,667	57,394	57,394	-75,273
Head 46 - Social Development	38,140	130,000	130,000	91,860
Head 51 - Water	16,819	160,650	160,650	143,831
<b>Total Development Expenditure</b>	<b>3,947,559</b>	<b>4,798,218</b>	<b>4,681,743</b>	<b>850,659</b>
<b>Total Cash Outflows</b>	<b>18,215,116</b>	<b>19,593,799</b>	<b>18,106,754</b>	<b>1,378,683</b>
<b>Net Flow</b>	<b>-1,305,377</b>	<b>-1,080,394</b>	<b>523,286</b>	<b>224,983</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 2020 whilst the comparative actual figures reflect the 12 months ended 31<sup>st</sup> March 2019.
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 31st March 2020, as advised by the Central Bank of Lesotho (CBL). Disclosures of borrowings held at 31<sup>st</sup> March 2020 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 2020.
  - (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 FY2019/20 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 2020.
  - (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 2020 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 2020 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 FY2019/20 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	Public Debt		Berea
23	Pensions & Gratuities		Botha-Bothe
24	Statutory Salaries & Allowances		Leribe
25	Subscriptions to Int. Organisations		Mafeteng
26	Refund of Erroneous Receipts		Maseru
31	Contingencies Fund		Mokhotlong
			Mohale’s Hoek
			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 Agriculture College Lesotho National Dairy Board	National Drug Service Organization Lesotho Pharmaceutical Corporation	Council of Bureau of Statistics Council of National Manpower
<b><i>Finance</i></b>	<b><i>Education &amp; Training</i></b>	<b><i>Public Works</i></b>
Lesotho Institute of Accountants Lesotho Revenue Authority Procurement Tribunal Centre for Accounting Studies	Exam Council of Lesotho Lerotholi Polytechnic Lesotho College of Education National University of Lesotho Council for Higher Education	Roads Directorate Lesotho Freight Bus Services
<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 Lesotho Cooperative College	Stadium Board Youth Council Lesotho Sports & Recreation Commission	Lesotho Housing Land Administration Authority
<b>Extra-Budgetary Funds</b>		<b>Joint Ventures</b>
Guardian Fund Pension Fund Partial Credit Guarantee Fund	Road Fund Petroleum Fund Manpower Development Fund HIV/AIDS Fund	Institute of Development Management (IDM) Lesotho Highlands Development Authority

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 FY2019/20 as approved by the National Assembly through the Appropriation (2019/20) Act, 2019. 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: FY2019/20 Summary Budget (as provided by the Budget Department)**

	Approved	Supplementary	Reallocation*	Revised
Government Revenues	17,114,196,930			17,114,196,930
Donor Grants	1,015,111,411			1,015,111,411
<b>Total Revenues</b>	<b>18,129,308,341</b>	<b>-</b>	<b>-</b>	<b>18,129,308,341</b>
<i>Recurrent Expenditure:</i>	<i>14,203,088,484</i>	<i>962,176,189</i>	<i>-</i>	<i>15,165,264,673</i>
Appropriated	10,630,365,404	956,792,596		11,587,158,000
Statutory	3,572,723,080	5,383,593		3,578,106,673
<i>Capital Expenditure:</i>	<i>5,168,475,415</i>	<i>423,709,028</i>	<i>-</i>	<i>5,592,184,443</i>
GOL	2,831,213,435	291,179,795		3,122,393,230
Grant Funded	1,015,111,411			1,015,111,411
Loan Funded	1,322,150,570	132,529,233		1,454,679,803
Contingency	100,000,000	73,614,207		173,614,207
<b>Total Expenditure</b>	<b>19,471,563,899</b>	<b>1,459,499,424</b>	<b>-</b>	<b>20,931,063,323</b>

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. 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: FY2019/20 Use of Contingency Fund**

Serial	Spending Unit	Amount	Recurrent/ Development	Contingency Purpose
1	Public Works	457,945	Recurrent	Renovation and furniture for the new minister of transport and PS
2	Statutory	2,531,650	Recurrent	Year end vacation for their Majesties
3	National Assembly	800,000	Recurrent	Committees travel
4	Foreign Affairs	2,538,400	Recurrent	For the official visit of the Chinese State Counsellor
5	Trade	679,350	Recurrent	Payment of maintenance system at one-stop
6	Statutory	1,455,200	Recurrent	Her Majesty trip to New York
7	Judiciary	10,000,000	Recurrent	Settlement of buying out Chief Justice
8	Law	13,642,106	Recurrent	Outstanding National Reforms activities
9	Water	39,769,891	Development	Refurbishment of Muela Hydropower Station
10	Public Works	369,973	Recurrent	Renovation of house NO.46 for deputy minister Moshe Leoma
11	Labour	621,619	Recurrent	Delegation to International Labour Organisation-Geneva
12	Statutory	1,063,415	Recurrent	Her Majesty trip Kenya-UNICEF
13	Prime Minister's Office	1,150,000	Recurrent	Payment of allowances for National Dialogue Planning Committee
14	National Assembly	400,000	Recurrent	Purchase of mobile devices(iPads) for Members of Parliament
15	Prime Minister's Office	1,550,423	Recurrent	PM official trip and his delegation
16	Judiciary	3,873,963	Recurrent	Second sitting of Appeal Court
17	Tourism	2,000,000	Recurrent	Official trip to Bangkok and Thailand
18	Finance	2,799,075	Recurrent	Softtech for training and submission of approved training report and manuals
19	Defence	8,237,567	Recurrent	2019/2020 LDF recruitment
20	Prime Minister's Office	1,906,736	Recurrent	Trip to United Nations General Assembly in New York
21	Statutory	191,200	Recurrent	Replenishment of Nonlife Insurance, training costs, official gifts and official entertainment items
22	Finance	958,250	Recurrent	Funding for Lesotho National League of the Visually Impaired
23	Public Works	3,473,000	Development	Spot improvement A2 to Quthing-King's birthday celebration
24	Public Works	1,349,763	Recurrent	Outstanding debts and procurement of number plates and decals
25	Prime Minister's Office	7,108,854	Recurrent	PM and DPM official trip and his delegation and 12th SCCA Conference
26	Defence	4,268,378	Recurrent	LDF Airwing fleet aviation Insurance
27	His Majesty's Office	4,116,000	Recurrent	Re-roofing of His Majesty's office Complex
28	Judiciary	2,999,212	Recurrent	Payment of interests owing to Senior Chauffeurs
29	Local Government	1,143,070	Recurrent	Kings Birthday Celebration
30	Home Affairs	5,342,100	Recurrent	Moshoeshoe's Day, Kings Birthday, Independence Commemoration and Commemoration of Armistice Day
31	Communications	29,565,600	Recurrent	Payment of Software Licenses
33	Senate	8,297,928	Recurrent	Salaries and Allowances for newly appointed Senators

<b>Total Advanced</b>	164,660,668
<b>Appropriated</b>	100,000,000
<b>Supplementary Provision</b>	
<b>Revised Contingency</b>	100,000,000
<b>Unutilized Balance</b>	64,660,668

## 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 Accounts	Treasury Accounts	3rd Parties Accounts	Total
	Actual	Actual	Actual	Actual
	2019/2020	2019/2020	2019/2020	2019/2020
	M'000	M'000	M'000	M'000
<b>Taxes</b>	<b>16</b>	<b>7,320,570</b>	<b>-</b>	<b>7,320,586</b>
Income, Profit and Capital Gains	-	4,105,014	-	4,105,014
Goods and Services	-	3,213,106	-	3,213,106
Other Taxes	16	2,450	-	2,466
<b>Total Taxes</b>	<b>16</b>	<b>7,320,570</b>	<b>-</b>	<b>7,320,586</b>

### Note 2: Non-Tax Revenues

Collections of non-tax revenues were as follows:

Description	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total
	Actual	Actual	Actual	Actual
	2019/2020	2019/2020	2019/2020	2019/2020
	M'000	M'000	M'000	M'000
<b>Property Income</b>	<b>68</b>	<b>508,964</b>	<b>-</b>	<b>509,031</b>
Interest	68	15,957	-	16,025
Dividends	-	171,274	-	171,274
<i>Dividends Received from Financial Public Corporations</i>	-	166,302	-	166,302
<i>Dividends Received from Non Financial Public Corporations</i>	-	4,972	-	4,972
<b>Rent - Non Produced Assets</b>	<b>-</b>	<b>321,733</b>	<b>-</b>	<b>321,733</b>
<i>Royalties</i>	-	311,641	-	311,641
<i>Surface Rent</i>	-	6,035	-	6,035
<i>Ground Rent</i>	-	4,057	-	4,057
<b>Rand Monetary Compensation</b>	<b>-</b>	<b>197,273</b>	<b>-</b>	<b>197,273</b>
<b>Sale of Goods and Services</b>	<b>8,359</b>	<b>1,027,494</b>	<b>-</b>	<b>1,035,853</b>
<b>Sales by Market Establishments</b>	<b>-</b>	<b>843,885</b>	<b>-</b>	<b>843,885</b>
<i>Electricity - Muela</i>	-	13,567	-	13,567
<i>Water Royalties - LHDA</i>	-	830,318	-	830,318
<b>Administrative Fees</b>	<b>5,397</b>	<b>43,028</b>	<b>-</b>	<b>48,425</b>
<b>Incidental Sales by Non Market Establishments</b>	<b>2,962</b>	<b>84,116</b>	<b>-</b>	<b>87,078</b>
<b>Imputed Sales of Goods and Services</b>	<b>-</b>	<b>56,464</b>	<b>-</b>	<b>56,464</b>
<b>Fines Penalties and Forfeits</b>	<b>-</b>	<b>1,929</b>	<b>-</b>	<b>1,929</b>
<b>Voluntary Transfers other than Grants (NGOs)</b>	<b>815</b>	<b>-</b>	<b>599</b>	<b>1,413</b>
<b>Miscellaneous and Unidentified Revenue</b>	<b>8,386</b>	<b>735</b>	<b>-</b>	<b>9,121</b>
<b>Total Non-Tax Revenue</b>	<b>17,628</b>	<b>1,736,395</b>	<b>599</b>	<b>1,754,621</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 FY2019/20 were from those shown below.

Entity Name	Supervising Spending Unit	Dividends Received Actual	
		2019/2020	2018/2019
Lesotho National Insurance Group	Finance		3,000,000
Central Bank of Lesotho	Finance	142,177,000	84,396,000
AON	Finance		395,854
Maluti Mountain Brewery	Finance	4,972,245	
Letseng Mine	Mining		210,000,000
Standard Lesotho Bank	Finance	24,125,000	24,125,000
<b>Total</b>		<b>171,274,245</b>	<b>321,916,854</b>

## Note 4: Grants received

Grants received during the year ended 31<sup>st</sup> March 2020 were:

Description	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total
	Actual	Actual	Actual	Actual
	2019/2020	2019/2020	2019/2020	2019/2020
	M'000	M'000	M'000	M'000
<b>Grants from Foreign Governments</b>	-	-	34,266	34,266
Current Donor Grants - Foreign Governments	-	-	27,766	27,766
Capital Donor Grants - Foreign Governments	-	-	6,500	6,500
<b>Grants from International Organisations</b>	408,793	-	142,345	551,138
Current Donor Grants – Multilateral Partners	12,431	-	236	12,667
Capital Donor Grants – Multilateral Partners	396,362	-	142,109	538,471
<b>Grants from Other General Government Units</b>	-	-	2,942	2,942
Capital Grants from Central Government	-	-	2,942	2,942
<b>Total Grants</b>	<b>408,793</b>	<b>-</b>	<b>179,554</b>	<b>588,347</b>

**Note 5: Payments on goods and services**

Payments on goods and services of FY2019/20 were as follows

Description	Head Controlled	Treasury	3rd Parties	Total
	Accounts	Accounts	Accounts	
	Actual 2019/2020 M'000	Actual 2019/2020 M'000	Actual 2019/2020 M'000	Actual 2019/2020 M'000
<b>Travel and Transport</b>	<b>254,399</b>	<b>433,183</b>	<b>3,208</b>	<b>690,790</b>
Vehicle Maintenance and Repairs	48,310	39,980	-	88,290
Fuel and Lubricants	22,926	70,130	-	93,055
Standing Charge	-	647	-	647
Short Term Hire of Vehicles	52,261	109,992	-	162,253
Private Hire of Vehicles	-	3	-	3
Motor Mileage Allowance	-	310	-	310
Fares (Local)	2,684	869	-	3,553
Subsistence (Local)	88,501	81,913	236	170,650
Freight Charges	5,674	2,930	-	8,604
Equine Hire	45	29	-	74
Fares (International)	7,423	51,698	-	59,122
Subsistence (International)	18,497	74,681	-	93,178
Consultancies	8,079	-	2,972	11,051
<b>Operating Costs</b>	<b>1,174,715</b>	<b>2,376,340</b>	<b>176,856</b>	<b>3,727,911</b>
Power	6,974	70,580	-	77,553
Communications	11,932	84,026	-	95,958
Printing	5,782	38,205	-	43,988
Stationery	14,224	13,673	-	27,897
Maintenance of Public Assets	128,017	63,040	-	191,057
Food, Fodder and Beverage Supplies	3,327	56,692	384	60,403
Purchases or Production of Materials, Goods or Services, including Uniforms	413,688	235,520	214	649,421
Minor Works	1,646	7,326	-	8,972
Drugs	157,697	297,049	-	454,746
Dressings	-	17,620	-	17,620
Vaccines	-	2,152	-	2,152
Dips and Anthelmintics	-	190	-	190
Official Entertainment	229	4,954	-	5,183
Official Gifts	-	73	-	73
Training Costs	37,536	14,323	-	51,859
Software Licenses	6,650	38,247	-	44,897
Consultancies	302,692	240,937	176,258	719,887
Ammunition	-	148	-	148
Fitch	-	637	-	637
ESAAMLG	-	803	-	803
Books and Publications	6,340	4,520	-	10,860
Membership Subscriptions	1,623	17,493	-	19,116
IDEP Subscription	-	213	-	213
Water Supply	1,223	19,539	-	20,762
Sewerage and Sanitation	12	887	-	899
Rent and Lease of Buildings for Government Use	67,171	127,408	-	194,579
Purchase of Health Services	7	1,019,623	-	1,019,630
Bank Charges	7,544	121	-	7,665
Witness Expenses	-	343	-	343
Recurent Expenditure Payable	296	-	-	296
2008-09 and Prior Year - Other Office Overheads	102	-	-	102
<b>Total Goods and Services</b>	<b>1,429,114</b>	<b>2,809,523</b>	<b>180,064</b>	<b>4,418,700</b>

## Note 6: Compensation of Employees

Payments of FY2019/20 employee compensation are made up of the following:

Description	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total
	Actual	Actual	Actual	Actual
	2019/2020	2019/2020	2019/2020	2019/2020
	M'000	M'000	M'000	M'000
<b>Wages and salaries</b>	<b>788,686</b>	<b>5,215,086</b>	-	<b>6,003,772</b>
Non Statutory Salaries in Cash	382,663	4,528,256	-	4,910,919
Salaries New Posts	-	24,444	-	24,444
Statutory Salaries in Cash	-	11,578	-	11,578
Wages in Cash	201,241	450,577	-	651,818
Allowances in Cash - Non Statutory Posts	109,717	189,714	-	299,432
Allowances in Cash - Statutory Posts	-	2,335	-	2,335
Salaries and Wages - Own Account Capital	58,090	-	-	58,090
Wages and Salaries in Kind	36,975	8,182	-	45,156
<b>Social Contributions</b>	<b>3,372</b>	<b>1,119,551</b>	-	<b>1,122,922</b>
Actual Social Contributions	-	465,447	-	465,447
Unfunded Pensions and Gratuities	3,372	654,103	-	657,475
<b>Total Compensation of Employee</b>	<b>792,058</b>	<b>6,334,637</b>	-	<b>7,126,695</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 FY2019/20.

Description	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total
	Actual	Actual	Actual	Actual
	2019/2020	2019/2020	2019/2020	2019/2020
	M'000	M'000	M'000	M'000
<b>Acquisition of Fixed Assets</b>	<b>783,984</b>	<b>813,842</b>	<b>191,858</b>	<b>1,789,684</b>
Buildings and Structures	742,733	697,565	163,355	1,603,653
Machinery and Equipment	41,252	116,277	28,503	186,032
<b>Acquisition of Inventories</b>	<b>7,628</b>	-	-	<b>7,628</b>
Other Inventories	7,628	-	-	7,628
<b>Acquisition of Valuables</b>	-	-	<b>6,500</b>	<b>6,500</b>
<b>Acquisition of Non-Produced Assets</b>	-	<b>4,996</b>	-	<b>4,996</b>
Land	-	4,996	-	4,996
<b>Total value of property, plant and equipment expensed</b>	<b>791,612</b>	<b>818,838</b>	<b>198,358</b>	<b>1,808,809</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.

Description	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total
	Actual 2019/2020	Actual 2019/2020	Actual 2019/2020	Actual 2019/2020
	M'000	M'000	M'000	M'000
<b>Domestic Interest</b>	56	270,118	-	270,174
Other Domestic Interest	56	270,118	-	270,174
<b>Foreign Interest</b>	-	245,160	-	245,160
Bilateral Interest	-	13,439	-	13,439
Multilateral Interest	-	206,369	-	206,369
Financial Institutions Interest	-	36	-	36
Export Credit Interest	-	25,315	-	25,315
<b>Total interest payable</b>	56	515,278	-	515,333

### *Note 10: Subsidies*

Description	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total
	Actual 2019/2020	Actual 2019/2020	Actual 2019/2020	Actual 2019/2020
	M'000	M'000	M'000	M'000
<b>Subsidies</b>				
<b>To Public Corporations</b>	476	272,061	-	272,536
Subsidies - Non Financial Public Corporations	476	272,061	-	272,536
<b>Total subsidies for the year</b>	476	272,061	-	272,536

### *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.

Description	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total
	Actual 2019/2020	Actual 2019/2020	Actual 2019/2020	Actual 2019/2020
	M'000	M'000	M'000	M'000
<b>Grants</b>				
<b>To International Organisations</b>	-	38,863	-	38,863
Commonwealth Secretariat	-	2,920	-	2,920
Group Of 77	-	72	-	72
SADC	-	35,872	-	35,872
<b>To Other General Government Units</b>	73,900	616,410	27,766	718,076
Current Grants Paid to Central Government	9,000	362,019	-	371,019
Current Grants Paid to Extra Budgetary Units	60,516	109,895	27,766	198,177
Current Grants Paid to Local Governments	-	16,851	-	16,851
Grants in Aid Paid to Extra Budgetary Units	4,384	99,222	-	103,606
Capital Grants Paid to Extra Budgetary Units	-	28,422	-	28,422
<b>Total grants for the year</b>	73,900	655,273	27,766	756,940

## Note 12: Social Benefits

Social benefits comprised:

Description	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total
	Actual 2019/2020	Actual 2019/2020	Actual 2019/2020	Actual 2019/2020
	M'000	M'000	M'000	M'000
<b>Social Benefits</b>				
<b>Social Assistance Benefits</b>	<b>1,053,714</b>	<b>57,474</b>	<b>-</b>	<b>1,111,188</b>
Old Age Pension	809,448	-	-	809,448
APC Pension	4,478	-	-	4,478
Public Assistance in Cash	3,798	53,264	-	57,062
School Feeding Program	172,171	-	-	172,171
Safety Net	60,033	-	-	60,033
LLA Pensions	15	4,211	-	4,225
Public Assistance in Kind	3,771	-	-	3,771
<b>Employer Social Benefits</b>	<b>-</b>	<b>208</b>	<b>-</b>	<b>208</b>
Compensation	-	208	-	208
<b>Total social benefits</b>	<b>1,053,714</b>	<b>57,683</b>	<b>-</b>	<b>1,111,396</b>

## Note 13: Other Operating Expenses

Description	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total
	Actual 2019/2020	Actual 2019/2020	Actual 2019/2020	Actual 2019/2020
	M'000	M'000	M'000	M'000
<b>Property Expense Other Than Interest</b>	<b>-</b>	<b>32</b>	<b>-</b>	<b>32</b>
<b>Rent of Non Produced Assets</b>	<b>-</b>	<b>32</b>	<b>-</b>	<b>32</b>
<i>Rent and Lease of Land for Government Use</i>	-	32	-	32
<b>Miscellaneous Other Expense</b>	<b>19,356</b>	<b>834,866</b>	<b>-</b>	<b>854,222</b>
<b>Current</b>	<b>13,323</b>	<b>834,866</b>	<b>-</b>	<b>848,189</b>
<i>Transfers to Institutions Caring for Orphans</i>	-	3,480	-	3,480
<i>Student Grants - National Manpower Development</i>	-	761,536	-	761,536
<i>Legal Compensation</i>	-	629	-	629
<i>Motor Vehicle Assurance</i>	13,241	22,195	-	35,436
<i>Non Life Insurance Premiums</i>	82	47,025	-	47,107
<b>Capital</b>	<b>6,034</b>	<b>-</b>	<b>-</b>	<b>6,034</b>
<i>Capital Transfers - Non Financial Public Corporations</i>	6,034	-	-	6,034
<b>Losses of Public Moneys</b>	<b>-</b>	<b>492</b>	<b>-</b>	<b>492</b>
<b>Losses of Public Moneys</b>	<b>-</b>	<b>492</b>	<b>-</b>	<b>492</b>
<i>Cash Losses Reported</i>	-	492	-	492
<b>Total</b>	<b>19,356</b>	<b>835,390</b>	<b>-</b>	<b>854,747</b>

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

Description	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total
	Actual	Actual	Actual	Actual
	2019/2020	2019/2020	2019/2020	2019/2020
	M'000	M'000	M'000	M'000
<b>Disposal of Fixed Assets</b>	-	1,221	-	1,221
Machinery and Equipment	-	1,221	-	1,221
<b>Total Proceed received</b>	-	1,221	-	1,221

***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 2020		Accounts at 1st April 2019	
	Number	Balance	Number	Balance
<b><u>Locally Denominated Accounts:</u></b>		<b>M'000</b>		<b>M'000</b>
Central Bank of Lesotho	40	3,546,978	61	3,618,403
Ned Bank Lesotho	47	102,857	31	43,031
Standard Lesotho Bank	127	319,632	150	611,052
First National Bank	12	44,473	11	39,875
Lesotho Post Bank	32	431,617	30	402,577
<b>Total</b>	<b>258</b>	<b>4,445,558</b>	<b>283</b>	<b>4,714,937</b>
<b><u>Foreign Currency Accounts</u></b>				
Central Bank of Lesotho	40	392,495	36	195,649
Standard Lesotho Bank	6	71,394	6	947,957
First National Bank	3	1,022	2	25,605
ABSA	1	3,358	1	3,163
Foreign Diplomatic Missions	23	30,942	22	85,891
<b>Total</b>	<b>73</b>	<b>499,211</b>	<b>67</b>	<b>1,258,265</b>
<b>Government Accounts Balance</b>	<b>331</b>	<b>4,944,769</b>	<b>350</b>	<b>5,973,203</b>
<b><u>Monies Held in Trust:</u></b>				
Central Bank of Lesotho	2	339,673	2	333,090
Ned Bank Lesotho	1	411		
Standard Lesotho Bank	29	11,102	26	6,679
First National Bank	2	1,345	2	1,190
Lesotho Post Bank	9	13,884	7	13,865
<b>Trust Monies Balance</b>	<b>43</b>	<b>366,415</b>	<b>37</b>	<b>354,825</b>
<b>GRAND TOTAL</b>	<b>374</b>	<b>5,311,184</b>	<b>387</b>	<b>6,328,028</b>

## 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 2019/20 dividends were received from companies in the banking and brewing sector.

**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

Entity	Government Ownership	Sector	Comments
			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 2020 M'000
	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	-	51,024		51,024
Head 02	Health	-	-	850	850
Head 03	Education & Training	-	34	17	51
Head 04	Finance	-			377
Head 05	Trade & Industry	-		25	25
Head 06	Development Planning	-			25
Head 08	Home Affairs	5,309	-	-	5,309
Head 09	Prime Minister's Office	1,473	57	23	1,553
Head 12	Foreign Affairs & Int. Relations	644	-	-	644
Head 16	Labour & Employment	11	-	26	64
Head 18	Auditor General's Office	-	-	380	380
Head 19	His Majesty's Office			1,649	1,649
Head 37	Defence				337
Head 38	National Assembly	21			21
Head 39	Senate	47			47
Head 40	Ombudsman	38	-	-	38
Head 41	Independent Electoral Commission	54			54
Head 42	Local Government & Chieftainship	42	-	2	44
Head 43	Gender, Youth, Sports & Recreation		128	-	606
Head 44	Public Service	37	-	-	37
Head 46	Social Development			41,175	41,175
Head 50	Small Business	166	58	-	224
Head 51	Water			50	50
<b>TOTAL</b>		<b>7,843</b>	<b>51,301</b>	<b>44,197</b>	<b>1,245</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**

Category	01 April 2019	2019/2020		2019/2020	2019/2020	31 March 2020
	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
Bilateral	873,970,973.87			48,165,533.42	13,439,366.53	1,229,888,450.54
Multilateral	10,799,742,429.85	3,677,015,551.00	799,401,463.00	641,303,407.54	206,368,501.07	13,225,222,318.75
Export Credit	987,681,803.94	1,025,233,463.00	85,569,208.00	74,084,184.50	25,315,279.42	1,176,717,735.09
Other Financial Institutions	109,163.77			369,136.95	36,477.56	
<b>Total</b>	<b>12,661,504,371</b>	<b>4,702,249,014</b>	<b>884,970,671</b>	<b>763,922,262</b>	<b>245,159,625</b>	<b>15,631,828,504</b>

**Table 11: Domestic Liabilities**

Category	01 April 2019	2019/2020		2019/2020	2019/2020	31 March 2020
	Opening Debt Balance in Maloti	Newly Issued in Maloti	Repayment Amount in Maloti	Interest Paid in Maloti	Closing Debt Balance in Maloti	
Treasury Bills	876,768,000.00	1,471,475,919.00	1,472,569,019.00	60,654,680.96	875,674,900.00	
Treasury Bonds	1,776,045,200.00	606,574,000.00		161,016,185.68	2,382,619,200.00	
Fiscal Bills	556,170,000.00	430,000,000.00	556,170,000.00	43,830,000.00	430,000,000.00	
Guarantees(TZICC)			28,993,000.00			
Interest Free loans to Members of Parliament			681,818.15	4,617,023.72		
<b>Total</b>	<b>3,208,983,200</b>	<b>2,508,049,919</b>	<b>2,058,413,837</b>	<b>270,117,890</b>	<b>3,688,294,100</b>	

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

Currency	As at 31 March 2019			As At 31 March 2020			Change 2019/20 (per cent)		
	Exchange rate	Balance (currency)	Balance Maloti	Exchange rate	Balance (currency)	Balance Maloti	Exchange rate	Balance (currency)	Balance (Maloti)
ADB Units of Account	20.2434	8,864,273	179,443,020	24.6916	13,982,898	345,260,125	21.97%	57.74%	-100.00%
Canadian Dollars	10.8582	613,034	6,656,448	12.7014	575,024	7,303,614	16.98%	-6.20%	-100.00%
Danish Kroner	2.1789	6,946,787	15,136,355	2.6377	6,478,153	17,087,423	21.06%	-6.75%	-100.00%
Euro	16.3818	44,048,815	721,598,874	19.8208	45,456,859	900,991,304	20.99%	3.20%	-100.00%
European Currency Units	16.3818	3,274,797	53,647,076	19.8208	2,839,005	56,271,347	20.99%	-13.31%	-100.00%
Kuwaiti Dinars	47.6812	7,352,560	350,578,879	57.0570	6,896,180	393,475,337	19.66%	-6.21%	-100.00%
Maloti	1.0000	116,232,429	116,232,429	1.0000	107,291,473	107,291,473	0.00%	-7.69%	-100.00%
Norwegian Krone	1.6810	2,362,568	3,971,477	1.7151	2,223,856	3,814,135	2.03%	-5.87%	-100.00%
Pound Sterling	19.0681	4,046,931	77,167,286	22.1781	3,970,650	88,061,470	16.31%	-1.88%	-100.00%
Rand	1.0000	1,383,057,471	1,383,057,471	1.0000	1,340,399,775	1,340,399,775	0.00%	-3.08%	-100.00%
Saudi Riyals	2.8656	77,348,000	221,648,429	4.7434	72,660,000	344,655,444	65.53%	-6.06%	-100.00%
Special Drawing Rights	20.2434	299,027,101	6,053,325,226	24.6916	308,245,508	7,611,074,780	21.97%	3.08%	-100.00%
Swedish Kronor	1.5715	14,607,015	22,954,925	1.7864	13,776,756	24,610,797	13.67%	-5.68%	-100.00%
Swiss Francs	14.6430	3,202,452	46,893,507	18.7136	3,026,809	56,642,501	27.80%	-5.48%	-100.00%
UAE Dirhams	3.9496	54,635,875	215,789,852	4.9500	48,208,125	238,630,218	25.33%	-11.76%	-100.00%
US Dollars	14.5836	136,508,876	1,990,790,846	18.0156	131,139,656	2,362,559,587	23.53%	-3.93%	-100.00%
Yen (000's)	131.9000	3,675,903	484,851,649	166.2000	3,542,107	588,698,231	26.00%	-3.64%	-100.00%
Yuan Renminbi	2.1689	495,169,480	1,073,973,085	2.5403	508,042,819	1,290,581,174	17.12%	2.60%	-100.00%
		<b>2,660,974,367</b>	<b>13,017,716,834</b>		<b>2,618,755,653</b>	<b>15,777,408,735</b>			

**Table 13: Annual Principal Repayment Schedule**

External Debt	Balance at 31 March 2020	Principal Repayment Schedule (Maloti millions)			
		2020/21	2021/22	2022/23	2023/24
Multilateral lenders	13,225,222,318.75	616,505,605.00	647,330,885.00	679,697,430.00	677,019,121.00
Bilateral lenders	1,229,888,450.54	77,937,586.00	81,834,465.00	85,929,189.00	98,470,957.50
Commercial banks	-				
Other lending institutions	1,176,717,735.09	66,992,734.00	70,342,371.00	73,859,489.00	186,531,409.80
<b>Total external debt</b>	<b>15,631,828,504.38</b>	<b>761,435,925.00</b>	<b>799,507,721.00</b>	<b>839,486,108.00</b>	<b>962,021,488.30</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 FY2019/20 transactions and year-end status.

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

Benefitting Agency	Balance at 01 April 2019	Transactions during the month			Balance at 31st March 2020
		Loans Repaid	Interest charges Paid	Cancelled	
Tikoe Factory Shells	40,000,000.00	5,000,000.00	375,000.00		35,000,000.00
Tikoe Phase 2 Factory Shells	202,789,827.00				202,789,827.00
Telecom National Network Phase II	222,726,839.00	8,733,333.00			213,993,506.00
Telecom National Network Phase I	205,986,835.00				205,986,835.00
BADEA 132 Maseru Water Supply I	63,023,315.44				63,023,315.44
BADEA 133 Maseru Water Supply II	78,097,437.64				78,097,437.64
OFID 134 Maseru Supply II	85,500,487.03				85,500,487.03
IDA 2400 Infrastructure Engineering	18,119,448.31				18,119,448.31
IDA 3995 Water Sector Improvement Project	48,814,091.58				48,814,091.58
Lesotho Electricity Supply Project	37,921,961.04	4,861,789.90	529,154.32		33,060,171.14
<b>TOTAL</b>	<b>1,002,980,242.04</b>	<b>18,595,122.90</b>	<b>904,154.32</b>	<b>-</b>	<b>984,385,119.14</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 2020, 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 M488 was owing to suppliers (an increase of M289 million or 145% compared to the previous year). Of this M114 million (23% of the total) has been overdue for more than six months to over a year. S

**Table 15: Analysis of Payment Arrears**

Spending Unit	Period Overdue				Total Payment Arrears at 31st March 2020 M'000	
	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			16,961	16,961	
Head 02	Health		238,487		238,487	
Head 03	Education & Training	-	12,643	24,400	19,874	56,916
Head 04	Finance	170	948	507	12,297	13,922
Head 05	Trade & Industry	729				729
Head 06	Development Planning	40	45	837	1,440	2,362
Head 07	Justice & Correctional Services	346				346
Head 08	Home Affairs	2,213	2,197	174	5,154	9,738
Head 09	Prime Minister's Office	2,366	2,606	1,272	264	6,508
Head 12	Foreign Affairs & Int. Relations	5,935	14,337	3,318	564	24,154
Head 13	Public Works & Transport	1,796				1,796
Head 14	Forestry & Land Reclamation	30	444			474
Head 15	Energy & Meteorology	-	-	-	6,463	6,463
Head 16	Labour & Employment	1,739	2,238	-	-	3,977
Head 17	Tourism, Environment & Culture	6,769	35	2,711	-	9,514
Head 18	Auditor General's Office	-	-	218	-	218
Head 19	His Majesty's Office				2,774	2,774
Head 23	Pension & Gratuities				6,222	6,222
Head 26	Refund of Erroneous Receipts				12	12
Head 37	Defence	42,788	1,336	2,996	14,097	61,217
Head 38	National Assembly		10			10
Head 39	Senate	45	-	-	354	399
Head 41	Independent Electoral Commission	846	174	151	2,017	3,188
Head 42	Local Government & Chieftainship	3,307	1,262	489	3,517	8,574
Head 43	Gender, Youth, Sports & Recreation	3,617	151		353	4,121
Head 44	Public Service	687	41	122	190	1,040
Head 45	Judiciary	-	752	4,664	604	6,021
Head 46	Social Development		697			697
Head 47	Directorate on Corruption & Economic Offences				17.18	17
Head 48	Mining	117	47	113	549	825
Head 50	Small Business	266				266
Head 51	Water			551		551
<b>TOTAL</b>		<b>73,806</b>	<b>39,960</b>	<b>281,011</b>	<b>93,723</b>	<b>488,501</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 (a): Outstanding Amounts Guaranteed (per Public Debt and Aid Management Department)**

Benefitting entity Date and purpose	Lending Institution and Main terms	Balance of guarantee at 31 March 2019	2019/20 Transactions		Balance of guarantee at 31 March 2020
			Repaid	New Guarantee	
Maseru E textile	Standard Lesotho Bank	6,095,713.33	3,927,061.94	-	2,168,651.39
CGM/ Presitex Industry PTY	Standard Lesotho Bank	60,539,855.38	34,949,999.78	-	25,589,855.59
Eclat Evergood Textiles	Standard Lesotho Bank	29,500,000.00	29,500,000.00	-	-
TZICC	Standard Lesotho Bank	32,450,000.00	4,350,000.00	-	28,100,000.00
WASCO PTY LTD	Nedbank	5,386,012.52	1,291,840.23	-	4,166,172.29
LUQY's Manufacturing	FNB	4,170,909.60	-	-	3,600,000.00
10th Members of Parliamen	Nedbank	52,579,792.75	19,664,295.36	-	32,915,497.39
Statutory Positions	Standard Lesotho Bank	596,583.53	no data	581,768.80	1,178,361.33
		<b>191,318,867.11</b>	<b>93,683,197.31</b>	<b>581,768.80</b>	<b>97,718,537.99</b>

**Table 16(b): Outstanding Amounts Guaranteed by (per CAO Annual Reports)**

Beneficiary	Lender	Purpose	Exposure at	
			31 March, 2020 M'	31 March, 2019 M'
PCGF GUARANTORS	STANDARD LESOTHO BANK	DIFFERENT BUSINESS ENTITIES AND SECTO	19,085,746	
PCGF GUARANTORS	FIRST NATIONAL BANK	DIFFERENT BUSINESS ENTITIES AND SECTO	12,255,794	
PCGF GUARANTORS	NEDBANK LESOTHO	DIFFERENT BUSINESS ENTITIES AND SECTO	1,417,305	
PCGF GUARANTORS	LESOTHO POST BANK	DIFFERENT BUSINESS ENTITIES AND SECTO	31,434,380	
INDIVIDUALS PER ATTACHED LI	NEDBANK LESOTHO	STATUTORY	433,138.61	1,072,673.64
<b>TOTAL</b>			<b>64,626,363</b>	<b>1,072,674</b>

**Table 17: Pending Litigation Claims (per CAO Annual reports)**

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.

Spending Unit	Exposure at	Exposure at
	31 March, 2020 M'	31 March, 2019 M'
Head 02 - Health		28,050,000
Head 03 - Education & Training		7,677,598
Head 09 - Prime Minister's Office	178,907	
Head 10 - Communications, Science & Tech	29,975,006	29,975,006
Head 12 - Foreign Affairs & Int. Relations	10,048,069	10,048,069
Head 16 - Labour & Employment	100,000	100,000
Head 37 - Defence & National Security	8,694,632	8,670,240
Head 41 - Independent Electoral Commission		3,674,270
Head 42 - Local Government & Chieftainship	5,443,772	6,105,272
Head 43 - Gender, Youth, Sports & Recreation	83,205,880	
Head 49 - Police & Public Safety	3,273,081	
Head 21 - Principal Repayment	155,387,093	
<b>Total</b>	<b>296,306,441</b>	<b>94,300,456</b>

*Schedule 9: Losses and Accidents*

**Table 18: Summary of Losses and Accidents**

Head	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	M'000
Head 01	Agriculture & Food Security				2,999.84	1,164.91				4,164.75
Head 03	Education & Training							18.96		18.96
Head 10	Communications, Science & Tech							77.93		77.93
Head 11	Law & Constitutional Affairs				33.54			52.90		86.44
Head 12	Foreign Affairs & Int. Relations							3.50		3.50
Head 13	Public Works & Transport							2.82		2.82
Head 15	Energy & Meterology							826.26		826.26
Head 18	Auditor General's Office				10.00					10.00
Head 19	His Majesty's Office					1,564.84				1,564.84
Head 37	Defence							303.80		303.80
Head 38	National Assembly				5.00					5.00
Head 39	Senate					46.92				46.92
Head 40	Ombudsman				4.90					4.90
Head 42	Local Government & Chieftainship			50.77	89.90	29.96	6.11			176.74
Head 43	Gender, Youth, Sports & Recreation				14.00	478.19				492.19
Head 44	Public Service					7,041.04		85.62		7,126.66
Head 47	Directorate on Corruption & Economic Offences							7.00		7.00
Head 48	Mining							26.43		26.43
Head 49	Police & Public Safety							32.59		32.59
Head 50	Small Business				75.73			142.07		217.80
Head 51	Water							115.75		115.75
	<b>GRAND TOTAL</b>	-	-	<b>50.77</b>	<b>3,232.91</b>	<b>10,325.86</b>	<b>6.11</b>	<b>1,695.63</b>	-	<b>15,311.28</b>

## 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	29,089,448	235,000,941	198,609,835	141,109,217	(148,410,875)
02 Health	27,749,067	1,868,362,205	212,320,084	291,541,630	(1,919,834,684)
03 Education and Training	3,540,258	2,371,169,811	45,714,839	101,479,415	(2,423,394,129)
04 Finance	13,700,477,598	717,436,327	275,320,999	651,898,684	12,606,463,586
05 Trade and Industry	7,481,992	38,822,161	72,333,590	370,776,938	(329,783,516)
06 Development Planning	14,060	857,773,347	2,180,106	98,101,988	(953,681,168)
07 Justice and Correctional Services	71,562	208,256,729	-	45,564,697	(253,749,864)
08 Home Affairs	21,810,395	141,522,040	-	257,466,512	(377,178,157)
09 Prime Minister's Office	-	186,097,415	27,766,296	-	(158,331,119)
10 Communications, Science and Technology	5,597,943	169,958,846	19,353,444	55,214,098	(200,221,556)
11 Law and Constitutional Affairs	8,823,724	77,052,125	-	1,394,629	(69,623,030)
12 Foreign Affairs and International Relations	-	352,792,957	-	1,215,346	(354,008,303)
13 Public Works and Transport	13,588,716	151,933,041	306,017,344	689,172,725	(521,499,706)
14 Forestry Range and Soil Conservation	-	183,313,727	-	-	(183,313,727)
15 Energy and Meteorology	309,932,203	25,405,895	158,037,519	374,245,658	68,318,169
16 Labour and Employment	10,623,518	47,338,241	-	-	(36,714,723)
17 Tourism, Environment & Culture	1,923,273	87,010,718	3,086,877	50,068,560	(132,069,128)
18 Auditor General's Office	507,485	25,266,038	-	-	(24,758,553)
19 His Majesty's Office	-	10,950,361	-	75,964,512	(86,914,874)
20 Public Service Commission	-	11,475,439	-	-	(11,475,439)
37 Defence and National Security	612,267	607,500,035	-	46,910,261	(653,798,029)
38 National Assembly	-	78,179,722	-	-	(78,179,722)
39 Senate	-	24,203,701	-	-	(24,203,701)
40 Ombudsman	-	8,435,857	-	-	(8,435,857)
41 Independent Electoral Commission	453,913	56,224,413	-	-	(55,770,499)
42 Local Government and Chieftainship Affairs	5,701,909	445,242,342	236,000	370,708,741	(810,013,174)
43 Gender & Youth, Sports & Recreation	18,725	65,848,524	579,889	51,498,484	(116,748,395)
44 Public Service	7,974,851	36,627,203	-	-	(28,652,352)
45 Judiciary	1,978,461	127,968,469	-	15,815,164	(141,805,172)
46 Social Development	16,000	229,306,222	147,150,832	46,840,493	(128,979,883)
47 Directorate on Corruption & Economic Offences	-	22,796,135	-	-	(22,796,135)
48 Mining	358,003,474	22,379,329	-	2,332,862	333,291,282
49 Police and Public Safety	9,859,295	689,592,384	-	38,533,857	(718,266,946)
50 Small Business Development, Cooperatives & Marketing	467,889	69,478,332	-	42,066,183	(111,076,627)
51 Water	835,238,584	180,934,396	79,474,986	127,638,259	606,140,915
<b>Total Appropriated</b>	<b>15,361,556,611</b>	<b>10,431,655,426</b>	<b>1,548,182,639</b>	<b>3,947,558,914</b>	<b>2,530,524,909</b>
<b>Statutory and Centralized Expenditure</b>					
21 Public Debt		1,865,044,595			(1,865,044,595)
23 Pensions and Gratuities		1,882,679,974			(1,882,679,974)
24 Statutory Salaries & Gratuities		31,630,094			(31,630,094)
25 Subscriptions to International Financial Organisations		56,482,364			(56,482,364)
26 Refund to Erroneous Receipts		64,998			(64,998)
30 Centralised Items		-			-
31 Contingencies		-			-
<b>Total Statutory &amp; Centralized</b>	<b>-</b>	<b>3,835,902,025</b>	<b>-</b>	<b>-</b>	<b>(3,835,902,025)</b>
<b>Totals</b>	<b>15,361,556,611</b>	<b>14,267,557,452</b>	<b>1,548,182,639</b>	<b>3,947,558,914</b>	<b>(1,305,377,116)</b>

## APPENDIX 2: BUDGET COMPARISON – ANALYSIS BY SPENDING UNIT

**Table 20: FY2019/20 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 Rec Revenue	Variance
01 Agriculture and Food Security	25,756,938	25,756,938	29,089,448	13%
02 Health	13,470,366	13,470,366	27,749,067	106%
03 Education and Training	6,113,347	6,113,347	3,540,258	-42%
04 Finance	15,021,938,138	14,904,565,255	13,700,477,598	-9%
05 Trade and Industry	11,777,216	11,777,216	7,481,992	-36%
06 Development Planning	45,000	45,000	14,060	-69%
07 Justice and Correctional Services	221,800	221,800	71,562	-68%
08 Home Affairs	43,347,400	43,347,400	21,810,395	-50%
09 Prime Minister's Office	-	-	-	
10 Communications, Science and Technology	5,802,000	5,802,000	5,597,943	-4%
11 Law and Constitutional Affairs	3,356,000	3,356,000	8,823,724	163%
12 Foreign Affairs and International Relations	-	-	-	
13 Public Works and Transport	15,591,331	15,591,331	13,588,716	-13%
14 Forestry Range and Soil Conservation	-	-	-	
15 Energy and Meteorology	349,461,092	349,461,092	309,932,203	-11%
16 Labour and Employment	6,460,888	6,460,888	10,623,518	64%
17 Tourism, Environment & Culture	4,193,934	4,193,934	1,923,273	-54%
18 Auditor General's Office	1,066,800	1,066,800	507,485	-52%
19 His Majesty's Office	-	-	-	
20 Public Service Commission	-	-	-	
37 Defence and National Security	1,221,000	1,221,000	612,267	-50%
38 National Assembly	-	-	-	
39 Senate	-	-	-	
40 Ombudsman	-	-	-	
41 Independent Electoral Commission	-	-	453,913	
42 Local Government and Chieftainship Affairs	1,893,339	1,893,339	5,701,909	201%
43 Gender & Youth, Sports & Recreation	144,000	144,000	18,725	-87%
44 Public Service	6,908,580	7,647,111	7,974,851	15%
45 Judiciary	3,956,138	3,956,138	1,978,461	-50%
46 Social Development	-	-	16,000	
47 Directorate on Corruption & Economic Offences	-	-	-	
48 Mining	671,808,675	671,808,675	358,003,474	-47%
49 Police and Public Safety	8,701,500	8,701,500	9,859,295	13%
50 Small Business Development, Cooperatives & Marketing	500,450	500,450	467,889	-7%
51 Water	907,037,648	907,037,648	835,238,584	-8%
<b>Total</b>	<b>17,110,773,580</b>	<b>16,994,139,228</b>	<b>15,361,556,611</b>	<b>-10%</b>

**Table 21: FY2019/20 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	280,784,074	280,784,074	235,000,941	16%
02 Health	1,961,091,995	1,896,092,827	1,868,362,205	5%
03 Education and Training	2,403,263,439	2,472,221,309	2,371,169,811	1%
04 Finance	766,982,245	797,940,487	717,436,327	6%
05 Trade and Industry	41,168,838	41,168,838	38,822,161	6%
06 Development Planning	685,911,235	964,005,693	857,773,347	-25%
07 Justice and Correctional Services	215,017,553	215,017,553	208,256,729	3%
08 Home Affairs	140,980,298	146,322,398	141,522,040	0%
09 Prime Minister's Office	113,494,583	179,557,890	186,097,415	-64%
10 Communications, Science and Technology	129,769,834	183,060,286	169,958,846	-31%
11 Law and Constitutional Affairs	75,392,632	83,309,607	77,052,125	-2%
12 Foreign Affairs and International Relations	317,646,384	360,322,785	352,792,957	-11%
13 Public Works and Transport	179,668,791	205,493,716	151,933,041	15%
14 Forestry Range and Soil Conservation	144,509,087	190,858,000	183,313,727	-27%
15 Energy and Meteorology	25,838,620	25,838,620	25,405,895	2%
16 Labour and Employment	49,583,753	51,155,372	47,338,241	5%
17 Tourism, Environment & Culture	80,041,079	82,037,898	87,010,718	-9%
18 Auditor General's Office	27,049,192	27,049,192	25,266,038	7%
19 His Majesty's Office	8,878,491	17,223,173	10,950,361	-23%
20 Public Service Commission	11,311,657	12,369,249	11,475,439	-1%
37 Defence and National Security	596,381,467	610,411,875	607,500,035	-2%
38 National Assembly	81,286,961	82,486,961	78,179,722	4%
39 Senate	17,204,163	27,339,924	24,203,701	-41%
40 Ombudsman	8,673,578	8,673,578	8,435,857	3%
41 Independent Electoral Commission	60,223,602	60,223,602	56,224,413	7%
42 Local Government and Chieftainship Affairs	474,925,442	476,068,260	445,242,342	6%
43 Gender & Youth, Sports & Recreation	72,335,484	77,354,867	65,848,524	9%
44 Public Service	37,610,865	36,186,736	36,627,203	3%
45 Judiciary	73,201,428	132,331,222	127,968,469	-75%
46 Social Development	259,230,741	270,187,043	229,306,222	12%
47 Directorate on Corruption & Economic Offences	23,572,460	25,193,089	22,796,135	3%
48 Mining	24,158,869	23,655,049	22,379,329	7%
49 Police and Public Safety	710,415,799	710,687,420	689,592,384	3%
50 Small Business Development, Cooperatives & Marketing	78,973,713	87,007,050	69,478,332	12%
51 Water	144,421,655	144,954,347	180,934,396	-25%
<b>Total Appropriated</b>	<b>10,321,000,006</b>	<b>11,004,589,988</b>	<b>10,431,655,426</b>	<b>-1%</b>
<b>Statutory and Centralized Expenditure</b>				
21 Public Debt	1,130,681,791	1,810,202,860	1,865,044,595	-65%
23 Pensions and Gratuities	1,854,704,945	1,854,704,945	1,882,679,974	-2%
24 Statutory Salaries & Gratuities	31,921,556	39,381,625	31,630,094	1%
25 Subscriptions to International Financial Organisations	84,434,160	84,434,160	56,482,364	33%
26 Refund to Erroneous Receipts	2,268,000	2,268,000	64,998	97%
<b>Total Statutory &amp; Centralized</b>	<b>3,104,010,452</b>	<b>3,790,991,590</b>	<b>3,835,902,025</b>	<b>-24%</b>
<b>Total Recurrent Expenditure</b>	<b>13,425,010,458</b>	<b>14,795,581,578</b>	<b>14,267,557,452</b>	<b>-6%</b>

**Table 22: FY2019/20 Budget versus Actual – Development Expenditures**

(Budget Figures are extracted from Budget department and Actuals from the Statement of Budget comparison and Actual Amounts)

Spending Unit	Original Budget	Contingency Fund	Supplementary	Reallocated	Revised Budget	Actual	Variance
<b>01 Agriculture &amp; Food Security</b>	<b>428,522,836</b>	<b>-</b>	<b>93,417,801</b>	<b>-</b>	<b>521,940,637</b>	<b>141,109,217</b>	<b>67%</b>
GoL Funded	34,800,942				34,800,942	21,595,843.37	
Development Partner - Grants	147,007,353				147,007,353	36,777,296.85	
Development Partner - Loans	246,714,541		93,417,801		340,132,342	82,736,076.28	
<b>02 Health</b>	<b>472,391,771</b>	<b>-</b>	<b>79,644,657</b>	<b>-</b>	<b>552,036,428</b>	<b>291,541,630</b>	<b>38%</b>
GoL Funded	103,419,922		74,749,165		178,169,087	88,480,305.77	
Development Partner - Grants	323,913,228				323,913,228	165,206,168.32	
Development Partner - Loans	45,058,621		4,895,492		49,954,113	37,855,155.69	
<b>03 Education and Training</b>	<b>218,381,273</b>	<b>-</b>	<b>1,000,000</b>	<b>-</b>	<b>219,381,273</b>	<b>101,479,415</b>	<b>54%</b>
GoL Funded	59,805,638		1,000,000		60,805,638	47,581,145.97	
Development Partner - Grants	66,680,496				66,680,496	6,822,567.15	
Development Partner - Loans	91,895,139				91,895,139	47,075,701.52	
<b>04 Finance</b>	<b>723,408,215</b>	<b>-</b>	<b>21,720,000</b>	<b>-</b>	<b>745,128,215</b>	<b>651,898,684</b>	<b>10%</b>
GoL Funded	358,630,475		15,786,939		374,417,414	326,473,618.45	
Development Partner - Grants	285,753,979				285,753,979	244,642,375.44	
Development Partner - Loans	79,023,761		5,933,061		84,956,822	80,782,690.15	
<b>05 Trade &amp; Industry</b>	<b>187,931,228</b>	<b>-</b>	<b>179,453,570</b>	<b>-</b>	<b>367,384,798</b>	<b>370,776,938</b>	<b>-97%</b>
GoL Funded	117,340,358		151,170,691		268,511,049	274,720,228.75	
Development Partner - Grants	53,926,390				53,926,390	79,681,378.06	
Development Partner - Loans	16,664,480		28,282,879		44,947,359	16,375,331.00	
<b>06 Development Planning</b>	<b>102,599,999</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>102,599,999</b>	<b>98,101,988</b>	<b>4%</b>
GoL Funded	100,000,000				100,000,000	98,101,987.61	
Development Partner - Grants	2,599,999				2,599,999	-	
Development Partner - Loans					-	-	
<b>07 Justice, Human Rights &amp; Rehab</b>	<b>74,984,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,984,000</b>	<b>45,564,697</b>	<b>39%</b>
GoL Funded	74,984,000				74,984,000	45,564,697.00	
Development Partner - Grants					-	-	
Development Partner - Loans					-	-	
<b>08 Home Affairs</b>	<b>267,246,891</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>267,246,891</b>	<b>257,466,512</b>	<b>4%</b>
GoL Funded	267,246,891				267,246,891	257,466,512.30	
Development Partner - Grants					-	-	
Development Partner - Loans					-	-	
<b>10 Communications, Science &amp; Te</b>	<b>95,288,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>95,288,000</b>	<b>55,214,098</b>	<b>42%</b>
GoL Funded	35,488,000				35,488,000	34,574,323.59	
Development Partner - Grants	23,400,000				23,400,000	1,658,160.00	
Development Partner - Loans	36,400,000				36,400,000	18,981,614.00	
<b>11 Law &amp; Constitutional Affairs</b>	<b>6,473,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,473,600</b>	<b>1,394,629</b>	<b>78%</b>
GoL Funded	6,473,600				-	1,394,628.61	
Development Partner - Grants					-	-	
Development Partner - Loans					-	-	
<b>12 Foreign Affairs</b>	<b>19,918,400</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,918,400</b>	<b>1,215,346</b>	<b>94%</b>
GoL Funded	19,918,400				-	1,215,346.00	
Development Partner - Grants					-	-	
Development Partner - Loans					-	-	
<b>13 Public Works &amp; Transport</b>	<b>843,220,312</b>	<b>-</b>	<b>23,473,000</b>	<b>-</b>	<b>866,693,312</b>	<b>689,172,725</b>	<b>18%</b>
GoL Funded	428,220,312		23,473,000		451,693,312	387,063,983.17	
Development Partner - Grants					-	-	
Development Partner - Loans	415,000,000				415,000,000	302,108,742.00	
<b>15 Energy and Meteorology</b>	<b>299,838,447</b>	<b>-</b>	<b>20,000,000</b>	<b>-</b>	<b>319,838,447</b>	<b>374,245,658</b>	<b>-25%</b>
GoL Funded	200,614,453		20,000,000		220,614,453	218,045,891.22	
Development Partner - Grants	41,829,966				41,829,966	23,532,332.22	
Development Partner - Loans	57,394,028				57,394,028	132,667,434.69	
<b>17 Tourism, Environment &amp; Cultu.</b>	<b>91,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,000,000</b>	<b>50,068,560</b>	<b>45%</b>
GoL Funded	91,000,000				91,000,000	47,417,536.69	
Development Partner - Grants	-				-	2,651,023.79	
Development Partner - Loans					-	-	
<b>19 His Majesty's Office</b>	<b>76,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76,000,000</b>	<b>75,964,512</b>	<b>0%</b>
GoL Funded	76,000,000				76,000,000	75,964,512.35	
Development Partner - Grants					-	-	
Development Partner - Loans					-	-	

Spending Unit	Original Budget	Contingency Fund	Supplementary	Reallocated	Revised Budget	Actual	Variance
<b>37 Defence and National Security</b>	<b>47,000,000</b>	-	-	-	<b>47,000,000</b>	<b>46,910,261</b>	<b>0%</b>
GoL Funded	47,000,000				47,000,000	46,910,261.37	
Development Partner - Grants					-	-	
Development Partner - Loans					-	-	
<b>42 Local Government &amp; Chieftain.</b>	<b>388,135,000</b>	-	-	-	<b>388,135,000</b>	<b>370,708,741</b>	<b>4%</b>
GoL Funded	388,135,000				388,135,000	370,046,620.15	
Development Partner - Grants					-	662,121.00	
Development Partner - Loans					-	-	
<b>43 Gender and Youth, Sports .</b>	<b>58,366,667</b>	-	-	-	<b>58,366,667</b>	<b>51,498,484</b>	<b>12%</b>
GoL Funded	58,366,667				58,366,667	51,268,388.26	
Development Partner - Grants					-	230,096.00	
Development Partner - Loans					-	-	
<b>44 Public Service</b>	<b>5,000,000</b>	-	-	-	<b>5,000,000</b>	-	<b>100%</b>
GoL Funded	5,000,000				5,000,000	-	
Development Partner - Grants					-		
Development Partner - Loans					-		
<b>45 Judiciary</b>	<b>32,000,000</b>	-	-	-	<b>32,000,000</b>	<b>15,815,164</b>	<b>51%</b>
GoL Funded	32,000,000				32,000,000	15,815,164.00	
Development Partner - Grants					-	-	
Development Partner - Loans					-	-	
<b>46 Social Development</b>	<b>160,000,000</b>	-	-	-	<b>160,000,000</b>	<b>46,840,493</b>	<b>71%</b>
GoL Funded					-	-	
Development Partner - Grants	30,000,000				30,000,000	8,700,431.24	
Development Partner - Loans	130,000,000				130,000,000	38,140,061.82	
<b>48 Mining</b>	<b>17,921,398</b>	-	-	-	<b>17,921,398</b>	<b>2,332,862</b>	<b>87%</b>
GoL Funded	17,921,398				17,921,398	2,332,862.40	
Development Partner - Grants					-	-	
Development Partner - Loans					-	-	
<b>49 Police and Public Safety</b>	<b>63,000,000</b>	-	-	-	<b>63,000,000</b>	<b>38,533,857</b>	<b>39%</b>
GoL Funded	63,000,000				63,000,000	38,533,857.00	
Development Partner - Grants					-	-	
Development Partner - Loans					-	-	
<b>50 Small Business Development</b>	<b>71,980,527</b>	-	<b>5,000,000</b>	-	<b>76,980,527</b>	<b>42,066,183</b>	<b>42%</b>
GoL Funded	71,980,527		5,000,000		76,980,527	42,066,183.45	
Development Partner - Grants					-	-	
Development Partner - Loans					-	-	
<b>51 Water</b>	<b>417,866,852</b>	-	-	-	<b>417,866,852</b>	<b>127,638,259</b>	<b>69%</b>
GoL Funded	173,866,852				173,866,852	96,314,056.98	
Development Partner - Grants	40,000,000				40,000,000	14,504,845.00	
Development Partner - Loans	204,000,000					16,819,357.47	
<b>TOTAL</b>	<b>5,168,475,416</b>	-	<b>423,709,028</b>	-	<b>5,476,988,444</b>	<b>3,947,558,914</b>	<b>24%</b>
<b>Sources of Funding - Summary</b>							
GoL Funded	2,831,213,435	-	291,179,795	-	3,096,001,230	2,587,732,608	9%
Development Partner - Grants	1,015,111,411	-	-	-	1,015,111,411	585,068,795	42%
Development Partner - Loans	1,322,150,570	-	132,529,233	-	1,250,679,803	773,542,165	41%
<b>TOTAL</b>	<b>5,168,475,416</b>	-	<b>423,709,028</b>	-	<b>5,361,792,444</b>	<b>3,946,343,568</b>	<b>24%</b>

**APPENDIX 3: FY2019/20 ORIGINAL TO REVISED BUDGET**  
**Table 23: Recurrent Expenditure – Original to Revised Budget**

Budget Figures are extracted from Budget department

Extracted from Spending Units

Spending Unit		Original Budget	Use of Contingency Fund	Supplementary Budgets	Reallocation	Revised Budget	Original Budget (per Spending Units Submissions)	Revised budget (per Spending Units Submissions)
<b>Appropriated Expenditure</b>								
01	Agriculture and Food Security	300,301,358				300,301,358	280,784,074	280,784,074
02	Health	2,007,210,625		16,753,242		2,023,963,867	1,961,091,995	1,896,092,827
03	Education and Training	2,401,922,284		100,000,000		2,501,922,284	2,403,263,439	2,472,221,309
04	Finance	835,199,698		30,958,250		866,157,948	766,982,245	797,940,487
05	Trade and Industry	41,957,885		679,350		42,637,235	41,168,838	41,168,838
06	Development Planning	694,911,200		179,152,291		874,063,491	685,911,235	964,005,693
07	Justice and Correctional Services	230,227,641				230,227,641	215,017,553	215,017,553
08	Home Affairs	155,364,214		5,342,100		160,706,314	140,980,298	146,322,398
09	Prime Minister's Office	117,360,619		65,586,332		182,946,951	113,494,583	179,557,890
10	Communications, Science and Technology	142,524,611		52,778,632		195,303,243	129,769,834	183,060,286
11	Law and Constitutional Affairs	65,163,776		21,642,106		86,805,882	75,392,632	83,309,607
12	Foreign Affairs and International Relations	322,968,137		42,676,401		365,644,538	317,646,384	360,322,785
13	Public Works and Transport	138,151,986		2,177,681		140,329,667	179,668,791	205,493,716
14	Forestry Range and Soil Conservation	189,199,464		44,630,000		233,829,464	144,509,087	190,858,000
15	Energy and Meteorology	26,766,101				26,766,101	25,838,620	25,838,620
16	Labour and Employment	51,367,229		1,571,619		52,938,848	49,583,753	51,155,372
17	Tourism, Environment & Culture	82,855,447		2,000,000		84,855,447	80,041,079	82,037,898
18	Auditor General's Office	27,789,740				27,789,740	27,049,192	27,049,192
19	His Majesty's Office	9,761,816		7,428,000		17,189,816	8,878,491	17,223,173
20	Public Service Commission	12,549,855		1,057,592		13,607,447	11,311,657	12,369,249
37	Defence and National Security	610,730,424		37,070,700		647,801,124	596,381,467	610,411,875
38	National Assembly	78,263,478		1,200,000		79,463,478	81,286,961	82,486,961
39	Senate	18,304,529		10,269,868		28,574,397	17,204,163	27,339,924
40	Ombudsman	9,116,637		305,963		9,422,600	8,673,578	8,673,578
41	Independent Electoral Commission	64,694,032				64,694,032	60,223,602	60,223,602
42	Local Government and Chieftainship Affairs	481,081,131		1,143,070		482,224,201	474,925,442	476,068,260
43	Gender & Youth, Sports & Recreation	84,155,745		5,019,383		89,175,128	72,335,484	77,354,867
44	Public Service	39,005,650		396,556		39,402,206	37,610,865	36,186,736
45	Judiciary	102,622,771		31,953,314		134,576,085	73,201,428	132,331,222
46	Social Development	263,488,213		9,508,006		272,996,219	259,230,741	270,187,043
47	Directorate on Corruption & Economic Offences	26,828,582		1,620,630		28,449,212	23,572,460	25,193,089
48	Mining	25,056,954				25,056,954	24,158,869	23,655,049
49	Police and Public Safety	715,908,597		271,619		716,180,216	710,415,799	710,687,420
50	Small Business Development, Cooperatives & Marketing	98,207,850				98,207,850	78,973,713	87,007,050
51	Water	152,539,478		39,769,891		192,309,369	144,421,655	144,954,347
<b>Total Appropriated</b>		<b>10,623,557,757</b>	<b>0</b>	<b>712,962,596</b>	<b>0</b>	<b>11,336,520,353</b>	<b>10,321,000,006</b>	<b>11,004,589,988</b>
<b>Statutory and Centralized Expenditure</b>								
21	Public Debt	1,130,681,791		243,830,000		1,374,511,791	1,130,681,791	1,810,202,860
23	Pensions and Gratuities	1,854,704,945				1,854,704,945	1,854,704,945	1,854,704,945
24	Statutory Salaries & Gratuities	35,516,788		5,383,593		40,900,381	31,921,556	39,381,625
25	Subscriptions to International Financial Organisations	84,620,786				84,620,786	84,434,160	84,434,160
26	Refund to Erroneous Receipts	2,700,000				2,700,000	2,268,000	2,268,000
30	Centralised Items	83,758,643				83,758,643	-	-
<b>Total Statutory &amp; Centralized</b>		<b>3,191,982,953</b>	<b>0</b>	<b>249,213,593</b>	<b>0</b>	<b>3,441,196,546</b>	<b>3,104,010,452</b>	<b>3,790,991,590</b>
<b>Total Recurrent Expenditure</b>		<b>13,815,540,710</b>	<b>0</b>	<b>962,176,189</b>	<b>0</b>	<b>14,777,716,899</b>	<b>13,425,010,458</b>	<b>14,795,581,578</b>
31	Contingencies	100,000,000		73,614,207		173,614,207		
<b>Total Recurrent + Contingencies</b>		<b>13,915,540,710</b>	<b>0</b>	<b>1,035,790,396</b>	<b>0</b>	<b>14,951,331,106</b>	<b>13,425,010,458</b>	<b>14,795,581,578</b>

**Table 24: Recurrent Revenue - Original to Revised Budget**

Budget Figures are extracted from Budget department					Extracted from Spending Units	
	Collecting Unit	Original	Budget Changes*	Revised	Original Budget (per Spending Units Submissions)	Revised budget (per Spending Units Submissions)
01	Agriculture and Food Security	25,756,938	-	25,756,938	25,756,938	25,756,938
02	Health	13,470,366	-	13,470,366	13,470,366	13,470,366
03	Education and Training	6,113,347	-	6,113,347	6,113,347	6,113,347
04	Finance	15,021,938,138	-	15,021,938,138	15,021,938,138	14,904,565,255
05	Trade and Industry	11,777,216	-	11,777,216	11,777,216	11,777,216
06	Development Planning	45,000	-	45,000	45,000	45,000
07	Justice and Correctional Services	221,800	-	221,800	221,800	221,800
08	Home Affairs	43,347,400	-	43,347,400	43,347,400	43,347,400
09	Prime Minister's Office		-		-	-
10	Communications, Science and Technology	5,802,436	-	5,802,436	5,802,000	5,802,000
11	Law and Constitutional Affairs	3,356,000	-	3,356,000	3,356,000	3,356,000
12	Foreign Affairs and International Relations		-		-	-
13	Public Works and Transport	41,096,412	-	41,096,412	15,591,331	15,591,331
14	Forestry Range and Soil Conservation	343,800	-	343,800	-	-
15	Energy and Meteorology	349,461,092	-	349,461,092	349,461,092	349,461,092
16	Labour and Employment	6,509,928	-	6,509,928	6,460,888	6,460,888
17	Tourism, Environment & Culture	4,193,934	-	4,193,934	4,193,934	4,193,934
18	Auditor General's Office	1,016,000	-	1,016,000	1,066,800	1,066,800
19	His Majesty's Office		-		-	-
20	Public Service Commission	1,000	-	1,000	-	-
21	Public Debt	25,256,462	-	25,256,462		
37	Defence and National Security	1,221,000	-	1,221,000	1,221,000	1,221,000
38	National Assembly	3,600	-	3,600	-	-
39	Senate		-		-	-
40	Ombudsman		-		-	-
41	Independent Electoral Commission		-		-	-
42	Local Government and Chieftainship Affairs	1,981,614	-	1,981,614	1,893,339	1,893,339
43	Gender & Youth, Sports & Recreation	144,000	-	144,000	144,000	144,000
44	Public Service	6,908,580	-	6,908,580	6,908,580	7,647,111
45	Judiciary	3,956,138	-	3,956,138	3,956,138	3,956,138
46	Social Development		-		-	-
47	Directorate on Corruption & Economic Offences		-		-	-
48	Mining	627,916,575	-	627,916,575	671,808,675	671,808,675
49	Police and Public Safety	8,701,500	-	8,701,500	8,701,500	8,701,500
50	Small Business Development, Cooperatives & Marketing	500,450	-	500,450	500,450	500,450
51	Water	903,156,204	-	903,156,204	907,037,648	907,037,648
	<b>Total</b>	<b>17,114,196,930</b>	<b>-</b>	<b>17,114,196,930</b>	<b>17,110,773,580</b>	<b>16,994,139,228</b>

**APPENDIX 4: CONTROLLED ENTITIES AND INVESTMENTS – STATUS OF ANNUAL REPORTING  
(AS AT 30 OCTOBER 2020)**

**Table 25: Reporting status per entity**

SUPERVISING MINISTRY	ENTITY	LATEST AUDITED FINANCIAL STATEMENTS	AUDIT OPINION	OUTSTANDING
HEALTH	BAYLOR COLLEGE OF MEDICINE CHILDRENS FOUNDATION LESOTHO	2015/16	UNQUALIFIED	2016/17-2019/20
	NATIONAL DRUG SERVICE ORGANISATION	2017/18	EXCEPT FOR	2018/19-2019/20
	LESOTHO NURSING COUNCIL	2012/13	QUALIFIED	2014/15 - 2019/20
	ST.JOSEPH'S HOSPITAL	2018/19	UNQUALIFIED	2019/20
	ROMA COLLEGE OF NURSING	2018/19	UNQUALIFIED	2019/20
	FATIMA HEALTH CENTRE-CHAL	2018/19	UNQUALIFIED	2019/20
	NAZARETH HEALTH CENTRE	2018/19	UNQUALIFIED	2019/20
	ST.BENEDICT HEALTH CENTRE-CHAL	2018/19	UNQUALIFIED	2019/20
	ST.BERNARD HEALTH CENTRE-CHAL	2018/19	UNQUALIFIED	2019/20
	SCOTT HOSPITAL	2018/19	UNQUALIFIED	2019/20
	MATELILE HEALTH CENTRE	2018/19	UNQUALIFIED	2019/20
	MASEMOUSE HEALTH CENTRE	2018/19	UNQUALIFIED	2019/20
	RIBANENG HEALTH CENTRE	2018/19	UNQUALIFIED	2019/20
	MOPOKA HEALTH CENTRE	2018/19	UNQUALIFIED	2019/20
	SCOTT SCHOOL OF NURSING	2018/19	UNQUALIFIED	2019/20
	EMMAUS HEALTH CENTRE	2018/19	UNQUALIFIED	2019/20
	HOLY FAMILY HEALTH CENTRE	2018/19	UNQUALIFIED	2019/20
	ST.JOSEPH'S KORO KORO HEALTH CENTRE	2018/19	UNQUALIFIED	2019/20
	MOFUMAHALI OA ROSARY HEALTH CENTRE	2018/19	UNQUALIFIED	2019/20
	MOTSEKUAO HEALTH CENTRE	2018/19	UNQUALIFIED	2019/20
	PAKI HEALTH CENTRE	2018/19	UNQUALIFIED	2019/20
	ST.ANDREWS HEALTH CENTRE	2018/19	UNQUALIFIED	2019/20
	ST.PETER CLAVER HEALTH CENTRE	2018/19	UNQUALIFIED	2019/20
	GOL COUNTERPART(GLOBAL FUNDS TB COUNTERPART)	2019/20	UNQUALIFIED	
	CONSOLIDATED FUNDS OF HEALTH SECTOR REFORM PROGRAMME	2019/20	UNQUALIFIED	
	MASERU HOSPITAL	2019/20	UNQUALIFIED	
	GOL CANCER TREATMENT CENTRE	2019/20	UNQUALIFIED	
	GOL MATERNAL,NEW BORN & CHILD HEALTH	2019/20	UNQUALIFIED	
	GOL LESOTHO MATERNAL HEALTH PBF	2019/20	UNQUALIFIED	
	WHO/GOL,NDSD WAREHOUSE	2019/20	UNQUALIFIED	
	SAVI & GOL SAVI	2019/20	UNQUALIFIED	
	COUNCIL ON HIGHER EDUCATION	2017/18	UNQUALIFIED	2018/19-2019/20
	EXAMINATION COUNCIL OF LESOTHO	2013/14	QUALIFIED	2014/15 - 2019/20
	LESOTHO COLLEGE OF EDUCATION	2008/2009	DISCLAIMER	2009/2010 - 2019/20
LEROTHOI POLYTECHNIC	2007/2008	QUALIFIED	2008/2009 - 2019/20	
CENTRE FOR ACCOUNTING STUDIES				
NATIONAL UNIVERSITY OF LESOTHO	2015/16	DISCLAIMER	2016/17 - 2019/20	
LESOTHO REVENUE AUTHORITY	2019/20	UNQUALIFIED		
PENSION FUND				
PARTIAL CREDIT GUARANTEE FUND				
ROAD FUND	2018/19	DISCLAIMER		
AVANI LESOTHO (PTY) LTD	2018/2019	UNQUALIFIED	2019/20	
LESOTHO INSTITUTE OF ACCOUNTANTS	2019/2020	QUALIFIED		
CENTRAL BANK OF LESOTHO	2017/18	UNQUALIFIED	2018/19	
PETROLEUM FUND	2018/19	UNQUALIFIED	2019/20	
LESOTHO NATIONAL DEVELOPMENT CORPORATION AND ITS SUBSIDIARY COMPANIES	2017/2018	UNQUALIFIED	2018/19-2019/20	
MHG LESOTHO (PTY) LTD	2018/2019	UNQUALIFIED	2019/20	
OK BAZAARS LESOTHO(PLC)	2018/2019	UNQUALIFIED	2019/20	
LESOTHO NATIONAL DAIRY BOARD	2014/2015	UNQUALIFIED	2015/2016-2017/2018	
OK BAZAARS LESOTHO	2016/2017	UNQUALIFIED	2017/2018	
LOTI BRICK	2015/2016	ADVERSE	2016/17-2017/18	
MALUTI MOUNTAIN BREWERY	2016	UNQUALIFIED	2017-2020	
NATIONAL AIDS COMMISSION	2017/18	UNQUALIFIED	2018/19-2019/20	
LESOTHO COMMUNICATIONS AUTHORITY	2018/19	UNQUALIFIED	2019/20	
LESOTHO POSTAL SERVICES	2007/2008	DISCLAIMER	2008/2009-2019/20	
LESOTHO POST BANK		2016	2018-2020	
LESOTHO COMMUNICATIONS AUTHORITY	2018/2019	UNQUALIFIED	2019/20	
LESOTHO FREIGHT AND BUS SERVICE	2008/2009	QUALIFIED	2009/2010-2019/20	
ROADS DIRECTORATE	2013/2014	QUALIFIED	2014/2015-2019/20	
LESOTHO ELECTRICITY CORPORATION	2019/2020	UNQUALIFIED		
LEC COMMUNICATIONS (PTY)LTD	2019/20	UNQUALIFIED		
PETROLEUM FUND	2018/2019	UNQUALIFIED	2019/20	
LEC (PTY)LTD URBAN DISTRIBUTION REHABILITATION AND TRANSMISSION EXPANSION PROJECT	2018/2019	UNQUALIFIED	2019/20	
LESOTHO ELECTRICITY AND WATER AUTHORITY	2018/2019	UNQUALIFIED	2019/20	
DIRECTORATE OF DISPUTE PREVENTION AND RESOLUTION	2014/2015	UNQUALIFIED	2015/16-2019/20	
WORKMENS COMPENSATION FUND	2010/11	ADVERSE	2011/12-2019/20	
LESOTHO TOURISM DEVELOPMENT CORPORATION	2017/2018	UNQUALIFIED	2018/19-2019/20	
LESOTHO HOUSING AND LAND DEVELOPMENT CORPORATION	2010/2011	DISCLAIMER	2011/2012 - 2019/20	
LAND ADMINISTRATION AUTHORITY	2018/2019	UNQUALIFIED	2019/20	
STADIUM BOARD				
YOUTH COUNCIL				
LESOTHO SPORTS AND RECREATION COMMISSION				
BASOTHO ENTERPRISES DEVELOPMENT CORPORATION	2016/2017	UNQUALIFIED	2017/18-2019/20	
LESOTHO CHAMBER OF COMMERCE				
LOIC	2014/2015	DISCLAIMER	2015/2016 - 2019/2020	
METOLONG AUTHORITY	2018/2019	UNQUALIFIED		
WATER AND SEWERAGE COMPANY	2018/2019	ADVERSE	2019/20	
LESOTHO WATER AND ELECTRICITY AUTHORITY	2018/2019	UNQUALIFIED	2019/20	
LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY	2015/16	UNQUALIFIED	2016/17-2019/20	
LESOTHO HIGHLANDS WATER COMMISSION	2015/16	UNQUALIFIED	2016/17-2019/20	
MASERU WASTE WATER PROJECT	2016/17	UNQUALIFIED	2017/18-2019/20	
MINING	MOTHA E DIAMONDS	2015/16	ADVERSE OPINION	2016/17-2019/20

## **PART 2**

# **AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

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

---

### **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 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 (IPSAS). Under IPSAS cash basis of accounting, the government must report fully upon all of the receipts and expenditures of all entities and funds under its control, including any extra-budgetary funds, which have been received and disbursed during the year by or on behalf of its agencies.

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 SHIFT TOWARDS ACCRUAL BASIS OF ACCOUNTING**

The extensive and complete recording of financial assets and liabilities remains to follow as a next step, with a shift towards full accrual accounting and the complete reporting of all assets and liabilities in the longer term. This is emphasised by Section 62 of the PFMA Act, which 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.

#### **1.5 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.

#### **1.6 RESPONSIBILITIES OF CHIEF ACCOUNTING OFFICERS**

The Chief Accounting Officers are responsible for maintaining a system of internal controls in order to provide reasonable assurance that transactions are properly authorised, assets are safeguarded, and financial records are properly maintained. This allows for the preparation of Consolidated Financial Statements by the Accountant-General that are free from material misstatements, whether due to fraud or error.

#### **1.7 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 2020 were submitted for audit on 5 November 2020. There was a two-month delay in submission of the consolidated financial

statements due to lockdown, working in shifts and disturbed modes of operating.

## **1.8 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.

## **1.9 IMPROVEMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS**

The Minister and the Accountant-General are stepping up their efforts to produce better quality consolidated financial statements. In an endeavour to improve audit opinion from adverse to clean, a roadmap would be developed and be implemented in the financial year 2020/21. The Public Financial Management and Accountability Act, 2011 is currently under review with the aim of addressing some gaps in the legal framework, which became evident during implementation of the upgraded IFMIS.

The following improvements were noted on the consolidated financial statements for the year ended 31 March 2020:

### **a) Clearance of payment arrears**

In my last report, I indicated that the Minister of Finance was committed to clear payment arrears during financial year 2019/20. I further stated that the Government had payment arrears totalling M828 million at 31 March 2019, which included M308 million that has been outstanding for more than one year.

I am grateful to report that the Minister has fulfilled his commitment as payment arrears amounted to M488 million at 31 March 2020 and those that have been outstanding for more than one year have been reduced from M308 million to M114 million.

## **b) Coordination with the Lesotho Mounted Police Service on compliance issues**

The Lesotho Mounted Police Service has a dedicated team working with Treasury (Inspectorate Unit) to enforce compliance to finance laws. As a result of this coordination, the following are cases on misappropriation of funds in the courts of laws:

<b>Ministry</b>	<b>Case Number</b>	<b>Case Reference</b>
Finance	CIR/63/10/15	Lephoto & Others
Judiciary	CIR/110/16	Mpho Damane & 'Matiisetso Theoha
Finance	CIR/31/06/17	Teboho Seilane & Others
Public Works	CIR/45/08/17	Thato Mathaba & Others
Health	CIR/57/12/17	'Mamolemo Mohlomi
Water	CIR/132/03/17	'Mampoi Makhetha & Others
Health	CIR/27/01/18	'Mahlomohang Mokete
Defence	CIR/38/03/18	Thato Phofu

### **1.10 RECURRING ISSUES**

There are some issues that have not been resolved since introduction of IFMIS in the financial year 2009/10, even the upgrade from Epicor 7.3.5 to 10.2 ten years later have not addressed these issues.

The recurring issues are as follows:

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

Advances from the Contingencies Fund should be cleared like any other advances. The Accountant-General should operate an advance account for moneys received by the ministries from the Contingencies Fund and payments should be made from this account. When the Supplementary Appropriation Bill has been enacted, the advance account will be credited (cleared) and relevant Heads of Expenditure will be debited.

The Accountant-General has not operated such advance account since April 2009 and Advance warrants from the Contingencies Fund are irregularly treated as release warrants and thereby increasing approved funds by Parliament with unapproved funds.

I have indicated repeatedly in my previous reports that this treatment of advance warrants makes it difficult to determine as to whether the funds were applied for intended purpose.

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

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.

I wish to state that the issue of un-reconciled balances of Below-The-Line accounts dates as far back as 1978 and in the last Audit Report on the Public Accounts of the Government of Lesotho for the year ended 31 March 2009, which were prepared under the Government of Lesotho Financial Information System (GOLFIS), the basis for Disclaimer of Audit Opinion was unsupported balances of Below-The-Line accounts.

These accounts have not been reconciled and the possibility of ever reconciling them is non-existent as supporting documents, which were not available then, cannot be available now. The officers with first hand information, who could not reconcile then, may not be available due to deaths, health issues, etc.

**The Government needs to present the issue of un-reconciled balances of Below-The-Line accounts before Parliament for decision as this will always form basis for qualification of accounts if not addressed.**

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)

<b>DESCRIPTION</b>	<b>GOLFIS Balance M'000</b>	<b>Bank Balance M'000</b>
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**

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

---

### **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**

My office has a broad mandate for conducting audits on any Government agency. Mandate 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.

The Constitution requires Auditor-General to audit and report at least once in every year on the public accounts of the Government of Lesotho, the accounts of all officers and authorities of that Government, the accounts of all courts in Lesotho, the accounts of every Commission established by the Constitution and the accounts of the Clerk to each House of Parliament.

### **2.3 RESPONSIBILITY OF THE AUDITOR-GENERAL**

My responsibility is to audit the consolidated financial statements and form an opinion based on the audit work conducted. I also examine the extent to which the financial rules and other regulations and directives are adhered to.

It is important to understand that an audit provides reasonable assurance as to the accuracy, 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.

## **2.5 AUDIT PROCEDURES**

The audit procedures were primarily designed to detect material misstatements in the financial statements. Materiality means how significant an omission or misstatement in the financial statements can influence or change the decisions of reasonably knowledgeable users relying on the financial statements.

The audit was not designed to ensure that the financial statements are 100% accurate, since it is not possible to verify all transactions. The audit was designed to gain reasonable assurance that the financial statements are free from material misstatements. Audit procedures included examining, on test basis, evidence supporting the amounts and other disclosures in the financial statements, and evaluating the accounting policies used, as well as overall presentation of the financial statements. The errors discovered were accumulated and assessed on whether they would, in aggregate, cause the financial balances to be materially misstated.

The audit was also 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.

## **2.6 TYPES OF AUDITS PERFORMED**

The Auditor-General has the mandate to carry out examinations into the financial management of any State Agency, including the

efficiency and effectiveness of the use of their resources in discharging their functions.

My office is therefore primarily involved in three types of audits. **Financial audit** involves verifying the accuracy of the information reported in the financial statements. **Compliance audit** involves verifying whether the rules, regulations, directives and procedures are adhered to. **Performance or Value-For-Money audit** focuses on whether there was efficiency and effectiveness in the use of resources. Performance audit assesses the management and performance issues facing an organisation or its operations.

## CHAPTER 3: CASH BALANCES

### 3.1 CASH POSITION

Section 74 of the Treasury Regulations gives the Accountant-General the authority to establish and maintain agreements with the Central Bank of Lesotho to define and operate the Consolidated Fund bank accounts structure, including sub-accounts and also to establish and maintain agreements with commercial banks on the operation of other official bank accounts.

Note 15 to the Consolidated Financial Statements shows that at 31 March 2020, there were 82 bank accounts with a total amount of M4.279 billion held at the Central Bank of Lesotho and 292 bank accounts totalling M1.026 billion at the commercial banks. All in all, Government operated 374 bank accounts with a total amount of M5.311 billion as reflected on Table 3.1.

**Table 3.1- Cash position as at 31 March 2020**

Accounts	Central Bank of Lesotho		Commercial Banks		Total	
	No.	Amount M'000	No.	Amount M'000	No.	Amount M'000
Locally Denominated	40	3,546,978	219	898,861	259	4,445,839
Foreign Currency	40	392,495	33	106,716	73	499,211
Monies held in Trust	2	339,673	40	26,460	42	366,133
<b>Total</b>	<b>82</b>	<b>4,279,146</b>	<b>292</b>	<b>1,026,037</b>	<b>374</b>	<b>5,311,183</b>

Source: Consolidated Financial Statements

Even though Note 15 to the financial statements shows that Government had 374 accounts totalling M5.311 billion as at 31 March 2020, the Consolidated Statement of Cash Receipts and Payments however, reflect that Government had cash of M8.724 billion resulting into unexplained difference of M3.474 billion.

### 3.2 COMPARISON OF CASH POSITION FOR THE CURRENT YEAR AND THE PREVIOUS YEAR

The Government of Lesotho had 374 bank accounts with a total amount of M5.311 billion as at 31 March 2020 whereas at 31 March 2019, there were 387 accounts totalling M6.328 billion resulting into a cash decrease of M1.017 billion and a decrease of 13 accounts as presented on Table 3.2. However, the Statement of Consolidated Receipts and Payments reflect a cash increase of M1.877 billion.

The decrease of 13 accounts is a result of 43 accounts held at the Central Bank of Lesotho and the Standard Lesotho Bank that were

closed during the year under review and also 30 newly opened accounts at the various banks.

**Table 3.2 – Comparison of cash position for two years**

Bank	Accounts at 31 March 2020		Accounts at 31 March 2019		Increase/ (Decrease) in No. of accounts	Cash Increase/ (Decrease) (M'000)
	No. of accounts	Amount (M'000)	No. of accounts	Amount (M'000)		
<b>Locally Denominated Accounts:</b>						
Central Bank of Lesotho	40	3,546,978	61	3,618,403	-21	-71,425
Nedbank Lesotho	47	102,857	31	43,031	16	59,826
Standard Lesotho Bank	128	319,914	150	611,052	-22	-291,138
First National Bank	12	44,473	11	39,875	1	4,598
Lesotho Post Bank	32	431,617	30	402,577	2	29,040
<b>Total</b>	<b>259</b>	<b>4,445,839</b>	<b>283</b>	<b>4,714,937</b>	<b>-24</b>	<b>-269,098</b>
<b>Foreign Currency Accounts:</b>						
Central Bank of Lesotho	40	392,495	36	195,649	4	196,846
Standard Lesotho Bank	6	71,394	6	947,957	-	-876,563
First National Bank	3	1,022	2	25,605	1	-24,583
ABSA	1	3,358	1	3,163	-	195
Foreign Missions	23	30,942	22	85,891	1	-54,949
<b>Total</b>	<b>73</b>	<b>499,211</b>	<b>67</b>	<b>1,258,265</b>	<b>6</b>	<b>-759,054</b>
<b>Government Accounts Total Balance</b>	<b>332</b>	<b>4,945,051</b>	<b>350</b>	<b>5,973,203</b>	<b>-18</b>	<b>-1,028,152</b>
<b>Monies held in Trust:</b>						
Central Bank of Lesotho	2	339,673	2	333,090	-	6,583
Nedbank Lesotho	1	411	-	-	1	411
Standard Lesotho Bank	28	10,820	26	6,679	2	4,141
First National Bank	2	1,345	2	1,190	-	155
Lesotho Post Bank	9	13,884	7	13,865	2	19
<b>Trust Monies Balance</b>	<b>42</b>	<b>366,133</b>	<b>37</b>	<b>354,825</b>	<b>5</b>	<b>11,308</b>
<b>GRAND TOTAL</b>	<b>374</b>	<b>5,311,184</b>	<b>387</b>	<b>6,328,028</b>	<b>-13</b>	<b>-1,016,844</b>

Source: Consolidated Financial Statements

### 3.3 OWNERSHIP MANAGEMENT OF BANK ACCOUNTS

Section 74 (2) of Treasury Regulations 2014 requires the Accountant-General to maintain a register of official bank accounts, showing ministry or office responsible; name of bank; account number; purpose of account; date opened; and date closed, if applicable.

The audit established that the Accountant-General has not maintained the register for official bank accounts properly. As a result, I could not verify the number of accounts against the information provided by the banks.

In the event of poorly maintained register and also discrepancies of information from the banks I could not confirm the accuracy and completeness of 362 accounts with a total bank balance of M5.313 billion per bank confirmations and this impairs the reliability of the reported cash position of the Government of Lesotho as at 31 March

2020. The poorly maintained register also compromises ownership management of bank accounts.

### 3.4 INCONSISTENT INFORMATION PROVIDED BY THE BANKS

Bank confirmations are the most reliable type of audit evidence that auditors can obtain with regards to the existence, accuracy and the ownership of bank accounts and bank account balances of the audited entity.

The banks have provided confirmations of cash balances as at 31 March 2020 and confirmations of opened accounts and closed accounts during the financial year 2019/20.

The following concerns that emerged on examination of banks confirmations throw doubt on the reliability of bank information:

#### a) Discrepancies in number of bank accounts

The total number of accounts held at different banks as at 31 March 2019 was 387. The information provided by the banks revealed that during financial year 2019/20; 69 new bank accounts were opened, 40 were closed and therefore the expected number of bank accounts at the end of the year was 416. However, the bank certificates showed a total number of 362 accounts as at 31 March 2020 and thus resulting into a shortfall of 54 accounts as presented on Table 3.4a. This scenario impairs reliability of the reported cash position of the Government as at 31 March 2020.

**Table 3.4a - Variances between expected number of bank accounts and actual number per bank certificates**

Bank	No. of accounts as at 31.03.2019	No. of accounts opened during 2019/20	No. of accounts closed during 2019/20	Expected No. of accounts as 31.03.2020	No. of accounts as at 31.03.2020 per bank certificates	Variance
A	B	C	D	E=B+C-D	F	G=E-F
Central Bank	99	6	19	86	82	(4)
Nedbank Lesotho	31	3	-	34	48	14
Standard Lesotho	182	34	7	209	149	(60)
First National	15	5	-	20	17	(3)
Lesotho Post Bank	37	19	14	42	41	(1)
ABSA	1	-	-	1	1	-
Foreign Missions	22	2	-	24	24	-
<b>Total</b>	<b>387</b>	<b>69</b>	<b>40</b>	<b>416</b>	<b>362</b>	<b>(54)</b>

Source: Consolidated Financial Statements, Bank certificates

Some of the contributing factors for the discrepancies were as follows:

- Out of the seven (7) accounts reported by Standard Lesotho Bank to have been closed during the year 2019/20, six accounts still appeared on the bank certificate as at 31 March 2020.
- Two accounts namely, Capital Project Leribe and Decentralisation Local Auth. Recu Leribe were reported by Lesotho Post Bank to have been opened and closed on 04 September 2019.

**b) New accounts not appearing on bank certificates**

The audit established that a total of 25 accounts reported by Nedbank, Standard Lesotho Bank and Lesotho Post Bank to have been opened during the year 2019/20 did not appear on bank certificates as at 31 March 2020.

- **Nedbank** – Out of 3 accounts opened during the year, two appeared on bank certificate.
- **Standard Lesotho Bank** - Accounts opened during the year were 34; only 13 appeared on bank certificate.
- **Lesotho Post Bank** - Accounts opened during the year were nineteen (19); 16 appeared on bank certificate.

It was further noted that 28 accounts totalling M198 million presented on Table 3.4b were not part of reported accounts at 31 March 2019 and had appeared on bank confirmations as at 31 March 2020. However, these accounts did not appear on the confirmations from the banks for the new accounts opened during the year 2019/20.

**Table 3.4b – Accounts not appearing in the list of new accounts**

<b>Bank</b>	<b>No. of accounts</b>	<b>Balance as at 31 March 2020</b>
Central Bank of Lesotho	7	148,386,081
Nedbank	16	44,851,553
Standard Lesotho Bank	3	5,209,331
First National Bank	1	-
Lesotho Post Bank	1	37,257
<b>Total</b>	<b>28</b>	<b>198,484,221</b>

Source: Bank Confirmations

### c) Missing bank accounts

The Comparison of previous year's bank confirmations and current year's bank confirmations revealed that sixty-four (64) accounts with a total balance amount of M48.3 million shown on Table 3.4c appeared on bank confirmations as at 31 March 2019 but no longer appeared on bank confirmations as at 31 March 2020 nor appeared on lists of closed accounts.

**Table 3.4c – Missing bank accounts**

<b>Bank</b>	<b>No. of accounts</b>	<b>Balance as at 31 March 2019</b>
Central Bank of Lesotho	10	5,304,070
Nedbank Lesotho	1	86,834
Standard Lesotho Bank	49	41,724,287
First National Bank	2	457,765
Lesotho Post Bank	2	708,173
<b>Total</b>	<b>64</b>	<b>48,281,129</b>

Source: Bank Confirmations

### Response by the banks

Upon inquiry of the missing bank accounts, the banks responded as follows in May 2021:

- **Central Bank of Lesotho**

The Central Bank of Lesotho responded that 3 accounts totalling M5,304,070 could not be closed due to challenges encountered in their system. The 3 accounts have been closed (though date not stated) and 1 account was still active. For the remaining 3 accounts, Treasury confirmed that they had been closed though my concern still remains as to why the accounts were not included Account Closure Confirmation from banks.

- **Nedbank Lesotho**

Nedbank stated that the account with a balance M86,834 was mistakenly omitted.

- **Standard Lesotho Bank**

The bank has reported that 38 accounts with a total balance of M44,230,888 have been closed; 4 accounts with balances totalling M3,464,870 were dormant whereas 7 accounts totalling M7,494,631 were reported to be still active. The bank further stated that as at 31 March 2020 those active accounts

had a total balance of M7,285,553 and there was one dormant account with a balance of M203,757.

There were supporting documents on 26 closed accounts; 9 accounts with a total balance of M23,232,448 were transferred to the recurrent expenditure account at CBL, 9 accounts with a balance of M13,830,799 transferred to Unspent Funds account at CBL whereas 8 accounts had nil balances on closure.

However, there was no information on 12 accounts with total balance of M7,167,641 reported to have been closed.

- **First National Bank**

One account was closed on 5 October 2019 and the other one on 31 December 2019.

- **Lesotho Post Bank**

Loan Bursary Fund account with a balance of M708,173 was omitted and the other account was closed but date of closing not disclosed.

### **3.5 DISCREPANCIES BETWEEN FINANCIAL STATEMENTS AND BANK CONFIRMATIONS**

There were discrepancies between the consolidated financial statements and Bank Confirmations with regard to the number of bank accounts and cash balances as at 31 March 2020. There are 374 accounts held at the different banks reported in the financial statements totalling M5.311 billion whereas bank confirmations reflect 362 accounts with a total balance of M5.313 billion resulting into a variance of 12 accounts totalling M2 million. The variances were mainly on the accounts held at the Standard Lesotho Bank (SLB) as indicated on Table 3.5(a) below.

**Table 3.5 (a) – Variances between financial statements and Bank confirmations**

Bank	Financial Statements		Bank confirmation		Variance	
	No.	Amount M'000	No.	Amount M'000	No.	Amount M'000
SLB – Gov. Accounts	128	319,914	116	321,479	12	(1,565)
SLB – Foreign currency	6	71,394	5	71,394	1	-
SLB – Trust Funds	42	10,820	42	11,102	-	(440)
Foreign Missions	23	30,942	24	31,382	(1)	(282)
<b>Total</b>	<b>199</b>	<b>433,070</b>	<b>187</b>	<b>435,357</b>	<b>12</b>	<b>(2,287)</b>

Source: Consolidated Financial Statements and Bank Confirmations

The following factors contributed to the variances shown on Table 3.5 (a) above:

**a) Accounts held in local banks**

- Treasury has captured 12 accounts with zero balances in the consolidated financial statements that were not reflected in the Bank confirmations.
- The difference of M1.565 million is a net omission of the balance M1,846,832 for Economic Diversification Support Project in the Ministry of Trade & Industry and erroneous inclusion of the balance of M281,528 for Third Party Deposits.
- Inclusion of local bank account (Digital Migration Project Account held at the Standard Lesotho Bank) in the list of foreign currency accounts.
- Third Party Call Account with zero balance for the Ministry of Finance was included in the Trust Monies accounts but did not appear in the Standard Lesotho Bank confirmation.

**b) Accounts held in foreign countries**

- One of the two Tokyo accounts (A/c No. 3006576) has been omitted from the Ministry's lead schedule, hence a difference of one (1) in foreign missions accounts.
- The currency balances as at 31 March 2020 in four (4) Missions (Ottawa, Rome, Durban and Kuwait) were misstated in the Ministry lead schedule, the effect of which was an overstatement of the financial statements by M2,106,697.33 as shown on Table 3.5b.

**Table 3.5b - Differences between Lead Schedule and Bank confirmations**

Mission	Cur. Code	Currency balance per Lead Schedule	Currency balance per Bank Confirmation	Currency variance amount	Conversion Rate	Amount converted to Maloti
Ottawa	CAD	608,392.06	608,398.06	(6.00)	12.7014	(76.21)
Rome	EUR	808.59	3,650.59	(2,842)	19.8208	(56,330.71)
Durban	ZAR	(928.66)	(52,070.97)	51,142.31	1.0000	51,142.31
Kuwait	KWD	37,179.00	37.179	37,141.821	56.8621	2,111,961.94
<b>Total</b>						<b>2,106,697.33</b>

Source: Missions' records and Bank Confirmations

Further scrutiny revealed that a USD current account for New Delhi had a balance of USD143,249.26 as at 31 March 2020. However, the conversion rate applied (as per the lead schedule) to a currency

balance to Maloti amount was 0.2368 (INR), which resulted into a converted amount of M33,921.42 whereas the appropriate rate of 18.0156 (USD) should have been applied to get a converted amount of M2,580,721.37. Application of the wrong conversion rate resulted in understatement of the financial statements by M2,546,799.95.

Therefore, the misstated currency balances in four missions and application of the wrong conversion rate resulted into an overall understatement of the financial statements by M440,102.62.

### **3.6 BANK ACCOUNTS AT THE FOREIGN MISSIONS**

#### **a) Un-reconciled balances**

Scrutiny of the bank reconciliation statements revealed that current accounts for Berlin mission and Durban consulate did not reconcile with cashbook balances, thus leaving un-reconciled amounts of M79,393.22 and M33,895.31 respectively. Furthermore, Berlin Mission had not prepared bank reconciliation statement for a security account with a confirmed bank balance of M37,252.72.

#### **b) Overdrawn bank accounts**

Section 74 (6) of the Treasury Regulations 2014 states that Chief Accounting Officers should not permit the overdrawing of an official bank account without the prior approval of the Principal Secretary for Finance, who is authorised to approve such overdrafts provided they do not extend beyond the end of the current financial year; and such overdrafts are not more than Twenty Thousand Maloti. An overdraft of more than Twenty Thousand Maloti requires the approval of the Minister or Cabinet in accordance with Section 74 (7) of Treasury Regulations 2014.

The audit revealed that the bank accounts listed on Table 3.6 below were overdrawn beyond Twenty Thousand Maloti as at 31 March 2020 and there was no approval neither from the Principal Secretary for finance nor Minister authorising the overdraft.

**Table 3.6 - Overdrawn bank accounts**

<b>Mission Name</b>	<b>Currency Code</b>	<b>Reconciled bank balance (in Foreign currency)</b>	<b>Conversion rate</b>	<b>Reconciled bank balance (Converted to Maloti)</b>
Washington	USD	(8,594.02)	18.0156	(154,826.43)
Johannesburg	ZAR	(73,762.00)	1.0000	(73,762.00)
New Delhi	INR	(95,370.16)	0.2368	(22,583.65)

**Source: Missions' records**

## CHAPTER 4: CASH RECEIPTS

### 4.1 CASH RECEIPTS

Recurrent and capital are the two streams of receipts that constitute the resources of the Government of Lesotho. Recurrent receipts include direct and indirect taxes, fees, charges and dividends. Capital receipts comprise miscellaneous capital receipts and donor funds (loans and grants). Government ministries responsible for the collection of revenue are given targets in terms of approved estimates for each financial year.

Revenue figures included in the consolidated financial statements are actual receipts some of which may not necessarily relate to the current financial year. Revenue arrears realised relating to previous years are accounted for as current revenue in the year of collection.

### 4.2 REVENUE COLLECTIONS FOR THE YEAR

Actual receipts for the financial year 2019/20 slightly increased compared to the previous year, with recorded receipts of M16.909 billion as compared to M16.228 billion. There was an increase of M681 million or 4.2%. Revenue collections overall reported in the years 2015/16 to 2019/20 are summarised on Table 4.2 below.

**Table 4.2 – Trends in cash receipts**

Description	2019/20	2018/19	2017/18	2016/17	2015/16
	M'000	M'000	M'000	M'000	M'000
A	B	C	D	E	F
Income, profit	4,105,014	4,142,035	3,509,318	3,723,087	3,714,606
International trade	-	-	317,619	257,039	250,107
Goods and services	3,212,831	3,093,070	2,609,948	2,418,705	2,187,420
Other taxes	2,466	1,041	1,319	1,858	1,154
SACU Receipts	6,226,210	5,542,236	6,154,199	4,518,966	6,398,620
<b>Total Taxes</b>	<b>13,546,521</b>	<b>12,778,382</b>	<b>12,592,403</b>	<b>10,919,655</b>	<b>12,551,907</b>
Other revenue	1,754,621	2,247,501	1,637,183	1,791,956	1,302,679
Disposal of Assets	60,139	38,011	58,647	581	568
<b>Total Recurrent Receipts</b>	<b>15,361,281</b>	<b>15,063,894</b>	<b>14,288,233</b>	<b>12,712,192</b>	<b>13,855,154</b>
Grants	588,347	666,682	632,000	1,201,544	908,891
Loans	959,836	497,897	446,422	193,756	-
<b>Total Capital Receipts</b>	<b>1,548,183</b>	<b>1,164,579</b>	<b>1,078,422</b>	<b>1,395,300</b>	<b>908,891</b>

Description	2019/20	2018/19	2017/18	2016/17	2015/16
	M'000	M'000	M'000	M'000	M'000
<b>Grand Total</b>	<b>16,909,464</b>	<b>16,228,473</b>	<b>15,366,655</b>	<b>14,107,492</b>	<b>14,764,045</b>
<b>Increase/(Decline)</b>	<b>680,991</b>	<b>861,818</b>	<b>1,259,163</b>	<b>(656,553)</b>	<b>(1,996,922)</b>
<b>Incr./(Decline) %</b>	<b>4.2</b>	<b>5.6</b>	<b>8.9</b>	<b>(4.4)</b>	<b>(11.9)</b>

Source: Consolidated Financial Statements

### 4.3 RECURRENT RECEIPTS

Government day to day financial transactions are recorded in the IFMIS ledger, even the transactions that are captured outside the system should be eventually posted into IFMIS Ledger. The financial statements should be prepared on the basis of IFMIS Ledger and the consolidated financial statements are basically the consolidation of ministries' accounts, Treasury accounts and Third Parties' accounts.

The Consolidated Statement of Cash Receipts and Payments show recurrent receipts totalling M15.361 billion; Ministries' financial statements show a total of M15.362 billion while IFMIS ledger has a total of M15.309 billion as presented on Table 4.3. The difference is an indication that there were transactions that bypassed the source document (IFMIS ledger) for preparation of the financial statements leading to understatement of ledger by M53 million.

This challenge is further emphasised by the Accountant-General in her report that there were teething problems following the upgrading of IFMIS from Epicor 7.3.5 to 10.2 in April 2019. The challenges were due to customisation that was done on the product to conform to Treasury requirements and unique business processes. She reported that there were accessibility challenges due to failure to connect some points, mainly in the districts and interfaces with other financial systems were not complete by 31 March 2020.

**Table 4.3 – Comparison of the consolidated financial statements, Ministries' financial statements and IFMIS Ledger**

Collecting Units	Consolidated FS	Ministries' FS	IFMIS Ledger	Variance
A	B	C	D	E=B-D
Agriculture	29,089,448	29,089,448	29,089,490	(42)
Health	27,749,067	27,749,067	20,819,922	6,929,145
Education	3,540,258	3,540,258	2,339,693	1,200,565
Finance	13,700,477,598	13,700,477,598	13,681,425,830	19,051,768
Trade	7,481,992	7,481,992	7,525,627	(43,635)

Collecting Units	Consolidated FS	Ministries' FS	IFMIS Ledger	Variance
A	B	C	D	E=B-D
Planning	14,060	14,060	14,060	-
Justice	71,562	71,562	39,562	32,000
Home Affairs	21,810,395	21,810,395	12,759,008	9,051,387
Communications	5,597,943	5,597,943	5,597,943	-
Law	8,823,724	8,823,724	823,724	8,000,000
Public Works	13,588,716	13,588,716	13,652,716	(64,000)
Energy	309,932,203	309,932,204	309,166,764	765,440
Labour	10,623,518	10,623,518	10,623,518	-
Tourism	1,923,273	1,923,273	1,923,273	-
Auditor-General	507,485	507,485	507,485	-
Defence	612,267	612,267	562,267	50,000
IEC	453,913	453,913	-	453,913
Loc. Government	5,701,909	5,701,909	664,043	5,037,866
Gender	18,725	18,725	8,065	10,660
Public Service	7,974,851	7,994,851	6,602,047	1,392,804
Judiciary	1,978,461	1,978,461	117,350	1,861,111
Social Development	16,000	16,000	16,000	-
Mining	358,003,474	358,003,474	358,002,474	1,000
Police	9,584,455	9,859,295	9,859,295	-
Small	467,889	467,889	467,889	-
Water	835,238,584	835,238,584	835,238,584	-
<b>Total</b>	<b>15,361,281,770</b>	<b>15,361,576,611</b>	<b>15,307,846,629</b>	<b>53,729,982</b>

Source: Consolidated and Ministries' financial statements, IFMIS ledger

#### 4.4 BUDGET EXECUTION ON RECURRENT RECEIPTS

Recurrent receipts were budgeted at M17.114 billion and the actual collection amounted to M15.362 billion resulting into overall collection of 90% as indicated on Table 4.4. It is noted that there was 100% collection on SACU receipts and M59 million was collected from disposal of financial assets though there was no budget for that revenue subhead.

**Table 4.4 - Budget Execution by Revenue Subhead**

Revenue Subhead	Budget M'000	Actual M'000	Variance M'000	Collection (%)
A	B	C	D=B-C	E=C/B
Taxes	8,625,787	7,318,800	1,306,987	85
Other Revenue	2,262,406	1,756,407	505,999	78
SACU	6,226,200	6,226,210	-10	100
Financial Assets	-	58,918	-58,918	-
Non-financial Assets	20	1,221	-1,201	6,105

Revenue Subhead	Budget M'000	Actual M'000	Variance M'000	Collection (%)
A	B	C	D=B-C	E=C/B
<b>Total</b>	<b>17,114,413</b>	<b>15,361,556</b>	<b>1,752,857</b>	<b>90</b>

Source: Book of Estimates and Ministries' Financial Statements

#### 4.5 RECEIPTS ON TAXES

Revenue on taxes fell short of the budget by 15% as indicated on Table 4.5 below and significant shortfall of M1.3 billion was under the Ministry of Finance.

**Table 4.5 – Budget Execution on Taxes**

Ministry	Budget M'000	Actual M'000	Variance M'000	Collection (%)
A	B	C	D=B-C	E=C/B
Health	137	88	48	65
Finance	8,310,041	7,007,943	1,302,098	84
Trade	11,777	7,482	4,295	64
Law	100	-	100	0
Public Works	13,145	5,584	7,561	42
Energy	288,000	295,576	-7,576	103
Tourism	1,226	808	417	66
Loc. Government	100	251	-151	251
Judiciary	4	38	-34	1073
Police	800	608	192	76
Small Business	458	423	35	92
<b>Total</b>	<b>8,625,787</b>	<b>7,318,800</b>	<b>1,306,987</b>	<b>85</b>

Source: Book of Estimates and Ministries' Financial Statements

#### 4.6 OTHER REVENUE

There was a significant decline of 22% on Other Revenue from M2.247 billion in 2018/19 to M1.756 billion in 2019/20. Substantial decrease were on the following items listed on Table 4.6:

**Table 4.6 – Comparison of Other Revenue**

Description	2019/20 M'000	2018/19 M'000	Increase/ (Decrease) M'000	Increase/ (Decrease) (%)
A	B	C	D=B-C	E=B/C
Dividends	171,274	321,917	(150,643)	(88)
Rent- Non Produced Assets	321,733	346,372	(24,639)	(8)
Rand Monetary Compensation	197,273	232,178	(34,905)	(18)
Electricity – 'Muela	13,567	62,138	(48,571)	(358)

Description	2019/20 M'000	2018/19 M'000	Increase/ (Decrease) M'000	Increase/ (Decrease) (%)
A	B	C	D=B-C	E=B/C
Water Royalties	830,318	932,341	(102,023)	(12)
Non Market establishments	87,078	154,237	(67,159)	(77)
Fines, penalties and fines	1,929	4,273	(2,344)	(122)
Voluntary Transfers	1,413	300	1,113	79
Miscellaneous Revenue	9,121	12,927	(3,806)	(42)
<b>Total</b>	<b>1,633,706</b>	<b>2,066,683</b>	<b>(432,977)</b>	<b>(27)</b>

Source: Consolidated Financial Statements for 2019/20 and 2018/19

#### a) Dividends

Dividends received represent cash received by Government during the year under review on dividends declared by the enterprises for the previous years' performance.

Dividends received during financial year 2019/20 amounted to M171 Million, which was less by M151 Million as compared to the previous year's figure of M322 Million as indicated on Table 4.6a. Out of 15 trading entities, 3 entities paid dividends during the year under review and 5 entities paid in the previous year 2018/19.

The situation raises a serious concern on monitoring of dividends receivable by the Government.

**Table 4.6a – Dividends**

Entity	Sector	Government Ownership	Dividends received in 2019/20	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	26.50%	-	-	-
Gem Stone (Show Ridge)	Mining	25%	-	-	-
Reskol Diamond Mine	Mining	10%	-	-	-
Central Bank of Lesotho	Banking	100%	142,177,000	84,396,000	
Standard Lesotho Bank	Banking	9.60%	24,125,000	24,125,000	-
AON	Insurance	5%	-	395,854	-

Entity	Sector	Government Ownership	Dividends received in 2019/20	Dividends received in 2018/19	Comments
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%	4,972,245	-	LNDC owns 51%
Avani International	Hospitality	36.40%	-	-	LNDC owns 16.7%
Loti Brick	Brick making	22.80%	-	-	LNDC owns 73.6%
<b>Total Dividends</b>			<b>171,274,245</b>	<b>321,916,854</b>	

Source: Consolidated Financial Statements for 2019/20 and 2018/19

#### b) Electricity - `Muela

I have noted a major decline of revenue on `Muela electricity. The revenue has dropped by M49 million from the previous year figure of M62 million to M13 million in the current year.

The Treasury attributed the decline on Electricity-`Muela to the drought that affected the production of electricity and the Lesotho Electricity Company did not honour some of the issued certificates.

### 4.7 DISPOSAL OF ASSETS

#### a) Disposal of financial assets

There was no revenue budget for disposal of financial assets, however the Ministries of Finance and of Mining collected M18,595,329 and M40,323,206 respectively.

#### b) Disposal of non-financial assets

The Ministry of Development Planning had budgeted M20,000 on disposal of non-financial assets and there was no collection under this item. The Ministry of Agriculture which did not budget for this type of revenue collected M1,221,000.

Treasury indicated that the auctions are not normally budgeted for as they are carried out as and when it becomes evident that the

assets are obsolete. However, they have taken an exercise to prepare for the inclusion of assets in the financial reports through establishment of asset management function.

#### 4.8 DONOR RECEIPTS

During the year under review, donor receipts amounted to M1.548 billion consisting of donor grants of M588 million and donor loans of M960 million as reflected on Table 4.8. The consolidated financial statements and ministries' financial statements reflected the same figures on both grants and loans.

**Table 4.8 – Donor funds received**

<b>Ministry</b>	<b>Grants Received</b>	<b>Loans Received</b>	<b>Total donor funds received</b>
<b>A</b>	<b>B</b>	<b>C</b>	<b>D=B+C</b>
Agriculture	76,674,325	121,935,510	198,609,835
Health	174,373,048	37,947,036	212,320,084
Education.	9,520,948	36,193,890	45,714,838
Finance	193,646,491	81,674,509	275,321,000
Trade	55,669,110	16,664,480	72,333,590
Dev. Planning	2,180,106	-	2,180,106
PM's Office	27,766,296	-	27,766,296
Communications	374,046	18,979,398	19,353,444
Public Works	-	306,017,344	306,017,344
Energy	25,370,084	132,667,435	158,037,519
Tourism	3,086,877	-	3,086,877
Local Government	236,000	-	236,000
Gender	579,889	-	579,889
Soc. Development	9,483,392	137,667,441	147,150,833
Water	9,386,034	70,088,952	79,474,986
<b>Total</b>	<b>588,346,646</b>	<b>959,835,995</b>	<b>1,548,182,641</b>

Source: Ministries' financial statements

## CHAPTER 5: CASH PAYMENTS

### 5.1 CASH PAYMENTS FOR RECURRENT EXPENDITURE

There are two types of payments, those recurrent in nature and the ones for development purposes.

The comparison of revised budget of M14.832 billion and actual expenditure of M14.267 billion resulted into a budget execution of 96% as reflected on Table 5.1. Over expenditures were noted on transfers, losses, acquisition of non-financial assets; and repayments of foreign debt.

The Ministry of Finance had budgeted M96,000 on losses and there was no expenditure incurred on that item. On the contrary, there was no budget under the Ministry of Gender but expenditure amounted to M492,194.

**Table 5.1– Budget Execution of Recurrent Payments**

Subhead	Revised Budget	Actual Expenditure	Under/(Over) Expenditure	Budget Execution (%)
A	B	C	D=B-C	E=C/B
Compensation of Employees	7,000,055,882	6,639,625,030	360,430,852	95
Travel and Transport	494,476,174	463,269,762	31,206,412	94
Operating Costs	2,397,291,518	2,224,629,634	172,661,884	93
Interest	515,277,515	515,277,515	-	100
Transfers	2,046,793,250	2,135,210,464	(88,417,214)	104
Other Expenses	959,516,921	856,808,255	102,708,666	89
Losses	96,000	492,194	(396,194)	513
Acquisition of Financial Assets	12,469,649	9,318,379	3,151,270	75
Special Drawing Rights	2,562,957	-	2,562,957	-
Acquisition of Non-fin. Assets	72,116,368	73,159,786	(1,043,418)	101
Repayments – Domestic	585,844,818	585,844,818	-	100
Repayments – Foreign	745,441,026	763,922,262	(18,481,236)	102
<b>Total</b>	<b>14,831,942,078</b>	<b>14,267,558,100</b>	<b>564,383,978</b>	<b>96</b>

Source: Ministries' financial statements

### 5.2 TRANSFERS

Total actual expenditure on transfers has exceeded the budget by 4% and the spending units that had a budget execution of more than 100% are Ministry of Water at 8358%, Pensions and Subscriptions to international organisations, both with budget execution of 105% as presented on Table 5.2 below.

**Table 5.2 – Budget Execution on Transfers**

Spending Unit	Revised Budget	Expenditure	Under/(Over) Expenditure	Budget Exec. (%)
A	B	C	D=B-C	E=C/B%
Education	412,730,685	413,750,946	-1,020,261	100
Finance	407,636,152	396,925,618	10,710,534	97
PM's Office	58,204,644	44,185,930	14,018,714	76
Communications	22,653,163	21,673,125	980,038	96
Law	13,642,106	11,231,568	2,410,538	82
Public Works	6,000,000	5,590,000	410,000	93
Labour	10,800,000	10,800,000	-	100
Tourism	24,180,145	23,534,225	645,920	97
IEC	19,727,726	19,401,179	326,547	98
Loc. Government	33,240,802	31,258,498	1,982,304	94
Gender	11,069,627	10,312,210	757,417	93
Judiciary	16,800	-	16,800	-
Soc. Development	191,039,850	155,800,143	35,239,707	82
Small Business	21,968,195	21,006,603	961,592	96
Water	1,351,700	112,971,543	-111,619,843	8,358
Pensions	775,679,547	817,905,433	-42,225,886	105
Subscriptions	36,852,108	38,863,443	-2,011,335	105
<b>Total</b>	<b>2,046,793,250</b>	<b>2,135,210,464</b>	<b>-88,417,214</b>	<b>104</b>

Source: Ministries' financial statements

### 5.3 ACQUISITION OF NON-FINANCIAL ASSETS

Most Spending Units had a satisfactory budget execution ranging from 78% to 100% on acquisition of non-financial assets as indicated on Table 5.3. The Ministry of the Public Works exceeded budget of M20,389,689 by M8,254,139 (40%) on acquisition of non-financial assets, whereas Ministry of Education and of Social Development did not use their budgets at all.

**Table 5.3 – Acquisition of Non-financial Assets**

Spending Unit	Revised Budget	Expenditure	Under/(Over) Expenditure	Budget Exec. (%)
A	B	C	D=B-C	E=C/B%
Health	14,870,000	14,569,621	300,379	98
Education	2,466,090	-	2,466,090	0
Finance	1,446,854	992,692	454,162	69
Planning	1,450,000	1,450,000	-	100
PM's Office	5,807,730	5,807,729	1	100
Public Works	20,389,689	28,643,828	-8,254,139	140

Spending Unit	Revised Budget	Expenditure	Under/(Over) Expenditure	Budget Exec. (%)
A	B	C	D=B-C	E=C/B%
Tourism	174,208	125,384	48,824	72
Defence	200,000	200,000	-	100
Nat. Assembly	1,160,000	1,151,332	8,668	99
Senate	3,661,940	2,849,613	812,327	78
Loc. Government	-	19,157	-19,157	-
Gender	2,376,701	2,342,140	34,561	99
Judiciary	14,722,783	14,722,782	1	100
Soc. Development	3,097,900	-	3,097,900	0
Small Business	292,473	285,508	6,965	98
<b>Total</b>	<b>72,116,368</b>	<b>73,159,786</b>	<b>-1,043,418</b>	<b>101</b>

Source: Ministries' financial statements

#### 5.4 CASH PAYMENTS FOR DEVELOPMENT EXPENDITURE

Donor expenditure amounted to M1.358 billion consisting of grant expenditure of M585 million and loan expenditure of M773 million as reflected on Table 5.4. The consolidated financial statements and ministries' financial statements reflected the same figures on both grant and loan expenditure.

**Table 5.4 – Comparison of Grants Expenditure**

Ministry	Grants Expenditure	Loan Expenditure	Total
A	B	C	D=B+C
Agriculture	36,777,297	82,736,076	119,513,373
Health	165,206,168	37,855,156	203,061,324
Education	6,822,567	47,075,702	53,898,269
Finance	244,642,375	80,782,690	325,425,065
Trade	79,681,378	16,375,331	96,056,709
Communications	1,658,160	18,981,614	20,639,774
Public Works	-	302,108,742	302,108,742
Energy	23,532,332	132,667,435	156,199,767
Tourism	2,651,024	-	2,651,024
Local Government	662,121	-	662,121
Gender	230,096	-	230,096
Social development	8,700,431	38,140,062	46,840,493
Water	14,504,845	16,819,357	31,324,202
<b>Total</b>	<b>585,068,794</b>	<b>773,542,165</b>	<b>1,358,610,959</b>

Source: Consolidated financial statements and Ministries' financial statements

## CHAPTER 6: ACCOUNTS RECEIVABLE

### 6.1 ACCOUNTS RECEIVABLE

Accounts receivable are moneys owed to the government by public officers, spending units and state owned enterprises. Accounts receivable include amounts receivable by the government but have not been remitted on the due date (arrears of revenue), overdue debt by spending units and public officers (advances, imprests, refunds, etc.) and principal and interest payments due on loans made to institutions.

The Accountant-General has reported a total amount M104,207,000 in the form of advances, imprests, surcharges and refunds, which was due to Government at 31 March 2020. I have established from the ministries' financial statements that the imprest of M298,000 under the Ministry of Police was not taken into account and therefore the amount due should be M104,882,000 as indicated on Table 6.1.

**Table 6.1 – Accounts Receivables**

Ministry	Advances	Imprests	Refund of salary	Surcharge	Total
Agriculture	51,006,235	17,765	-	-	51,024,000
Health	-	-	850,000	-	850,000
Education	-	51,000	-	-	51,000
Finance	-	377,000	-	-	377,000
Trade	-	25,000	-	-	25,000
Planning	-	-	-	25,000	25,000
Home Affairs	-	5,309,000	-	-	5,309,000
PM's Office	-	1,553,000	-	-	1,553,000
Foreign	-	644,000	-	-	644,000
Labour	-	64,000	-	-	64,000
Majesty's Office	-	1,649,000	-	-	1,649,000
Defence	-	337,000	-	-	337,000
Nat. Assembly	-	-	-	21,000	21,000
Senate	-	47,000	-	-	47,000
Ombudsman	-	38,000	-	-	38,000
IEC	-	54,000	-	-	54,000
Loc. Government	-	44,000	-	-	44,000
Gender	-	606,000	-	-	606,000
Public Service	-	37,000	-	-	37,000
Soc. Development	-	41,175,000	-	-	41,175,000
*Police	-	298,000	-	-	298,000
Small Business	-	224,000	-	-	224,000
Water	50,000	-	-	-	50,000

Ministry	Advances	Imprests	Refund of salary	Surcharge	Total
<b>Total</b>	<b>51,056,235</b>	<b>52,549,765</b>	<b>850,000</b>	<b>46,000</b>	<b>104,502,000</b>

Source: Consolidated financial statements and ministries' financial statements

## 6.2 ADVANCES

The establishment and reimbursement of advances are provided under Section 33(1) of the Treasury Regulations 2014. The total outstanding advances as at 31 March 2020 amounted to M103,606,000 of which M52,549,7695 were travel advances.

### 6.2.1 ADVANCES TO FARMERS - MINISTRY OF AGRICULTURE

Smallholder Agricultural Development Project (SADP) gives grants to small farmers to enhance their farming, to move from subsistence farming to commercial farming. The project enters into agreement with farmers (individual or group of participants) where the modalities of payment are stipulated. Payments are normally made in three to four milestones, and farmers are required to report on each completed milestone. The payments are treated as advances and are expensed when the reports are received from the farmers.

The audit established that during financial year 2019/20, 340 beneficiaries were given total amount of M52,006,235 and there were no reports received during the year. The amount remained outstanding at the end of the financial year.

Furthermore, I raised a concern in my previous report about failure to produce financial reports by some beneficiaries resulting into unaccounted balance of M23,122,523. The amount was still outstanding at 31 March 2020.

It appears that my recommendation of ensuring that appropriate control measures are put in place to ensure accountability of funds by beneficiaries was not implemented. This could suggest that funds were not being used for intended purpose.

### 6.2.2 TRAVEL ADVANCES

Travel advances are moneys granted to officers proceeding on official duties outside Lesotho or within the country but outside their duty stations mainly to cater for subsistence allowance. In terms of Section 41(8) of the Treasury Regulations, travel

advances should be acquitted within 14 days of the officer from the travel.

#### **a) Accounting for irrecoverable Travel Advances**

Section 41(8) of the Treasury Regulations 2014 states that a travel advance should be acquitted within fourteen (14) days of the return of the officer from the travel. Section 42 of the same regulations further stipulates that if it is not possible to recover or acquit an outstanding advance amount within the period set for the purpose, the amount should be treated as a loss of public money on the account of the Advance Holder.

Furthermore, Section 87(1) of the Treasury Regulations 2014 requires that on receipt of a loss report, the Principal Secretary for Finance should investigate the shortfall and decide whether to

- Instruct the Accountant-General to recover the shortfall from the officer responsible, including action to recover the shortfall from his salary;
- Write off the amount involved; or
- Request the Minister to impose a surcharge.

Once an instruction has been issued to recover the shortfall or a surcharge has been imposed, the advance account should be opened in the name of the officer responsible. A payment voucher should be raised debiting the officer's advance account and crediting his travel advance account. The travel advance account will then be cleared.

The officer will be expected to make repayments, which will be credited to the advance account to clear the advance.

#### **Audit Concerns:**

- The consolidated financial statements however show amounts appearing as outstanding travel advances and also as losses. The loss of M1,649,000 under his Majesty's Office has been reported and appears in the list of losses. The travel advance of M47,000 under Senate is also reported as a loss.
- The moneys received from officers surcharged are treated as miscellaneous revenue.

- This unusual accounting treatment leaves travel advance accounts and losses accounts still outstanding.

### **6.2.3 OUTSTANDING TRAVEL ADVANCES**

#### **a) Prime Minister's Office**

The Office of the Prime Minister reported outstanding travel advances totaling M1,553,169.14 for the financial year 2019/20. Out of this total, the amount of M1,473,221.79 for 58 officers was reported outstanding for a period of more than one year.

I did not get an explanation for not treating outstanding advances as losses to comply with the Treasury Regulations and the measures taken to recover these advances.

#### **b) Ministry of Foreign Affairs and International Relations**

The ministry has reported total overdue debt amounting to M644,364.49 in the financial statements, made up of outstanding travel advances to the tune of M234,405.03 and outstanding surcharges amounting to M409,959.49. The audit established that outstanding travel advance of M268,921.83 in respect of a former Principal Secretary was omitted in the financial statements, and therefore the Ministry's financial statements and the consolidated financial statements have been understated.

It was further noted that one officer had outstanding travel advance amounting to M445,173.80. However, the surcharge raised against him was M385,314.96, to be deducted from his salary at the rate of M4,500 per month resulting into a shortfall of M59,858.84 which could not be accounted for by the ministry.

#### **c) Ministry of Gender, Youth, Sports And Recreation**

The consolidated financial statements and the ministry's accounts have reflected outstanding travel advances totalling M606,367 as 31 March 2020. Five officers had an outstanding amount of M128,172 from previous years while 5 officers and a Minister owed a total amount M478,194 for the year under review.

It was reported that the amount of M478,194 was paid on 31 March 2020 and the trip to New York was postponed indefinitely

due to outbreak of COVID-19 pandemic. However, the travel advances were not repaid back even though the trip was postponed indefinitely.

In August 2020, the Chief Accounting Officer submitted loss reports to the Ministry of Finance and recommended surcharges on outstanding travel advances. The Minister of Finance requested the concerned officers to provide justification within 21 days as to why they could not be surcharged for the said loss. I am not aware of any action taken on this matter to date of this report.

#### **6.2.4 STANDING AND TRAVEL ADVANCES**

##### **a) Ministry of Home Affairs**

Ministry of Home Affairs reported unsettled standing advances to sub-accountancies totalling M5,003,290 and travel advances of M180,715. It was noted that these are balances brought forward from previous years.

Treasury Regulations require Chief Accounting Officers who are holders of a standing advance to expense the amount in full at 31 March, and to treat the amount as a loss of public money on the account of the Advance Holder. The advances were not treated as losses as required by the regulations.

##### **b) Ministry of Social Development**

The Ministry of Social Development pays its beneficiaries from the Social Assistance Programme (SAP) and also from EU-Child Programme Fund. The payments are treated as advances to G4S, Vodacom (Mpesa) and ECONET (Ecocash) and cleared when the returns on how the monies were utilised are received.

The consolidated financial statements reflect an amount of M41,175,000 as outstanding advances at 31 March 2020 for the Ministry of Social Development whereas the ministry's financial statements reflect M54,147,065 leaving a difference of M12,972,065. It was explained that the figure in the consolidated financial statements has excluded the payments amounting to M12,972,065 made from the Ministry's commercial bank account (EU-Child programme Fund) to G4S.

It was further stated that payments made from SAP were for provision of top-ups for EL-Nino induced drought to all CGP beneficiaries and under the EU-Child Programme Fund payments were for fourth quarter period for CGP beneficiaries. The returns for the last quarter were not yet received from the paying agencies as at 31 March 2020 hence the outstanding amount of M54,147,065.

### **6.3 OUTSTANDING REFUNDS OF SALARY - MINISTRY OF HEALTH**

The audit noted that the Chief Technical Officer and the Equipment Specialist in the Ministry of Health absented themselves from official duties for a period of 24 months (1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2017). During the period of unauthorised absenteeism they continued to draw salary totalling M849,888.

- The Chief Technical Officer proceeded on early retirement on 1<sup>st</sup> June 2017 and at that time the amount of M345,384 that was paid to him irregularly had not been recovered even from his terminal benefits. In August 2018, the Principal Secretary for Health informed the Principal Secretary for Finance of the situation and requested that an amount of M5,000 should be deducted monthly from the Chief Technical Officer's pension until the amount of M345,384 has been recovered. However, the audit established that in August 2020, the monthly recoveries had not yet started.
- The total amount paid to the Equipment Specialist was M504,504 and resigned from the public service with effect from 1 September 2018. The amount was also not recovered from his terminal funds.

I have not seen a Loss Report for the amount of M849,888 paid for wasteful expenditure.

Furthermore, I have noted the effort taken by the Principal Secretary for Health in February 2017 to have written to them to show cause why disciplinary action could not be taken against them for contravening Section 3 (2) (b) of the Public Service Code of Good Practice 2008 read together with Public Service Act 2005.

It is important to note that before any officer to be granted terminal benefits, his file starts at the parent ministry for circulation within relevant ministries/departments for outstanding amounts to be recovered. It raises a serious concern why the Ministry failed to indicate that the officers owed Government so that recoveries could be made from their terminal benefits.

#### **6.4 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.

In my report for the year ended 31 March 2019, I indicated that 10 projects under LNDC, TELECOM, WASCO and LEC had an outstanding balance of M1,002,980,242. During the year under review only 3 projects made repayments totalling M18,595,123 leaving a balance of M984,385,119 at 31 March 2020 as detailed on Table 6.4. Tikoe Factory Shells Project and Lesotho Electricity Supply Project have been consistently making repayments every year.

I raised a concern previously about seven projects under TELECOM and WASCO which had arrears on repayments of loans and interest charges totalling M256,088,168 and M121,352,960 respectively as at 31 March 2019. The situation at 31 March 2020 had changed for the better as TELECOM and WASCO had arrears of M92,931,612 and M89,929,315 respectively.

**Table 6.4 – Status of On-lent loans at 31 March 2020**

Statutory Body	Project name	Opening Balance at 1 April 2019	Principal Repayments	Interest	Closing balance at 31 March 2020	Arrears at 31 March 2020	Arrears at 31 March 2019
A	B	C	D	E	F=C-D	G	H
LNDC	Tikoe Factory Shells	40,000,000	5,000,000	375,000	35,000,000	-	-
	Tikoe Phase 2 factory Shells	202,789,827	-	-	202,789,827	-	-
TELECOM	Telecom Nat Network Phase 2	222,726,839	8,733,333	-	213,993,506	26,200,000	34,933,333
	Telecom Nat Network Phase 1	205,986,835	-	-	205,986,835	66,731,612	66,731,612
WASCO	BADEA 132 Maseru Water Supply 1	63,023,315	-	-	63,023,315	44,447,328	72,786,748
	BADEA 133 Maseru Water Supply 2	78,097,438	-	-	78,097,438	12,961,607	20,708,712
	OFID 134 Maseru Supp. 2	85,500,487	-	-	85,500,487	18,761,713	40,833,060
	IDA 2400 Infrastructure Engineering	18,119,448	-	-	18,119,448	-	8,055,870
LEC	IDA 3995 Water Sect Imp Project	48,814,092	-	-	48,814,092	13,758,667	12,038,833
	Lesotho Electricity Supply Project	37,921,961	4,861,790	529,154	33,060,171	-	-
	<b>Total</b>	<b>1,002,980,242</b>	<b>18,595,123</b>	<b>904,154</b>	<b>984,385,119</b>	<b>182,860,927</b>	<b>256,088,168</b>

Source: Debt Records

## CHAPTER 7: LIABILITIES

### 7.1 LEGISLATIVE FRAMEWORK FOR PUBLIC DEBT

The Minister of Finance is empowered by the Loans and Guarantees Act, 1967 to raise loans internally and externally for financing development projects. Section 116 of the Constitution of Lesotho stipulates that all debt charges for which Lesotho is liable should be a charge on the Consolidated Fund. According to the Constitution, debt charges include interest, sinking fund charges, the repayment or amortisation of debt and all expenditure in connection with the raising of the loans on the security of the Consolidated Fund and the service and redemption of debt created thereby.

### 7.2 PUBLIC DEBT PORTFOLIO

The public debt liability is a major government liability and key sustainability issue for the Government of Lesotho. It requires comprehensive, accurate and timely records for good management.

The Public Debt statement shows the particulars of outstanding external and domestic loans. The external loans are raised from bilateral, multilateral and commercial sources while domestic loans are raised by the sale of development stocks, Treasury bonds and through banking institutions.

There was an expansion of debt during the year, despite active debt servicing. The increase was due to new borrowings both internally and externally. On the whole, the debt portfolio magnitude has increased significantly ending at M19.320 billion on 31 March 2020, which was 22% higher than the previous figure of M15.870 billion as presented on Table 7.2. The significant increase is on long-term debt.

**Table 7.2 - Public Debt Portfolio**

	2019/20 M'000	2018/19 M'000	2017/18 M'000	2016/17 M'000	2015/16 M'000
<b>LONG-TERM LOANS</b>					
<b>External Loans</b>					
Bilateral	1,229,888	873,971	809,916	1,434,231	1,134,707
Multilateral	13,225,222	10,799,742	9,320,119	10,030,942	10,648,666
Fin. Institutions	-	109	336	510	640
Export Credit	1,176,718	987,682	588,370	894,367	919,625
<b>Domestic Loans</b>					

	2019/20 M'000	2018/19 M'000	2017/18 M'000	2016/17 M'000	2015/16 M'000
Treasury Bonds	2,382,619	1,776,045	875,052	754,187	682,187
<b>Long-term total</b>	<b>18,014,447</b>	<b>14,437,549</b>	<b>11,593,793</b>	<b>13,114,237</b>	<b>13,385,825</b>
<b>SHORT-TERM LOANS</b>					
Treasury Bills	875,675	876,768	1,098,439	599,540	592,581
Fiscal Bills	430,000	556,170	-	-	-
<b>Short-term total</b>	<b>1,305,675</b>	<b>1,432,938</b>	<b>1,098,439</b>	<b>599,540</b>	<b>592,581</b>
<b>GRAND TOTAL</b>	<b>19,320,122</b>	<b>15,870,487</b>	<b>12,692,232</b>	<b>13,713,777</b>	<b>13,978,406</b>
<b>Increase/(Decr.)</b>	<b>3,449,635</b>	<b>3,178,255</b>	<b>(1,021,545)</b>	<b>(264,629)</b>	<b>-</b>
<b>Incr./ (Decr.) %</b>	<b>22</b>	<b>25</b>	<b>(7)</b>	<b>(2)</b>	<b>-</b>

Source: current and previous years consolidated financial statements

### 7.3 EXTERNAL DEBT

I have already indicated in the preceding paragraph that there was an expansion on external debt and the contributing factors are new borrowings of M4.702 billion as well as the negative impact on exchange rates applied on closing balances.

The opening debt stock was M12.661 billion and closing balance was M15.632 billion as at 31 March 2020. Repayments of loans amounted to M764 million and interest paid was M245 million as shown on Table 7.3.

**Table 7.3 – Statement of External Debt**

Category	Opening Debt Balance M'000	New Borrowings M'000	Disbursements M'000	Repayment M'000	Interest Paid M'000	Closing Debt Amount M'000
Bilateral	873,971	-	-	48,166	13,439	1,229,888
Multilateral	10,799,742	3,677,016	799,401	641,303	206,369	13,225,222
Export Credit	987,682	1,025,233	85,569	74,084	25,315	1,176,718
Other Financial Institutions	109	-	-	369	36	-
<b>Total</b>	<b>12,661,504</b>	<b>4,702,249</b>	<b>884,970</b>	<b>763,922</b>	<b>245,159</b>	<b>15,631,828</b>

Source: Debt Records and Consolidated Financial Statements

### 7.4 Comparison of loan disbursements per Debt Department records and Ministries records

Debt records and the consolidated financial statements show total loan disbursement of M884 million as indicated on Table 7.3 above.

However, the comparison of breakdowns by ministry per Debt records and ministries' financial statements revealed a variance of M69,872,075. Total figure per ministries amounted to M773,542,075 whereas Debt records show a total of M703,670,088 as indicated on Table 7.4

This is an indication of non-reconciliation of loan records maintained by the ministries and Debt department and therefore, a figure of M884 reported in the consolidated financial statements, cannot be substantiated.

**Table 7.4 – Comparison of Loan Disbursements**

<b>Ministry</b>	<b>Name of the Project</b>	<b>Donors Multilateral Loan</b>	<b>Loans Received per Ministries Financial Statements</b>	<b>Disbursements per Debts records</b>	<b>Variance</b>
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F=D-E</b>
<b>Agriculture</b>	Wool and Mohair Promotion Project	IFAD	19,619,727	28,665,811	-9,046,084
		OFID	30,006,674	31,584,606	-1,577,932
	Smallholder Agricultural Development Project	IDA	-	22,650,000	-22,650,000
		IDA	-	75,901,500	-75,901,500
		IDA	33,109,675	61,354,423	-28,244,748
<b>Health</b>	SATB & HSS	IDA	37,855,156	57,288,658	-19,433,502
<b>Education</b>	Lesotho Education for Equality	IDA	47,075,702	36,193,890	10,881,812
<b>Finance</b>	Public Sector Modernisation	IDA	26,085,280	32,806,366	-6,721,086
	Lesotho Tax Modernization Project	ADF	25,908,388	25,479,545	428,843
	Public Financial Management (PSIRP)	IDA	28,789,022	23,223,247	5,565,775
<b>Trade and Industry</b>	Lesotho Economic Diversification Support Project	ADF	16,375,331	28,185,847	-11,810,516
<b>Communications, Science and Technology</b>	E-Government Infrastructure Project	ADF	18,981,614	18,979,398	2,216
<b>Public Works</b>	Lesotho Transport Infrastructure & Connectivity	IDA	302,108,742	29,373,189	272,735,553

Ministry	Name of the Project	Donors Multilateral Loan	Loans Received per Ministries Financial Statements	Disbursements per Debts records	Variance
A	B	C	D	E	F=D-E
Energy and Meteorology	Northern District Electrification (Rural Electrification Project)	BADEA	119,206,347	32,023,633	87,182,714
	National Electricity Infrastructure (Lesotho Electricity Supply Project)	AFDB	13,461,086	-	13,461,086
Social Development	Social Assistance Project	IDA	38,140,062	138,451,209	- 100,311,147
Water	Lesotho Lowlands Water Development (Portion A) Lesotho Lowlands Water Development (Portion B)	IDA	7,000,111	50,919,361	-43,919,250
	Lesotho Lowlands Water Development (Portion B)				
	Lesotho Lowlands Rural Water Supply	ADF	9,819,246	10,589,405	-770,159
	Lesotho Lowlands Water Development	EIB	-	-	-
<b>Total</b>			<b>773,542,163</b>	<b>703,670,088</b>	<b>69,872,075</b>

Source: Debt records and Ministries' financial statements

## 7.5 DOMESTIC DEBT

The consolidated financial statements for the year under review show the opening balance of M3.209 billion for Domestic debt and new issues of Treasury Bills, Treasury Bonds and Fiscal Bills amounted to M2.508 billion while Principal repayments were M2.029 resulting into a closing balance of M3.688 billion as indicated on Table 7.5. Interest paid on domestic debt amounted to M265 million.

**Table 7.5– Statement of Domestic Debt**

Category	Opening Balance	New Issues	Repayment	Interest Amount	Closing Balance
	M'000	M'000	M'000	M'000	M'000
Treasury Bills	876,768	1,471,476	1,472,570	60,655	875,675
Treasury Bonds	1,776,045	606,574	-	161,016	2,382,619
Fiscal Bills	556,170	430,000	556,170	43,830	430,000
<b>Total</b>	<b>3,208,983</b>	<b>2,508,050</b>	<b>2,028,740</b>	<b>265,501</b>	<b>3,688,294</b>

Source: Debt Records and Consolidated Financial Statements

## 7.6 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.

Outstanding guaranteed loans amounted to M97,718,528 at 31 March 2020, repayments totalled M93,611,197 and new guaranteed loans amounted to M581,768 as reflected on Table 7.6.

In my last report, I indicated that the outstanding balance at 31 March 2019 was M131,851,686 but that balance did not include a loan to CGM/Presitex Group with an outstanding balance of M60,539,855 which was not disclosed in the Public Debt records.

I should also state that even though LUQY'S Manufacturing has not paid during 2019/20, the balance has come down to M3.6 million due to foreign currency exchange rate adjustment at 31 March 2020.

**Table 7.6 – Status of Guaranteed Loans**

Beneficiary	Lending Institution	Balance at 31 March 2019	Repayments in 2019/20	New Loans	Balance at 31 March 2020
Maseru E textile	Standard Lesotho Bank	6,095,713	3,927,062	-	2,168,651
CGM/Presitex Group	Standard Lesotho Bank	60,539,855	34,950,000	-	25,589,856
Eclat Evergood Textiles	Standard Lesotho Bank	29,500,000	29,500,000	-	-
TZICC	Standard Lesotho Bank	32,450,000	4,350,000	-	28,100,000
WASCO	Nedbank	5,386,013	1,219,840	-	4,166,172
LUQY'S Manufacturing	FNB	4,170,910	-	-	3,600,000
Members of 10 <sup>th</sup> Parliament	FNB	52,579,793	19,664,295	-	32,915,497
Statutory Positions	Standard Lesotho Bank	596,584	-	581,768	1,178,351
<b>Total</b>		<b>191,318,867</b>	<b>93,611,197</b>	<b>581,768</b>	<b>97,718,528</b>

Source: Public Debt Records

## 7.7 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.

### 7.7.1 PENDING LITIGATIONS CLAIMS

Pending litigation claims for compensation can be classified as present obligations. The consolidated financial statements reflect pending litigation claims totalling M296 million as at 31 March 2020 as shown on Table 7.7.1. The breakdown of contingent liabilities by ministry as reported in the respective financial statements of the ministries appears on Appendix 1.

**Table 7.7.1 – Pending Litigation Claims**

<b>Ministry</b>	<b>Exposure at 31 March 2020</b>	<b>Exposure at 31 March 2019</b>
Health	-	28,050,000
Education	-	7,677,598
PM's Office	178,907	-
Communications	29,975,006	29,975,006
Foreign	10,048,069	10,048,069
Labour	100,000	100,000
Defence	8,694,632	8,670,240
IEC	-	3,674,270
Local Government	5,443,772	6,105,272
Gender	83,205,880	-
Police	3,273,081	-
Principal Repayments	155,387,093	-
<b>Total</b>	<b>296,306,440</b>	<b>94,300,455</b>

Source: Consolidated Financial Statements

## 7.8 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.

In my last Audit Report I expressed a concern that there were no subsequent actuarial evaluation reports on the latest status of the pension liability as the last assessment was for the year ended 31 March 2016. At that time the underfunding had increased from M5.560 billion as at 31 March 2014 to M5.890 billion as at 31 March 2016.

The Government has not yet taken my advice to consider reducing this liability to secure future benefits of employees and this remains a serious concern.

## 7.9 PAYMENT ARREARS

Payment arrears are payment obligations on Government to individuals, suppliers, lenders or contractors that were due for settlement before end of the financial year. In view that the settlement of prior years' financial obligations arising from earlier procurements of goods and services are not accounted for separately, many ministerial accounts do not always reflect an accurate outcome as compared to the approved budget.

The total amount of M488 million was owed to suppliers at 31 March 2020 as indicated on Table 7.9, which has significantly decreased from the previous year figure of M828 million by M340 million. However there is still a need for Government to further improve its system to ensure timely payment of creditors.

**Table 7.9 – Payment of arrears**

Ministry	More than one year	Six months to one year	Three months to six months	Three months and less	Total Arrears
	M'000	M'000	M'000	M'000	M'000
Agriculture	-	-	-	16,961	<b>16,961</b>
Health	-	-	238,487	-	<b>238,487</b>
Education	-	12,643	24,400	19,874	<b>56,917</b>
Finance	170	948	507	12,297	<b>13,922</b>
Trade	729	-	-	-	<b>729</b>
Planning	40	45	837	1,440	<b>2,362</b>
Justice	346	-	-	-	<b>346</b>
Home Affairs	2,213	2,197	174	5,154	<b>9,738</b>
PM's Office	2,366	2,606	1,272	264	<b>6,508</b>
Foreign Affairs	5,935	14,337	3,318	564	<b>24,154</b>
Public Works	1,796	-	-	-	<b>1,796</b>
Forestry	30	444	-	-	<b>474</b>
Energy	-	-	-	6,463	<b>6,463</b>

<b>Ministry</b>	<b>More than one year</b>	<b>Six months to one year</b>	<b>Three months to six months</b>	<b>Three months and less</b>	<b>Total Arrears</b>
	<b>M'000</b>	<b>M'000</b>	<b>M'000</b>	<b>M'000</b>	<b>M'000</b>
Labour	1,739	2,238	-	-	<b>3,977</b>
Tourism	6,769	35	2,711	-	<b>9,515</b>
Auditor-General	-	-	218	-	<b>218</b>
His Majesty's Office	-	-	-	2,774	<b>2,774</b>
Pension & Gratuities	-	-	-	6,222	<b>6,222</b>
Refund of Receipts	-	-	-	12	<b>12</b>
Defence	42,788	1,336	2,996	14,097	<b>61,217</b>
Nat. Assembly	-	10	-	-	<b>10</b>
Senate	45	-	-	354	<b>399</b>
IEC	846	174	151	2,017	<b>3,188</b>
Loc. Government	3,307	1,262	489	3,517	<b>8,575</b>
Gender	3,617	151	-	353	<b>4,121</b>
Public Service	687	41	122	190	<b>1,040</b>
Judiciary	-	752	4,664	604	<b>6,020</b>
Social Development	-	697	-	-	<b>697</b>
DCEO	-	-	-	17	<b>17</b>
Mining	117	47	113	549	<b>826</b>
Small Business	266	-	-	-	<b>266</b>
Water	-	-	551	-	<b>551</b>
<b>Total</b>	<b>73,806</b>	<b>39,963</b>	<b>281,010</b>	<b>93,723</b>	<b>488,502</b>

**Source: Consolidated financial statements and Ministries' financial statements**

## CHAPTER 8: LOSSES AND ACCIDENTS

### 8.1 LOSSES AND ACCIDENTS

The Accountant-General has provided a statement of losses and accidents reflecting losses of stores and cash amounting to M3,232,910 and M10,325,860 respectively. The costs of reported accidents totalled M1,695,630.

I was not able to confirm the accuracy and validity of reported figures, as there were no supporting documents provided. In addition, the reported cases by ministries' financial statements and copies of loss reports and accident reports received by my office show different scenario in most ministries.

#### a) Losses of cash and stores

As I have already indicated, the consolidated financial statements show losses of stores and cash totalling M3,232,910 and M10,325,860 respectively. However, the ministries' financial statements reflect amounts of M54,748 and M8,683,123 for loss of stores and cash respectively as presented on Table 8.1(a).

**Table 8.1 (a)- Statement of Losses**

Ministry	Consolidated Financial Statements		Ministries' financial statements	
	Stores	Cash	Stores	Cash
	Amount	Amount	Amount	Amount
Agriculture	2,999,840	1,164,910	-	-
Home Affairs	-	-	10,648	-
Law	33,540	-	-	-
Foreign Affairs	-	-	13,600	-
Auditor-General	10,000	-	-	-
His Majesty's Office	-	1,564,840	-	1,564,840
National Assembly	5,000	-	-	-
Senate	-	46,920	-	46,923
Ombudsman	4,900	-	-	-
Local Government	89,900	29,960	30,500	30,320
Gender	14,000	478,190	-	-
Public Service	-	7,041,040	-	7,041,040
Small Business	75,730	-	-	-
<b>Total</b>	<b>3,232,910</b>	<b>10,325,860</b>	<b>54,748</b>	<b>8,683,123</b>

Source: Consolidated Financial Statements and Ministries' financial statements

## b) Vehicle Accidents

For accidents, the consolidated financial statements show a total figure of M1,695,630 whereas the figures per ministries' financial statements and copies of reports received by my office are M613,038 and M1,075,558 respectively. Table 8.1(b) bears the details.

**Table 8.1 – Summary of Reported Accidents**

Ministry	Consolidated Financial Statements		Ministries' Financial Statements		Accidents Reports received by Audit	
	No.	Amount	No.	Amount	No.	Amount
Agriculture	0	-	0	-	3	40,000
Health	0	-	13	-	8	25,600
Education	0	18,960	0	-	12	110,790
Trade	0	-	0	-	4	-
Justice	0	-	2	17,000	2	17,000
Home Affairs	0	-	0	-	1	4,000
PM's Office	0	-	6	-	9	10,000
Communications	0	77,930	0	-	0	-
Law	0	52,900	0	-	0	-
Foreign	0	3,500	0	-	1	-
Forestry	0	-	0	-	1	-
Public Works	0	2,820	0	-	3	3,815
Energy	0	826,260	0	-	3	14,750
Labour	0	-	0	-	13	68,619
Tourism	0	-	0	-	2	142,073
Defence	0	303,800	10	314,237	11	316,137
Nat. Assembly	0	-	0	-	2	40,000
Ombudsman	0	-	0	-	1	-
Loc. Government	0	-	8	-	8	-
Public Service	0	85,620	0	-	4	81,341
DCEO	0	7,000	2	7,000	2	7,000
Mining	0	26,430	0	-	1	26,432
Soc. Development	0	-	6	168,001	6	168,001
Police	0	32,590	0	-	0	-
Small Business	0	142,070	0	-	0	-
Water	0	115,750	4	106,800	0	-
<b>Total</b>	<b>0</b>	<b>1,695,630</b>	<b>51</b>	<b>613,038</b>	<b>97</b>	<b>1,075,558</b>

Source: Copies of Accident Reports, Consolidated Financial Statements and Ministries' financial statements

## **8.2 DAMAGE TO GOVERNMENT PROPERTY - MINISTRY OF HEALTH**

There was damage to the office building, office furniture and office equipment at the Ministry of Health headquarters due to fire. The Loss Report has been submitted to the Ministry of Finance, however, at that time the damage was not yet assessed to determine the amount of loss and the investigation was not yet completed then.

I have not been made aware if there is a Police report concerning the fire and the state of investigations to date. I wrote a letter to the Chief Accounting Officer in December 2020 requesting an update but there was no response at the time of reporting.

## **8.3 IRRECOVERABLE TRAVEL ADVANCES - HIS MAJESTY'S OFFICE AND THE SENATE**

I have already stated under paragraph 6.2.2 that if it is not possible to recover or acquit an outstanding advance amount within the period set for the purpose, Section 42 the Treasury Regulations provides that the amount should be treated as a loss of public money on the account of the Advance Holder.

His Majesty's Office and The Senate reported loss of cash totalling M1,611,760 to the Principal Secretary for Finance. The amount actually represents outstanding travel advances treated as a loss as it appeared impossible to recover.

- a)** His Majesty's Office reported a loss of cash amounting to M1.5 million which was an accountable travel advance for His Majesty's official trip to the Republic of Cuba during the period from 26<sup>th</sup> February to 6<sup>th</sup> March 2020. The funds were entrusted in the custody of and deposited into the bank account of the Principal Protocol Officer (PPO), who failed to clear the travel advance upon return from the trip. Written reminders were issued to the PPO to clear the advance but to no avail.
- b)** In another incidence, the Deputy Private Secretary (DPS) to His Majesty failed to account for accountable travel advance of M64,839 that was entrusted to her for the official trip of Her Majesty the Queen to Kenya in November 2019. The DPS wrote on the 25<sup>th</sup> March 2020 to request that she should be surcharged an amount of M3,500 per month and the deductions from her salary were made from July 2020.

- c) One officer from the Senate failed to clear travel advance of M46,923.33 paid to him when he travelled to South Africa from 3<sup>rd</sup> March to 8<sup>th</sup> March 2019. In August 2020, the Clerk to the Senate requested the Accountant-General to authorise deductions from the officer's salary to clear the advance. The deductions had not been made to date of this report.

Even though the ministry's financial statements have reflected the travel advance as a loss, there was no loss report submitted to the Principal Secretary to support the figure.

## 8.4 LOSS OF CASH

### a) Ministry of the Public Service

The Ministry of the Public Service reported loss of cash amounting to M7,003,950 resulting from the outstanding amounts that were not collected from 108 public officers who defaulted to pay moneys owed to the Government from 2007 to 2019 as per the bonding agreements.

Section 97 of the Public Service Regulations, 2008 requires a public officer to enter into a bonding agreement with the employer prior to proceeding on study leave to the effect that the officer should serve the public service for the period stipulated in the bonding agreement, and that the agreement should be duly signed by the officer and his or her guarantor.

In the case whereby an officer terminates the appointment before the expiry of the bonding period such officer is liable to pay the outstanding amount, which is the officer's gross salary multiplied by the bonding period not served, plus interest at the rate to be determined by the Minister **less** the amount paid while on study leave.

I could not establish as to why the guarantors were not obliged to pay the money owed to the Government in cases where public officers could not be traced and also why legal actions were not instituted against the officers and/or guarantors as mandated by the Public Service Regulations.

## **8.5 LOSS OF STORES**

### **a) Theft of Toners/cartridges - Ministry of Social Development**

On 6<sup>th</sup> February 2020 the Ministry of Social Development reported that there was a theft of toners/cartridges with a total cost of M201,413.84. The theft was reported to the Police (case number RCI39/02/20) and the case was still under investigation by CID at the time of my reporting.

The Ministry had not filled a Loss Report to this effect hence the loss is not captured in the Consolidated financial statements.

## **PART 3**

# **PUBLIC FINANCIAL ADMINISTRATION**

### **9. CONSTITUTIONAL BACKGROUND TO PUBLIC FINANCE**

#### **9.1 CONSOLIDATED FUND**

The Consolidated Fund is established in accordance with Section 110 of the Constitution of Lesotho. It is **credited** with all revenues or other monies raised or received for the purposes of the Government of Lesotho or other moneys that are payable under specific laws and specific purposes. The Consolidated Fund is **debited** with annual appropriations and charges under provision of law.

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

#### **9.2 WITHDRAWAL FROM THE CONSOLIDATED FUND**

Issuing of monies from the Consolidated Fund maybe divided into the following categories:

##### **9.2.1 Supply Services/Appropriated Expenditure**

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

The Appropriation Act passed by Parliament authorises the Government to appropriate specified sums from the Consolidated Fund for specified services, under separate votes for the several heads of expenditure. 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 for 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. Section 112(2) and Section 114 of the Constitution provides for such problems.

## 9.2.2 Consolidated Fund Standing Services

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

## 9.3 EXECUTIVE MECHANISM OF PUBLIC FINANCE

### 9.3.1 Budgetary Authority

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 budgetary authority comprises both a political authority and a civil service element. The Cabinet is the highest authority and is collectively responsible to Parliament for all aspects of policy. One of its members, the Minister of Finance is responsible for all financial matters affecting the government as a whole at a level below that of high policy.

In the Ministry of Finance, the budgetary authority is exercised by the Budget Controller who is responsible for determining the revenue to be raised and the amount to be applied for each of the many services of government in light of public approval, acting through Parliament, and of the economic circumstances.

### 9.3.2 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.

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 implement their activities. However if unlimited funds were available, it should not be readily assumed that the more money is spent the better the

service will be. Spending Units should strive towards optimal use of limited resources.

#### 9.4 OVERALL FISCAL BALANCE FOR 2019/20

For the purpose of this analysis, an overall fiscal surplus is the excess of revenue receipts, including grants, over expenditures incurred, including capital expenditure and interest payments. The original budget for the financial year 2019/20 projected a surplus of M1.457 billion. The revised budget projected a deficit of M946 million while the actual outcome was a deficit of M1.306 billion. Table 9.4 below bears details of the overall fiscal balance for the year ended 31 March 2020.

**Table 9.4 – Fiscal Balance for 2019/20**

Item	Approved Budget	Revised Budget	Actual	Variance	Budget Exec.
	(M'000)	(M'000)	(M'000)	(M'000)	(%)
A	B	C	D	E (C-D)	F (D/C%)
<b>Revenue</b>					
Recurrent	17,114,413	17,114,413	15,361,282	1,753,131	90
Donor Funds	2,337,262	2,337,262	1,548,183	789,079	66
<b>Total</b>	<b>19,451,675</b>	<b>19,451,675</b>	<b>16,909,465</b>	<b>2,542,210</b>	<b>87</b>
<b>Expenditure</b>					
Recurrent	12,725,962	14,805,752	14,267,557	538,195	96
Development	5,168,475	5,592,184	3,947,559	1,644,625	71
Administration	100,000	-	-	-	-
<b>Total</b>	<b>17,994,437</b>	<b>20,397,936</b>	<b>18,215,116</b>	<b>2,182,820</b>	<b>89</b>
<b>Deficit</b>	<b>1,457,238</b>	<b>-946,261</b>	<b>-1,305,651</b>	<b>359,390</b>	<b>138</b>

Source: Appropriation Act 2019/20, Supplementary Appropriation Bill 2010/20 and consolidated financial statements

Detailed issues of recurrent budget and development budget are presented under Part 4 "Accountability of Spending Units"

#### 9.5 ADMINISTRATION ACCOUNT/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.

**a) Replacement of advances for the previous years from the Contingencies Fund**

I have repeatedly reported on the failure to comply with the constitutional requirements for many years to replace the amounts advanced. In my last audit report for financial year 2018/19, I indicated that Parliament was yet to regularise advances from the Contingencies Fund for ten years totalling M1,369,632,630.

I am grateful to report that Parliament has passed Supplementary Appropriation Acts for the financial years 2009/10 to 2017/18. Therefore the advances from the Contingencies Fund totalling M1,144,012,088 have now been replaced. The advances amounting to M225,620,542 issued during financial year 2018/19 have not been regularised as Parliament is yet to approve the Supplementary Appropriation Bill, 2018/19.

**b) Advances for the year under review**

The amount of M100 million was allocated to Administration Account (Contingencies Fund) by means of the Appropriation Act 2019/20. During the year, the Contingencies Fund was replenished by an amount of M73,614,207 bringing the total funds to M173,614,207. The Supplementary Appropriation Bill 2019/20 has been presented to Parliament for replacement of the amount advanced from the Contingencies Fund.

The total advances from the Contingencies Fund amounted to M166,381,468 leaving a balance of M7,232,739. Advances for recurrent expenditure purposes amounted to M162,908,468 and M3,473,000 for development expenditure as indicated on Table 9.5 below. Full details and reasons for advances are reflected in Appendix 2 to this report.

**Table 9.5 – Advances from the Contingencies Fund in 2019/20**

<b>Ministry</b>	<b>Recurrent Expenditure</b>	<b>Development Expenditure</b>	<b>Total</b>
Finance	3,757,325	-	3,757,325
Trade	679,350	-	679,350
Home Affairs	5,342,100	-	5,342,100

<b>Ministry</b>	<b>Recurrent Expenditure</b>	<b>Development Expenditure</b>	<b>Total</b>
PM's Office	11,716,013	-	11,716,013
Communications	29,565,600	-	29,565,600
Law	13,642,106	-	13,642,106
Foreign	2,538,400	-	2,538,400
Public Works	1,719,736	3,473,000	5,192,736
Labour	621,619	-	621,619
Tourism	2,000,000	-	2,000,000
His Majesty's office	6,028,000	-	6,028,000
Statutory Salaries	5,050,265	-	5,050,265
Defence	12,505,945	-	12,505,945
National Assembly	1,200,000	-	1,200,000
Senate	8,297,928	-	8,297,928
Local Government	1,143,070	-	1,143,070
Judiciary	16,873,175	-	16,873,175
Water	39,769,891	-	39,769,891
Transport	457,945	-	457,945
<b>Total</b>	<b>162,908,468</b>	<b>3,473,000</b>	<b>166,381,468</b>

Source: Consolidated Financial Statements and Contingencies Warrants

### **Audit Concerns:**

- As in the previous years, I have once again failed to verify as to whether amounts spent were actually for intended purposes, as the Accountant-General had not operated a separate account for advances from the Contingencies Fund.
- The Advance warrants were allocated directly to the voted heads of expenditure and added to release warrants, therefore payments from advance warrants could not be substantiated. The accounting treatment of advance warrants contravened requirements of the Constitution, as they were not allocated by means of an Appropriation Act to the heads of expenditure.

## **9.6 CENTRALISED ITEMS VOTE**

I raised dissatisfaction in my last reports about the accountability of the Centralised Items Vote (Head 30) under recurrent expenditure. Parliament allocates budget to this vote primarily for financing of salaries (vacant and new posts) and for purchase of vehicles, cycles and equine. The ministries that require financing of vacant and new posts and for purchase of vehicles submit their requests to the Budget Controller; such requirements are consolidated and submitted to

Parliament for approval. When approved under Head 30, the Ministry of Finance issues warrants to the requesting ministries.

**Audit Concerns:**

- I could not ascertain why the Government has abandoned the procedure for provision of additional services where the provision under a subhead was released on special application from the ministry concerned.
- Unlike advances from the Contingencies Fund, there is no legislation governing administration of Head 30- Centralised Items and therefore legal accountability of funds under this head could not be established.
- Released funds to the ministries are more than the appropriated amounts.

Government should consider reverting to the procedure of ministries being allocated special expenditure under their own votes and funds be released on special request to avoid unnecessary irregularities.

## **PART 4**

# **ACCOUNTABILITY OF SPENDING UNITS**

## **CHAPTER 10: RESPONSIBILITY OF EXECUTIVE DEPARTMENTS**

---

### **10.1 RESPONSIBILITY OF EXECUTIVE DEPARTMENTS**

Section 96 of the Constitution provides that the Minister should exercise general direction and control over the department he is charged with responsibility and, subject to such direction and control every department of government should be under the supervision of the Principal Secretary. The Principal Secretary is therefore responsible for the administration of the executive department and the financial and administrative responsibility is concentrated on him.

Since finance is an inseparable element in all policy questions and financial responsibility, it has wider implications for efficient management. The Minister of Finance, who appoints the Principal Secretaries as Chief Accounting Officers, assigns them financial responsibility.

### **10.2 RESPONSIBILITY OF CHIEF ACCOUNTING OFFICERS**

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.

### **10.3 GOVERNANCE REQUIREMENTS**

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.

I raised a concern in my previous report about non-compliance to the provisions of the laws and regulations on governance framework aimed to guide and assist spending units in ensuring that they operate professionally and effectively. I once again express my discontent on the following issues:

#### **a) Internal Audit function**

In my previous report, I indicated that most spending units did not have internal audit function despite the requirements of the PFMA Act 2011. I am glad to report that in November 2020, the Principal Secretary for Finance transferred Internal Auditors to the Spending Units and almost all Chief Accounting Officer now have established an internal audit function to assess risks facing the spending unit in achieving its programme objectives and instituting the mitigation measures; assess adequacy and effectiveness of the internal controls and also to report significant internal control issues and recommended improvements.

I am therefore looking forward for adequate and effective internal controls to minimise anomalies and irregularities within spending units.

#### **b) Absence of Audit Committees**

Section 11 of the Treasury Regulations, 2014 provides for the establishment and independence of Audit Committee. Such committees have not been established and therefore compromising additional oversight role of key audit functions.

The core function of Audit Committee is to review and advise on important components of an entity's corporate governance. There are often strong correlations between the effectiveness of the audit committee and the effectiveness of an agency's control structures.

The Ministry of Finance indicated that the committee has been established within the ministry but not yet operational. The establishment of the Committee is stipulated in the Treasury Regulations whereas the primary law, PFMA Act has not stated Audit Committees as a requirement. The establishment of Audit Committees will be included in the amended PFMA Act, 2011.

### **c) Annual Performance Reporting**

A spending unit is obliged by PFMA Act 2011 to prepare quarterly and annual reports, which should include details of the programme results achieved. Setting SMART goals and achievable targets and benchmark help spending units to monitor their performance for a certain period of time. This is probably one of the most immediate benefits of performance reporting in an organisation.

I reported about few ministries, which had strategic plans and a challenge in preparing annual operational plans. It is gratifying to report that the Ministry of Development Planning insisted on ministries to submit annual operational plans and I learned that there was compliance to that request. However, the issue of reporting on annual performance is still a challenge as ministries are just getting into an idea of preparing corporate plans. I once again wish to highlight that ministries can never achieve their short-term and long-term goals and objectives if they lack operational plans and a performance reporting mechanism.

## **CHAPTER 11: ACCOUNTABILITY OF RECURRENT REVENUE BY CHIEF ACCOUNTING OFFICERS**

### **11.1 RECURRENT REVENUE**

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.

The Chief Accounting Officers should ensure that revenue is collected from as many sources as possible and that their collection machinery and scales of fees are adequate.

The total budget for recurrent revenue as per Book of Estimates amounted to M17.114 billion and actual revenue was M15.362 billion resulting into overall collection of 90% as shown on Table 11.1

Even though the overall collection was satisfactory at 90%, thirteen (13) ministries recorded a low range of 0-50% collection rate.

Furthermore, there was a shortfall of revenue by less than 50% on 125 revenue budget lines and there was also over collection on 25 budget lines by far more than 100% as presented in Appendices 3 and 4.

**Table 11.1 – Budget Execution on Recurrent Revenue**

<b>Ministry</b>	<b>Budget</b>	<b>Actual</b>	<b>Under/(Over) Collection</b>	<b>Collection (%)</b>
<b>A</b>	<b>B</b>	<b>C</b>	<b>D=B-C</b>	<b>E=C/B</b>
Agriculture	26,146,956	29,089,448	(2,942,492)	111
Health	13,345,374	27,749,067	(14,403,693)	208
Education	6,113,347	3,540,258	2,573,089	58
Finance	15,021,938,138	13,700,477,597	1,321,460,541	91
Trade	11,777,216	7,481,992	4,295,224	64
Planning	45,000	14,060	30,940	31
Justice	221,800	71,562	150,238	32
Home Affairs	43,347,400	21,810,395	21,537,005	50
Communications	5,802,436	5,597,943	204,493	96
Law	3,356,000	8,823,724	(5,467,724)	263
Public Works	41,096,412	13,588,716	27,507,696	33
Forestry	343,800	-	343,800	0
Energy	349,461,092	309,932,204	39,528,888	89
Labour	6,460,888	10,623,518	(4,162,630)	164
Tourism	4,193,934	1,923,273	2,270,661	46
Auditor-General	1,016,000	507,485	508,515	50
PSC	1,000	-	1,000	0

<b>Ministry</b>	<b>Budget</b>	<b>Actual</b>	<b>Under/(Over) Collection</b>	<b>Collection (%)</b>
<b>A</b>	<b>B</b>	<b>C</b>	<b>D=B-C</b>	<b>E=C/B</b>
Principal Repayments	25,256,462	-	25,256,462	0
Defence	1,221,000	612,267	608,733	50
National Assembly	3,600	-	3,600	0
IEC	-	453,913	(453,913)	-
Local Government	1,981,614	5,701,909	(3,720,295)	288
Gender	144,000	18,725	125,275	13
Public Service	6,908,580	7,974,851	(1,066,271)	115
Judiciary	3,956,138	1,978,461	1,977,677	50
Social Development	-	16,000	(16,000)	-
Mining	627,916,575	358,003,474	269,913,101	57
Police	8,701,500	9,859,295	(1,157,795)	113
Small Business	500,450	467,889	32,561	93
Water	903,156,419	835,238,584	67,917,835	92
<b>Total</b>	<b>17,114,413,131</b>	<b>15,361,556,610</b>	<b>1,752,856,521</b>	<b>90</b>

Source: Book of Estimates for 2019/20 and Ministries' Financial Statements

## 11.2 ARREARS OF REVENUE

Arrears of Revenue are amounts, which remained uncollected at the end of the previous financial year, excluding bills raised in March. The Treasury Regulations require Chief Accounting Officers to render Returns of arrears of revenue to the Principal Secretary for Finance with a copy to the Accountant-General and to the Auditor-General.

The Treasury's effort to obtain prompt and accurate returns from revenue collectors has met little success. Some Chief Accounting Officers failed to render returns of arrears of revenue even though they had outstanding amounts at 31 March 2020 (e.g. Ministry of Defence as reported in paragraph 11.3.12)

Only one collecting unit, the Office of the Auditor-General, rendered a Return of Arrears of Revenue and my observation is that if revenues were collected on time, budget execution would have been higher for the year under review. The budget was M1,016,000 and collection was M507,485 resulting into a budget execution of 50%. The arrears of revenue reported as at 31 March 2020 amounted to M380,000; if the money was received before year end, budget execution would have been 87%.

## **11.3 REASONS FOR VARIATIONS FROM THE BUDGET**

### **11.3.1 Ministry of Agriculture and Food Security – Over collection of revenue**

The revenue budget for the Ministry of Agriculture and Food Security was M26,146,956 while actual revenue collected was M29,089,448 and there was an over collection of M2,942,492.

The Ministry provided the following reasons for over collection of revenue:

- High levels of stock from the previous year and purchases during the current year increased the sales tremendously in 2019/20.
- More export permits were issued than anticipated and thereby increasing collection on importation levy.
- There was no expectation to dispose off other machinery and equipment during 2019/20 as at the time of budgeting approval for disposal had not been obtained. Therefore there was no budget line for revenue on proceeds from sales of unserviceable assets. The budget line item, to accommodate proceeds from sales, was created during the year upon approval for disposal of those assets. The proceeds amounted to M1,304,252 and largely impacted on over collection of revenue.

The Ministry of Agriculture has also reported that revenue totalling M 4,584,513 from 9 districts has been omitted and not reported in the financial statements. Management further stated that revenue in the districts is captured at the Sub Accountancies and ultimately Treasury has to sweep collected revenue to relevant votes. That was not the case hence understatement of the ministry's revenue by M 4,584,513.

### **11.3.2 Ministry of Health – Over collection of revenue**

The budget for Ministry of Health was M13,470,366 while actual revenue collected was M27,749,067 which resulted in an over collection of 108%. One of the reasons for over collection was that during the upgrade of IFMIS from Epicor 7 to Epicor 10, Queen 'Mamohato Memorial Hospital (QMMH) was omitted and as a result there was no revenue budget for QMMH in the Central Budget Management System. Later during the year, a vote for QMMH was created in the system and a collection of M13,032,010.62 was captured hence over collection of revenue as there was no budget for QMMH.

### **11.3.3 Ministry of Education and Training – Under collection of revenue**

The budget for the Ministry was M6,113,347 while actual revenue collection was M3,540,258 and there was under collection of M2,573,089. The ministry stated the following reasons for under collection of revenue:

- Shortfall by 54% on sale of services.
- Poor compliance by government schools to pay the M25 levy per student payable to the Government.
- Decline in sale of books due to changes in the technical and vocational school curriculum.
- Delays in collection of school fees for students sponsored by NMDS at the Thaba Tseka Training Institute (TTI).

### **11.3.4 Ministry of Trade and Industry – Under collection of revenue**

The ministry had budgeted for an amount of M11,777,216 and collected M7,481,992 resulting into a shortfall of M4,295,224 or 36%.

The explanation for the shortfall from the ministry was that the recorded revenue did not include collections made in the districts. Closure of online registrations also contributed to the shortfall and the receipt books, which were out of stock.

### **11.3.5 Ministry of Justice and Correctional Services – Under collection of revenue**

The budget for the ministry was M221,800 to be derived mainly from sale of goods and prison industries and the collection was 32% of the budget. The under collection of M150,238 was due to major renovations at the Central Prison that hindered the production of bricks and therefore there were no sales of bricks.

### **11.3.6 Ministry of Home Affairs – Under collection of revenue**

Budget for the Ministry of Home Affairs was M43,347,400 while actual collection was M21,810,395 resulting into under collection of M21,537,005.

The reason provided for unsatisfactory collection was that the Applications for Passports were allowed for emergencies only until December 2019. The Ministry had ran short of stock for blank passport booklets as the supplier demanded to be paid 50% as an advance before delivery which was contrary to the procurement laws.

It was further stated that in 2019 non machine-readable RA and RB passports were banned internationally. Cabinet then made a decision that all applicants should be issued new passports free of charge and that resulted in shortfall of revenue.

### **11.3.7 Ministry of Law and Constitutional Affairs – Over collection of revenue**

The Ministry's budget for the financial year 2019/20 was M3,356,000.00 and the actual revenue amounted to M8,823,724.00 resulting into over collection by 163%. The reasons for such huge variance are the following:

- The trust monies amounting to M8 million were wrongly classified as revenue. The money was requested from the Trust Fund to pay for legal fees.
- The actual revenue collected amounted to M823,724 which was 75% below the budget of M3,356,000. The ministry was supposed to receive a share of CHF 113,989.75 (Swiss Francs) equivalent of M1,819,266.83 from the World Intellectual Property Organisation (WIPO). It was discovered that there was poor or lack of proper communication between WIPO and the Ministry about the bank account that had changed and WIPO therefore could not transfer money to Lesotho.

### **11.3.8 Ministry of Public Works and Transport – Under collection of revenue**

The Ministry of Public Works and Transport had a revenue shortfall of 67% in 2019/20 as the budget was M41,096,412 while the actual collection was M13,588,716.

The ministry explained that shortfall in revenue was due to delays in implementing the revised traffic fees while the budget for 2019/20 was made on the basis of the new fees.

### **11.3.9 Ministry of Forestry and Land Reclamation – No collection of revenue**

According to Book of Estimates, the Ministry of Forestry and Land Reclamation had a budget M343,800 but there was no collection under this vote. The revenue of M328,800 was to be derived from Forest Fund in various districts and M15,000 from tender fees.

The Ministry's financial statements and the consolidated financial statements do not reflect budgeted revenue and the collection. However the supporting documents to the Ministry's financial statements reflect total collection of M139,524.70 in the following districts:

<b>District</b>	<b>Book of Estimate s</b>	<b>Budget per Ministry's records</b>	<b>Collection per Ministry's records</b>
Leribe	60,000	60,000	105,369.80
Quthing	48,000	24,000	5,277.00
Mafeteng	38,400	38,400	11,962.90
Botha Bothe	38,400	38,400	16,915.00
<b>Total</b>	<b>184,800</b>	<b>160,000</b>	<b>139,524.70</b>

### **11.3.10 Ministry of Labour and Employment – Over collection of revenue**

The budget for Ministry of Labour and Employment was M6,460,888 while the actual collection was M10,623,518 and there was over collection of M4,162,630 or 64%. The reasons for over collection were as follows:

- The ministry used to outsource printing of ID cards for work permits but during the year under review the ID cards were printed in-house hence over collection of M800,808 in sundries.
- The over collection of M3,364,000 on issue of Employment Certificates due to engagement of more expatriates at Poli-hali Dam. The initial phase needed more technical expertise.
- There was more influx of Labour agents than anticipated.

### **11.3.11 Principal Repayments – no collection of revenue**

Head 21 – Principal Repayments is a statutory head of expenditure for repayments of Public Debt. For the first time in the Book of Estimates, revenue of M25,256,462 was budgeted to be collected in the financial year 2019/20.

I have not obtained an explanation on what type of revenue was envisaged to be collected under this head. In addition, the Constitution dictates that such expenditure, principal repayments, should be a direct charge on the consolidated fund. Therefore revenue cannot be expected to be collected under the charges on the consolidated fund and it is appropriate that there was no revenue under this head even though it was irregularly budgeted.

### **11.3.12 Ministry of Defence and National Security**

The Ministry of Defence had budgeted revenue of M1,221,000 and collected M612,267 resulting into a shortfall of M603,733 or 50%. This budget included the budget of M1,000,000 for LDF Airwing and revenue collected amounted to M300,000 resulting into under collection of M700,000. The reasons provided for shortfall are the following:

- Debts totalling M337,458 were outstanding as at 31 March 2020
- Medium utility helicopters were grounded due to lack of funds for major components overhaul and refurbishment.
- The Airwing had to undertake two major operations; national immunisation under the Ministry of Health and delivery of free primary education material under the Ministry of Education.
- Most of the flights worked on curbing stock theft and internal crimes.

I have noted with great concern that the Chief Accounting Officer had not submitted a Statement of Arrears of Revenue for the outstanding amount of M337,458 contrary to the requirements of the Treasury Regulations to render Returns of arrears of revenue to the Principal Secretary for Finance with a copy to the Accountant-General and to the Auditor-General.

### **11.3.13 Independent Electoral Commission – Over collection of revenue**

IEC is not a revenue collecting unit, however the financial statements show a collection of M453,913. The explanation given was that those were unused funds in the previous financial years, which were meant for party funding and party agents but could not reach the agents. The Political parties and the District Electoral Officers therefore paid the funds back to IEC account.

The actual amount that was meant for agents was M386,148 and this amount earned interest of M67,765 while held in the bank hence a deposit of M453,913 under property income as miscellaneous and unidentified revenue.

### **11.3.14 Ministry of Local Government and Chieftainship – Over collection of revenue**

The Ministry anticipated to collect M1,981,614.00 while revenue collected as per Ministry's financial statements amounted to M5,701,909.00 resulting into over collection of M3,720,295.00 or 188%. The Ministry indicated that the over collection was a result of unanticipated increase in stamp duty, statutory fees, sales of goods, tender fees, sale of stray stock, registry of land leases and other title documents and building permits which were not budgeted for in some districts but were collected.

It was further noted that the Ministry's revenue per IFMIS Ledger amounted to M664,043.34 as against the ministry's reported revenue of M5,701,909.00 making difference of M5,037, 865.66. As alluded by the Ministry, the variance was caused by un-captured revenue at sub accountancies.

### **11.3.15 Ministry of Gender, Youth, Sports and Recreation**

The Ministry had an overall Revenue budget of M144,000.00 for the year under review. However, the actual revenue collected was M18,725 leaving uncollected revenue variance of M125,275. The ministry provided the following reasons for under collection:

- There were no procurement officers and finance officers employed at the Matheko Vocational Training Centre to facilitate sale of products produced by the students.

- Due to severe draught, there was no agricultural produce and therefore no collection of revenue.
- Some students dropped out during the academic year while others could not pay their fees. Those who owed their certificates are still withheld by the Centre pending the settlement of outstanding fees.

### **11.3.16 Ministry of the Public Service**

The revenue budget was M6,908,580 and actual collection was M7,974,851 and therefore there was over collection of M1,066,271 or 15%. The reasons for variation from the budget were the following:

- Tuition fees amounting to M2,196,878 were not included in the revenue budget estimates as during budget preparations the item was operating under the revolving account.
- The Ministry received a grant of M738,531 from volunteers for Public Service Day celebrations, which was not budgeted for.
- The budget for Fines, Forfeits and Penalties was M200,000 but the collection amounted to M105,948 causing a shortfall of M94,052. The shortfall was due to defaulters not being able to settle their debts and insufficient benefits payable to them.
- The Ministry's budget for rent and assessment fee was M6,708,580 but the ministry collected M4,933,494 resulting into under collection of M1,775,086.00. The Ministry has indicated the following factors that contributed to under collection of revenue:
  - In 2019/2020, the Ministry of the Public Service continued to allow officers who qualified for government houses to undertake repairs to the houses they were allocated. That was done to prevent illegal occupants to occupy government houses. It was agreed that those officers should recover their expenses before the ministry could collect rent from such a house. That arrangement negatively affected rent revenue collection.
  - During the transition of tenancy from one officer to another, there is usually a gap in rent collection as the new tenant's information is processed in the system and that transitions do not always occur at month end. Furthermore, in some

instances, the Human Resource Officers do not effect rent deductions on time; hence it contributes to low rent collection.

- In a case of government change, some political appointees who are allocated government houses refuse to vacate the houses until the courts intervene. For those who vacate, they take months before they could vacate as they claim that they have not received their terminal benefits.
- In 2019/20, the Principal Secretary delayed in signing the allocations. Furthermore, he kept two (2) houses and the other house would have earned revenue. This resulted into a loss of revenue to Government.
- Due to lack of resources Ministry of the Public Service could not sent officers to the districts for inspection that normally assist the District Administrators with the challenges they encounter in managing the government quarters.

#### **11.3.17 Judiciary – Under collection of revenue**

The total revenue budget for Judiciary was M3,956,138. The actual amount collected was M1,978,461 resulting in a variance of M1,977,677 or 50%. The major budget line was Fines, Penalties, and Forfeits and the reason provided for under collection was that it was not possible to anticipate the outcome of the cases and the ones that would attract judicial fines.

#### **11.3.18 Ministry of Social Development – Over collection of revenue**

There was no budget for revenue under the Ministry of Social Development but it was found out that M16,000 for sale of tender documents was received during the year. It was not clear as to how the Ministry did not budget for sale of tender documents yet it had budgeted for procurement of certain goods or services under tendering process.

#### **11.3.19 Ministry of Police and Public Safety – Over collection of revenue**

The Ministry of Police collected revenue amounting to M9,859,295 against the budget of M8,701,500 thus resulting into over-collection of M1,157,795 or 13%.

The over collection of revenue occurred due to an increased number of vehicle clearances and Police Escort. Police escorts at district level were provided without charges and an instruction was given to District commissioners that the escort service should be paid for. An intense follow-up was thereafter made to recover outstanding debts hence the increased revenue collection.

There was also under collection due to the following:

- There were no Licence Books at the time of renewal in December 2019 for firearm licences and therefore there was no collection of revenue on renewals of firearms.
- There is revenue line item on registration of security companies and guards from Ministry of Home Affairs, however there are no regulations for the Board that approves registration of security companies.
- The ministry had a budget line on identity photographs for work permits but this activity was transferred to the Ministry of Labour and Employment in January 2019, hence no collection.

## **CHAPTER 12: ACCOUNTABILITY OF EXPENDITURE**

---

### **12.1 ACCOUNTABILITY OF EXPENDITURE**

Expenditure is categorised into **Supply Services and Consolidated Fund Standing Services**. Supply Services is further categorised into Recurrent Expenditure and Development Expenditure whereas Consolidated Fund Standing Services is solely recurrent expenditure.

A well-planned budget should result in a breakeven position with appropriations being fully spent each year to cover operating expenses. Overspending in appropriations could be avoided with better budget processes and more education to spending units about their responsibilities for appropriation management. Spending significantly below approved budget can be considered to be example of poor budgeting processes and a general lack of oversight and/or understanding of government expenditure.

### **12.2 SUPPLY SERVICES/APPROPRIATED EXPENDITURE**

The Chief Accounting Officers are required by Section 5 of the PFMA Act 2011 to ensure that public money allocated by Parliament is used efficiently to achieve programme objectives approved by Parliament. The expenditure must be supported by proper vouchers, evidence of performance of the services and by proof of payment to the correct payee and must have come in course of payment in the financial year in which it is charged.

At the end of each financial year, each head of expenditure is required to prepare a Statement of Comparison of Budget and Actual Amounts for each voted service administered by it. The statutory requirement is for such statement to provide details of the outturn for the year against the amount provided by Parliament, based on the cash amounts of payments and receipts. The prior-year outturn is also shown for comparison purposes.

## **CHAPTER 13: SUPPLY SERVICES/APPROPRIATED EXPENDITURE**

---

### **13.1 RECURRENT EXPENDITURE**

The amount appropriated for recurrent expenditure for a financial year, whether in the annual or any supplementary budget, should in total be limited to the amounts which can be financed from the recurrent revenue which shown in the original or revised estimates for that year. The recurrent revenue estimates amounted to M17.114 billion.

The original budget for all Spending Units as per Appropriation Act 2019/2020 amounted to M10.282 billion; the amount of M713 million as per Supplementary Appropriation Bill 2019/2020 was also taken into account resulting into a total budget of M10.995 billion. Total expenditure amounted to M10.432 billion leaving a variance of M563 million or 95% budget execution as shown on Table 13.1.

It was also established that three (3) Heads of Expenditure recorded excess expenditure and there is no information provided as to whether a Statement of Excess has been prepared and presented before Parliament as required by the Constitution.

My office has not been made aware as to whether the Minister has complied with Section 27(6) of the Public Financial Management and Accountability Act 2011 by imposing a surcharge on the persons who were Chief Accounting Officers for those heads at that time.

**Table 13.1 – Budget Execution on Voted Heads of Expenditure**

Spending Unit	Original Appropriation	Supplementary Appropriation	Total Appropriation	Actual Expenditure	Under/(over) Expenditure	Budget Execution (%)
A	B	C	D=B+C	E	F=D-E	G=E/D
Agriculture	275,298,025	-	275,298,025	235,000,940	40,297,085	85
Health	1,961,091,988	16,753,242	1,977,845,230	1,868,362,205	109,483,025	94
Education	2,403,263,439	100,000,000	2,503,263,439	2,371,169,811	132,093,628	95
Finance	766,982,242	30,958,250	797,940,492	717,436,327	80,504,165	90
Trade	39,590,364	679,350	40,269,714	38,822,161	1,447,553	96
Planning	685,911,254	179,152,291	865,063,545	857,773,346	7,290,199	99
Justice	215,017,189	-	215,017,189	208,256,729	6,760,460	97
Home Affairs	140,980,300	5,342,100	146,322,400	141,522,040	4,800,360	97
PM's Office	111,843,442	65,586,332	177,429,774	186,097,415	(8,667,641)	105
Communications	129,769,834	52,778,332	182,548,166	169,958,846	12,589,320	93
Law	61,750,525	21,642,106	83,392,631	77,052,125	6,340,506	92
Foreign Affairs	317,646,384	42,676,401	360,322,785	352,792,957	7,529,828	98
Public Works	130,128,269	2,177,681	132,305,950	151,933,041	(19,627,091)	115
Forestry	151,210,846	44,630,000	195,840,846	183,313,726	12,527,120	94
Energy	25,838,620	-	25,838,620	25,405,895	432,725	98
Labour	49,583,753	1,571,619	51,155,372	47,338,241	3,817,131	93
Tourism	80,041,082	2,000,000	82,041,082	87,010,718	(4,969,636)	106
Auditor-General	27,049,192	-	27,049,192	25,266,039	1,783,153	93
His Majesty's Office	8,878,491	7,428,000	16,306,491	10,950,362	5,356,129	67
PSC	11,311,657	1,057,592	12,369,249	11,475,439	893,810	93
Defence	596,381,467	37,070,700	633,452,167	607,500,034	25,952,133	96
Nat. Assembly	81,286,960	1,200,000	82,486,960	78,179,722	4,307,238	95
Senate	17,204,164	10,269,868	27,474,032	24,203,701	3,270,331	88
Ombudsman	8,673,578	305,963	8,979,541	8,435,857	543,684	94

Spending Unit	Original Appropriation	Supplementary Appropriation	Total Appropriation	Actual Expenditure	Under/(over) Expenditure	Budget Execution (%)
A	B	C	D=B+C	E	F=D-E	G=E/D
IEC	60,223,602	-	60,223,602	56,224,412	3,999,190	93
Loc. Government	474,950,642	1,143,070	476,093,712	445,242,342	30,851,370	94
Gender	72,335,481	5,019,383	77,354,864	65,848,525	11,506,339	85
Public Service	37,610,865	396,556	38,007,421	36,627,203	1,380,218	96
Judiciary	99,546,049	31,953,314	131,499,363	127,968,469	3,530,894	97
Social Development	259,222,498	9,508,006	268,730,504	229,306,221	39,424,283	85
DCEO	23,572,460	1,620,630	25,193,090	22,796,135	2,396,955	90
Mining	24,158,870	-	24,158,870	22,379,329	1,779,541	93
Police	710,415,802	271,619	710,687,421	689,592,584	21,094,837	97
Small Business	78,973,713	-	78,973,713	69,478,782	9,494,931	88
Water	144,421,385	39,769,891	184,191,276	180,934,395	3,256,881	98
<b>Total</b>	<b>10,282,164,432</b>	<b>712,962,296</b>	<b>10,995,126,728</b>	<b>10,431,656,074</b>	<b>563,470,654</b>	<b>95</b>

Source: Appropriation Act 2019/2020, Supplementary Appropriation Bill 2019/2020 and Ministries' Financial State

## 13.2 DEVELOPMENT BUDGET

**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.

## 13.2 USAGE OF DONOR GRANTS

The amount received on donor grants amounted to M588 million against the budget of M1.015 billion causing a shortfall of M427 million or 42%.

The Ministries' financial statements show that grants received from other government bodies, foreign governments and international organisations amounted to M2,942,209; M34,266,296 and M551,138,141 respectively resulting into a total of M588,346,646. The expenditure incurred amounted to M585,068,794 leaving a variance of M3,277,852 as reflected on Table 13.3.

The Ministry of Development Planning received a grant of M2,180,106 and did not spend it at all. The reasons have not been provided for not spending the grant. Some ministries have spent more than what they reported to have received, which raises a confusion about where they got the extra money to spend. The usage ranges from 126% to 443%.

**Table 13.3 - Grants received and usage**

Ministry	Budget	Amount Received	Amount Spent	Budget Execution	Funds Usage	Exec. (%)	Use (%)
A	B	C	D	E=B-C	F=C-D	G= C/B	H= D/C
Agriculture	147,007,353	76,674,325	36,777,297	70,333,028	39,897,028	52	48
Health	323,913,228	174,373,048	165,206,168	149,540,180	9,166,880	54	95
Education	66,680,496	9,520,948	6,822,567	57,159,548	2,698,381	14	72
Finance	285,753,979	193,646,491	244,642,375	92,107,488	-50,995,884	68	126
Trade	53,926,390	55,669,110	79,681,378	-1,742,720	-24,012,268	103	143
Planning	2,599,999	2,180,106	-	419,893	2,180,106	84	-
PM's Office	-	27,766,296	-	-27,766,296	27,766,296	-	-
Communications	23,400,000	374,046	1,658,160	23,025,954	-1,284,114	2	443
Energy	41,829,966	25,370,084	23,532,332	16,459,882	1,837,752	61	93
Tourism	-	3,086,877	2,651,024	-3,086,877	435,853	-	86
Loc. Government	-	236,000	662,121	-236,000	-426,121	-	281
Gender	-	579,889	230,096	-579,889	349,793	-	40
Soc. Development	30,000,000	9,483,392	8,700,431	20,516,608	782,961	32	92
Water	40,000,000	9,386,034	14,504,845	30,613,966	-5,118,811	23	155
<b>Total</b>	<b>1,015,111,411</b>	<b>588,346,646</b>	<b>585,068,794</b>	<b>426,764,765</b>	<b>3,277,852</b>	<b>58</b>	<b>99</b>

Source: Government Notice 6 of 2019, Book of Estimates and Ministries Financial Statements

### 13.3 USAGE OF DONOR LOANS

The budget for donor loans was M1.322 billion and the amount received amounted to M960 million resulting into a shortfall of M362 million or 27%. There was a satisfactory usage of 81% on donor loans as total loans received amounted to M960 million and total amount spent was M774 million leaving a balance of M186 million as presented on Table 13.4.

However, the ministries of Water and of Social Development recorded very low usage of 24% and 28% respectively. The Ministry of Education had a usage of 30% above received funds.

**Table 13.4 – Loans received and spent**

Ministry	Budget	Amount Received	Amount Spent	Budget Execution	Funds Usage	Exec. (%)	Use (%)
A	B	C	D	E=B-C	F=C-D	G=C/B	H=D/C
Agriculture	246,714,541	121,935,510	82,736,076	124,779,031	39,199,434	49	68
Health	45,058,621	37,947,036	37,855,156	7,111,585	91,880	84	100
Education	91,895,139	36,193,890	47,075,702	55,701,249	(10,881,812)	39	130
Finance	79,023,761	81,674,509	80,782,690	-2,650,748	891,819	103	99
Trade	16,664,480	16,664,480	16,375,331	-	289,149	100	98
Communications	36,400,000	18,979,398	18,981,614	17,420,602	(2,216)	52	100
Public Works	415,000,000	306,017,344	302,108,742	108,982,656	3,908,602	74	99
Energy	57,394,028	132,667,435	132,667,435	(75,273,407)	-	231	100
Soc. Development	130,000,000	137,667,441	38,140,062	(7,667,441)	99,527,379	106	28
Water	204,000,000	70,088,952	16,819,357	133,911,048	53,269,595	34	24
<b>Total</b>	<b>1,322,150,570</b>	<b>959,835,995</b>	<b>773,542,165</b>	<b>362,314,575</b>	<b>186,293,830</b>	<b>73</b>	<b>81</b>

Source: Government Notice 6 of 2019, Book of Estimates and Ministries Financial Statements

### 13.5 DEVELOPMENT EXPENDITURE FINANCED BY GOVERNMENT REVENUES

The budget for development expenditure to be financed by the Government of Lesotho was M2.831 billion, the Supplementary Appropriation Bill reflect an amount of M490 million resulting into a total of M3.321 billion. The expenditure incurred amounted to M2.589 billion leaving a balance of M732 million from the total budget or 22% under utilisation of funds as presented on Table 13.5.

It is evident from the Table 13.5 that six ministries recorded very low budget execution ranging from 0-22%, which indicates that Government priorities were highly and negatively affected. I could not also establish as to why there was a supplementary budget amounting to M230 million for 7 ministries as the actual expenditure of M1.009 billion was below the original budget of M1.461 billion. In this case the Minister of Finance should have applied provisions of Section 15(1) of the PFMA Act 2011 on reallocations within Head of Expenditure for capital projects, subject to any donor conditions and with the prior approval of Cabinet.

It is understandable for the Ministry of Trade and of Energy to have requested additional funds as actual expenditure was beyond the original budget and the budget execution was satisfactory at 89% and 99% respectively.

**Table 13.5 – Budget Execution of GOL Development Expenditure**

Ministry	Original Budget	Supplementary Budget	Total Budget	Actual Expenditure	Variance	Exec. (%)
	<b>B</b>	<b>C</b>	<b>D=B+C</b>	<b>E</b>	<b>F=D-E</b>	<b>G=F/E</b>
Agriculture	34,800,942	93,417,801	128,218,743	21,595,843	106,622,900	17
Health	103,419,922	74,749,165	178,169,087	88,480,306	89,688,781	50
Education	59,805,638	1,000,000	60,805,638	47,581,146	13,224,492	78
Finance	358,630,475	23,647,315	382,277,790	326,473,618	55,804,172	85
Trade	117,340,358	190,748,129	308,088,487	274,720,229	33,368,258	89
Planning	100,000,000	-	100,000,000	98,101,988	1,898,012	98
Justice	74,984,000	-	74,984,000	45,564,697	29,419,303	61
Home Affairs	267,246,891	-	267,246,891	257,466,512	9,780,379	96
Communications	35,488,000	-	35,488,000	34,574,323	913,677	97
Law	6,473,600	-	6,473,600	1,394,629	5,078,971	22
Foreign Affairs	19,918,400	-	19,918,400	1,215,346	18,703,054	6
Public Works	428,220,312	23,743,000	451,963,312	387,063,983	64,899,329	86
Energy	200,614,453	20,000,000	220,614,453	218,045,891	2,568,562	99
Tourism	91,000,000	-	91,000,000	47,417,537	43,582,463	52
Majesty's Office	76,000,000	-	76,000,000	75,964,512	35,488	100
Defence	47,000,000	-	47,000,000	46,910,261	89,739	100
Loc. Government	388,135,000	-	388,135,000	370,046,620	18,088,380	95
Gender	58,366,667	-	58,366,667	51,268,388	7,098,279	88
Public Service	5,000,000	-	5,000,000	-	5,000,000	0
Judiciary	32,000,000	-	32,000,000	15,815,164	16,184,836	49
Soc. Development	-	48,763,502	48,763,502	-	48,763,502	0
Mining	17,921,398	-	17,921,398	2,332,862	15,588,536	13
Police	63,000,000	-	63,000,000	38,533,857	24,466,143	61
Small Business	71,980,527	5,000,000	76,980,527	42,066,183	34,914,344	55
Water	173,866,852	8,824,879	182,691,731	96,314,057	86,377,674	53
<b>Total</b>	<b>2,831,213,435</b>	<b>489,893,791</b>	<b>3,321,107,226</b>	<b>2,588,947,952</b>	<b>732,159,274</b>	<b>78</b>

Source: Appropriation Act 2019/20, Supplementary Appropriation Bill 2019/20 and Ministries' Financial Statements

## **CHAPTER 14: CONSOLIDATED FUND STANDING SERVICES**

---

### **14.1 CONSOLIDATED FUND STANDING SERVICES**

Charged or statutory expenditure are payments for Consolidated Fund standing services, which are met directly from the Consolidated Fund and are governed by laws, which continue in force until repealed or amended. They are thus made independent of annual appropriation by Parliament. The responsibility for administration of charged expenditure rests with the Ministry of Finance.

Charged expenditure can be categorised into the following:

- a) High constitutional offices whose dignity should not be compromised such as the King in terms of Section 48 of the Constitution (**Head 24 – statutory salaries and allowances**);
- b) Expenses that are needed to maintain independence of some important offices such as Judges, Attorney-General, Ombudsman, Auditor-General, etc. in terms of Section 115 of the Constitution (**Head 24 – statutory salaries and allowances**);
- c) Expenses that are a must such as debt charges according to Section 116 of the Constitution (**Head 21 – principal repayments and Head 22- Interest charges**);
- d) Section 150 of the Constitution requires that all pension benefits for the service of a public officer should be a charge on the Consolidated Fund (**Head 23 – pension and gratuities**); and
- e) Section 31 of PFMA Act 2011 provides that if monies have been paid into the consolidated fund by error, refunds payable to the person or entity entitled should be a charge on the consolidated fund. (**Head 26 – Refunds of Erroneous receipts**).

### **14.2 CHARGED EXPENDITURE NOT SUPPORTED BY A STANDING LEGISLATION**

I wish to indicate that Government also makes charges on the Consolidated Fund for payment of subscriptions to international organisations (Head 25). However, I am not aware of any legislation qualifying this type of expenditure to be a charge on the consolidated fund.

### **14.3 BUDGET EXECUTION**

The total budget for charged expenditure amounted to M3.104 billion and there were additional funds totalling M249 million resulting into a total budget of M3.353 billion. The total expenditure was M3.836 billion and the comparison of total budget and total expenditure revealed over expenditure of M483 million or budget execution of 114% as indicated on Table 14.3.

The figure of M249 million for additional funds was reflected in the Supplementary Appropriation Bill, 2019/20 under Head 21- Principal Repayments and Head 24- Statutory Salaries. However, the inclusion of charged expenditure in the Appropriation Act was contrary to the requirements of the Constitution and Section 14(4) of the PFMA Act.

**Table 14.3 – Budget Execution on Charged Expenditure**

<b>Head of Expenditure</b>	<b>Original Budget</b>	<b>Supplementary Budget</b>	<b>Total Budget</b>	<b>Actual Expenditure</b>	<b>Under/(Over) Expenditure</b>	<b>Budget Execution (%)</b>
<b>A</b>	<b>B</b>	<b>C</b>	<b>D=B+C</b>	<b>E</b>	<b>F=D-E</b>	<b>G=E/D</b>
Principal Repayments	1,130,681,791	243,830,000	1,374,511,791	1,349,767,080	24,744,711	98
Interest Charges	-	-	-	515,277,515	(515,277,515)	-
Pensions and Gratuities	1,854,704,945	-	1,854,704,945	1,882,679,974	(27,975,029)	102
Statutory Salaries and Allowances	31,921,556	5,383,593	37,305,149	31,630,095	5,675,054	85
Subscriptions to international Organisations	84,434,160	-	84,434,160	56,482,364	27,951,796	67
Refund of Erroneous Receipts	2,268,000	-	2,268,000	64,998	2,203,002	3
<b>Total</b>	<b>3,104,010,452</b>	<b>249,213,593</b>	<b>3,353,224,045</b>	<b>3,835,902,026</b>	<b>(482,677,981)</b>	<b>114</b>

**Source: Books of Estimates, Supplementary Appropriation Bill 2019/20 and financial statements of Heads of Expenditure**

## **PART 5**

# **BUDGET PRIORITIES FOR FINANCIAL YEAR 2019/20**

## **CHAPTER 15: GOVERNMENT PRIORITIES FOR FINANCIAL YEAR 2019/20**

---

### **15.1 PRINCIPLES FOR GUIDING BUDGET FOR 2019/20**

In his Budget Speech for the financial year 2019/20, the Minister of Finance indicated that the government would respond to consistent shortfall in cash and foreign reserves as well as volatile SACU revenues, the depreciation of South African Rand against major world currencies and its negative impact on the external debt stock and strong recurrent expenditure growth which have put pressure on budget deficits by adopting the following principles which would underpin and guide the budget that year:

- a) Achieving consistency of the medium term fiscal framework and medium term expenditure framework to national priorities and efficiency, effectiveness and value for money in public expenditure;
- b) Adopting a budget that was affordable, sustainable, credible and responsive to the growing needs over the medium term;
- c) Achieving efficiency in domestic revenue mobilisation to finance government programmes while limiting the dependence on external financing;
- d) Improving monitoring, transparency and accountability to ensure expenditure efficiency; and
- e) Prioritising the elimination and curtailment of accumulation of arrears.

### **15.2 MEASURES TO REGULATE SPENDING**

The Minister further specified that there were additional fiscal stabilisation measures to be implemented in aiming to regulate spending and to close loopholes. Those included tightening previous measures and introducing additional ones. It was anticipated that the government would implement in full the following measures:

- a) **Reduction of costs for international travel** – that included reducing ministerial travel, elimination of all supplementary subsistence allowances including quarter rates, elimination of international training except that fully funded, adopting lower UN rates for daily subsistence

allowance, revising class of travel and acquiring one Travel Agent for flight booking services.

- b) Reduction of phone expenses** - lowering existing allowances, including cutting all spending limits on phone usage and a cap of M5,000 per month to be applied to all ministers.
- c) Cutback on human resource costs** – freezing of government hiring, reducing the cost of foreign missions by cutting their number and reviewing a formula for calculating net salaries and allowances. Ministers’ gross salaries to be cut by 5%.
- d) Reduction of other expenses** – Reduce fleet costs, coordination of all trips to the districts and ensuring delivery of services in the districts through active implementation of 2014 Decentralisation Policy. Elimination of procurement of refreshments, abolition of the interest benefit on MPs loans and eliminating the possibility of write-off of the loans following mid-term elections.

### **15.3 MEASURES TAKEN TO REGULATE SPENDING**

#### **a) Reduction of costs for international travel**

- International travel including allowance thereon is regulated by the Public Service Regulations, 2008. To date, amendments have not been made to the regulations and as such reduction of costs was not possible.
- On the positive side, the contracts for Statutory Position Holders, Principal Secretaries and other equivalent positions have stated that where duration of a journey is less than 5 hours, travel should be economy class and where more than 5 hours should be business class. This measure can significantly reduce the airfare costs.

#### **b) Reduction of phone expenses**

The policy on the use of official cellular phones issued by the Government Secretary in 2018 has not been revised and it is still in force.

**c) Cutback on human resource costs**

My office is not aware of any measures taken to reduce human resource costs except for reduction of the ministers' salaries by 5%.

A committee has been established comprising Treasury department, Budget Office, Ministry of Foreign Affairs and Ministry of the Public Service working on the review of a formula for calculating net salaries and Foreign Service allowances.

**d) Reduction of other expenses**

The Members of Parliament (Amendment of Schedule) Salaries Regulations 2020 and the Statutory Salaries (Amendment of Schedule Regulations 2020 have eliminated interest free loans to a maximum of M500,000. The ninth Amendment to the Constitution Act, 2020 has taken care of write-off of the loans following mid-term elections. Other than these two issues, I am not aware of any measures taken to reduce other expenses.

**15.4 SECTORIAL INTERVENTIONS**

The budget for financial year 2019/20 focused towards sectorial interventions, which included job creation, business development support, economic sector, infrastructure, social interventions, national reforms and governance agencies.

Specific ministries were responsible for ensuring that government priorities are achieved and status of achievement from the ministries' reports is presented on Table 15.4.

My office has not been able to verify the reported information by the ministries and I would therefore request other stakeholders with firsthand information to confirm the accuracy.

**15.5 SITE VISITS BY AUDITORS ON CONSTRUCTED AND REHABILITATED ROADS**

The auditors made site visits in May 2021 to 6 districts to verify whether the roads were actually constructed and rehabilitated as reported by the Roads Directorate.

My office also undertook a performance audit of the Maseru District Council (MDC) and visited 4 Community Councils with the aim of

verifying whether construction and rehabilitation of rural community roads and bridges were carried out as planned.

The audit generally discovered that the works executed had already deteriorated and needed maintenance or complete rehabilitations.

### 15.5.1 ROADS DIRECTORATE

District & Roads	Observations
<b>Quthing Roads:</b>	
B44 Mt. Moorosi to Mphaki	<ul style="list-style-type: none"> <li>Gabions and culverts had fallen off due to heavy rains and there was no protection against erosion</li> <li>The route had collapsed at ha Masiu</li> <li>The drift had fallen into the river</li> </ul>
Bethel Bridge	Drainage of rainwater on the bridge was not controlled properly as there were no pipes to flush away such water
Mphaki to Nthunya	The road was resealed in 2017 but there were new potholes emerging
<b>Mohale's hoek and Mafeteng Roads:</b>	
Holy-Cross to Polane	<ul style="list-style-type: none"> <li>The road was rehabilitated from earth to gravel road but had collapsed at about 3.6km and at 8.2km along the route</li> <li>Culverts fell due to heavy rains</li> <li>At about 4.6km along the road, there is likelihood of collapsing soon</li> </ul>
Ts'akholo to Thabana-Mohlomi	<ul style="list-style-type: none"> <li>In some place's gabions had fallen</li> <li>Drift had collapsed due to heavy rainfalls</li> </ul>
<b>Berea and Leribe Roads:</b>	
Thaba-Sepala to Malimong	The route was rehabilitated, and the width was expanded though the gravel had been flushed away mostly on sloppy areas
TY to Kubetu	The road was bumpy and perforated in some areas
TY to Mahlatsa	The gravel was flushed away in most parts of the route and there were some perforations
Monase to Matlakeng	At about 10.4km, the route collapsed due to heavy rainfalls
<b>Maseru Roads</b>	
Nyakosoba to Mofuqoi	The route was rehabilitated, and the width expanded though the gravel was flushed away in most parts of the route and was also perforated in sloppy areas.

## 15.5.2 MASERU DISTRICT COUNCIL

### a) Unused funds for roads upgrading and maintenance

It was established that in the financial year 2017/18 Maseru District Council had a budget for maintenance/rehabilitation of Mahloenyeng-Matsieng and Seng-Setala Roads, funds were received in the second quarter but were not utilized at the end of the financial year. For example, Mahloenyeng-Matsieng Road was budgeted M1,012,000 for tools and equipment and Seng-Setala had a budget of M1,125,000 for blasting, that were not utilised. The reason provided for unexpended funds was that funds were released late in the financial year, in August 2017 and that yellow plant had already been circulated to other community councils. Unused funds had to be returned at the end of the financial year.

### b) Non-completion of roads maintenance/upgrading

As a good practice, quality, cost and time are requirements for project management. It was observed from documents review that roads took long to be completed as they were never given enough funds. The Development Fund had to be spread across all the development projects in the different community councils, thereby giving each community council limited funds. Table 15.5.2 below shows the roads which were given funds for three consecutive years but were still in progress during the time of the audit in September 2019. The reason provided for this was that it was not possible to inject the limited funds given in a financial year into one project in a community council but had to be distributed across different community councils to address their needs.

**Table 15.5.2 - Status of road maintenance projects in September 2019**

Gravelling Road (Name and KMs)	Description	Financial Year	Allocated Funds	Status	Cumulative KMs completed
Mahloenyeng - Matsieng 42km	Road maintenance with Gabions, Culverts and Bridges	2017/18 2018/19 2019/20	4,421,707 2,191,058 1,547,400	Still in Progress	0-13km 13-17km 17-23km
Hata-Butle-Tloutle 12km	Road maintenance with Gabions, Culverts and Bridges	2017/18 2018/19 2019/20	1,813,067 1,337,948 1,634,880	Still in progress	0-8km 8-9km 9-11km
Matsieng-Nkesi 72km	Road maintenance with Gabions, Culverts and	2017/18 2018/19	1,358,984 3,132,709	Still in progress	0-47km 47-50km

	Bridges	2019/20	2,832,166		50-52km
Seng-Setala 87km	Road maintenance with Gabions, Culverts and Bridges	2017/18	6,474,678	Still in progress	0-80km
		2018/19	6,314,265		80-83Km
		2019/20	4,229,702		83-83Km

Source: MDC records

### c) Maintained roads in poor condition

It was discovered that parts of the roads which had been maintained were already wearing off before maintenance could be completed though they were certified complete by the Principal Technical Officer as indicated below:

#### ▪ **Ntlo-kholo–Mahaheng Road**

The maintenance of this road was labour intensive and resumed on 23 January 2019. There were forty-six (46) labourers engaged for one month in this activity under the supervision of Senior/Principal Technical Officer. An amount of M97,000.00 was paid for the work done. However, during the audit inspections in June 2019, it was observed that the maintained road was in such a bad condition as it eroded during rainy season and had therefore returned to its original condition. Furrows, which were made to channel water, did not divert it from the road, as intended.

#### ▪ **Mahloenyeng-Matsieng Road**

The road had been under maintenance since financial year 2017/18. However, at the time of the audit, June 2019, the completed parts of the road were already destroyed by the rains, making communities movement around the areas difficult.

#### ▪ **Hata-butle – Tloutle Road**

During the construction of this road, drifts and culverts were not done. Where there were supposed to be gabions, handmade stone silt traps and stone belts were done. During the rainy season these stone belts were easily washed away and deposited into the fields and destroyed. Another observation made during the site visit at Hata-

Butle- Tloutle was that the yellow plant was not functional due to lack of fuel. Laborers were used to carry-out the work that was supposed to be done using yellow plant. Each labourer was paid M106.00 per day for a period of 20 days; amounting to M2,120.00 per labourer and M42,400.00 for twenty (20) labourers.

**Table 15.4 - Achievements on Government Priorities for the Financial Year 2019/20**

Ministry	Priorities	Achievements as in March 2021	Budget	Actual Expenditure	Remarks
Health	Government to engage 36 Cuban Doctors for hospitals and clinics around the country with the aim of improving the Health Sector,	12 Medical Doctors commenced work in October 2019			Due to inadequate funding the ministry is still short of <ul style="list-style-type: none"> <li>• Specialists</li> <li>• Dentists</li> <li>• Dental technologist</li> <li>• Biomedical Engineers</li> </ul>
	The Ministry of Health to further employ 35 Basotho Doctors and 252 nurses.	Achieved			
	Development of a comprehensive National Cancer Control plan	Draft National Cancer Control Plan available. The Ministry is working with IAEA, WHO and other stakeholders, and was addressing the comments of IAEA in March 2021.			
	Expansion of cancer and renal care services by sending patients for treatment at Apollo Hospital in India.	9 patients received kidneys and around 40 patients were treated for cancer in India.			
	Training of Health professionals (Doctors, Nurses and Pharmacists) in India to facilitate the establishment of National Chemotherapy Centre	<ul style="list-style-type: none"> <li>• 2 Doctors were trained on management of Chemotherapy Centre,</li> <li>• 1 doctor and 3 Nurses trained on Renal Care,</li> <li>• 1 Doctor and 8 Nurses were trained on treatment Cancer.</li> </ul>			

Ministry	Priorities	Achievements as in March 2021	Budget	Actual Expenditure	Remarks
	Provision of multi month ARV dispensing to allow Basotho working locally and in the RSA enough medication to cover 3-6 months as a means of reducing incidences and increasing the coverage of Anti-retroviral (ART),	Achieved			
	Production of Medical cannabis for exportation and processing.	50 Cannabis Licenses have been issued			Only one company is close to exporting its first produce
<b>Finance</b>	To cater for old age grants and to relocate Old age Pension to the Ministry of Social Development.	Relocation of old age Pension to Ministry of Social Development failed in 2019/20 it is aimed to kick start in April 2021			
	Launching and upgrading Integrated Financial Information Management System (IFMIS) in order to address the existing challenge of accurate financial statements and delays in payments of suppliers.	IFMIS upgrading was still in progress.			
	Adoption of decisions on Maseru Relief Infrastructure that would include north and	Infrastructure not done. All new infrastructure projects were withheld to finalise unfinished/ on-			

Ministry	Priorities	Achievements as in March 2021	Budget	Actual Expenditure	Remarks
	south by-pass roads, toll roads where appropriate, residential and office development government-owned sites.	going projects. The Ministry was currently Developing Asset Management Policy, which would enable them to identify, locate, record, and reevaluate the Government Assets.			
<b>Trade</b>	Completion of both Tikoe and Belo industrial estates.	<p><b>Ha Belo Industrial Infrastructure Phase 1:</b></p> <p>Construction of 16 factory shells and requisite infrastructure for Belo Industrial Estate:</p> <ul style="list-style-type: none"> <li>• Work in progress measured at 80% complete, which comprises Superstructure steel, cladding, surface bed for 15 factory shells. One (1) factory shell was undergoing roof sheeting. The rest were complete and undergoing various stages of flooring, access steps, and plaster finishes.</li> <li>• Bitumen Treated Base (BTB) was completed up to 98% and Asphalt Wearing Course surfacing had only attained 1%. Sub surface services, which include storm water drainage, sewer line, potable water line, electrical and telecommunications sleeves still remain at 87%. Building and civil</li> </ul>	M232,570,912	M232,570,912	The allocated budget was not adequate to pay for work done as per submitted certificates. The project was eight (8) months behind schedule, mainly due to inclement weather conditions, COVID-19 lockdown from 29 Mar 2020 to 6 May 2020, movement restrictions, and cash flow constraints emanating from inadequate budget allocated to the Project. Lack of bulk water and electricity supply

Ministry	Priorities	Achievements as in March 2021	Budget	Actual Expenditure	Remarks
		<p>work for factory shells is at 91%</p> <ul style="list-style-type: none"> <li>• Automated Sprinkler System was at 19% complete.</li> <li>• Storm water and Donga Rehabilitation were 77% complete.</li> <li>• Water reticulation system achieved 79% completion</li> <li>• Effluence conveyance and treatment system was 97% complete.</li> <li>• Telecommunication work in progress was at 69%</li> <li>• The progress on Electrical works was 27%</li> <li>• External works, which includes paving, fencing, guardhouses, retaining walls and landscaping, had achieved 83% completion.</li> </ul>			<p>to the estate, although power transmission will start in April 2021.</p> <p>Issue 3 of the Development Beacon by the Ministry of Development Planning has indicated that the project was at 65% advancement</p>
		<p><b>Tikoe Industrial Infrastructure Phase 3</b></p> <p>The Project aims at construction of factory shells at Ha Tikoe Industrial Estate Phase 3 for new and expanding investment projects and provision of industrial infrastructure in the form of requisite infrastructure</p>	M39,332,358	M35,317,930	A remarkable achievement according to the Development Beacon

Ministry	Priorities	Achievements as in March 2021	Budget	Actual Expenditure	Remarks
		and utilities (water, wastewater treatment plant, electricity, telephone, access roads). The estate will house factory shells of different sizes.  The overall Project Completion has achieved 39% and the construction of Bridge was complete. Electrical installation had not yet started due to absence of Mini-Substation (Transformers) Equipment due to COVID-19 lockdowns both in Lesotho and RSA.			
	Expansion of area under delicious fruit production from 34 ha to 150 ha in two years' time.	No achievement			
	Incubation of 8 new firms in clothing and electrical components in two years' time.	No achievement			
	Fresh produce activity and an out-grower scheme	No achievement			
	Finalisation of mid-year plans for large integrated piggery, poultry, aquaculture, and beef operations as well as grains initiative to rollout area planted to 4,000 ha in Butha-Buthe, Leribe, Berea and Maseru for both domestic and export market	No achievement			
	Establishment of Agricultural	The Lending portfolio of the Lesotho	M70,037,116	M69,622,423	

Ministry	Priorities	Achievements as in March 2021	Budget	Actual Expenditure	Remarks
	Finance Department at Lesotho Post Bank	Post Bank under the Agricultural Financing has increased, following the establishment of Agriculture Finance Department through the support of the project. The loan products are segmented into; Animal fattening, Poultry Production, Crop Production and Term Loans. The total number of approved and disbursed applications since the establishment of the department is 107 applications to the value of M20 898 504.38.			
<b>Communications</b>	<ul style="list-style-type: none"> <li>Completion of 5 e-Services Centres (Sehlabathebe, Ketane, Mapholaneng, Sehonghong and Mt. Moorosi)</li> <li>Establishment of 41 community e-services centres for implementation of the e-government under the e-government Infrastructure Phase II project.</li> </ul>	<ul style="list-style-type: none"> <li>The 5 e-service centres are completed and fitted with equipment and furniture. Contract negotiations were on going for Internet connectivity.</li> <li>The Ministry was preparing specifications for RFP of the rest of the 41 e Service centres. The target is to have centres in the financial year 2021-22.</li> </ul>	M68,407,998	M28,334,098	
<b>Public Works</b>	Construction of the 66km <b>Marakabei to Monontsa</b> road in Butha- Buthe and joining <b>Mpiti-Sehlabathebe</b> road.	The <b>Marakabei – Monontsa</b> road is 100% financed by the Government of Lesotho.  Overall progress was at 51%. The Hololo bridge 80% complete, clearing and grubbing at 93%, mass earthworks were at 85%, minor	106,070,008	106,071,465	Project financing very slow and likely to result in the project cost increase due to extensions of time.  The Development

Ministry	Priorities	Achievements as in March 2021	Budget	Actual Expenditure	Remarks
		<p>drainage structures at 59%, major drainage structures at 80%, relocation and compensation at 54%.</p> <p><b>Mpiti - Sehlabathebe</b> is loan financed through the Exim Bank of China with a counterpart from the Government of Lesotho.</p> <p>The overall progress was about 30%. The contractor's camp completed and Engineer's accommodation was 99% complete, Clearing &amp; grubbing at 60% complete, minor culverts are 40% complete and mass earth works were 32% complete.</p>	83,890,000	83,891,734	<p>Beacon has confirmed that 34 Km of the 57Km road has been completed.</p> <p>The contractor was 5 months behind programme. The COVID-19 pandemic affected the contractor's catch-up programme because his technical foremen were not able to return from China.</p> <p>The delay in payment to the contractor for on GOL funded portion of works also affected the progress of works.</p> <p>According to the Development Beacon, 19% of the 91 KM road done.</p>
	Feasibility and design studies for the expansion of Kofi Annan road	Not done	-	-	Feasibility study for Kofi Annan never took off

Ministry	Priorities	Achievements as in March 2021	Budget	Actual Expenditure	Remarks
	Upgrading to bitumen standard of the Thaba Pha'tsoa road.	Not done	-	-	because of financial constraints. Thaba - Pha'tsoa road was not in the Ministry's plan for that year and the matter was brought to the attention of Budget Office.
	Construction of new roads and maintenance of existing ones.	<p>The construction and maintenance of roads consist of the following projects:</p> <p><b>a) Pavement Strengthening - unpaved roads</b></p> <p>The project involves resealing and rehabilitation of selected unpaved roads to ensure all weather access and mobility.</p> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>• Nyakosoba - Mofuqoi Lot 1 (MSU, 24km) – (100%)</li> <li>• Ts'akholo - Thabana Mohlomi Lot 2 (MFT, 7km) – (100%)</li> <li>• Mohlanapeng - Ramatseliso Lot 3 (TT 7km) – (100%)</li> <li>• Makunyapane - Linakaneng (TT, 36km) – (100%)</li> <li>• Tlhabeli - Qobong Lot 1</li> </ul>	35,000,000	343,773,392	

Ministry	Priorities	Achievements as in March 2021	Budget	Actual Expenditure	Remarks
		<p>(MH, 7.4km) – (100%)</p> <ul style="list-style-type: none"> <li>• Tlhabeli - Qobong Lot 2 (MH, 7.4km) – (100%)</li> <li>• Tlhabeli - Qobong Lot 3 (MH, 8.4km) – (100%)</li> <li>• Marakabei - Tsime (BB, 13.4km) – (7%) Suspended</li> <li>• Thaba Sepala - Malimong Lot 2 (BR, 5.5km) _ (97%)</li> <li>• Linakaneng - Mojakisane (MKG 31km) – (42%)</li> <li>• Sebotoane - Qoqolosing (LR 11.27km) – (40%)</li> <li>• Monase - Matlakeng Lot 1 (LR 1.0km) – (100%)</li> <li>• Rehabilitation of B44 Mt Moorosi to Mphaki (QT 22km) – (100%)</li> </ul> <p><b>b) Pavement Strengthening – Paved Roads</b></p> <p>The project involves resealing and rehabilitation of selected paved roads to ensure all weather access and mobility.</p> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>• Sehlabeng - Sefikeng &amp; some Maseru City Rds (MSU, 34km) (54%)</li> <li>• Botha Bothe - 'Moteng (BB, 40km)</li> </ul>	96,173,918	102,061,283	

Ministry	Priorities	Achievements as in March 2021	Budget	Actual Expenditure	Remarks
		<p>(100%)</p> <ul style="list-style-type: none"> <li>Mt. Moorosi - Nthunya (QT, 46km) (100%)</li> <li>Motsekuoa - Mantseli (MFT, 39km) (100%)</li> <li>TY - Kubetu (BR, 25km) (100%)</li> <li>Butha Buthe - 'Moteng (BB, 40km) (88%)</li> <li>Seputana - Maqalika (MSU, 5km) (100%)</li> <li>Consultancy Service for Lot 1 Resealing Project (B60 Seputana - Maqalika, B311 Village Gate-Ha Foso and B25 Motsekuoa - Mantseli &amp; Makhakhe - Mosala)</li> <li>Enhancement of A7 Kofi Annan Road (MSU, 27km) (0%)</li> </ul> <p><b>c) Rural Roads Improvement</b> The project involves improvement of existing earth roads that were constructed by Food-For-Work with assistance of the World Food Programme.</p> <p><b>Progress</b></p> <p>a) Nyakosoba - Mofuqoi Lot 2 (MSU, 5.1km) – (100%)</p>	21,851,840	5,111,373	

Ministry	Priorities	Achievements as in March 2021	Budget	Actual Expenditure	Remarks
		<p>b) Holy Cross - Polane Lot 2 (MH, 6.4km) – (97%)</p> <p>c) Makeneng - Khatibe Lot 2 (BB, 8km) – (56%)</p> <p>d) Makeneng - Khatibe Lot 1 (BB, 8km) – (60%)</p> <p>e) Phahameng – Tlhanyaku Sec A (MKG, 7km) – (100%)</p> <p>f) Phahameng - Tlhanyaku Sec C (MKG, 7km) – (100%)</p>	10,045,399	8,182,543	Some of the footbridges were affected by the recent floods and as a result are lagging behind. The project is also working on finalising the procurement process for additional footbridges under Lot 3.
<b>Local Government</b>	Implementation of Decentralisation Policy	<ul style="list-style-type: none"> <li>The stakeholder consultations were conducted and their comments were incorporated into the bill that has been tabled in Parliament.</li> </ul>	153,000	-	No Expenditure incurred as the Ministry of Finance was leading the process

Ministry	Priorities	Achievements as in March 2021	Budget	Actual Expenditure	Remarks
		<ul style="list-style-type: none"> <li>Fiscal Decentralisation Task Team was established.</li> <li>Terms of Reference and Concept Note were developed.</li> </ul>			
	Formulation and conclusion of a fiscal decentralization road map, which would set standards for use of national financial resources.				
	Rehabilitation and upgrading 46,7 Kilometres or urban roads in Maputsoe, Mohalalitoe and Tsosane-Sekamaneng, Mafeteng, and Teyateyaneng. More than 325 km of rural roads would be constructed across all districts.				
	<b>Construction of Urban Roads</b> <b>Leribe – Maputsoe</b>	The 16.3Km. Length of the entire road has been covered, the remaining work in Maputsoe roads: road markings and drainage structure constructions. The overall work completed to date is 90%. Total expenditure for the project to date is M252,825,544. The project was expected to be complete in May 2021.	200,000,000	143,776,297	

Ministry	Priorities	Achievements as in March 2021	Budget	Actual Expenditure	Remarks
	<b>Maseru</b> Tsosane-Sekamaneng Road	The overall work is at 99% completion with minor activities including pitching stonework and protection against erosion. Total expenditure for the project to date is M89,709,663. It was expected to be complete by May 2021.			
	Mohalalitoe Road	The entire road length is complete with minor touch-ups, which include repair of properties affected by the road construction. Total expenditure for this project to date is M67,191,582. The project was expected to be complete by May 2021.			
	<b>Construction of Rural Roads</b>				
	<b>Maseru</b> Matsieng – Nkesi Road 76km	8km formation (5km planned) and 3.5 km gravelling (12km planned) completed.	13,000,000.00	12,978,748.00	
	Mahloenyeng - Matsieng road 23km	10.8km formation (10km planned), 13 km gravelling (10km planned), 2km re-gravelling, 12 culverts, 8 drifts, 139 scour checks, 1 vented ford, 9m <sup>3</sup> retaining wall, mini-bridge apron 10m <sup>3</sup> , drift apron-outlet 6m <sup>3</sup> and culvert apron-outlet 7.2m <sup>3</sup> constructed.			

Ministry	Priorities	Achievements as in March 2021	Budget	Actual Expenditure	Remarks
	Matsieng – Makeneng road 3km	The project was completed by 31 <sup>st</sup> March 2020			
	Hata Butle – Tloutle road 12km	12km Formation and 12km Graveling were completed.			
	<b>Mokhotlong</b> Lebopo-Leapola Road 29km	1km formation, 3km graveling, 11 culverts installed, 34 cubic metres of gabion boxes constructed.	12,988,655	4,146,163	
	Mokhotlong High School- Moshemong Road 14.3km	2.5km formation, 41 cubic metres of gabion boxes, 5 culverts done.			
	<b>Mohale's Hoek</b>				
	Ketane – Mothibi Road	4km Constructed	12,999,925	12,496,738	
	Thupa Tsepeli – Poriking Road	5km Constructed			
	<b>Botha-Bothe</b>				
	Boiketsiso-Matsoapong Road	Drainage – 52 gabions built, 7 cross and 3 access culverts installed. 3km graveling complete, Blasting completed.	13,000,000	12,984,910	
	Ratséle – Ha Balimo Road	6km graveling complete, blasting complete Drainage structures-4 cross culverts and 4 access culverts			

Ministry	Priorities	Achievements as in March 2021	Budget	Actual Expenditure	Remarks
	Maintenance of Completed Roads	installed, 1 drift complete. Sekubu-pokane (try wall built), Tipping-Majoe liqhobo (rebuilding of bridge retaining wall ongoing), Rampai-Lehlakane (Excavation of trench for gabions and stone collection done), Qalo-Sebophe (Re-gravelling done).	13,000,000	12,962,823	
	<b>Thaba-Tseka</b>				
	LCS-Thabatseka High School Road				
	Mateu-Methalaneng Road	6,3km Constructed			
	Cheche-Senqunyane Road	24km Gravelled			
	Pontseng-Bobete Road	48km of the 50km Gravelled			
	Kolberg-Methalaneng Road	2,8km Constructed			
	<b>Qacha's Nek</b>				
	Mohlapiso-Tebellong and Moeeng-Nts'upe roads	6,1km Gravelled	13,000,000	12,999,948	
<b>Social Development</b>	Modernising social grants systems and expanding its reach to ultimately cover all councils nationally.	Not achieved, including NISSA expansion to 216,000 urban households. This exercise was being implemented in 7 community councils to test the efficacy of the			

Ministry	Priorities	Achievements as in March 2021	Budget	Actual Expenditure	Remarks
		intervention. Some achievements were CGP expansion of additional 6000 households, 23,700 OVC bursaries and PA cash to 12,600 vulnerable households.			
	Reduce the age of qualification from 70 to 60 years, and this will be done gradually beginning in 2020/21 financial year and to increase old age grant by M150.00:	Not achieved, but the Social Protection Strategy was being reviewed as it has been cited as one of the top priorities which the strategy has to address.			
	Finalisation of plans to relocate Old Age Pension to the Ministry of Social Development and African Committee of Experts on Rights and Welfare of the Children (ACERWC) Office from Ethiopia to Lesotho permanently:	Achieved			
<b>Ministry of Water</b>	<b>Increase Water Supply Coverage</b>				
	<ul style="list-style-type: none"> <li>Urban</li> <li>Rural</li> </ul>		20,251,800		75% of the budget was used for water supply to Belo industrial estate
			102,039,690		Only 39% of the budget was utilised due to works that started in the 3rd quarter due to delayed tendering

Ministry	Priorities	Achievements as in March 2021	Budget	Actual Expenditure	Remarks
					processes
	<b>Increase Sanitation Services</b>				
	Urban		5,000,000		Budget utilised in extension of sewer lines in Maseru and connections
	Rural (Construction of VIP latrines)		10,000,000		75 VIP latrines constructed country wide
	<b>Feasibility Studies</b>				
	Hydropower Generation		20,000,000		Study completed
	Lesotho-Botswana Water Transfer		20,000,000		Prefeasibility study completed and the feasibility studies ongoing. The Ministry requested M35,000,000 and was given M20,000,000

Source: Ministries' Progress Reports

## **PART 6**

# **AUDIT OF STATUTORY BODIES**

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

---

### **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.

#### **Audit concern:**

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.

#### **Audit concern:**

The legislation setting up a statutory body read with Section 28 of the Audit Act 2016 and Section 44 of the PFMA Act requires the appropriate Minister to present the audited accounts of a statutory body to Parliament. I indicated in my last report that as much as I direct audit reports to appropriate ministers, these reports are not presented in Parliament contrary to the requirements of the law.

Having noted continuous failure by ministers to present reports in Parliament, from September 2020 I ensured that when I submit my reports, I specifically remind them to present such reports in Parliament in terms of the law. My reminder has not served any purpose as reports of statutory bodies and development projects are still not presented in Parliament.

#### **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.

My office had a framework agreement with 8 Lesotho Audit Firms working in 3-year cycle. These audit firms audited on my behalf some of the statutory bodies and development projects.

#### **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**

Organisation	Last audited financial statements	Opinion	Remarks
<b>Authorities and Corporations</b>			
Land Administration Authority	31 March 2020	Unqualified	
Lesotho Communications Authority	31 March 2020	Unqualified	
Lesotho Electricity and Water Authority	31 March 2020	Unqualified	
Lesotho Revenue Authority	31 March 2020	Unqualified	
Lesotho Tourism Development Corporation	31 March 2020	Unqualified	
Lesotho National Development Corporation	31 March 2019-20	Unqualified	
Basotho Enterprise Development Corporation	31 March 2017	Unqualified	Audit of 2018 accounts still in progress
Lesotho Housing and Land Development Corporation	31 March 2015-17	Disclaimer	Audit of 2018-2020 accounts still in progress
<b>Companies</b>			
OK Bazaars (Lesotho) (Pty) Ltd	30 June 2020	Unqualified	
Avani Lesotho (Pty) Ltd	31 December 2019	Unqualified	
Lesotho Electricity Company (Pty) Ltd	31 March 2019	Adverse	Audit of 2020 accounts in progress
LEC Communications ((Pty) Ltd	31 March 2020	Unqualified	
Loti Brick (Pty) Ltd	31 March 2017-18	Disclaimer	
Maluti Mountain Brewery (Pty) Ltd	31 December 2019	Unqualified	
Water and Sewerage Company (Pty) Ltd	31 March 2019	Adverse	Audit of 2020 accounts in progress
<b>Other Statutory Bodies</b>			
Directorate of Dispute Prevention and Resolution	31 March 2016	Unqualified	
Lesotho Postal Services	31 March 2008	Disclaimer	Audit of 2009-2011 accounts still in progress
Lesotho College of Education	31 March 2009	Disclaimer	Audit of 2010-2019 accounts still in progress
Lesotho Polytechnic	31 March 2008	Qualified	Audit of 2009-2017 accounts still in progress
Lesotho National Dairy Board	31 March 2015	Unqualified	Audit of 2016-2017 accounts in progress
Lesotho Nursing Council	31 March 2015-19	Unqualified	
National Aids Commission	31 March 2018	Unqualified	Audit of 2019 accounts in progress
Council on Higher Education	31 March 2020	Unqualified	

Organisation	Last audited financial statements	Opinion	Remarks
Petroleum Fund	31 March 2020	Unqualified	
National University of Lesotho	30 June 2018	Qualified	
Road Fund	31 March 2020	Disclaimer	
Roads Directorate	31 March 2015	Qualified	Audit for 2016-2021 accounts started in July 2021
Examination Council of Lesotho	31 March 2018	Unqualified	
<b>Trading Accounts</b>			
National Drug Service Organisation	31 March 2019	Qualified	
<b>Development Projects</b>			
Smallholder Agricultural Development Project	31 March 2020	Unqualified	
Wool and Mohair Promotion Project	31 March 2020	Adverse	
Health Sector Reform Programme	31 March 2020	Unqualified	
Lesotho Education Quality for Equality	31 March 2020	Unqualified	
Lesotho Basic Education Improvement	31 March 2020	Unqualified	
Global Fund Projects	31 March 2020	Unqualified	
Lesotho Tax Modernisation Project	31 March 2020	Unqualified	
Public Financial Management Reform	31 March 2020	Unqualified	
Urban Distribution Rehabilitation and Transmission Expansion Project	31 March 2020	Unqualified	
Private Sector Competitiveness Economic Diversification	31 March 2020	Unqualified	
E-Government Infrastructure	31 March 2020	Unqualified	
Transport Infrastructure and Connectivity Project	31 March 2020	Unqualified	
Metolong Authority	31 March 2020	Unqualified	
Lesotho Lowlands Rural Supply and Sanitation	31 March 2020	Unqualified	
Economic Diversification Support	31 March 2020	Unqualified	
Social Assistance – Original	31 March 2020	Unqualified	
Social Assistance – Additional	31 March 2020	Unqualified	
Maseru Waste Water	31 March 2019	Unqualified	Audit of 2020 accounts in progress

**Source: Reports and records of the Auditor-General**

## **16.6 BASIS FOR QUALIFIED OPINIONS**

### **a) Lesotho Electricity Company – 31 March 2019**

I have issued an adverse opinion on the financial statements of the Lesotho Electricity Company due to the following:

- Revenue was recognised on the sale of electricity tokens instead of consumption of electricity units. That was against International Financial Reporting Standard (IFRS) 15, which amongst other requirements for revenue recognition, states that an entity should recognise revenue over time if the customer simultaneously receives and consumes all of the benefits provided by the entity as the entity performs. The financial statements were materially misstated due to inaccurate recognition of electricity sales.
- The transactions and balances relating to a Southern Africa Power Pool (SAPP) bank account were not incorporated in the current and prior financial statements. The balance standing on the account per bank statement on balance sheet date was M93,124,188 (US\$6,496,281). Therefore, I was unable to determine the correctness and appropriate disclosure of the transactions relating to the operations of this bank account both in the current and prior year financial statements.
- Included in the financial statements was electricity debtors' balance of M154,290,835. The debtors' listing however showed a balance of M169,405,696 resulting in an un-reconciled variance of M15,114,861. In addition, there was no provision for bad and doubtful debts against accounts receivable, which amounts to a departure from the provisions of IFRS. Therefore, I was unable to determine the accuracy and existence of the accounts receivable and whether any adjustments would have been required to correctly reflect the effects of the difference and lack of provision for doubtful debts on the financial statements as a whole.
- I was not provided with the age analysis for trade debtors' balance of M54,638,770. Therefore, I was unable to determine recoverability and provision for doubtful debts required to provide valuation of the accounts receivable.
- The physical location of items of non-current assets - land and buildings of the company was not indicated in the asset

register. In addition, title deeds and sub-lease agreements were not availed for audit verification on items of land and property. Therefore, sufficient and appropriate audit evidence to confirm existence and ownership of land and building stated at M41,643,074 were not provided. Consequently, I was unable to ascertain existence, ownership and completeness of the related balance on land and buildings reported in the financial statements.

- In the previous year the company capitalised M88 millions from the Lesotho Electricity Supply Project assets apparently received as a grant. I was not provided with satisfactory documentation that transferred ownership of these assets. Accordingly, I could not independently confirm that the company was the rightful owner of the assets.

#### **b) Loti Brick – 31 March 2018**

There was a disclaimer of opinion on the financial statements of Loti Brick due to the following:

- The Company's trial balance figures differed from the general ledger balances. The differences have been mainly on accounts including revenue, cost of sales, operating costs, property, plant and equipment, cash and bank, inventory, long term employee benefits, long term loan and retained earnings. Management could not rectify the system deficiencies and correct errors. Therefore, I was unable to determine whether any adjustments might have been found necessary in respect to the recorded or unrecorded transactions in the financial statements.
- The carrying amount of property, plant and equipment in the trial balance did not reconcile to the balance in the financial statements by M2,917,454. Therefore, I was unable to verify the value of fixed assets shown in the financial statements. I was also not provided with the lease for Land near Loti Brick offices hence I could not confirm its ownership. As a result, I was unable to satisfy myself on the valuation and ownership of the property, plant and equipment at year-end.
- The company incurred a net loss of M2,183,974 for the year ended March 31, 2018 and has an accumulated loss of

M20,523,888. As at that date, the Company had not paid the Lesotho National Development Corporation (LNDC) loan of M12,599,991 for 24 Months. These events indicate a material uncertainty, which may cast significant doubt on the Company's ability to continue as a going concern. The financial statements and notes thereto did not disclose that fact.

- At 31 March 2018, the Standard Lesotho Bank Call Account had an un-reconciled difference of M2,347,504. The account has not been reconciled since 2017. In addition, the trial balance showed an accrual of M1,067,198 that management could not provide supporting schedules and clarifications. Therefore, I could not satisfy myself on the valuation and accuracy of these balances in the financial statements.
- I was not furnished with the supporting schedules for trade creditors of M2,931,370, cash prior sales of M7,564,465 and consumables stores of M5,735,535. The general ledger balances also did not agree with the supporting schedules for motor vehicles, machinery, receivables and inventory. Consequently, I was unable to ascertain the accuracy and valuation of these accounts.

#### **c) National Drug Service Organisation – 31 March 2019**

I have issued a qualified opinion on the Organisation's financial statements as they reflected a suspense account amount of M6,235,381 under Trade and Other Payables. Management could not explicitly state the basis of this amount.

#### **d) Road Fund – 31 March 2020**

There was a disclaimer of opinion on the financial statements of Road Fund because I did not get assurance on completeness of revenue from oil companies, Ministry of Police and Department of Traffic due to limited access to the organisation's records. Even when using alternative audit procedures, I could not reach a satisfactory conclusion as to the accuracy and completeness of figures reported in the financial statements.

### **e) Wool and Mohair Promotion Project – 31 March 2020**

I issued an adverse opinion on the financial statements of Wool and Mohair Promotion Project due to the following reasons:

- The audited financial statements for the year ended 31 March 2019 reflected a closing balance of M15,658,967 but the opening balance as at 1 April 2019 was M15,716,388 leaving unexplained difference of M57,421.
- The prior year balances of receipts and payments totalling M71,526,281 and M57,652, 265 respectively were reflected in the current year financial statements with different amounts of M73,081,072 and M59,207,146 respectively.
- The financial statements of Government of Lesotho counterpart were overstated by the ministry's recurrent expenditure of M303,983.
- The operational bank statement and financial statements of the Lesotho National Wool and Mohair Growers Association (LNWMGA) showed a transfer of M800,000.00 that could not be traced as there were no supporting documents. Furthermore, LNWMGA had collected revenue totalling M363,785 but amount banked was M355,964 leaving a shortfall of M7,821.

# **PART 7**

## **AUDIT INSPECTIONS**

## **CHAPTER 17: MINISTRY OF HEALTH**

---

### **17.1 GAVI SUPPORT TO IMMUNISATION PROJECT**

Gavi, the Vaccine Alliance is an international organisation created in 2000 to improve access to new and underused vaccines for children living in developing countries. Based in Geneva Switzerland. Gavi focuses its support on low-income countries, with eligibility based on the country's national income. Countries become eligible for Gavi support if their average Gross National Income (GNI) per capita has been less than or equal to USD 1,580 over the past three years as determined annually by the World Bank. Gavi provides support to countries through cash grants, mostly for vaccine introductions and Health System Strengthening grants, and for co-financing (USD 0.20 per each dose purchased by GAVI) of underutilised vaccines such as Oral Polio Vaccine, and the Pneumococcal Conjugate Vaccine among others.

### **17.2 SUMMARY OF GAVI SUPPORT TO GOVERNMENT OF LESOTHO**

During the period 2002–2017, the total cash and vaccine support provided by Gavi to GOL totalled USD7,547,630. The total cash grant for Health Systems Strengthening was USD2,055,710 and the total value of vaccines was USD5,491,920.

### **17.3 DISSATISFACTION OF GAVI ON INADEQUATE CONTROLS AND INEFFECTIVE VACCINE MANAGEMENT**

I have noted from the report on the programme audit of support to the Ministry of Health about the dissatisfaction of Gavi on inadequate internal controls and processes and ineffective vaccine management, which called for Government of Lesotho to reimburse some funds to Gavi.

The audit established the following weaknesses in the internal control and processes:

- The oversight and governance mechanisms within the Ministry of Health did not provide adequate assurance or stewardship over GAVI's support to the immunisation programme;
- Due to the national immunisation team being understaffed, GAVI-supported activities were not adequately implemented, monitored or managed;

- The budgetary financial management and internal controls were ineffective, resulting in budget overruns and expenditures being incurred without ensuring availability of sufficient funds; and
- Not all expenditures were evidenced with adequate supporting documents.

In addition, it was discovered that the management of vaccines was not satisfactory in the following areas:

- A significant amount of measles Rubella vaccine shelf-expired, and other vaccines were effectively written-off in the records in 2016 and 2017 without adequate explanation;
- The forecasting and logistics were ineffective in managing the vaccines appropriately;
- Record keeping for vaccines was inadequate, notably 32,146 doses of GAVI-supported vaccines were unaccounted for (9,166 in 2016 and 22,980 in 2017); and
- Weak vaccine management, including “Earliest-Expiry-First-Out” principles were not followed.

Gavi therefore requested the Ministry of Health to reimburse a total amount of USD333,901, which constituted unsupported and ineligible expenditure.

The Ministry of Health has reported that the reimbursement was not made, as there was a reallocation of M3 million per directive of the Ministry of Finance leaving a balance of M2 million which was not enough to cover the due amount of USD333,901 equivalent of M4,923,790 at that time.

The Ministry of Health should have treated this issue as a matter of urgency to secure future assistance and to protect the image of the Government of Lesotho.

### **18.1 OUTSOURCING OF FUNCTIONS**

The audit established that the Ministry of Home Affairs outsourced the functions of application for residence permits and issuance of visas in the Department of Immigration. I was not provided with any authority granting the ministry to outsource its functions and the absence of such authority led to the following irregularities:

#### **a) Irregular Charges of Application Fee for Residence Permits**

Issuance of residence permits was outsourced to ATLANTIC HI TECH (PTY) LTD for a five-year contract from 9<sup>th</sup> November 2018. The contractual services to be provided by the company included the following;

- Establishment of data enrolment centre;
- Computer networking;
- Residence permit registration;
- Registration and tracking of Global and In-country Enrolment Programmes;
- Collection of biometric and Demographic Information for Development of secure Data base on registration of non-citizens residents in Lesotho;
- Monitoring of such non-citizens residence; and
- Management of issuance of residence permits.

According to the contract Atlantic Hi Tech was supposed to provide the services at no charge to the Ministry of Home Affairs, but to recover its costs through application fees which was M2,800 per applicant. The permit fees were to be paid to the Ministry of Home Affairs.

The application fee of M2,800 was contrary to the legalised fee of M1,500 stipulated in the Aliens Control (Amendment of Schedule) Regulations, 2017.

Since November 2018 to July 2020, the company has processed 3,334 applications and therefore collected the amount of M9,335,200 . If the function was not outsourced, the ministry would have collected revenue totalling M5,001,000 for those applications processed.

The Government has lost M9,335,200 on revenues due to this arrangement of outsourcing the functions and also taking into consideration that there were officers within the ministry who were getting salaries but not performing functions of processing applications fees.

Management was advised to reconsider the contract agreement as it does not comply with regulations and also to avoid unnecessary loss of revenue.

#### **b) Unremitted Visas fees - M3,053,000**

The Ministry also outsourced visa services to Computer Frontiers INC. registered in the United States of America. The duration of the contract was 10 years effective from 1<sup>st</sup> February 2017. According to the terms of contract, the company would take a service charge of US\$50.00 for each visa application and remit to the Ministry of Home Affairs the collection of application fees of US\$140 for ordinary visas and US\$200 for emergency visas, every 10 days.

The arrangement was that the collected money should be deposited into the Ministry's account held with the Central Bank of Lesotho, but that was not done at all. This company failed to remit the total amount of M3,053,000 comprising of M306,000.00 for 2017/18 and M2,747,000 for 2018/19 collected from application fee for ordinary and emergency visas.

The ministry also failed to submit returns of arrears of revenue to the Principal Secretary for Finance with a copy to Accountant-General and Auditor-General, contrary to the requirements of Section 51 of the Treasury Regulations, 2014 which requires Accounting Officers to render within one month of the end of the financial year, a return showing all amounts which remained uncollected at the end of the previous financial year, excluding bills raised in March.

#### **c) Unaccounted Revenue - M5,276,211**

The Ministry of Home Affairs opened an E-VISA Collection account with the First National Bank of Lesotho on 24 July 2018. One of the requirements of this account was that, revenue collected should be swept every two weeks to the revenue

account of the Ministry of Home Affairs held at the Central Bank of Lesotho. The requirement was however not complied with as revenue totalling M5,276,211 collected from 3,505 and 3,897 E-Visas in 2017/18 and 2018/19 respectively was still not transferred to the revenue account at the time of audit in July 2020.

A recommendation was made that such revenue should be transferred to the Revenue Account as required to avoid misuse of funds.

## **18.2 LESOTHO CITIZENSHIP**

One of the key functions of the Department of Immigration is to facilitate acquisition of Lesotho citizenship to the people who wish to become the citizens of Lesotho through Registration or Naturalisation.

### **a) Granted citizenship**

A total number of 200 applications were received during the three financial years 2017/18, 2018/19 and 2019/20 of which 50 of them were granted citizenship including four applicants who were granted free of charge (special) on the basis that they were stateless.

### **b) Unaccounted revenues for citizenship and permits**

Section 52(6) of the Treasury Regulations 2014 requires all collections to be paid either directly or through another Collector to a Consolidated Fund bank account and be brought to account in the Treasury General Ledger, without any deduction whatsoever.

Scrutiny of records revealed that revenue collected on citizenship and permits amounting to M 78,000.00 and M 13,000.00 respectively was not accounted for. The amounts due and paid as reflected in the Citizenship Form D, differed from amounts reflected on the copies of related receipts. The total amount reflected on the form for citizenship was M82,000 whereas the amount receipted and banked was M10,200. The total amount due for permits was M25,800 but the received was M12,700.

### **c) Doubtful Receipts Used to Collect Revenue**

Section 57 of the Treasury Regulations 2014 requires that revenue collectors should account for every official receipt issued to them, and those official receipts should be recorded and numbered sequentially in the Nature of Form Register and should be kept in a safe custody.

My audit revealed that revenue amounting to M210,000 as indicated below, was collected for citizenship was not accounted for. The receipts used for collection could not be traced to either the Ministry of Home Affairs or to the Treasury Department, suggesting that they could have been receipts not belonging to the ministry.

There is a risk that fraudulent receipts might have been used to collect public funds for personal gain. Management was advised to monitor usage of receipt books for ensuring ownership and sequence of usage.

### **d) Missing used Receipt Books**

I could not verify accountability of revenue collected by 5 receipt books comprising of 850 receipts, as they were not available during the audit.

That further posed a risk that the revenue collected using those receipt books might have been used for personal gain or misappropriated.

Management was advised to investigate further the issue of missing receipt books and take appropriate action against the officers involved.

## **18.3 MANAGEMENT OF REFUGEES ACCOMMODATION**

The Refugee Co-ordination Unit is a Unit established in the Ministry of Home Affairs under Section 5(10) of the Refugee Act No. 18 of 1983. One of its functions is to administer and co-ordinate matters relating to refugees in the country. The United Nations donated 46 houses managed by the Unit for the purpose of accommodating refugees living in Lesotho. The houses are located in Maseru at Mohalalitoe, which is also used as a Reception Centre. Other houses

are situated below the Lesotho College of Education, at Borokhoaneng and Ha Matala.

I have noted that the houses no more serve the purpose, as most of them are occupied or rented to some civil servants and other members of the public while the Refugees and Asylum seekers have no accommodation. There was no documentation or authority availed for this arrangement.

The audit further discovered that

- The Ministry did not maintain proper record for the houses;
- There were no contracts nor any documentation or authority for the rented out houses;
- Tenants did not pay rent as expected, and there were no follow- ups made and arrears of rent were not reported;
- In cases where revenue on rent was received, it was not accounted for and not traceable;
- The Ministry did not maintain the houses to the extent that the tenants maintain the houses themselves, and some even installed electricity; and
- In some places, tenants sell water to the villagers for their own benefit while the Ministry pays the bills.

There is a risk that these houses are used for personal gain thus resulting into loss to the Government on payment of bills.

A recommendation was made to management to ensure that a proper record of the houses is kept so that they could be included in the Government assets register. Where houses are rented, they should be properly maintained and there should be a clear contractual arrangement between the Ministry and tenants.

## **18.4 PROCUREMENT**

### **a) Non-compliance to requirements of tender documents**

One of the conditions for Invitation to Tender No. 04 of 2018/2019 was that, bidders were allowed to bid for only one lot. Contrary to the requirement, three bidders listed on Table 18.4 below tendered for more than one lot and were considered for further technical and financial evaluations.

**Table 18.4- Non-compliance with requirements of the tender**

<b>Company Name</b>	<b>Lots tendered for</b>	<b>Remarks</b>
Nthejane Farm Feeds	Lot 2	Qualified
	Lot 6	Qualified
Quadrant Computers	Lot 2	Disqualified
	Lot 4	Disqualified
	Lot 7	Qualified
Indigenous Corporate Solutions	Lot 3	Qualified
	Lot 4	Qualified
	Lot 7	Disqualified

The specifications of an invitation to tender document formed a basis for evaluation of tenders and non-compliance to those requirements rendered the tender null and void. Management was therefore supposed to disqualify all the tenders that did not fully meet the requirements of the tender.

Non-observance of the controls can result into corrupt practices in the award of tenders due to lack of transparency, thus leading to misappropriation of public funds.

#### **b) Non-Availability of Procurement Records**

Section 52(1) of the Public Procurement Regulations 2007, requires the Procurement Unit to compile and maintain a file for each procurement tender and ensure it's safe-keeping in a Registry or Archive Unit. Section 52(2) entails list of all documents and materials that the tender file should consist of.

The Procurement Unit did not compile or maintain the procurement file that contain all the information needed and the following documents were not available for audit.

- Attendance register and minutes of the Tender Panel for bid opening;
- Tender documents for tenders made in 2017/18;
- Unsuccessful bidder notification;
- Assessments reports and certificate of completion for park homes
- Site visit attendance register of park homes for 2017/18

In the absence of complete records of tenders, I could not determine whether procurement of goods or services conformed to the Procurement Regulations.

Non-compliance to procurement requirements on tender processes and procedures might lead to uneconomic spending of public funds where unqualified suppliers might have been engaged and paid for incomplete or poor quality of goods, works and services provided.

It was suggested to Management to investigate the whereabouts of those tender documents and take appropriate action against any violation of procurement procedures that might have occurred.

## **CHAPTER 19: PRIME MINISTER'S OFFICE**

---

### **19.1 UNJUSTIFIED EXPENDITURE FOR MINISTER'S BODYGUARDS**

In terms of Members of Parliament Salaries Regulations, Ministers are entitled to a fully furnished rent-free government house and maintained surroundings or a tax free housing allowance of M5,000.00 per month. Other benefits include two senior chauffeurs and two bodyguards.

I noted that the Minister of Finance issued a retrospective approval to the Prime Minister's Office to pay a total amount of M688,160.00 to Tip Top Guesthouse in Mafeteng, for boarding and lodging of the former Minister's bodyguards and driver from October 2018 to September 2019.

I could not establish as to why the minister was not given a fully furnished rent-free government house instead of incurring unnecessary expenditure. During the period October 2018 to September 2019, the Minister drew housing allowance totalling M60,000.00. The total expenditure for the minister to enjoy the comfort of his home amounted to M748,160.00 excluding fuel costs between Maseru and Mafeteng. Even if government houses were not available at that time, other options such as renting a house for him could have been considered with less cost. For example, a rented house at monthly cost of M30,000 would have been M360,000 per annum and the Government would have saved M388,160.

I raised a similar concern in my 2016/17 Audit Report about the amount of M383,304 paid to the hotel for accommodation, meals and soft drinks for then Minister of Law and Constitutional Affairs who stayed in the hotel for a period of 3 months. I then recommended that the law should be amended to cater for a short stay in a hotel or maybe for a period not exceeding 14 days while the suitable accommodation is being sought.

I therefore repeat my recommendation that Government should move for amendment of Members of Parliament Salaries Regulations to cater for housing of ministers in cases where government houses are not available and ministers' homes are far from Maseru.

### **19.2 IRREGULAR DIVERSION OF FUNDS**

The Prime Minister's Office operates bank accounts and some of these accounts are the Disaster Management Authority (DMA)

Account held with Nedbank Lesotho for financing of disaster related issues and Stop Cervical Cancer Account held at the Lesotho Postbank with the aim of financing cancer awareness activities.

My audit established that the activities, which should have been financed from the recurrent expenditure budget, were paid for from these two bank accounts and thus defeating the purpose of these accounts. The following irregularities were noted:

- a)** Funds to the tune of M999,608.75 were utilised from the DMA account to pay for repairs and maintenance of vehicles (M51,340.68), fuel and lubricants (M761,842.26), and subsistence allowance for the former Prime Minister and his delegation (M186,425.81) while traveling to Ethiopia to attend the 29<sup>th</sup> Forum of the Heads of State and Government of the Member States of the African Peer Review Mechanism).

The former Prime Minister and his delegation of 6 officers were paid a total amount of M186,425.81 (including accountable travel advance of M65,000 paid to the Principal Secretary) in February 2020. The audit further noted that the trip was cancelled and the Prime Minister and 3 officers returned the total amount of M63,106.61, while the other 3 officers including the Principal Secretary did not return funds totalling M123,319.20.

- b)** Funds to the tune of M875,470.82 were paid in October 2019 from the Stop Cervical Cancer Account to cater for subsistence allowance of the former Prime Minister and his delegation for official trip to Belgrade, Serbia and in Sochi, Russia to attend the Russia-Africa Business Forum and also while travelling to Canada to attend the Africa Accelerating Forum from 19<sup>th</sup> October 2019 to 3<sup>rd</sup> November 2019.

The audit further revealed that the Principal Secretary was paid travel advance of M81,497.43 and accountable travel advance of M100,000.00 for the said trips. There was no evidence that the Principal Secretary has cleared the travel advances and therefore the total amount of M181,497.43 has remained outstanding.

## **19.3 COMPLIANCE TO LAWS AND REGULATIONS IN RESPONSE TO COVID-19 PANDEMIC**

### **19.3.1 BACKGROUND TO AUDIT OF GOVERNMENT RESPONSE TO COVID-19 PANDEMIC**

The World Health Organisation (WHO) declared Coronavirus 2019 (COVID-19) a Public Health Emergency of International Concern on 30<sup>th</sup> January 2020 and as a Pandemic on 13<sup>th</sup> March 2020. The governments and government systems were under stress across the world due to the pandemic. Lesotho was not an exception to the tragedy and had to respond quickly and urgently for the prevention of the spread of the virus and protection of Basotho across the country and to support the economy and strengthen the health care systems to cope with the pandemic. The Right Honourable the Prime Minister of Lesotho declared the State of National Emergency on COVID-19 from the 18<sup>th</sup> March 2020 with a view to contain the virus and protect the nation against COVID-19.

My office carried out an audit on Government Response to COVID-19 pandemic. The objective of the audit was to assess compliance to the existing rules and regulations, preparedness of the Government for the crisis and compliance with relevant authorities in creating awareness on maintaining public health during the crisis.

### **AUDIT FINDINGS/OBSERVATIONS**

#### **19.3.2 GOVERNMENT PREPAREDNESS TO DISASTERS**

The Parliament has enacted laws and regulations that put a country in a state of preparedness for any disaster that may happen. The Disaster Management Act 1997, Disaster Management Regulations 1997, Disaster Management Manual and the National Disaster Management Plan guide the process of disaster management.

In an effort to build stronger disaster resilience, the Government has established the Disaster Management Authority (DMA) whose purpose is to control and co-ordinate disaster related activities undertaken by involved government agencies during emergencies arising out of natural and man-made disasters.

The Ministry of Health is charged with the responsibility of promoting the personal health and environmental health within Lesotho and the Ministry is a member of the DMA Board of Directors, the Executive and Health and Nutrition Standing Groups.

The audit concluded that the existing laws, regulations, operating structures and operational frameworks are adequate to respond to an emergency or a disaster. However, instead of strengthening the existing structures, the Government opted to establish new ones such as the **National Emergency Command Centre** and the **National Covid-19 Secretariat** at a time of emergency and in the process, there was non-compliance to national laws and regulations.

### **19.3.3 ESTABLISHMENT OF NATIONAL EMERGENCY COMMAND CENTRE**

The National Emergency Command Centre (NECC) was established to serve as a strategic command and coordination mechanism for government ministries, departments, agencies and other stakeholders in the implementation of the National Response to COVID-19.

The following irregularities were noted regarding the operations of NECC:

#### **a) Disaster Relief Plans**

Section 6 of the Act requires that upon the declaration of a disaster, the Chief Executive of DMA should prepare an appropriate National Disaster Relief Plan and following its agreement by the Board and its approval by the Cabinet, should implement and maintain that plan.

It was however discovered that NECC took over the responsibility of the Chief Executive and prepared Integrated National Response Plan and Budget.

#### **b) Publication of members of the National Disaster Relief Task Force**

In terms of Section 8 of the Act, upon declaration of a state of disaster and for its duration, the Prime Minister should

establish a National Disaster Relief Task Force, which should consist of Ministers directly involved with that disaster. The Prime Minister should cause the membership of the Task Force to be published in the Gazette.

It was noted that NECC was led by a Sub-committee of twelve ministers supported by the Technical Advisory Team of senior officials however members of the Task Force were not published contrary to the requirements of Section 8 of the Act.

**c) Declaration of Emergency Command Centre**

Section 4(l) of the Act gives the Minister responsible for Disaster Management powers to requisition buildings, vehicles and equipment on the charge of central and local government institutions needed for emergency purposes. Section 17 of Disaster Management Regulations 1997 further gives the Chief Executive authority to set up the National Operations Centre in Maseru at the Authority's Executive Headquarters of which he or his Deputy should act as controllers.

On the contrary, Minister of Health acted beyond his powers by declaring the National Operations Centre, as stated under Section 14 of the Public Health (COVID-19) Regulations 2020. He declared 'Manthabiseng Convention Centre as the National Emergency Command Centre COVID-19.

**d) Stakeholder Engagement**

Stakeholder engagement refers to the process which involves all key stakeholders who may be affected by decisions made, can influence implementation of decisions made or assist in carrying out certain responsibilities in the fight against COVID-19.

Sections 23 to 27 of the Act define key stakeholders and provides for stakeholder engagement in times of disasters. These Sections stipulate that there should be District and Village disaster management teams and other volunteers,

which might include any person, private enterprises and non-governmental organisations.

Despite the provision of the structures in the Act on how to engage with different stakeholders, it was not clear on how NECC was engaging with these teams and other stakeholders to the extent that some entities pulled out their assistance towards the pandemic.

Furthermore, Disaster Management Manual states that members of DMA's Health and Nutrition Group, amongst which WHO, UNICEF, WFP, LCN/NGOs should be represented. It was however observed that throughout the structures that Government had involved, Beside WHO, it was not apparent on whether these key stakeholders to the COVID-19 related issues were co-opted.

#### **19.3.4 NATIONAL COVID-19 SECRETARIAT**

The Minister responsible for disaster management, pursuant to Section 9(d) of the Disaster Management Act 1997 and the Declaration of COVID-19 Disaster-Induced State of Emergency Notice 2020, established the National COVID-19 Secretariat (NACOSEC) by Legal Notice No.61 of 2020 for the duration of the COVID-19 Disaster-Induced State of Emergency headed by the Executive Secretary.

The function of NACOSEC is to provide professional support in respect of the national COVID-19 pandemic response under the direction of the Sub-Committee of Ministers on COVID-19.

The audit noted the following anomalies in relation to the operations of NACOSEC:

##### **a) Bestowing Powers enacted by Parliament to the Executive Secretary by Legal Notice**

The Powers of the Minister and Chief Executive of the Authority are embedded in the Act. However, Legal Notice No 61 of 2020 gives the Executive Secretary to NACOSEC powers of the Minister stated under Section 4 of the Act and powers and functions of the Chief Executive of the Authority under Section 21 of the Act, in respect of COVID-19.

It was of a great concern that an establishment of a body such as the NACOSEC has been made by subordinate legislation instead of being enacted by Parliament as an Act. The legality of the Legal Notice was therefore highly questionable.

#### **b) Functions of NACOSEC**

The Legal Notice No. 61 of 2020 states that NACOSEC should provide professional support without defining what professional support entails in this context. This leads to ambiguity in interpreting professional support in this context, especially with reference to the responsibilities of the Executive Secretary stated in the same Legal Notice.

NACOSEC is headed by Executive Secretary contrary to the Provisions of the Act that the Chief Executive of the Authority should head disaster management.

#### **c) National Command Centre for emergency purposes**

NACOSEC moved out of 'Manthabiseng Convention Centre which was declared as National Command Centre for COVID-19 pandemic to Avani Maseru. There was no evidence that Avani Maseru was declared National Operations Centre as required by law.

Personnel from key entities expected to be working with NACOSEC such as security personnel being LDF, Police, LCS and NSS; and DMA worked from their head offices in isolation from NACOSEC.

#### **d) Coordination of key ministries**

Powers of coordinating key Ministries involved in managing COVID-19 pandemic remained a challenge, as there were no clear guidelines as to how these entities should engage. As such, coordination of functions established by the Act was at stake leading to likelihood of uninformed decisions by Government.

### **19.3.5 TRANSITION FROM NECC TO NACOSEC**

NECC was disbanded in June 2020 and NACOSEC took over in July 2020. It was established from the Handing Over Report prepared by the founding members of NECC for the incoming Chief Executive Officer of NECC that there were milestones/achievements, challenges and key recommendations.

The audit established that NECC came up with recommendations to address challenges encountered and the following audit concerns emerged on the proposals made:

#### **a) Formalisation of NECC through Legal Instruments**

There was a proposal for development of a legal instrument empowering NECC in its entirety and its appropriate structures up to the community level.

The audit concluded that there was no need for development of a legal instrument for empowerment of NECC and its structures, as there was an existing legislation empowering DMA to deal with emergencies. In my view, the recommendation of NECC might have somehow influenced Government to establish NACOSEC.

#### **b) Enforcement of the Ministry of Health and DMA to work as full part of NECC**

There was a recommendation to enforce the Ministry of Health and DMA to work together as full part of NECC for coherence and effectiveness in the coordination and fight against COVID-19 in a rapid manner.

The recommendation was found to be irregular as DMA was established by an Act of Parliament to deal with emergencies and as such NECC should have been full part of DMA not the other way round. If DMA could not execute its mandate, the Minister should have exercised his powers of transferring personnel or functions of Government departments and agencies or units thereof for the purpose of performing or facilitating emergency services. NECC could have strengthened DMA.

### **c) NECC to be accountable and responsive to the resources**

NECC raised a need to become accountable and responsive to the resource needs to fight COVID-19 effectively in order to address financial and procurement challenges.

According to Section 34 of the Act, the Chief Executive is the Administrator of the Disaster Management Fund and therefore responsible for resources for disasters. DMA operates a bank account with Nedbank Lesotho.

The recommendation appeared to have prompted irregular opening of three (3) bank accounts for COVID-19 activities despite existence of the DMA Fund.

- Account was opened with First National Bank for disbursements of NECC activities,
- The Accountant-General opened another bank account with First National Bank for deposit of donations notwithstanding the requirement of Section 35(1)(a) that moneys donated from any source for the purpose of disaster management should be paid into the Fund.
- NACOSEC opened a bank account with Standard Lesotho Bank

### **19.3.6 COMPLIANCE WITH PERTINENT RULES OF RECRUITMENT AND DEPLOYMENT OF STAFF**

The Act gives the Minister during a state of disaster the powers to transfer personnel or functions of Government departments and agencies or units thereof for the purpose of performing or facilitating emergency services.

The following concerns emerged in relation to deployment and appointment of staff:

#### **a) Deployment of officers at NECC**

- The Chief Coordinator for NECC was Director for Asia and Pacific Region from the Ministry of Foreign Affairs and International Relations despite requirements of the Act that the Chief Executive Officer of DMA should act as the National Relief Coordinator during an emergency.

- Roles and responsibilities of individuals were not clearly defined and coordination became a challenge as officers had to perform NECC duties at their convenience.
- The Ministry of Health continued to procure COVID-19 related materials while there was a procurement unit that was set up at the National Command Centre specifically for COVID-19 related activities.

## **b) Appointment of staff at NACOSEC**

NACOSEC was established to provide professional support in respect of national COVID-19 pandemic response. The audit noted some irregularities regarding appointment of staff at NACOSEC.

- In July 2020, the Chief Executive Officer of NACOSEC requested release of personnel from Government Secretary to join NACOSEC. I could not establish how the expertise of those individuals would provide professional support that specifically relate to COVID-19.
- Staff deployment at NACOSEC was not done in consultation with the Public Service Commission as required by the Legal Notice 61 of 2020 (2) rather appointments were done by Chief Executive Officer of NACOSEC.
- Contracts of employment for NACOSEC staff state salaries and other benefits to be paid to staff, yet appointments were made during a national crisis; for which the Act gives the Minister the powers to utilise resources, human capital and financial, that are within reach from all sectors of Government.
- Officers deployed at NACOSEC were given contract appointments ranging from four to six months starting from July 2020. Contract appointments attract benefits such as gratuity payable upon termination, increasing Government expenditures.

**c) Staff Benefits**

Some employment contracts stipulate monthly honorarium payable to the value of M20,000.00 per month. That was against the Government Policy which requires that honorarium should not exceed M5,000.00 and is payable once on completion of a special assignment.

**d) Duplication of functions**

Some of the human resources' expertise deployed by NACOSEC resembles those that already exist within DMA or other Ministries, of which the Minister has the powers to transfer in case of an emergency. These include finance, procurement, legal and other support staff that NACOSEC was engaging at a cost. For example, recruitment of Chief Finance Officer at the cost of M70,000 per month, medical aid cover and a cell phone allowance of M1,500.00. The Chief Finance Officer could have been transferred from one entity within Government to give necessary support without extra expense to the Government.

**e) Staff Compliment**

Number of filled and vacant positions at NACOSEC could not be established, as staff compliment was not provided at the time of audit. The Chief Executive Officer had indicated an estimation of eighty officers to be employed.

**19.3.7 CONCLUSION**

The audit noted that generally there was non-compliance with the existing legal framework in terms of the legal structures set to respond urgently to unforeseen disasters, pandemics, etc.

In terms of Section 13(a) of the Disaster Management Act 1997, the Disaster Management Authority is endowed with the function to act as the central planning, coordinating and monitoring institution for disaster management and post-disaster recovery. Furthermore, the Parliament of Lesotho by enacting the Disaster Management Act, 1997 was in actual fact preparing the Nation for unforeseen disasters, ahead of time. The introduction of establishments that perform the functions of Disaster Management Authority instead of empowering and supporting DMA to perform its functions in response to COVID-19 pandemic frustrated the country's preparedness to disasters.

I have not received a response from the Office of the Prime Minister, which is responsible for disasters, on the report on Compliance to Laws and Regulations in Response to COVID-19 issued in September 2020. I assume they are in agreement with my findings.

## CHAPTER 20: INDEPENDENT ELECTORAL COMMISSION

### 20.1 POLITICAL PARTIES' FUNDING

In terms of Section 71 of the National Assembly Elections Act 2011, a political party, which participated in the elections, is entitled to funding from the Consolidated Fund on annual basis depending on the number of seats it has in the National Assembly. However, a political party can only be eligible for funding provided it has submitted financial reports on how the previous funds were spent.

The amount of M3,360,000 was budgeted for Political Parties Funding in 2019/20 and a total amount of M2,120,000 was transferred to the bank accounts of the individual Political Parties that have submitted the reports on how previous funds were spent. The balance of M1,240,000 was withheld by IEC pending the financial reports from the Political Parties which had not reported.

Some Political Parties have violated the regulation which requires that all Political Parties should account for all funds transferred to them by making a financial report to IEC showing how the funds were spend.

Table 19.1 below shows status of political parties' funding and their compliance to the requirements of the National Assembly Elections Act 2011.

**Table 19.1 – Status of Political Parties' Funding**

Political Party	No. of seats	Amount per seat	Equity	Party Funding	Amount Paid	Period paid for	Remarks
ABC	51	M20,000	M80,000	1,020,000	-	-	Report not issued
AD	11	M20,000	M80,000	220,000	300,000	2018/19	-
AD	11	M20,000	M80,000	220,000	300,000	2019/20	-
BCP	1	M20,000	M80,000	20,000	-	-	Held for report
BNP	5	M20,000	M80,000	100,000	180,000	2018/19	-
DC	28	M20,000	M80,000	560,000	640,000	2018/19	-
DPL	1	M20,000	M80,000	20,000	100,000	2019/20	-
LCD	11	M20,000	M80,000	220,000	300,000	2019/20	-
MFP	1	M20,000	M80,000	20,000	-	-	Held for disputes
MEC	6	M20,000	M80,000	120,000	200,000	2019/20	-
NIP	1	M20,000	M80,000	20,000	100,000	2018/19	-
PFD	3	M20,000	M80,000	60,000	-	-	-
RCL	1	M20,000	M80,000	20,000	-	-	Held for report
<b>Total</b>				<b>3,360,000</b>	<b>2,120,000</b>		

Source: IEC records

### 20.2 PROCUREMENT ISSUES

The procuring organisation chooses an adequate procurement procedure depending on the type and complexity of the goods or

services in the procurement and the value of the procurement (under or below the stated financial threshold value). The different procedures or methods are stipulated in the Public Procurement Regulations 2007 as amended in 2018. The procurement procedures are request for quotations, single sourcing and seeking authority for waiver.

### **20.2.1 Irregular Awarding of Contracts**

#### **a) Contract on Voter Register Management System**

IEC entered into contract/Service Level Agreement with Face Technologies Company in 2014 for Voter Register Management System without following procurement procedures; either open tender, single sourcing or seeking authority for waiver. The contract amount was M147,312.00 per month.

Procurement process was not transparent enough to give fair treatment and equal chance to competitive bidding; hence, a risk of uneconomic spending of public funds where one company benefitted.

IEC responded that Face Technologies Company was engaged long time ago while the Agency was operating as Electoral Office, and there was no documentation of how and when the company was engaged. The Director of Elections, Chief Legal Officer and IT, has handled the contract Manager.

### **20.2.2 Tenders for food commodities**

The audit established that some suppliers were awarded tenders without meeting requirements of the "Invitation to Tender" document. Suppliers of food commodities to Police Assistants were required to provide valid tax certificates and traders licences and it was found that some did not fully meet the requirements in that:

- Tax certificates and Traders Licences for 6 suppliers appeared to have expired prior to date of submission of quotes; and
- One supplier did not submit a tax clearance certificate, 3 did not submit Traders Licences and tender documents for one bidder were not available for audit.

The tenders should have been rejected, as they did not comply with the requirements of the invitation to tender document. There was also no explanation as to how the evaluation team and tender panel could not detect such omissions. The engagement of these suppliers was irregular and were paid a total amount of M188,479.00.

Such instances bring possibility of lawsuit against IEC by bidders who complied with tender bid but not considered. That would result into unnecessary expenses and the reputation of the organisation might as well be tarnished.

### **20.2.3 Contract Management**

When a winning tender has been awarded, a contract should be written setting out the terms and conditions, and reflecting the awarded tender's price, quality and time frame. It should also clarify expectations, roles and responsibilities for the management of the contract in order to prevent conflict and corruption. Section 30(3) of the Public Procurement Regulations emphasise on the need to sign the contract within 15 working days following the notification of the invitation to contract.

The audit discovered that this requirement was not adhered to as IEC did not sign any contract with 25 successful bidders who were awarded tenders for supply of goods and services to the tune of M17,719,237.00 during the elections of National Assembly and Local Government in 2017.

There is a risk that should any disputes arise between the concerned parties it might be difficult to hold supplier accountable and that might lead to uneconomic spending if companies can take legal action against the organisation. A recommendation was made that the Public Procurement Regulations should be adhered to, by ensuring that contracts are prepared and signed by both parties.

### **20.3 EXCESS EXPENDITURE ON PAYMENTS OF POLICE ASSISTANTS**

The District Police Commissioners hired Police Assistants based on the budget allocated for each district polling division to facilitate smooth running of the National Assembly and Local Government elections in 2017. The Police Assistants were funded by IEC.

Actual expenditure for Police Assistants exceeded the budget by M1,800.00 in Maseru urban, M5,400.00 in Leribe, M1,800 in Botha-Bothe and M30,600.00 in Mafeteng. It was further noted that the budgeted number of Police Assistants in these 4 districts was 1,112 but the actual number engaged was 1,134 hence excess of 22 Assistants and M39,600.00.

It was recommended that further investigations should be carried out to establish the root cause of excess of expenditure.

#### **20.4 HUMAN RESOURCE ISSUE - VACANT POSITIONS**

Section 22 of the Public Service Regulations 2008 stipulates that recruitment should be against an established position and in accordance with the job description and requirements of the specified job stated. No established position should be vacant for more than a year.

Contrary to the above regulations, it was found out that there were 215 established positions of which 26 remained vacant for 3 years, from 2015/16 to 2018/19. Out of these 26 vacant positions, 12 were key positions, which can negatively impact on the core business of IEC.

It was further noted that instead of filling vacant positions, IEC engaged officers on temporary appointments of 3-6 months contracts for a period of 6 years since 2014. These officers were serving in the office of Human Resource, Procurement, Accounts and Logistics.

Engagement of temporary staff for more than 6 months contravened Section 10 (3) of the Public Service Regulations of 2008, which requires that a temporary appointment should be for a specific function or activity and should be for a period not exceeding six (6) months.

## **CHAPTER 21: MINISTRY OF WATER**

---

### **21.1 MANAGEMENT OF WETLANDS**

The Department of Water Affairs (DWA) through Water Resources Division in the Ministry of Water is charged among others, with the responsibility of water conservation. It is mandated with management of water resources including wetlands as well as updating and maintaining of the National Water Resources Database. Wetlands are water sources of Lesotho's main rivers; Senqu, Mophokare and Makhaleng, among others. According to Food and Agriculture Organisation (FAO), in 2017 wetlands covered 32,580 hectares (1.1%) of country's total land of 3,055,314 hectares.

A performance audit was carried out to assess the effectiveness of measures taken by DWA to conserve, protect and restore wetlands in the country. The following shortcomings were identified:

#### **21.1.1 IDENTIFICATION OF WETLANDS**

The audit revealed that the exercise of identifying wetlands was not done. The GPS gadgets were non-existent hence no data regarding the number of wetlands, their condition as well as their size to the coverage against the entire country area. These led to the Department failing to produce timely reports and not attending to adverse situations timeously. The Department also relied on the information on reports produced by its stakeholders such as Food and Agriculture Organisation (FAO).

It was recommended that DWA should consider budgeting for equipment for demarcation of wetlands as well as equipment such as GPSs.

Management stated that wetlands have been identified and maps were available. They further stated that the 2017 FAO land cover map was based on information provided by the Department. More information was available on wetlands covered under projects where resources were relatively available. Moreover, GPSs have since been acquired and were available at the Department of Water Affairs.

#### **21.1.2 MONITORING OF WETLANDS**

Selection of wetlands to be monitored was based on their economic importance, degradation status as well as ease of

accessibility. Recent interview with Chief Technical Officer revealed that monitoring activities were not undertaken on a quarterly basis due to lack of transport and that the last monitoring was done in 2013; hence no monitoring reports. However, monitoring exercise was done only on wetlands, in Mokhotlong at the source of Senqu basin, namely Khubelu, Phapong, Ramosetsa, Motšeremeli, Khalo la Lithunya and Koti-sephola and they were currently being rehabilitated under the support of Deutsche Gesellschaft für Internationale (GIZ).

The audit further noted that there were indeed inadequate resources in terms of human resource and transport, which significantly contributed to destruction of wetlands, as their status was not known and extinction of ecosystem around them.

#### **a) Human Resource**

The Division of Water Resources has a total establishment of seven positions. However, the audit revealed that three positions were filled while four were vacant with key positions like Senior Engineer. Reasons provided were lack of funds, promotions, resignations, deaths and secondments. The audit team was informed that some positions were being advertised.

#### **b) Transport**

Operations and service delivery in all forms is fulfilled by having vehicles. The division of Water Resources did not have vehicles specifically allocated for it but relied on the vehicles for the entire Department, which made it impossible to engage in the management of wetlands. Activities such as Monitoring and Public awareness were not carried out as required.

It was recommended that the Management should address the issue of staffing as a priority and to ensure that activities are scheduled on time to reserve vehicles needed. This would facilitate monitoring and reporting of wetlands on a regular basis as prescribed in order to track the behavioural changes of ecosystem at the wetlands as well as quality and quantity of water.

Management acknowledged that Monitoring has always been compromised by vandalism where monitoring equipment had been installed. It was further indicated that monitoring was a priority however resources such a budget, transport and

manpower were their constraints. In June 2021 the Department had only one vehicle to support all operations including administrative matters as well as wetlands management.

### **21.1.3 REHABILITATION OF WETLANDS**

Section 4 (b) of Lesotho Water Act, 2008 stipulates that the Commissioner should, in collaboration with relevant water management institutions, take all relevant and necessary steps to rehabilitate already damaged wetlands.

The audit further revealed that in twelve (12) wetlands visited, Khubelu wetland in the Mokhotlong district was the only one that had recently undergone rehabilitation with support of GIZ while others were in a bad state of destruction. The reasons provided for non-rehabilitation was lack of resources, inaccessibility and lack of security for officers while on fieldwork against some community members. Consequently, wetlands were slowly drying out.

It was therefore recommended that Management should direct resources and to collaborate with stakeholders for rehabilitation of wetlands

Management's response was that efforts to rehabilitate wetlands had been generally quite low due to limited resources however significant effort was made to rehabilitate Lekhalong la lithunya, Kotisephola, Letseng-la-Letsie, Khubelu and Hermone-Ralintsi.

### **21.1.4 PROTECTION OF WETLANDS**

In all wetlands visited including Lets'eng-la-Letsie that had been declared as Ramsar site<sup>1</sup>, it was revealed that there were neither protection laws in that regard, nor measures for protection such as fence and guards. The reason was lack of planning, which led to non-budgeting for protection of wetlands. For example, at Khubelu wetlands rehabilitation works were done and included mounting of monitoring equipment in 2014. It was later found out that the monitoring equipment was vandalized and dysfunctional due to lack of protection against trespassers.

---

<sup>1</sup> A Ramsar site is a wetland site designated to be of international importance under the Ramsar Convention.

Lack of protection has led to trespassing and destruction due to livestock grazing, consequently wetlands were slowly drying out.

It was recommended that DWA should consider alternative protection measures such as use of drones and facilitate a legal framework for wetlands.

Management stated that the Department was facilitating the declaration of wetlands as protected areas by the Minister of Water.

#### **21.1.5 COORDINATION OF STAKEHOLDERS ACTIVITIES**

One of the strategic goals is that DWA should establish incentives for stakeholders at all levels to promote their participation in the implementation of wetlands' conservation measures.

The audit revealed that at district level, DWA has managed to put together committees with representation of line ministries such as Department of Range, Local Government through Chiefs and Councillors, Department of Environment and the Police. These committees were supposed to meet on a monthly basis however the meetings were poorly attended and were not regular. For instance, the team got minutes of the meetings held on 2<sup>nd</sup> May 2018 and 6<sup>th</sup> June 2018 only in Mokhotlong, none for Quthing and Thaba-Tseka.

The Technical officer indicated that meetings with key stakeholders such as the Lesotho Highlands Development Authority (LHDA), National University of Lesotho (NUL), Department of Environment, Department of Range, and Ministry of Local Government were no more held once a month but as and when need arose and were poorly attended. Public gatherings were last held in 2013 before the Information Officer left office.

The reason provided was lack of incentives even though it was the responsibility of DWA to bear all costs pertaining to meetings. As a result, there were no coordinated plans for management of wetlands. Consequently, destruction of wetlands was escalating through livestock grazing, construction of infrastructure and digging of holes for water collection in the protected wetland areas.

The recommendation was that DWS should come up with the strategy that would facilitate attendance of stakeholders to

meetings to share ideas and information on how best management of wetlands could be done.

Management stated that they have already explored various ways for encouraging full participation of stakeholders through the on-going Integrated Catchment Management Programme.

#### **21.1.6 INFORMATION DISSEMINATION**

DWA is tasked with the responsibility to develop information, education and communication (IEC) materials to capacitate stakeholders on wetlands ecosystems and their management. However, the audit revealed that DWS held public gatherings though not regularly. Interviews with farmers and herd boys revealed that only Farmers associations attended public gatherings where they were taught about benefits and protection of wetlands but did not share the knowledge with their herd boys, instead let their livestock to cattle posts (Metebong) inside protected wetlands hence continued destruction.

For example, farmers at Let'seng-la-Letsie stated that they knew that their livestock was not supposed to graze at the crater nonetheless encroachment of livestock for grazing escalated and therefore continued destruction to the wetlands. Farmers associations indicated that they would move their livestock out of the crater on condition that the government commenced with developments in that area.

Furthermore, the team discovered through interviews with Technical officers from all districts visited that there were no pamphlets produced for information dissemination regarding protection and rehabilitation of wetlands to stakeholders at all levels except during World Water day. The reason provided was lack of funds.

Management was encouraged to:

- Strengthen efforts in coordinating matters pertaining to management of wetlands with stakeholders to increase knowledge in protection and consequently reducing destruction and restoring the drying out of wetlands;
- Increase the frequency of public gatherings to instil knowledge and remind the host communities to enhance ownership;

- Consider visiting schools so that pupils learn about importance of wetlands in their early ages and contribute in the protection and rehabilitation of wetlands within their proximity;
- Direct resources towards awareness activities to the communities and enhance monitoring and compliance to set protection measures; and
- Consider developing a proposal for funding to RAMSAR where countries with designated RAMSAR sites are being supported with funds for sustainable wetlands conservation, wise use and implementation of RAMSAR convention.

Management responded that they had started public gatherings as part of due diligence in considering water use applications by potential users. The platform would be designed to incorporate education and awareness on management of wetlands to communities such as sensitizing herders about importance of wetlands and offer incentives like blankets and gumboots. The exercise was kick started in Semonkong in 2021. They were also developing wetlands management competition and visits among communities as well as the communication strategy under the Integrated Catchment Management Programme.

### **21.1.7 GENERAL CONCLUSION AND MANAGEMENT RESPONSE**

The audit concluded that DWA was not adhering to measures put in place to protect and sustainably manage wetlands as supported by lack of protection, lack of monitoring and lack of rehabilitation of all wetlands visited to an extent that they were visibly drying out. There was also no coordination with key stakeholders hence more destruction of wetland by livestock and trespassers and finally, vacant positions of key personnel that were supposed to drive management of Wetlands.

The general response by Management was that the Department of Water Affairs had indeed been unable to protect and sustainably manage wetlands during the time of the performance audit due to huge resource constraints of budget, transport and manpower. However, they mentioned that they have initiated and developed a Framework for integrated Catchment Management (ICM) in Lesotho, 2015-2019 with the technical assistance of the European Union. The programme would address management of water resources and wetlands, land, the environment and related resources from a holistic catchment-

wide approach through involvement of the whole spectrum of stakeholders.

## **PART 8**

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

## **CHAPTER 22: CORPORATE ISSUES OF THE OFFICE OF THE AUDITOR-GENERAL**

---

### **22.1 INTRODUCTION**

The Office of the Auditor-General (OAG) as the Supreme Audit Institution (SAIs) in Lesotho provides an essential contribution to efficiency, accountability, effectiveness and transparency of public administration through audits of MDAs. Audits are conducted to ensure that government and MDAs are held accountable for the stewardship over, and use of, public resources. The audit results presuppose that the MDAs execute their responsibilities in responding to audit recommendations and taking appropriate remedial action where necessary. In this manner OAG reports are value adding and become a dependable source of independent and objective insight, and guidance to support invaluable change in performance of the public sector. Furthermore, audit reports become a credible tool that enables the public to hold government and public sector entities accountable.

### **22.2 LEGAL MANDATE**

The two legal Frameworks namely Section 117 of the Constitution of Lesotho and the Audit Act 2016, govern 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**

Our business model is based on the notion that excellence is achieved through leading and operating the SAI and continually improving performance to address client and stakeholders needs and expectations. The approach recognises the significance of establishing effective relations with clients and stakeholders to effect audit impact, and continually putting up measures to improve performance. The model ensures that our human resource, the processes, structure and procedures are all synchronised to produce quality products and services that result in improvement in governance and delivery of public services for the benefit of the people.

OAG demonstrates value proposition through a Strategic Plan whose implementation continually portrays the highest quality standards by virtue of its alignment to the AFROSAI-E<sup>2</sup> Institutional Capacity Building Framework (ICBF). The five development perspectives on the framework ensures that we follow good audit practice and become a yardstick on which we develop capacity, improve performance, and measure quality. The development perspectives are:

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

### **22.4 STRATEGIC DIRECTION**

OAG fulfils its legal mandate through a strategic direction that determines a future and charts the way towards the attainment of

---

<sup>2</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 desired future. This notion translates into OAG vision of striving towards an independent and proactive SAI that promotes public accountability and transparency. The vision is achieved through its mission of promoting sustainable public accountability and transparency, providing professional auditing services to all stakeholders whilst creating a respectful workplace where our diverse workforce can strive for excellence and realise their full career potential.

The OAG lives by four values of Transparency and Accountability, Respect, Independence and objectivity, and Professionalism.

## **22.5 STRATEGIC FOCUS**

In ensuring that a sustainable public accountability and transparency is achieved, OAG identified the following strategic goals implementable through a five-year strategic plan:

Our performance is based on strategic and operational planning where the office determines the long and short-term objectives presented in a five-year Strategic Plan (2019/20-2023/24). The Plan articulates the audit, support and development goals and objectives, which are cascaded into annual operational activities that should enable the office, achieve its mandate. A risk-based approach is used to determine activities for a particular year and in selecting audit areas to ensure that high-risk areas are given priority. This approach is also critical in instituting measures to mitigate risks, thus creating a situation that facilitates the achievement of strategic objectives.

Furthermore, the strategic goals and objectives are aligned to the national goals and priorities, espoused in among others the NSDP and Budget Speech. This ensures that the audit results are relevant and respond to the needs and expectations of our stakeholders.

- Capacity Building to ensure efficiency and increased audit coverage
- Sound legal framework to strengthen OAG independence
- Adopt a sound financial management to ensure accountability and transparency
- Deliver quality services and products in order to promote accountability and transparency of MDAs

The strategic focus constitutes the pillars on which the core, support and development strategic objectives and activities emanate. Resource requirements for implementation of activities are allotted to ensure the achievement of strategic objectives.

## **22.6 ORGANISATION OF WORK**

In order to promote accountability, transparency and integrity of MDAs, the OAG has organised work into Audit and Support functions to ensure the achievement of strategic goals and mission and the fulfilment of its mandate.

### **a) Audit Function**

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

### **b) Corporate Services**

Support functions are aimed at ensuring conformity to relevant standards, uniformity of practice and application of ethical requirements throughout the office, thereby strengthening credibility in OAG products and services. OAG ensures high quality auditing through quality control and quality assurance reviews. 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.

In executing these functions, we have adopted the International Standards of Supreme Audit Institutions (ISSAIs), which guide the operations of the office. Other related standards, which may be applicable, are also considered to ensure the quality of audits. Performing audits in accordance with standards provides a reasonable assurance that appropriate methodology and best international practices; relevant audit tools, techniques and adequate staff are consistently used throughout the entire audit process to ensure quality work. Any changes in standards are taken into account and adopted to keep abreast with developments and best practice in auditing.

The use of standards coupled with workforce management, application of appropriate internal controls and risk management

ensures the achievement of the set objectives, hence the envisaged quality of products and services.

## **22.7 ANNUAL PERFORMANCE**

### **22.7.1 CAPACITY BUILDING**

OAG continually strive for service excellence and quality and the extent to which it can contribute to making a difference in the lives of the citizens is dependent on the competence of staff capable of auditing 80% audit coverage annually with high quality reports that add value to the programs being audited.

As part of capacity development, OAG participates in an array of interventions for exchange of knowledge and experiences with other Supreme Audit Institutions worldwide under membership of the following auditing fraternity organisations where the office maintained a commendable reputation:

- International Organisation of Supreme Audit Institutions (INTOSAI);
- African Organisation of Supreme Audit Institutions (AFROSAI);
- African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E); and
- Commonwealth Auditors-General

The AFROSAI-E in particular actively assists its member Supreme Audit Institutions (SAIs) to enhance staff capacity, work skills and techniques through training programmes that includes seminars and workshops. Two officers attended one intervention on Audit of Extractive Industries hosted by AFROSAI-E.

For the financial year 2019/2020, other training interventions were limited and if held were virtually which had its limitations such as network connection problems.

### **22.7.2 STRENGTHENING OAG INDEPENDENCE**

In my previous report I indicated that my office was on transition from the civil service to an autonomous and independent institution in accordance with the Audit Act, 2016. The independence encompasses functional, organisational and financial attributes.

- The **functional independence** of the Office of the Auditor-General is embedded in Section 117 of the Constitution and Audit Act 2016.
- **Organisational independence** requires the Auditor-General to have autonomy about how the office is organised and structured and to appoint its staff independently of the Executive. The Office has covered a milestone in the implementation of the provisions of the Audit Act in terms of organisational independence except for employee compensation in particular.

The issue of improved benefits for staff is still a challenge and as such, the office cannot attract suitably qualified people. The other concern is separation benefits for staff of the new Office of the Auditor-General as members of staff have ceased to be civil servants.

There is shortage of staff due to transitional process due to redeployment of approximately 50% of staff to various government ministries. This has put strain on the existing staff to fulfil the mandate of the office, as we cannot continue with the process of recruitment until the issue of separation benefits is resolved.

- In regard to **financial independence**, the Audit Revenue Fund is yet to be operated, as the bulk share into the fund should come from the Consolidated Fund and mechanisms of issuing funds from the Consolidated Fund to the Auditor-General are not yet established.

OAG needs support in proper resourcing of the Fund as it will ensure that the office undertakes its operations more efficiently to improve transparency, accountability and value for money in spending units.

### **22.7.3 PRODUCTS AND SERVICES**

#### **a) OAG contribution to government priorities**

One key aspect of the 2019/2020 budget provisions highlighted Government's commitment to among others,

optimum use of the limited government budget by ensuring achievement of the following:

- Consistency of the medium term fiscal framework and medium term expenditure framework to national priorities and efficiency, effectiveness and value for money in public expenditure.
- Efficiency in domestic revenue mobilisation to finance government programmes and improving monitoring, transparency and accountability to ensure expenditure efficiency.

For the financial year 2019/2020, OAG crafted annual priorities in line with these government commitments, with a view of supporting government efforts in this regard. The audited financial statements and performance of MDAs as presented in the preceding chapters of this report therefore presents the status of financial performance for Ministries, Departments and Agencies (MDAs), a demonstration of the extent to which government has performed with regards to these and other commitments.

The analysis on the MDAs stewardship of public resources as reflected on the report symbolises OAG contribution in promoting a conducive environment for good governance, good financial management and improved service delivery, fundamental in the betterment of the livelihoods and well being of the citizens.

## **b) Audit Performance**

My office examines the annual financial statements of the Government of Lesotho, donor funded projects and statutory bodies to obtain reasonable assurance that they are free of material misstatements, and express an opinion on the fairness and consistency in their presentation.

As part of the audit strategy, auditors carry out inspections and review transactions to ascertain whether ministries and departments conform to specific laws and regulations governing their operations. OAG also undertakes performance audits where auditors examine objectives, government undertakings, programs or organisations with regard to

economy, efficiency and effectiveness, with the aim to improve accountability, performance and service delivery.

The office experiences a problem of insufficient funds and resources to fulfil OAG mandate. There is shortage of laptops and other communication facilities for communication with the audited entities. This limited scope of audit due to less interaction with auditees as various lockdown impeded continuity in implementation of planned audit activities.

## **22.8 INTERNATIONAL ASSIGNMENTS**

OAG also represents the country in audits of international affiliate bodies. My office is a member of SADC Board of External Auditors and is in the second year of its 3-year term. The office has also been appointed as external auditor of the Eastern and Southern Association of Accountants-General (ESAAG) and is currently in the second year of its 3-year term. We are also serving as Audit Committee members of the African Regional Intellectual Property Organisation (ARIPO).

# **PART 9**

# **APPENDICES**

**Appendix 1**

**Contingent Liabilities reported by Ministries**

Ministry	Reference	Start year	Claimant/Beneficiary	Nature of contingent Liability	Exposure at 31 March 2020	Exposure at 31 March 2019
Health	CIV/T/754/2016		Tebello Mota	Medical Negligence	-	300,000
	CIV/279/2018		Tankiso Mokhosi	Assault at Mohlomi	-	20,000,000
	CIV/804/2018		Molefi Senyane	Medical Negligence	-	5,000,000
	CIV/705/2015		Malimpho Mofokeng	Medical Negligence	-	750,000
	CIV/77/2015		Save &Enjoy Enterprise	Business Damage	-	2,000,000
	<b>Total</b>					-
Education	CCA/0031/2018	2018	Reulle Group		-	4,285,626
	CIV/T/115/2018	2018	Vincent Sekoala & Others		-	182,556
	CIV/T/404/2018	2018	Sebongile Khoete		-	1,500,000
	CIV/T/164/2019	2019	Manoha Letsie		-	780,000
	CIV/T/807/2018	2018	Phori Foulo		-	750,000
	CIV/T/194/2018	2018	Mamello Potsane		-	179,416
<b>Total</b>					-	<b>7,677,598</b>
Prime Minister	CIV/APN/125A/2020		The Commissioner of Police (Mei & Mei Attorney's)	Court case between Prime Minister and Commissioner of Police	178,907	178,907
<b>Total</b>					<b>178,907</b>	<b>178,907</b>
Communications		2015	EQH Mthombo (Pty) Ltd	Claim	24,527,350	24,527,350
		2015	Motebang Mphutlane	Defamation	1,200,000	1,200,000
	CIV/T/72/18	2018	Moses Makoa	Claim	-	-
	CIV/T/413/18	2018	Qobolo Senekal	Defamation	2,000,000	2,000,000
	CIV/APN/168/19	2018	Mapolotso Nkuebele	Reinstatement	-	-
		2016	Phillips Clearing and Forwarding	Complaint-Ombudsman	207,227	207,227
	CCT/0396/2019	2019	Moipone Fleet (Pty) Ltd	Claim	1,041,969	1,088,858

Ministry	Reference	Start year	Claimant/Beneficiary	Nature of contingent Liability	Exposure at 31 March 2020	Exposure at 31 March 2019
		2019	Moshoeshe Molapo	Claim	-	-
		2018	Lipolelo Kharitse	Claim (Salary Arrears & Pension)	848,460	848,460
		2019	Relebohile Mafatle	Claim	150,000	150,000
<b>Total</b>					<b>29,975,007</b>	<b>30,021,895</b>
Foreign						
	FR/P/6712	2018	Mr K.A. Maope	Recalled diplomat who sued the Ministry	2,665,981	2,665,981
	FR/P/5197	2018	Mrs L. Nts'inyi	Recalled diplomat who sued the Ministry	2,419,894	2,419,894
	CIV/APN/89	2018	Mr John Oliphant	Recalled diplomat who sued the Ministry	4,962,194	4,962,194
<b>Total</b>					<b>10,048,069</b>	<b>10,048,069</b>
Labour						
	Rentals	2018	A.G. Damha	Pending lawsuits	100,000	100,000
<b>Total</b>					<b>100,000</b>	<b>100,000</b>
Defence						
	C of A (CIV) No. 31/2019		90 NSS Officers	27 Months salaries for NSS personnel dismissed in 2017	8,694,632	8,670,240
<b>Total</b>					<b>8,694,632</b>	<b>8,670,240</b>
Independent Electoral Commission						
	Wm/IEC/mt/16	2016/17	Waymark Infotech	Demand for payment	-	2,343,620
		2016/17	ITEC	Damages for loss of profit	-	1,330,650
<b>Total</b>					<b>-</b>	<b>3,674,270</b>
Local Government						
	CCT/0217/2019	2019	Cash build (Pty) Ltd	Loss of sales and profits due to forced closure during holiday	50,000	50,000
	CCT/0424/2018	2018	NAM Consult	Capital sum and occurred interest	2,242,950	2,242,950
	CIV/APN/143/2019	2019	Sepha Moiloa	Payment for early	-	-

Ministry	Reference	Start year	Claimant/Beneficiary	Nature of contingent Liability	Exposure at 31 March 2020	Exposure at 31 March 2019
	No case as yet	2019	Cash Build (Pty) Ltd	retirement from date compulsory retirement Loss of sales and profits due to forced closure during holiday	184,000	184,000
	CCT/0501/2014	2014	MEI & MEI ATTORNEYS INC	Court order obtained in default on non payment of professional fees	87,100	87,100
	CCT/0502/2014	2014	MEI & MEI ATTORNEYS INC	Court order obtained in default on non payment of professional fees	63,422	63,422
	CCA/0149/2019	2019	Blasters Society	Award of tender No: OCB NO.2 OF 2019-2020		
	LN/APN/87/2015	2015	HUDSSONS CHAMBERS	Recovery costs of suit	39,135	39,135
	CCT/0483/14	2013/14	THE TYREMAN	Tender for the supply of tyres	2,258,665	2,258,665
	CCT/0515/2018	2018/19	NALA DRILLING AND BLASTING	Civil Claim	518,500	1,180,000
<b>Total</b>					<b>5,443,772</b>	<b>6,105,272</b>
Gender	OMB/2019/20/0168	Dec. 2019	Jane Geomatics and Laboratory Survey	Demand for payment	83,205,880	-
<b>Total</b>					<b>83,205,880</b>	-
Police	CIV/T/290/09	2009	Kali Theoha	Civil Claims	-	90,000
	CIV/T/11	2011	Marethabile Mabitso	Civil Claims	-	22,783
	CIV/T/190/12	2012	Mochela Likomisi	Civil Claims	-	110,000
	CIV/T/190/12	2012	Tumisang Leteba	Civil Claims	-	110,000
	CIV/T/190/12	2012	Hon Thoola	Civil Claims	-	110,000
	CIV/T/403/12	2012	Tsehlayane Mafantiri	Civil Claims	-	82,500
	CIV/T/130/13	2013	Mahlomola Makapha	Civil Claims	-	100,000
	CIV/T/144/14	2014	Tankiso Sehlabaka	Civil Claims	-	1,447,785

Ministry	Reference	Start year	Claimant/Beneficiary	Nature of contingent Liability	Exposure at 31 March 2020	Exposure at 31 March 2019
	CIV/T/343/14	2014	Mohlominyane Makhetha	Civil Claims	-	13,988
	CIV/T/367/14	2014	Lehlohonolo Kamohi	Civil Claims	-	160,000
	CIV/T/44/17	2017	Rethabile Maphale	Civil Claims	-	100,000
	CIV/T/148/17	2017	Kali Makhinane	Civil Claims	-	100,300
	CIV/T/148/17	2017	Kali Makhinane	Civil Claims	-	22,398
	CIV/T/307/17	2017	Janki None	Civil Claims	-	150,000
	CIV/APN/334/17	2017	Sebonomoea Ratabane	Civil Claims	-	93,327
	CID/C/8/045/19	2019	Sechaba Kometsi	Civil Claims	-	60,000
			Likeleli Lekhanya	Civil Claims (Settlement out of court)	-	500,000
<b>Total</b>					-	<b>3,273,081</b>
<b>Principal Repayments</b>						
			Members of 10 <sup>th</sup> Parliament		32,915,497	-
			Loans to Statutory Bodies		1,178,351	-
			PCGF		6,451,358	-
			WASCO		15,340,380	-
			Maseru E-textiles		2,168,651	-
			Luqy's Manufacturing		3,600,000	-
			LNDK		17,000,000	-
			TZICC		49,993,000	-
			CGM		26,739,856	-
<b>Total</b>					<b>155,387,093</b>	-

Source: Ministries Financial Statements

## Advances from the Contingencies Fund – 2019/20

War No.	Ministry	Recurrent	Development	Total	Balance	Reason for advance
	M100,000,000 was approved by an Appropriation Act and the amount M73,614, 207 is yet to be approved by Parliament.				<b>173,614,207</b>	
1	Communications	29,565,600	-	29,565,600	144,048,607	Payment for software licences
2	Home Affairs	5,342,100	-	5,342,100	138,706,507	Payment for main ceremonies; (Moshoeshoe's Day, King's Birthday, commemorations of Independence and Armistice Day)
3	Local Government	1,143,070	-	1,143,070	137,563,437	King's birthday celebration
4	Judiciary	2,999,212	-	2,999,212	134,564,225	Payment of interest to Senior Chauffeurs
5	His Majesty's office	4,116,000	-	4,116,000	130,448,225	Re-roofing of His Majesty's complex
6	Defence	4,268,378	-	4,268,378	126,179,847	Payment for LDF Air wing Aviation insurance
7	PM's Office	7,108,854	-	7,108,854	119,070,993	Official trips
8	Public Works	1,349,763	-	1,349,763	117,721,230	Outstanding debts and procurement of number plates
9	Senate	8,297,928	-	8,297,928	109,423,302	Salaries and allowances of newly appointed senators, international travel and Phase 1 & 2 Hansard recording machines.
10	Public Works	-	3,473,000	3,473,000	105,950,302	Spot-on improvement on the A2 road to Quthing for King's birthday celebrations.
11	Finance	958,250	-	958,250	104,992,052	Funding for Lesotho National League of the visually impaired persons.
12	His Majesty's office	1,912,000	-	1,912,000	103,080,052	Replenishment of nonlife insurance, training costs, official gifts and entertainment.
13	Prime Minister's	1,906,736	-	1,906,736	101,173,316	Payment for subsistence and fares for PM and his delegation to attend 74 <sup>th</sup> UN General Assembly.
14	Defence	8,237,567	-	8,237,567	92,935,749	To finance 2019/20 LDF recruitment.

War No.	Ministry	Recurrent	Development	Total	Balance	Reason for advance
15	Finance	2,799,075	-	2,799,075	90,136,674	IFMIS training and manuals
16	Tourism	2,000,000	-	2,000,000	88,136,674	To fund operating costs and trips
17	Judiciary	3,873,963	-	3,873,963	84,262,711	Second sitting of the Appeal Court
18	Prime Minister's	1,550,423	-	1,550,423	82,712,288	Official trips
19	National Assembly	400,000	-	400,000	82,312,288	Purchase of mobile devices
20	Prime Minister's	1,150,000	-	1,150,000	81,162,288	Allowance for NDPC
21	Statutory Salaries	1,063,415	-	1,063,415	80,098,873	Official trips of Her Majesty's
22	Labour	621,619	-	621,619	79,477,254	International travel
23	Public Works	369,973	-	369,973	79,107,281	Renovation of House No. 46
24	Water	39,769,891	-	39,769,891	39,337,390	Refurbishment of 'Muella
25	Law	13,642,106	-	13,642,106	25,695,284	Outstanding Reform activities
26	Judiciary	10,000,000	-	10,000,000	15,695,284	Settlement for buying out the Chief Justice
27	Statutory Salaries	1,455,200	-	1,455,200	14,240,084	International travel for Her Majesty Queen 'Masenate Mohato Seeiso to attend a conference in New York.
28	Trade	679,350	-	679,350	13,560,734	Maintenance system of OBFC
29	Foreign Affairs	2,538,400	-	2,538,400	11,022,334	State visit of the Chinese Counsellor
30	National Assembly	800,000	-	800,000	10,222,334	Sponsoring the Ad hoc Committee on Wool and Mohair in their oversight activity in South Africa.
31	Statutory Salaries	2,531,650	-	2,531,650	7,690,684	Funds required to catering for Their Majesties' 2019 vacation.
32	Transport	457,945	-	457,945	7,232,739	Renovation of offices
		<b>162,908,468</b>	<b>3,473,000</b>	<b>166,381,468</b>		

Source: Contingencies Warrants for 2019/20

**UNDER COLLECTION OF REVENUE BY LESS THAN 50%  
ON REVENUE BUDGET LINES**

Ministry/ Department	Revenue Line Item	Estimates	Actual Collection	Variance	Colle. (%)
A	B	C	D	E=C-D	F= D/E
<b>Agriculture</b>					
<b>Agronomy Section</b>	Rent from Gov. Prop – Commercial & Industr	48,000	-	48,000	0
	Sale of Fish, Poultry and Produce	101,000	-	101,000	0
<b>Research</b>	Sale of Fish, Poultry and Produce	7,800	-	7,800	0
<b>LAC Admin</b>	Rent from Gov. Prop – Commercial & Industr	85,800	-	85,800	0
<b>DAO Maseru</b>	Farmers Training Centre	25,000	-	25,000	0
	Technical Operations Unit	57,625	-	57,625	0
<b>DAO Butha- Buthe</b>	Technical Operations Unit	54,190	-	54,190	0
<b>DAO Leribe</b>	Importation	20,000	-	20,000	0
	Rent from Gov. Prop – Commercial & Industr	9,600	-	9,600	0
	Sale of Fish, Poultry and Produce	64,000	-	64,000	0
	Sale of Services	16,600	-	16,600	0
	Technical Operations Unit	258,140	-	258,140	0
<b>DAO Berea</b>	Sale of Fish, Poultry and Produce	20,000	-	20,000	0
<b>DAO Mafeteng</b>	Permits	38,500	-	38,500	0
	Sale of Fish, Poultry and Produce	116,000	-	116,000	0
	Sale of Services	38,100	-	38,100	0
<b>DAO Mohales'hoek</b>	Importation	12,000	-	12,000	0
	Farmers Training Centre	96,000	-	96,000	0
	Sale of Fish, Poultry and Produce	30,000	-	30,000	0
	Sale of Services	10,800	-	10,800	0
	Technical Operations	15,000	-	15,000	0

Ministry/ Department	Revenue Line Item	Estimates	Actual Collection	Variance	Colle. (%)
A	B	C	D	E=C-D	F= D/E
	Unit				
<b>DAO Quthing</b>	Farmers Training Centre	156,000	-	156,000	0
	Sale of Services	33,600	-	33,600	0
	Stud Fees	1,200	-	1,200	0
	Technical Operations Unit	35,000	-	35,000	0
<b>DAO Qachas'nek</b>	Importation	8,856	-	8,856	0
	Farmers Training Centre	150,010	-	150,010	0
	Sale of Services	16,808	-	16,808	0
	Technical Operations Unit	15,000	-	15,000	0
<b>DAO Thaba Tseka</b>	Farmers Training Centre	182,100	-	182,100	0
	Rent from Gov. Prop – Commercial & Indstr.	29,664	-	29,664	0
	Sale of Goods or Product	7,500	-	7,500	0
	Sale of Fish, Poultry and Produce	79,364	-	79,364	0
	Technical Operations Unit	10,500	-	10,500	0
<b>DAO Mokhotlong</b>	Farmers Training Centre	105,000	-	105,000	0
	Sale of Fish, Poultry and Produce	35,000	-	35,000	0
	Sale of Services	15,500	-	15,500	0
	Technical Operations Unit	9,000	-	9,000	0
<b>Health</b>					
<b>NHTC</b>	Meals and Accommodation	1,081,028	40,900	1,040,128	4
	Valuation Fees	50,000	23,750	26,250	48
	Remark Examination	6,000	-	6,000	0
	Graduation Attire	1,100	-	1,100	0
	Road Fund Commission	48,000	-	48,000	0
<b>Education</b>	Interest - Other	20,000	-	20,000	0

Ministry/ Department	Revenue Line Item	Estimates	Actual Collection	Variance	Colle. (%)
A	B	C	D	E=C-D	F= D/E
	Insurance Commission	1,196,409	-	1,196,409	0
	Logbook Fees	10,000	-	10,000	0
	Sale of Services	150,000	29,875	120,125	20
	School Fees	363,000	-	363,000	0
	Sundry	20,000	-	20,000	0
<b>Finance</b>					
<b>Treasury</b>					
<b>Berea</b>	Stamp Duty	9,000	-	9,000	0
<b>Butha-Buthe</b>	Stamp Duty	9,000	-	9,000	0
<b>Leribe</b>	Stamp Duty	35,000	-	35,000	0
<b>Mafeteng</b>	Stamp Duty	12,000	-	12,000	0
<b>Mohale's hoek</b>	Stamp Duty	8,000	-	8,000	0
<b>Mokhotlong</b>	Stamp Duty	6,000	-	6,000	0
<b>Qacha's Nek</b>	Stamp Duty	4,000	-	4,000	0
<b>Quthing</b>	Stamp Duty	5,000	-	5,000	0
<b>Thaba-Tseka</b>	Stamp Duty	6,000	-	6,000	0
	Interest Received from Financial Public Corporation	117,793,236	6,318,174	111,475,062	5
<b>Berea</b>	Road Fund Commission	46,000	-	46,000	0
<b>Butha-Buthe</b>	Road Fund Commission	30,000	-	30,000	0
<b>Leribe</b>	Road Fund Commission	70,000	-	70,000	0
<b>Mafeteng</b>	Road Fund Commission	35,000	-	35,000	0
<b>Mohale's hoek</b>	Road Fund Commission	25,000	-	25,000	0
<b>Mokhotlong</b>	Road Fund Commission	13,000	-	13,000	0
<b>Qacha's Nek</b>	Road Fund Commission	10,000	-	10,000	0
<b>Quthing</b>	Road Fund Commission	12,000	-	12,000	0
<b>Thaba-Tseka</b>	Road Fund Commission	8,000	-	8,000	0
<b>Micro Economic Policy Mngt</b>	Company Tax	1,318,092,000	-	1,318,092,000	0
	Withholding Tax	909,800,000	-	909,800,000	0
<b>Private Sector Development and Fin. Affairs</b>	Surface Rent	15,000,000	-	15,000,000	0

Ministry/ Department	Revenue Line Item	Estimates	Actual Collection	Variance	Colle. (%)
A	B	C	D	E=C-D	F= D/E
<b>Justice</b>	Sale of Tender, Bidding and Contract Docs	50,000	-	50,000	0
	Sale of Goods or Products	92,000	475	91,525	1
	Prison Industries	79,800	39,087	40,713	49
<b>Home Affairs</b>	Citizenship	4,000,000	1,011,800	2,988,200	25
	Passport	16,900,000	2,183,090	14,716,910	13
	Visas	9,000,000	203,422	8,796,578	2
	Rent from Government property	44,400	13,700	30,700	31
	Births and deaths registrations	480,000	101,396	378,604	21
<b>Communications</b>	<b>Newspaper Advertising &amp; S</b>	948,876	194,047	754,829	20
<b>Law</b>	Trademarks, Births, Deaths	3,250,000	-	3,250,000	22
	Design fees	400	-	400	0
	Newspaper Advertising & S	200	10	190	5
	Sale of Tender, Bidding and contract Doc	5,000	-	5,000	0
<b>Public Works</b>	Sale of Maps, Books and Other Public	200	-	200	0
	Motor Registration	5,485,568	1,105,380	5,485,568	20
	Motor Vehicle Inspection	7,792,313	3,350,455	7,792,313	43
	Permits	5,485,568	1,249,373	5,485,568	23
	Motor Vehicle Number Plates	11,340,000	1,110,733	11,340,000	10
<b>Energy</b>	Electricity - Muela	61,200,000	13,567,263	61,200,000	22
<b>Tourism</b>	Sale of tender, Bidding and Contract Doc	21,000	-	21,000	0
	Off Sales	778,800	175,465	778,800	23

Ministry/ Department	Revenue Line Item	Estimates	Actual Collection	Variance	Colle. (%)
A	B	C	D	E=C-D	F= D/E
	Restaurants and Canteens	201,605	-	201,605	
	Club Licences	25,800	-	25,800	0
	Rent from Gov Property- Commercial & Industrial	1,793,320	648,459	1,793,320	36
	Entry Fees	2,500	-	2,500	0
	Hire of Building and Structures	742,329	211,333	742,329	28
	Meals and Accommodation	50,000	-	50,000	0
	Entry Fees	355,240	-	355,240	0
<b>Local Government</b>	Building Permits	52,700	14,912	52,700	28
	Registration of Land, Leases & Other doc.	272,000	3,093	272,000	1
	Abattoir Fees	8,251	-	8,251	0
	Market Fees	122,925	1,118	122,925	1
	Pound and Grazing Fees	36,180	1,082	36,180	3
	Public Toilets	231,135	610	231,135	0
	Rent from Gov. Prop – Commercial & Industr.	112,650	-	112,650	0
	Sale of Maps, Books and Other Public	500	-	500	0
	Sale of Stray Stock	404,833	87,240	404,833	22
	Sale of Tender, Bidding and Contract Doc	10,000	-	10,000	0
	Sanitary and Refuse	59,125	-	59,125	0
	Tender Fees	378,050	222,000	378,050	41
	Water Kiosks	14,000	-	14,000	0
	Survey Fees	500	-	500	0
	Valuation Fees	500	-	500	0
	Sale of Advertising	143,600	-	143,600	0
<b>Gender</b>	Sale of Goods or Product	50,000	-	50,000	0
	Course Fees	72,000	465	72,000	1
	Hire of Buildings and Structures	12,000	-	12,000	0

Ministry/ Department	Revenue Line Item	Estimates	Actual Collection	Variance	Colle. (%)
A	B	C	D	E=C-D	F= D/E
	Sale of Fish, Poultry and Produce	2,500	-	2,500	0
<b>Mining</b>	Dividends – Other	243,890,600	-	243,890,600	0
<b>Police</b>	Identity Photographs	800,000	7,750	792,250	1
<b>Water</b>	Sale of maps, books and other	10,870	2,530	8,340	23
	Drilling	700,000	58,858	641,142	8
	Pumping test	73,615	-	73,615	0
	Consultancy	45,000	17,862	27,138	40

#### Appendix 4

#### OVER COLLECTION OF REVENUE BY MORE THAN 100% ON REVENUE BUDGET LINES

Ministry/ Department	Revenue Budget Line	Estimates	Actual Collection	Variance	Varian (%)
A	B	C	D	E=C-D	F=D/C
<b>HEALTH</b>					
<b>NHTC</b>	Application Fees	51,000	123,500	(72,500)	242
	College Fees	2,210,410	5,829,985	(3,619,575)	264
	Caution	110,000	188,600	(78,600)	171
<b>EDUCATION</b>	Rent from Gov. Prop -Residential	4,858	50,222	(45,364)	1034
<b>FINANCE</b>					
<b>Treasury</b>	Stamp Duty	655,371	1,672,313	(1,016,942)	255
<b>Micro Economic Policy Management</b>	Personal Income Tax	2,492,900,000	4,105,014,000	(1,612,114,000)	165
<b>Private Sector Development and Fin. Affairs</b>	Dividends Received from Financial Public Corporation	24,125,000	169,171,000	(145,046,000)	701
	Dividends Received from Non Financial Public Corporation	41,508,278	147,149,245	(105,640,967)	355

Ministry/ Department	Revenue Budget Line	Estimates	Actual Collection	Variance	Varian (%)
A	B	C	D	E=C-D	F=D/C
<b>TRADE</b>	Registration & Licensing-Ambulance	1,060,000	1,610,869	(550,869)	152
<b>COMMUNICATIONS</b>	Sale of Goods or Products	62,000	320,100	(258,100)	516
<b>PUBLIC WORKS</b>	Flight Operations	1000	2160	-1160	216
<b>LABOUR</b>	Application of Trade Union	1,500	2,500	(1,000)	167
	Issue of Employment Certificates	6,300,000	9,664,050	(3,364,050)	153
	Labour Agents Permits	4,500	22,500	(18,000)	500
	Sundry	99,888	900,693	(800,805)	902
<b>TOURISM</b>	Casino Licences	60,000	174,818	(114,818)	291
	Guest Houses	125,340	324,179	(198,839)	259
	Hotels and Lodges	34,000	132,229	(98,229)	389
	Membership Fees	4,000	31,569	(27,569)	789
<b>LOCAL GOVERNMENT</b>	Stamp Duty	100,000	251,222	(151,222)	251
	Statutory Fees	8,200	57,597	(49,397)	702
<b>DEFENCE</b>	Sale of Tender, Bidding and Contract Documents	50,000	85,000	(35,000)	170
<b>POLICE</b>	Road Accident Reports	111,500	206,820	(95,320)	185
<b>SMALL BUSINESS</b>	Sale of Tender, Bidding and Contract Documents	8,000	13,200	(5,200)	165
<b>WATER</b>	Sale of Tender, Bidding and Contract Documents	330,750	505,800	(175,050)	153