



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



A/C/REP/1-105 (Vol. 2)

16 MAY 2024

Honourable Dr. A. R. Matlanyane
Minister of Finance and Development Planning
P.O. Box 395
Maseru 100

Honourable Minister,

**AUDIT REPORT ON THE CONSOLIDATED FINANCIAL
STATEMENTS OF THE GOVERNMENT OF LESOTHO FOR THE
YEAR ENDED 31ST MARCH 2022**

I submit my report on the Consolidated Financial Statements of the Government of Lesotho for the year ended 31st March, 2022 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 sincerely,

**'MATHABO GAIL MAKENETE (MS.) CA(L)
AUDITOR-GENERAL**

TABLE OF CONTENTS

| | | |
|---------------|---|----------------|
| | OVERVIEW | 8-9 |
| | AUDIT CERTIFICATE | 10-15 |
| Part 1 | AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GOVERNMENT OF LESOTHO FOR THE YEAR ENDED 31 MARCH 2022 | 17-85 |
| | | |
| Part 2 | AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GOVERNMENT OF LESOTHO FOR THE YEAR ENDED 31 MARCH 2022 | 86-121 |
| Chapter 1 | Introduction | 87-88 |
| Chapter 2 | Cash Management | 89-101 |
| Chapter 3 | Cash Receipts | 102-104 |
| Chapter 4 | Non-Cash Assets | 105-108 |
| Chapter 5 | Liabilities | 109-110 |
| Chapter 6 | Losses and Accidents | 117-121 |
| Part 3 | ADMINISTRATION OF PUBLIC FINANCE | 122-149 |
| Chapter 7 | Administration of Public Finance | 123-128 |
| Chapter 8 | Accountability For Recurrent Revenue by Chief Accounting Officers | 129-135 |
| Chapter 9 | Accountability For Expenditure by Chief Accounting Officers | 136-149 |
| Part 4 | AUDIT OF STATUTORY BODIES | 150-161 |
| Chapter 10 | Audit of Statutory Bodies, Public Enterprises and Other Bodies (Sp&Ob) | 151-157 |
| Chapter 11 | Audit of Development Projects | 158-161 |
| Part 5 | REPORT ON ASSET MANAGEMENT PROCESS REVIEW – MINISTRIES AND DEPARTMENTS | 162-172 |
| Chapter 12 | Report on Asset Management Process Review – Ministries and Departments | 163-172 |
| Part 6 | PERFORMANCE AUDIT | 173-179 |
| Chapter 13 | Performance Audit | 174-179 |

TABLE OF ABBREVIATIONS

| | |
|-----------|--|
| AFROSAI-E | African Organisation of English-speaking Supreme Audit Institutions |
| BTS | Base Transceiver Stations |
| CAO | Chief Accounting Officer(s) |
| CBL | Central Bank of Lesotho |
| CFS | Consolidated Financial Statements |
| CHAL | Christian Health Association of Lesotho |
| CHE | Council on Higher Education |
| DCS | District Council Secretaries |
| ESAAG | East and Southern Africa Association of Accountants-General |
| EDSP | Economic Diversification Support Project |
| FIU | Financial Intelligence Unit |
| FNB | First National Bank |
| GoL | Government of Lesotho |
| HoD | Head of Department |
| ICT | Information and Communications Technology |
| IFMIS | Integrated Financial Management Information System |
| IFRS | International Financial Reporting Standards |
| INTOSAI | International Organization of Supreme Audit Institutions |
| IPSAS | International Public Sector Accounting Standards |
| ISSAI | International Standards of Supreme Audit Institutions |
| IT | Information Technology |
| JICA | Japan International Cooperation Agency |
| LAC | Lesotho Agricultural College |
| LCA | Lesotho Communications Authority |
| LDC | Leribe District Council |
| LMDA | Lesotho Millennium Development Agency |
| LNHSS | Lesotho Nutrition and Health System Strengthening Project |
| LQF | Lesotho Qualifications Framework |
| MDA | Ministries, Departments and Agencies |
| NSDP | National Strategic Development Plan |
| OAG | Office of the Auditor-General |
| PAYE | Pay As You Earn |
| PCGF | Partial Credit Guarantee Fund |
| PFMA | Public Financial Management and Accountability Act |
| PPP | Public-Private Partnership |
| PS | Principal Secretary |
| QMMH | Queen 'Mamohato Memorial Hospital |
| SADC | Southern African Development Community |
| SADCOPAC | Southern Africa Development Community Organization of Public Accounts Committees |
| SAI | Supreme Audit Institution |
| USD | United States Dollar |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

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| VCL | Vodacom Lesotho |
| WASCO | Water and Sewerage Company |
| SP&OB | Statutory Bodies, Public Enterprises and Other Bodies |

TABLE OF TABLES

| | |
|--|-----|
| Table 1: FY2021/22 Use of Contingency Fund | 55 |
| Table 2: Status of Cash Balances for the Past 7 Financial Years | 89 |
| Table 3: Cash position as at 31st March 2022 | 90 |
| Table 4: Reconciling Items..... | 92 |
| Table 5: Payments Made Outside IFMIS..... | 93 |
| Table 6: Fraudulent Transactions..... | 94 |
| Table 7: Triple Payments | 96 |
| Table 8: Variances Between Note 15 and Bank Confirmations as at 31 March 2022..... | 98 |
| Table 9: Dormant Accounts..... | 99 |
| Table 10: Dividends Not Received..... | 102 |
| Table 11: Comparison of Consolidated Financial Statements, Ministries' Financial Statements and IFMIS Ledger | 104 |
| Table 12: Omitted Arrears from Court Orders – Ministry of Health | 111 |
| Table 13: Difference in Exposures..... | 112 |
| Table 14: Pending Litigation Claims | 113 |
| Table 15: Inconsistent Principal Repaid Amounts | 114 |
| Table 16: Differences between current year opening balances and closing for the preceding year..... | 115 |
| Table 17: Statement of Losses | 117 |
| Table 18: Statement of Accidents | 119 |
| Table 19: Comparison of Amounts in the Appropriation Act and Book of Estimates | 123 |
| Table 20: Overall Fiscal Balance for 2021/22..... | 124 |
| Table 21: Advances from the Contingencies Fund | 125 |
| Table 22: Centralised Items | 127 |
| Table 23: Re-Allocation from Centralised Items | 127 |
| Table 24: Budget Execution on Recurrent Revenue | 130 |
| Table 25: Budget Execution Against Appropriated Funds - Extract | 137 |
| Table 26: Unreleased Appropriated Budget | 137 |
| Table 27: Unspent Additional Budget | 139 |
| Table 28: Differences in Budgeted Amounts Between Appropriation Act Balances, Spending Units Budgeted Amounts and Budget Amounts Per CFS | 141 |
| Table 29: Supplemented Development Expenditure with Utilisation Below 50% | 144 |
| Table 30: Sources of Capital Supplementary Expenditure | 145 |
| Table 31: Variances Between Revised Development Budgets..... | 146 |
| Table 32: Unbudgeted Expenditure | 147 |
| Table 33: Budget Execution on Charged Expenditure | 148 |
| Table 34: Loan Execution vs Budget and Released | 149 |
| Table 35: Fruitless Expenditure | 152 |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| | |
|---|-----|
| Table 36: Analysis of Opinions of (SP&OB)..... | 154 |
| Table 37: BTS Not Completed on Time | 156 |
| Table 38: Projects Underperformance | 158 |
| Table 39: Financial Statements Amounts Different from Source Documents | 161 |
| Table 40: Land and Buildings for Ministry of Agriculture | 164 |
| Table 41: Unrealised Revenue | 167 |
| Table 42: Status of LAC Facilities..... | 179 |

TABLE OF APPENDICES

| | | |
|-------------|---|-----|
| APPENDIX 1 | PENDING LITIGATIONS | 180 |
| APPENDIX 2 | ANNUAL FINANCIAL STATEMENTS AND AUDIT OPINIONS | 184 |
| APPENDIX 3 | DOUBTFUL DESCRIPTION OF PAYMENTS | 197 |
| APPENDIX 4 | CASH INCREASE/(DECREASE) | 199 |
| APPENDIX 5 | UN-RECONCILED AMOUNTS | 201 |
| APPENDIX 6 | BANK RECONCILIATIONS STATEMENTS NOT AVAILABLE | 202 |
| APPENDIX 7 | UNDISCLOSED NON-CASH ASSETS | 203 |
| APPENDIX 8 | ACCOUNTS RECEIVABLE REPORTED IN THE YEAR UNDER REVIEW 2021/2022 | 206 |
| APPENDIX 9 | CENTRALISED ITEMS ALLOCATION TO SPENDING UNITS | 210 |
| APPENDIX 10 | USAGE OF DONOR GRANTS | 213 |
| APPENDIX 11 | USAGE OF DONOR LOANS | 214 |

OVERVIEW

The Office of the Auditor-General (OAG) has a broad mandate to conduct audits on various Government agencies, as enshrined in Section 117 of the Constitution of Lesotho. This mandate encompasses the right of access to all relevant documents, and sub-section 6, emphasises that the Auditor-General shall not be subjected to the direction or control of any authority in the exercise of his/her duties. In line with the Audit Act 2016, the right of access extends beyond documents, to include explanations, information, and even access to all Government property.

According to the Constitution, it is the responsibility of the Auditor-General to conduct annual audits and submit reports regarding the public accounts of the Government of Lesotho (GoL). In addition to the accounts of all offices and authorities of the Government, the accounts of all courts in Lesotho, and of every Commission established by the Constitution, and the accounts of the Clerk to each House of Parliament, are also subject to audit and reporting.

The purpose of these audits is the following: -

- a. To determine whether the public accounts of Lesotho accurately represent the financial state of the Government and the respective public bodies they pertain to.
- b. To ascertain whether the financial transactions of the Government and public bodies adhere to the authority of Parliament, applicable financial legislations, and regulations set forth by any relevant competent body.
- c. To evaluate whether the financial affairs of the Government and public bodies have been managed with integrity, taking into account their statutory and ethical obligations to Parliament and the general public in a transparent and impartial manner.
- d. To assess whether government ministries, departments, and agencies carry out their activities in a manner that demonstrates sound financial stewardship, with due regard to economy, operational efficiency, and overall effectiveness.

By conducting these audits, the OAG aims to identify any potential issues or challenges encountered and provides recommendations for improvement, to promote transparency, accountability and optimal use of resources within Ministries, Departments and Agencies (MDAs).

In pursuing this mandate, the Auditor-General currently conducts the following three types of audits: -

Financial audit: This type of audit involves verifying the accuracy of the information presented in the financial statements.

Compliance audit: In this audit, the OAG verifies whether the MDAs adhere to the prescribed laws, regulations, directives, and procedures.

Performance audit: This audit focuses on assessing the economic, efficient, and effective utilisation of public resources. Specifically, the focus lies in assessing the management and performance aspects pertaining to an organisation or its operations.

Consideration is drawn to the Public Financial Management and Accountability (PFMA) Act 2011 Sections 35 (3) and 37(1) which stipulate that the Minister shall prepare the annual Consolidated Financial Statements (CFS) and these be submitted to the Auditor-General within five months for audit, and subsequently present the Audited Consolidated Financial Statements to Parliament within eight months of the end of the financial year to which they relate, respectively. The OAG presents this Annual Audit report on CFS 2022 beyond the statutory date of 30th November 2022.



**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 31st MARCH 2022**

ADVERSE OPINION

I have audited the Consolidated Financial Statements of the Government of Lesotho (the Government) set out on pages 17 to 85, which comprise the Consolidated Statement of Cash Receipts and Payments as at 31st March 2022, and Consolidated Statement of Comparison 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 31st March 2022, its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS).

BASIS OF ADVERSE OPINION

CASH POSITION AND BALANCES

There is an unexplained difference of M5.3 billion between the cash balances in the bank accounts (Note 15) and the Consolidated Statement of Receipts and Payments, where Note 15 showed a balance of M4.6 billion and the Statement reflected M9.9 billion. The unexplained difference in 2022 has reduced to M5.3 billion, from M6.2 billion in 2021.

DIFFERENCE IN CASH DECREASE

Note 15 to the Consolidated Financial Statements (CFS) revealed a cash decrease of M856 million from M5.463 billion to M4.607 billion, between 31st March 2021 and 31st March 2022. However, the Consolidated Statement of Cash Receipts and Payments reflects a decrease of M537 million, which differs from M856 million.

CASH RECEIPTS

Out of the 27-revenue collecting units, only 8 reflected the same figures on the CFS, ministries' financial statements, and IFMIS ledger. The CFS reflected a total figure of M17.326 billion, whereas ministries' financial statements totalled M16.007 billion, and the IFMIS ledger had a total figure of M17.297 billion.

NON-CASH ASSETS: ACCOUNTS RECEIVABLE AND OTHER REVENUE ARREARS

An amount of M415 million from the prior years has not been disclosed in the current year. However, there was no evidence of this amount being cleared.

The Ministry of Health received a M26 million advance for buying COVID-19 vaccines. This money was labelled as an imprest advance instead of a contingency advance, which led to the advance being listed under funds to be allocated in a Supplementary Bill presented to Parliament.

PENDING LITIGATION

The current CFS 2021/22 presented Pending Litigation Claims of seven (7) ministries with different amounts totalling M492 million as the restated position of 31st March 2021, against the audited CFS as at 2020/21 amounting to M71 million.

ACCOUNTABILITY FOR EXPENDITURE BY CHIEF ACCOUNTING OFFICERS

As at the time of the audit, the Bill to regularise the capital expenditure amount of M1.6 billion had not been enacted in terms of Section 16 of the PFMA Act.

Two voted heads of expenditure exceeded their budgeted expenditures by M21.9 million and M2.9 million respectively, in contravention of the

requirements of section 112 (3) (b) "Authorisation of expenditure" of the Constitution, which governs excess expenditure cases.

There was a difference of M887 million between the appropriated budget of M7.327 billion (per Appropriation Act 2020/21 plus Appropriation Bill), and the total revised capital budget of M6.439 billion per Spending Units.

PRIOR YEAR MATTERS

I have raised the following issues as qualifying points in the prior years, but they have remained unresolved: -

OMISSION OF BELOW-THE- LINE ACCOUNTS

The balances of Below-the-Line accounts as at 31st March 2009 have not been brought forward since 1st April 2009. This omission has misstated the Consolidated Financial Statements of the Government of Lesotho for thirteen (13) years.

REGULARITY OF EXPENDITURE

Regularisation of a transfer of M450 million per Minister's directive from the Trust Monies Account into the Consolidated Fund since 2017, for onward transfer to Recurrent Expenditure Account in 2016/17.

I have conducted my audit in accordance with the International Standards of Supreme Audit Institutions (ISSAI). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the Consolidated Financial Statements of the current period. However, I do not provide a separate opinion on these matters. I have determined the following to be the key audit matters: -

MANAGEMENT OF PUBLIC ASSETS

There was a lack of security arrangements when distributing passports from the production centre to various destinations. In addition, due to a variety of reasons, multiple passports were mutilated during production, costing the Government M3.6 million.

Several Government ministries fail to maintain asset registers, hence inadequacy of disclosures of Government-owned assets, including infrastructure, property, and equipment, remains a challenge. Most of the assets are also abandoned and dilapidated.

PUBLIC INFRASTRUCTURE PROJECTS

There are delays in the implementation of projects due to institutional and regulatory arrangements not being in place, resulting in underutilisation of project funds and ultimately, project objectives not being met.

CONTINGENT LIABILITIES

Despite ongoing efforts, the Government remains exposed to the challenges of managing contingent liabilities, thus posing a sustained financial risk. The lack of a database and monitoring of guaranteed loans, results in challenges to evaluate the validity of guaranteed loans.

The above matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on them.

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

Section 35 of the Public Financial Management and Accountability Act 2011, requires the Minister of Finance to prepare the annual Consolidated Financial Statements in accordance with International Public Sector Accounting Standards (IPSAS), and for such internal controls as the Minister 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

The Constitution of Lesotho Section 117 (2)(b) and the Audit Act, 2016 Section 7 (1) (b) and (c), require me to audit and report on these 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 ISSAI 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 ISSAI, I exercise professional judgement 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the

financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

I also provide those charged with governance 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.



MATHABO GAIL MAKENETE (MS.) CA(L)

16 MAY 2024

AUDITOR-GENERAL

PART 1

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Accountant General's Office
Treasury Department
Ministry of Finance



Kingdom of Lesotho

Annual Consolidated Financial
Report For The Year Ended 31st
March 2022

Audited Version

Table of Contents

| | |
|--|----|
| Abbreviations..... | 21 |
| 1 Report by the Minister of Finance | 22 |
| 2 Report by Accountant General..... | 24 |
| 2.1 Treasury Mandate..... | 24 |
| 2.2 Compliance on the Public Finance Legal Framework | 24 |
| 2.3 General Commentary | 25 |
| 2.4 Commentary on Consolidated Financial Statements | 26 |
| 3 Consolidated Financial Statements For the year ended 31 st March 2022..... | 40 |
| 3.1 Consolidated Statement of Cash Receipts and Payments | 41 |
| 3.2 Consolidated Statement of Comparison of Budget and Actual Amounts..... | 43 |
| 3.3 Statement of Accounting Policies | 45 |
| 3.4 Statement of Consolidated Entities | 50 |
| 3.5 Notes to the Consolidated Financial Statements | 54 |
| 4 Disclosure Schedules to the Consolidated Financial Statements..... | 71 |
| Schedule 1: Investments | 71 |
| Schedule 2: GOLFIS balances..... | 71 |
| Schedule 3: Accounts Receivable and other Revenue Arrears..... | 72 |
| Schedule 4: Pension Liabilities..... | 74 |
| Schedule 5: Public Debt..... | 74 |
| Schedule 6: On-lending arrangements..... | 75 |
| Schedule 7: Payment Arrears..... | 76 |
| Schedule 8: Contingent Liabilities..... | 79 |
| Schedule 9: Losses and Accidents | 80 |
| 5 APPENDICES | 81 |
| Appendix 1: Analysis of Receipts and Payments by Spending Unit..... | 81 |
| Appendix 2: Budget Comparison – Analysis by Spending Unit | 82 |
| Appendix 3: Controlled Entities and Investments – Status of Annual Reporting (As at 18 August 2022)..... | 84 |

List of Figures

| | |
|--|----|
| Figure 1: FY2021/22 Receipts | 28 |
| Figure 2: FY2021/22 Receipts Trends | 29 |
| Figure 3: FY2021/22 Aggregate expenditure | 30 |
| Figure 4: FY2021/22 Recurrent Expenditures | 30 |
| Figure 5: FY2021/22 Capital Expenditures | 31 |
| Figure 6: FY2021/22 Public Debt | 31 |
| Figure 7: FY2021/22 Cash Balances | 32 |

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 |
| DCEO | Directorate on Corruption and Economic Offences |
| EFT | Electronic Fund Transfer |
| EU | European Union |
| FIU | Financial Intelligence Unit |
| 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 |
| MNOs | Mobile Network Operators |
| 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 |

1. REPORT BY THE MINISTER OF FINANCE

In my capacity as the Minister of Finance, I am mandated to have produce and submit to the Auditor General, the Consolidated Financial Statements for the year 2021/2022, per Section 35 of the Public Financial Management and Accountability (PFMA) Act, for audit. I also act in accordance with International Public Sector Accounting Standards (IPSAS). 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 budget I presented for the 2021/22 financial year was aimed at revitalizing the economy by accelerating investment and job creation. The budget was intended to navigate the norm towards transformation and economic recovery. 2021/22 financial year was marked by recovery through slower than the NSDP II target. The economy was faced with persistent deterioration of external position, in relation to Balance of Payments, with the current account balance which continues to be in deficit.

Despite the challenges experienced due to COVID-19 pandemic, the following achievements were realized:

- Ability to keep expenditure under control,
- Mobilised financing for development by successfully negotiating the compact II and COVID 19 mitigation,
- Stemmed the tide of COVID 19,
- Implemented Public Financial Management reforms,
- Infrastructure Development at Mpiti- Sehlabathebe, Ramarothole Solar power generation and on-course to rebuild infrastructure worn out by heavy rains,
- 440 sanitation facilities (VIP latrines) have been completed in 21 villages serving the population of 9,100 people. During construction 21,000 jobs were created,
- Water connection for Households through Metolong Authority,
- Initiated several Rural Electrification projects, with connection of 8,000 households, Promoted food production through agricultural subsidy valued at over M140 million,
- Various operations to keep peace and stability and contributed towards peace and security in the Region – Mozambique.

We have been supported during these trying times by our development partners in the various areas where they assisted the Government of Lesotho to extend service delivery to the citizenry. The same development partners assisted in the advancing of the Public Financial Management Agenda, through the review of the PFMA Act, enhancement of the IFMIS connectivity amongst others. These are the International Monetary Fund (IMF), European Union (EU), the World Bank and the African Development Bank.

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 2021/2022 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 timely.



Honourable Dr. Retselisitsoe Matlanyane

Minister of Finance

2. REPORT BY ACCOUNTANT GENERAL

2.1 Treasury Mandate

Treasury is a department within the Ministry of Finance, 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.

2.2 Compliance on the Public Finance Legal Framework

The Treasury is charged with responsibility to enhance compliance with the public financial management laws and 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 several cases in the courts of law, where officers are suspected to have misappropriated funds.

There was a fraud of about M54 million from the Consolidated Fund in 2021/22. The case was reported by Accountant General to the LMPS after the transactions we picked as reconciling items on the bank reconciliation activity. Case number is Maseru RCI 56/09/2021. The case involves a number of officials from the Treasury Department and other people from outside Government. A joint Team of Law Enforcement Agencies was established to work on this case. There are about eighteen (18) suspects that were arrested and sixteen (16) of them remanded and fifteen (15) released on bail, while two (2) are awaiting trial in prison. M18 million has been recovered back into the Government coffers from South Africa. The Law Enforcement Agencies joint team is still continuing with investigations on this case.

Also, during 2021/22 financial year, the Inspectorate Team worked thoroughly on the Lesotho-Johannesburg Mission in South Africa, because of the request of the Principal Secretary for Ministry of Foreign Affairs and International Relations.

An amount exceeding M1 million was misappropriated and could not be accounted for by the officials at the same Foreign Mission. This case has also been handed over to the LMPS Team at Treasury for further investigation and subsequent processes for the criminal procedure.

There is increasing pattern of disregard and undermining of the rule of Law in as far as the Public Funds are concerned. This continuously exposes the government to losses that could be avoided. There is lax by those responsible to comply with the Public Financial Laws. Inspectorate Team is overstretched with working on the new cases and old cases. However, the Team has tried to keep up with reported cases. On the other hand, some cases take long to work on because of the delay to get information that could enable speedy progress.

Most of the cases that are still pending in the courts of law. There are also old cases where inspection is ongoing, and progress is very slow due insufficient information, as indicated above. At the end of the 2021/22 financial year spot checks were done to check for deviations that occur during "March final".

2.3 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 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. I am also 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 2022 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 40 to 53 reliably present the FY2021/22 cash flows and financial performance of the Government of Lesotho.

2.4 Commentary on Consolidated Financial Statements

A. 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 38 central government ministries, departments, constitutional bodies and other Spending Units; the ten district councils; and 7 centrally operated spending heads administered by the Ministry of Finance. The coverage is the same as that of the national budget.

The consolidated financial statements for the year ended 31st March 2022 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 FY2021/22 financial performance.

B. Budget Reconciliation

The revised Expenditure Budget, after considering the budget was M24.247 billion, from the original budget of M23.771 billion. The total budget includes both appropriated and unappropriated expenditure. The unappropriated budget was M4.710 billion and was revised to M4.713. It is to be noted that the revised figures have been sourced from the consolidation that was prepared after the ministries' financial reports have been submitted.

Contingencies Fund budget was originally M600 million and was revised by M252 million to M852 million. According to the data provided per the Contingencies Fund Management Report, M479 million was utilised for recurrent expenditure budget whereas M327 million was for capital. M45 million of the Contingencies Fund remained unallocated. It should be noted that much of the increase to the Contingencies Fund was attributed to the reallocation from ministries rather than additional funds.

Recurrent Revenue Budget remained at the originally budgeted amount of M15.528 billion. The originally budgeted amount for capital receipts from external sources was M3.596 billion which was composed of M1.327 million for Grants and M2.269 billion for Loans. Budget for capital receipts increased by M473 million to M4.069 billion.

The Supplementary Appropriation Bill 2021/22 that is meant to formalise the above changes has been submitted to Parliament for enactment.

C. Budget Deficit

The appropriated budget that projected a Consolidated Fund deficit of M 4.173 billion, which later increased to M4.623 billion after the budget revision. It was not clear how the deficit would be funded however the practice is it gets 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 financial performance of each component follows here below:

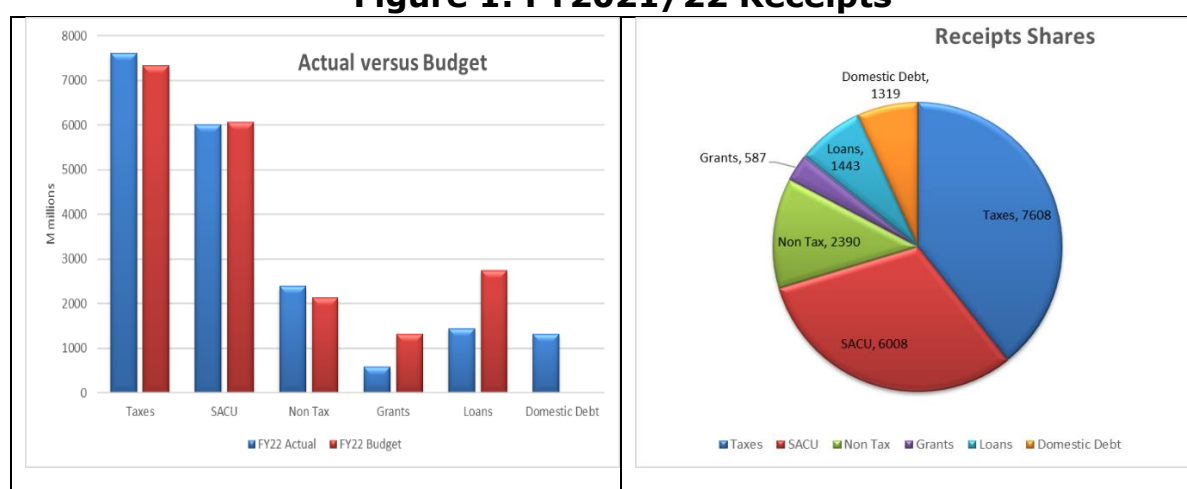
D. Overall Budget Performance

(i) Receipts

The overall collection (excluding loans and project grants) for FY2021/22 was M16.006 billion which is M478 million more than the revenue budget. The revenue budget for 2021/22 was M1.575 billion lower than the FY2020/21 of M17.103 billion. The collection decreased by 11% to M16.006 in 2021/22.

Figure 1 illustrates the deposits or actual receipts against the main sources for the year and the comparative collection rates against the approved budgets. The over collection was attributed to reasons including but not limited to under budgeting.

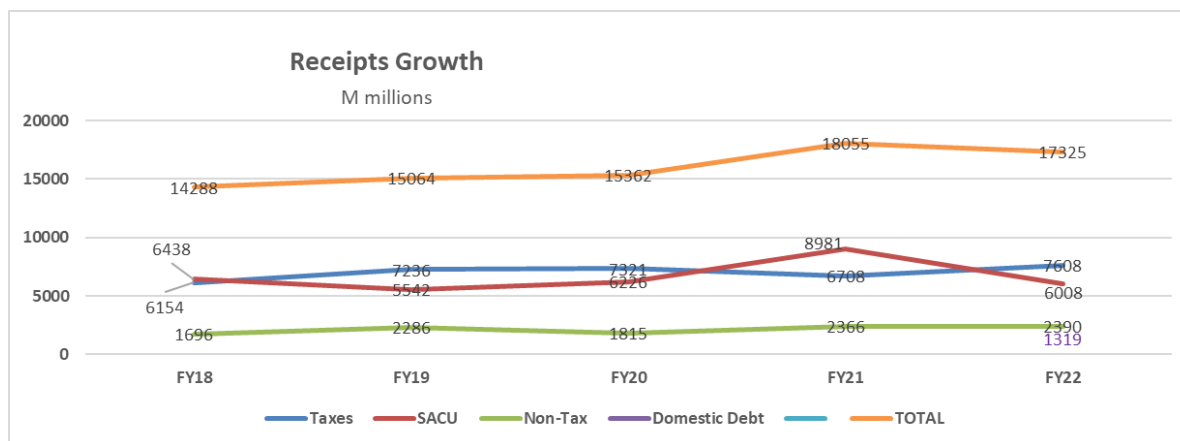
Figure 1: FY2021/22 Receipts



Southern Africa Customs Union (SACU) receipts of M 6.008 billion during FY2021/22 below the budgeted figure of M6.064 billion. These receipts were lower than the M 8.981 billion received in the previous year. Actual tax revenues of M 7.608 billion (compared to FY2020/21 of M 6.708) increased slightly. Non-tax revenues (which mainly comprise electricity sales, water and mining royalties, and dividends) contributed 14% of recurrent revenues.

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

Figure 2: FY2021/22 Receipts Trends



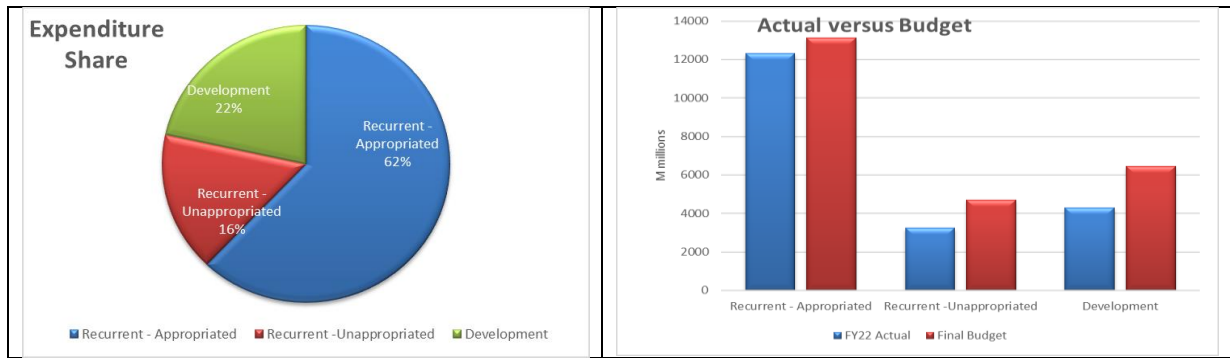
(ii) Expenditures

The total originally approved expenditure budget for FY2021/22 was M23.771 billion of which M17.445 billion (73%) was allocated to recurrent and M5.726 (24%) for capital expenditure 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 12.735 billion and the statutory/centralized budgets of M4.710 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 M24.274 billion of which M17.833 billion has been allocated to recurrent expenditure, whilst M6.441 billion for capital expenditure. The Contingencies Fund was revised to M852 million, of which a balance of M45 million was still held on 31 March 2022. The revision of the expenditure is yet to be approved by Parliament, in accordance with Supplementary Appropriation (2021/2022) Bill.

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

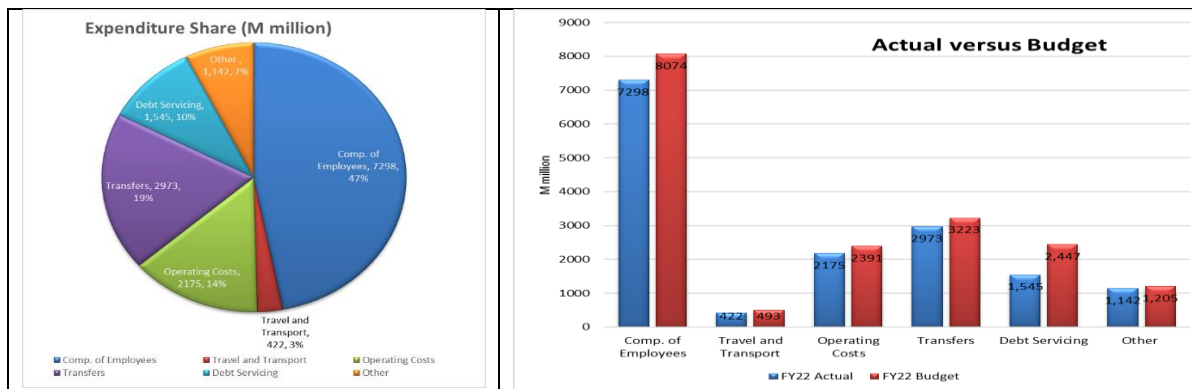
Figure 3: FY2021/22 Aggregate expenditure



(iii) Recurrent expenditures

The recurrent expenditure analysis per **figure 4** is made from the spending units’ submissions.

Figure 4: FY2021/22 Recurrent Expenditures

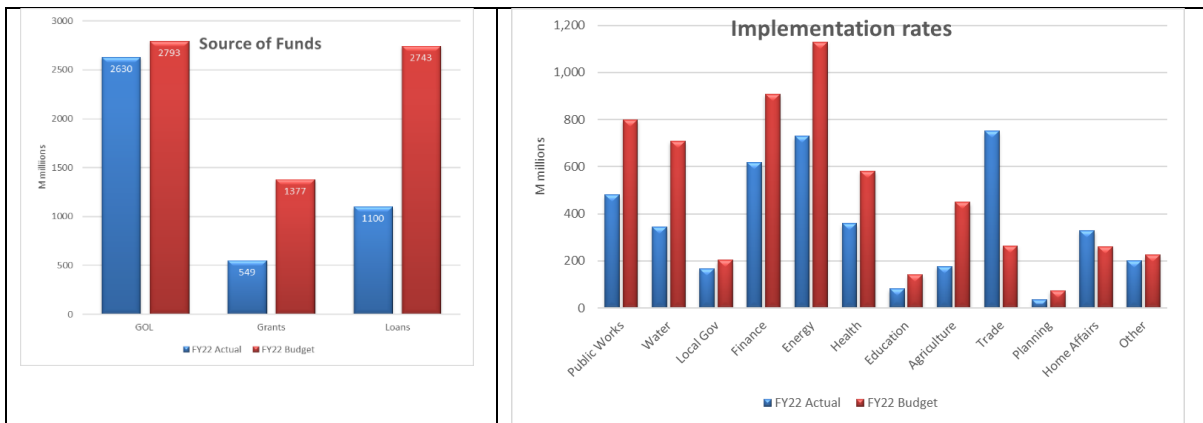


(iv) Capital Expenditures

Overall project expenditure was M4.279 billion against the budget of M6.441 billion representing an execution rate of 66%. **Figure 5** illustrates that the implementation rate varied considerably across the three funding categories, ranging from 94% of domestic resources to 40% and 48% for grant and loan funded expenditures, respectively.

Physical progress of the capital projects generally lagging behind scheduled timeframe due to various reasons as stipulated in the Annual Progress Report as submitted by the Chief Accounting Officer of the MDP. It is also evident that on foreign debt the execution is low.

Figure 5: FY2021/22 Capital Expenditures



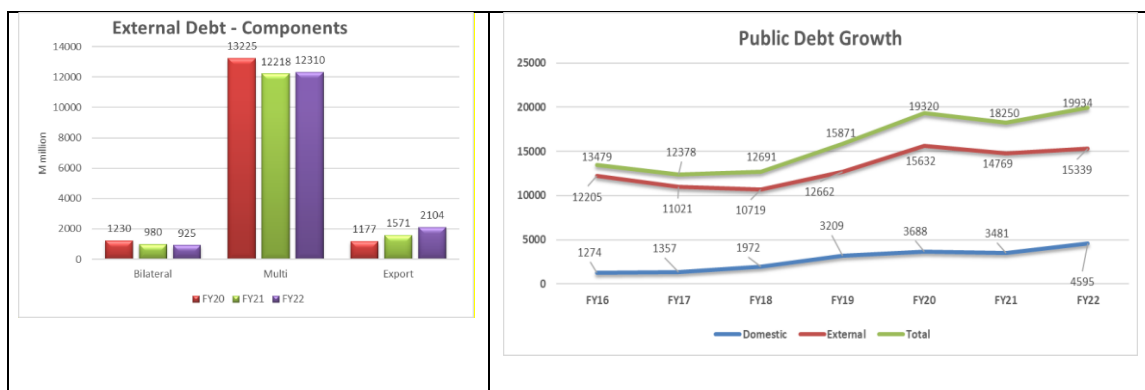
96% of the capital expenditure budget is accounted for by eleven Spending Units (Public Works, Water, Local Government, Finance, Energy, Development Planning, Trade and Industry, Health, Home Affairs and Agriculture). Project execution rates varied across these agencies ranging from 39% for Agriculture to 101% for Home Affairs.

(v) Financing

Total stock of public debt increased during FY2021/22 from M18.250 billion to M19.934 billion as illustrated in **Figure 6**. The increase is attributed to the issuance of Treasury Bonds and fiscal bills. New external debt agreements during FY2021/22 amounted to M1.774 billion.

External debt disbursements of M1.543 billion and loan redemptions of M 624 million were made. Over the seven-year period since FY2015/16, the loan stock has increased by 48%.

Figure 6: FY2021/22 Public Debt

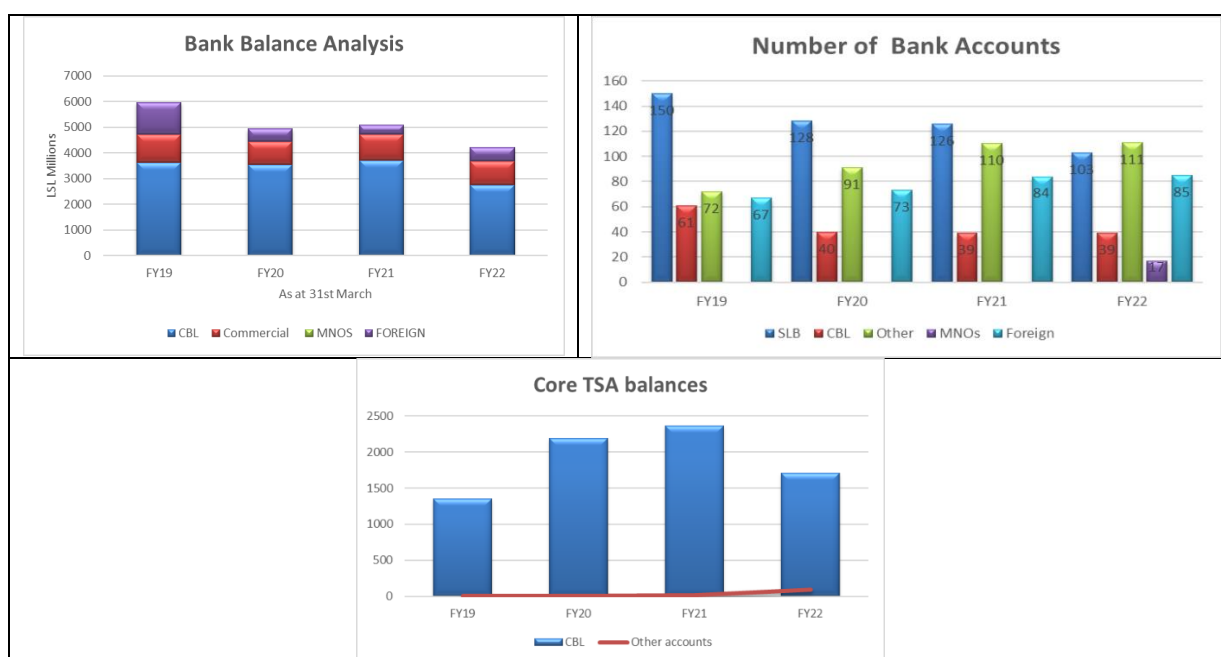


(vi) Cash

During FY2021/22 the government’s LSL cash balances decreased from M 4.732 billion to M 4.055 billion, while foreign cash balances increased from M 364 million to M 520 million. At the end of the year the total cash balance was M 4.5834 billion showing a decrease from M 5.097 billion in the closing cash balance. Additional receipts from development partners and domestic borrowing has been the main source for funding the budget deficit.

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

Figure 7: FY2021/22 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.

E. Significant Issues

My previous report indicated issues that adversely impacted 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 Ministry of Finance has developed a Roadmap that will improve the audit opinion from adverse to clean.

(i) National Strategic Development Plan

The Government of Lesotho has a commitment to transform Lesotho to a producer and export driven economy through the implementation of the National Strategic Development Plan II (NSDP). The NSDP advocates for participation of citizens in the development of the country. It also aspires for sustainable growth that will reduce poverty. The strategic direction is therefore provided by the NSDP for growth and development. It is expected that the NSDP provides basis for resource allocation and that all national development programs be aligned with it, which could later be translated into improved service delivery to the citizen and accountability to the all the stakeholders.

The Ministry of Development Planning (MDP) is charged with the responsibility to oversee the implementation and evaluation of the effectiveness of the NSDP. According to the report from the Chief Accounting Officer of the MDP, NSDP implementation progress is either limited or regressing. Manufacturing Sector is believed to have improved by 2.4%, Social Protection improved by 8%, Public Financial Management and Accountability shows a positive progression and Youth unemployment indicate an improvement of 1.6% males and 2.9% females compared to the baseline figures.

The MDP has also noted that ministries have introduced new strategic objectives that they are pursuing at the expense of the NSDP II interventions. The conclusion that can be drawn therefore, is that the resources are not dedicated for the implementation of the NSDP as per the expectation.

(ii) Budget and cash challenges

I have noted inconsistencies in the budget figures. Figures on the Appropriation Act were not similar to the budget book and the budget data that was sourced from the Budget Department. Another concern from my desk is the exclusion of capital receipts in the budget book, with correct line items. This would 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. As a result, the trial balances of the ministries have to be worked on to include the receipts with line items that are not shown on the budget. This may cause inconsistencies in the financial data of GOL.

The liquidity challenges still persisted until the end of 2021/22. Some payments, whether as unpresented cheques or arrears continue to fall into the succeeding year. This issue will be seen rolling over to the future financial years for a while. Treasury Department is expecting technical assistance from International Monetary Fund and the United States (US) Treasury for improved cash management techniques.

(iii) Year-end payment pressure

The number and values of invoices submitted for payment in March can be two or three times those of other months. They thus put pressure and 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. Arrears for the financial year 2020/21 amounted to M721 whilst for 2021/2022 the outstanding balance stand at M919 million.

(iv) Opening Balances

The Treasury Department has embarked on the reconciliation process which is expected to affect the opening balances and identification of new transactions that would also require write offs. This is a mammoth task that started during 2021/22 which is continuing even at the time of the preparation of this report. At the end of the exercise, the Auditor General's recommendation on write offs of Below the Line items will be merged with the new reconciliation transactions, to have a holistic approach on this matter.

(v) Submission of Chief Accounting Officers reports for Consolidation

The delay for the CAOs to submit financial reports is still a persisting challenge. The submissions were done from July 2022 to the week of August 2022. 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 Ministries of Social Development, of Communications, Science and Technology and of Trade and Industry were the last to submit. The Ministry of Foreign Affairs has submitted an incomplete financial report because the

Lesotho Embassy in Japan and Johannesburg has submitted incomplete records.

Late submissions and incomplete records prohibit Financial Reporting Team to adequately scrutinize the submission. This is the key factor that hinders improvement on the quality and timely reporting of the Annual Financial Statements.

(vi) Public debt and guarantees

- *Public Debt Status*

Much of the Government of Lesotho debt is from external sources composed of multilateral institutions. The multilateral debt was meant to provide funding for infrastructure and social benefits. The stock of external debt is mainly concessional debt at 82% on average over the past 3 years and semi-concessional at 18%. Total disbursements for 2021/22 amounted to M1.543 million. There were no external disbursements received from bilateral creditor over the review period.

Domestic debt stock has been increasing to meet budgetary commitments for the medium to long term. Both Treasury Bills and Bonds have increasingly been used to secure additional funding for Government operations.

The recent assessment of debt sustainability has indicated that Lesotho's public debt is assessed to be at moderate risk with space to absorb shock.

- *Guarantees*

There was a new guarantee issued to ease the purchase of tractors for farmers. An upfront amount of M50 million was paid to Lesotho Postbank to cater for guarantee at 35% and subsidy of 15%. Otherwise, there are guarantees issued in the previous year's amounting to M 47 million which remain at M76 million, as contingent liability.

(vii) Changes during the year

Old age Pension, Lesotho Liberation Army and African Pioneer Corp have been transferred from the Ministry of Finance to Ministry of Social Development. There were new budget heads introduced during the 2021/22 financial year. They are budget heads for Disaster Management Authority and National Security Services. The above changes are intended to enhance efficiency of the Government of Lesotho Executive.

(viii) Public Service Issues

- *Temporary employment*

Lately there seems to be a lot of temporary appointment of personnel across the government that exceed six months contrary to Public Service Regulations, 2008. The Regulations provide that a temporary employment cannot exceed six months. But ministries engage temporary officers for up to 3 years. According to the Regulations there is different process for engaging temporary employees from the one that facilitates for appointing officers on the contract basis. Contract appointments are expected to be done by the Public Service Commission, or through their delegated authority. The contract appointments are also done for a special skill.

The current trend is that the ministries appoint officers without the authority of the Public Service Commission. It should be noted that the officers are engaged illegally and there is high outflow of cash for terminal benefits for the officers every three years. The drawbacks of these engagements are increased wage bill and short-termism which results in loss of institutional memory.

- *Bonding Agreements Receivable*

There is an outstanding amount for the penalty of M7,534,699 for officers who violated the Bonding Agreement between them and the government. The Public Service Regulations provides that an officer shall serve the government for the period stipulated on the agreement post their study leave. It seems officers leave the service before the stipulated five years. This amount has been accumulating for many years. It seems also that there is no enforcement for this provision by the relevant ministries together with the Ministry of Public Service.

(ix) Bank Accounts Monitoring

Monitoring of bank accounts and cash held at the four commercial banks and the Central Bank of Lesotho, has gradually been strengthened, although there is still room for further improvement. There is a persisting glitch that when banks are requested to close bank accounts, there is no feedback from the banks that the accounts are closed. Sometimes even where the closure is confirmed, banks still provide zero balance certificates at the end of the financial year. This results in Treasury record or count not matching the bank accounts as provided by the banks.

Strengthening of communication will further enhance quantity and the value of the bank accounts.

F. Qualification points on previous year financial statements

(i) Cash balances and non-Reconciliation of centrally managed bank accounts

Auditor General observed M6 billion variances between the financial statements and the bank balances in the 2020/21 financial report. The variance seems to be as a result of the incomplete reconciliation of cash balances. The reconciling items have been found to be:

- Intercompany (intergovernmental) transactions (2018/19,2019/20, 2020/2021)
- Unpresented payments
- Payments and receipts at the bank not in the cashbook
- Unretired imprests
- Fraudulent transactions (M 50 million case)
- Foreign Debt Transactions
- Revenue and other receipts not captured

The Treasury Department has therefore embarked on a reconciliation exercise for all centrally managed bank accounts. The Treasury officials are working with the IFMIS vendor to resolve the issues that impede the reconciliation. The fruition of this exercise will help to address qualification points on cash balance and reconciliation of centrally managed bank accounts.

The Treasury Department continues to improve bank account register and to ensure consistency of the records with the banks and the ministries. The impact of this exercise will be visible with the 2022/23 financial year reports. The relationship with the banks is also a concern and the officials are working hard to improve on this area to pave way for proper monitoring of the banks.

(ii) Non compliance with International Public Sector Accounting Standard under cash basis including disclosure of accrual items

In 2017 there was a revision to the cash-based IPSAS that relaxed the requirements for consolidating the financial information from all government-controlled entities and third-party transactions. This was done to accommodate obstacles that governments encounter as they consolidate, these obstacles are not an exception to the Government of Lesotho. Hence it is not mandatory to consolidate the State-Owned Entities financial statements but can be disclosed in the Consolidated Annual Financial Statements.

The accrual items are disclosed to enhance the transparency of the reported financial information. This is done in line with Part 2 of the cash basis that identifies encouraged disclosures which provide additional information useful for accountability and decision-making purposes and support entities transitioning to the accrual basis of financial reporting and adoption of accrual IPSASs.

(iii) Regularity of Expenditure

The M450 million was appropriated as supplementary budget in 2018. However, it is to be further be noted that the money belonged to a Special Fund (Loan Bursary Fund) which was erroneously deposited into the Trust Monies bank account. Trust Monies bank account is expected to hold money that belongs to a third party not Government, as per PFMA Act section 24.

G. Irregularities

(i) Removal of the IMF PRGF bank account from the list and balances of bank accounts

The Central Bank of Lesotho has removed the IMF PRGF bank account that held the balance of M 973 million, from the list of bank accounts without adequate communication with the Treasury Department. The Treasury Department has followed up on the matter and the CBL has promised to send a full report on why the bank account has been removed. As at the time of this report the CBL report has not been received.

(iii) USD 7000 grant at Forestry

There is cash amounting to USD 7 000 that has been held for a while now at the Ministry of Forestry. The cash is purported to be a grant from Japan International Cooperation Agency for rehabilitation of Ha Koali Forest

Reserve in Quthing. I requested for details of the grant per the advice from Financial Intelligence Unit, because it is abnormal that external assistance can be sent from one country to the other in cash form through an officer. There has not been any response from Ministry of Forestry. Some critical issues have to be cleared to ensure that the grant meets all the requirements of the Anti-Money Laundering legal framework.

(iii) Failure to action QMMH payment - First National Bank

I also wish to express my gratitude to First National Bank for saving the Government M5,2 million. The Ministry of Health, through the Queen Mamohato Memorial Hospital (QMMH), was about to pay a supplier M5,2 million. The Bank did the due diligence and found out that the supplier was not a registered vendor of the software that was supplied or to be supplied. They also did a background check on profile of the supplier and was not convinced that the supplier does not have any digital footprint and could not be able to deliver the required service therefore the payment was stopped with the help of the bank.

(iv) Incomplete records for Foreign Affairs

Ministry of Foreign Affairs' report was submitted with incomplete records. The incomplete records relate to the Lesotho-Japan and Lesotho-Johannesburg Foreign Missions. This is one of the matters that undermine the integrity of this report.

In conclusion, these Consolidated Financial Statements present improvements over the previous years, sustaining the gains made. Further advancing the quality of financial reporting requires the continuing cooperation of CAOs, finance officers and other departments within the Ministry of Finance.



Mrs. 'Malehlohonolo Mahase CA(L)

Accountant General

3. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2022

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

3.1 Consolidated Statement of Cash Receipts and Payments For the year ended 31st March 2022

| Description | Note | 2021/2022 Actuals | | | | 2020/2021 |
|---|------|--------------------------|----------------------------|-------------------------------|---------------------------------|---------------------------------|
| | | Head Controlled M'000 | Treasury Accounts M'000 | 3rd Parties Accounts M'000 | Total for All Accounts M'000 | Total for All Accounts M'000 |
| RECEIPTS | | | | | | |
| Taxes | | - | 7,608,074 | - | 7,608,074 | 6,708,480 |
| Income, Profit and Capital Gains | 1 | - | 4,161,070 | - | 4,161,070 | 3,757,877 |
| Goods and Services | 1 | - | 3,444,684 | - | 3,444,684 | 2,944,539 |
| International Trade and Transactions | 1 | - | 24 | - | 24 | |
| Other Taxes | 1 | - | 2,296 | - | 2,296 | 6,064 |
| Social Contributions | | - | - | - | - | - |
| Grants | | 405,043 | - | 216,659 | 621,701 | 927,040 |
| Foreign Governments | 4 | 145,375 | - | 136,901 | 282,277 | 85,034 |
| International Organisations | 4 | 259,667 | - | 72,620 | 332,287 | 839,251 |
| Grants from Other General Government Units | 4 | - | - | 7,137 | 7,137 | 2,755 |
| Other Revenue | | 15,994 | 2,352,774 | - | 2,368,768 | 1,912,623 |
| Property Income | 2 | 72 | 614,155 | - | 614,227 | 501,943 |
| Rand Monetary Compensation | 2 | - | 177,737 | - | 177,737 | 136,288 |
| Sale of Goods and Services | 2 | 4,462 | 1,491,439 | - | 1,495,901 | 1,247,375 |
| Fines, Penalties and Forfeits | 2 | - | 4,876 | - | 4,876 | 3,296 |
| Voluntary Transfers other than Grants (NGOs) | 2 | 10 | - | - | 10 | - |
| Miscellaneous and Unidentified Revenue | 2 | 11,450 | 64,566 | - | 76,016 | 23,721 |
| SACU Receipts | | - | 6,007,754 | - | 6,007,754 | 8,980,527 |
| SACU Receipts | | - | 6,007,754 | - | 6,007,754 | 8,980,527 |
| Disposal of Financial Assets | | - | 16,979 | - | 16,979 | - |
| Domestic Financial Assets | | - | 16,979 | - | 16,979 | - |
| Disp. Of Money Gold and Spcl Draw Rights | | - | - | - | - | - |
| Disposal of Non Financial Assets | | - | 4,960 | - | 4,960 | 8,347 |
| Fixed Assets | 14 | - | 4,960 | - | 4,960 | 8,347 |
| Incurrence of Domestic Liabilities | | - | 1,319,463 | - | 1,319,463 | 440,194 |
| Securities Other Than Shares | 17 | - | 1,319,463 | - | 1,319,463 | 440,194 |
| Incurrence of Foreign Liabilities | | 823,471 | - | 584,324 | 1,407,795 | 1,265,581 |
| Loans | 3 | 823,471 | - | 584,324 | 1,407,795 | 1,265,581 |
| Total Receipts | | 1,244,508 | 17,310,003 | 800,983 | 19,355,494 | 20,242,792 |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Description | Note | 2021/2022 Actuals | | | | 2020/2021 Total for All Accounts M'000 |
|---|-----------|-----------------------------|-------------------------------|----------------------------------|------------------------------------|---|
| | | Head Controlled M'000 | Treasury Accounts M'000 | 3rd Parties Accounts M'000 | Total for All Accounts M'000 | |
| PAYMENTS | | | | | | |
| Compensation of Employees | | 823,603 | 7,145,773 | - | 7,969,376 | 7,791,359 |
| Wages and Salaries | 6 | 769,242 | 5,805,488 | - | 6,574,730 | 6,577,838 |
| Social Contribution | 6 | 54,361 | 1,340,285 | - | 1,394,646 | 1,213,521 |
| Goods and Service | | 967,121 | 2,525,174 | 164,299 | 3,656,594 | 4,252,778 |
| Travel and Transport | 5 | 138,055 | 411,314 | 17,321 | 566,691 | 570,719 |
| Operating Costs | 5 | 829,066 | 2,113,859 | 146,978 | 3,089,903 | 3,682,059 |
| Other Use of Goods and Services | | 2,897 | - | - | 2,897 | 1,900 |
| Other Use of Goods and Services | 7 | 2,897 | - | - | 2,897 | 1,900 |
| Interest | | - | 501,349 | - | 501,349 | 586,521 |
| Domestic Interest | 9 | - | 267,807 | - | 267,807 | 312,018 |
| Foreign Interest | 9 | - | 233,542 | - | 233,542 | 274,503 |
| Transfers | | 1,417,314 | 1,745,577 | - | 3,162,891 | 3,728,328 |
| Subsidies | 10 | 103,674 | 512,670 | - | 616,344 | 981,779 |
| Grants | 11 | 161,462 | 1,135,929 | - | 1,297,391 | 1,214,639 |
| Social Benefits | 12 | 1,152,178 | 96,978 | - | 1,249,157 | 1,531,910 |
| Other Expenses | | 10,576 | 1,056,295 | - | 1,066,871 | 939,596 |
| Property Expense Other Than Interest | 13 | - | 34 | - | 34 | 70 |
| Miscellaneous Other Expense | 13 | 10,576 | 1,056,261 | - | 1,066,837 | 939,526 |
| Losses | | - | 34,537 | - | 34,537 | 25,475 |
| Losses of Public Moneys | 13 | - | 34,537 | - | 34,537 | 25,475 |
| Acquisition of Financial Assets | | - | 34 | - | 34 | - |
| Domestic Financial Assets | | - | 34 | - | 34 | - |
| Acquisition of Monetary Gold & Spcl Drawing Rights | | - | - | - | - | - |
| Acquisition of Non Financial Assets | | 1,345,804 | 413,600 | 636,684 | 2,396,088 | 1,660,357 |
| Fixed Assets | 8 | 1,345,804 | 413,143 | 636,684 | 2,395,631 | 1,658,821 |
| Other Fixed Assets | 8 | - | 457 | - | 457 | 920 |
| Valuables | 8 | - | - | - | - | 382 |
| Non Produced Assets | 8 | - | - | - | - | 234 |
| Repayment of Domestic Liabilities | | - | 419,537 | - | 419,537 | 1,249,977 |
| Securities Other Than Shares | 19 | - | 366,600 | - | 366,600 | 679,007 |
| Loans | 19 | - | 52,920 | - | 52,920 | 570,970 |
| Other Accounts Payable | 19 | - | 16 | - | 16 | - |
| Repayment of Foreign Liabilities | | - | 623,797 | - | 623,797 | 755,974 |
| Loans | 20 | - | 623,797 | - | 623,797 | 755,974 |
| Transfers of revenue and unspend funds | | 58,114 | 0 | - | 58,114 | 64,907 |
| Transfers of revenue and unspend funds | | 58,114 | 0 | - | 58,114 | 64,907 |
| Total Payments | | 4,625,429 | 14,465,673 | 800,983 | 19,892,084 | 21,057,173 |
| Cash at the beginning of the year | 15 | 3,409,155 | 8,211,212 | - | 11,620,367 | 8,724,444 |
| Exch. Rate Gain / Loss | | (6,683) | - | - | (6,683) | 8,337 |
| Increase (Decrease) in cash | | (3,380,921) | 2,844,331 | 0 | (536,590) | 814,382 |
| Net Change in Deposits, Imprests and Financial Assets and Liabilities | | (61) | (25,745) | - | (25,805) | 277 |
| Year End adjustments to be cleared | | (4,168) | (1,132,461) | - | (1,136,629) | 24,964 |
| Inter Government Cash Movements | | | | | | |
| Funding/ Cash Allocations | | 3,861,247 | (3,861,247) | - | - | 3,676,727 |
| Total Inter Government Cash Movements | | 3,861,247 | - 3,861,247 | - | - | 3,676,727 |
| Cash at the end of the year | 15 | 3,878,569 | 6,036,090 | 0 | 9,914,660 | 11,620,367 |

3.2 Consolidated Statement of Comparison of Budget and Actual Amounts For the Year Ended 31 March 2022

| Description | Actual 2021/22 | | | Variance Actual to final/Revised M'000 |
|---|-------------------------|--------------------------------|--------------------------|---|
| | Actual Amounts M'000 | Final/ Revised Budget M'000 | Approved Budget M'000 | |
| RECURRENT RECEIPTS | | | | |
| Taxes | 7,608,074 | 7,333,065 | 7,333,065 | - 275,009 |
| Income, Profit and Capital Gains | 4,161,070 | 3,597,994 | 3,597,994 | - 563,076 |
| Goods and Services | 3,444,684 | 3,732,780 | 3,732,780 | 288,096 |
| International Trade and Transactions | 24 | - | - | - 24 |
| Other Taxes | 2,296 | 2,291 | 2,291 | - 5 |
| Social Contributions | - | - | - | - |
| Other Revenue | 2,368,768 | 2,193,396 | 2,128,617 | - 175,372 |
| Property Income | 614,227 | 447,828 | 447,828 | - 166,399 |
| Rand Monetary Compensation | 177,737 | 262,710 | 262,710 | 84,973 |
| Sale of Goods and Services | 1,495,901 | 1,413,722 | 1,413,822 | - 82,179 |
| Fines, Penalties and Forfeits | 4,876 | 3,760 | 3,257 | - 1,115 |
| Voluntary Transfers other than Grants (NGOs) | 10 | - | - | - 10 |
| Miscellaneous and Unidentified Revenue | 76,016 | 65,375 | 1,000 | - 10,642 |
| SACU Receipts | 6,007,754 | 6,064,274 | 6,064,274 | 56,520 |
| SACU Receipts | 6,007,754 | 6,064,274 | 6,064,274 | 56,520 |
| Disposal of Financial Assets | 16,979 | - | - | - 16,979 |
| Domestic Financial Assets | 16,979 | - | - | - 16,979 |
| Disp. Of Money Gold and Spcl Draw Rights | - | - | - | - |
| Disposal of Non Financial Assets | 4,960 | 2,788 | - | - 2,172 |
| Fixed Assets | 4,960 | 2,788 | - | - 2,172 |
| Incurrence of Domestic Liabilities | 1,319,463 | - | - | - 1,319,463 |
| Securities Other Than Shares | 1,319,463 | - | - | - 1,319,463 |
| Total Recurrent Revenue | 17,325,997 | 15,593,523 | 15,525,957 | - 1,732,474 |
| DEVELOPMENT RECEIPTS | | | | |
| Grants | 586,806 | 1,339,328 | 1,327,358 | 752,523 |
| Foreign Governments | 157,393 | 395,708 | 395,708 | 238,315 |
| International Organisations | 422,276 | 901,070 | 889,100 | 478,795 |
| Grants from Other General Government Units | 7,137 | 42,550 | 42,550 | 35,413 |
| Incurrence of Foreign Liabilities | 1,442,691 | 2,269,491 | 2,269,491 | 826,801 |
| Loans | 1,442,691 | 2,269,491 | 2,269,491 | 826,801 |
| Total Development Receipts | 2,029,496 | 3,608,820 | 3,596,849 | 1,579,323 |
| Total Cash inflows | 19,355,494 | 19,202,343 | 19,122,806 | 1,579,323 |
| RECURRENT EXPENDITURE | | | | |
| Compensation of Employees | 7,298,199 | 8,074,127 | 8,326,668 | 775,928 |
| Travel and Transport | 421,611 | 492,567 | 442,084 | 70,956 |
| Operating Costs | 2,175,272 | 2,391,116 | 2,010,139 | 215,844 |
| Interest | 501,349 | 810,841 | 954,658 | 309,492 |
| Transfers | 2,973,064 | 3,223,060 | 2,872,470 | 249,996 |
| Other Expenses | 1,057,277 | 1,058,907 | 1,045,785 | 1,630 |
| Losses | 34,537 | 83,371 | 100,000 | 48,835 |
| Acquisition of Financial Assets | 3,377 | 3,409 | 20,283 | 32 |
| Acquisition of Non Financial Assets | 46,753 | 59,375 | 41,226 | 12,622 |
| Repayment of Domestic Liabilities | 419,537 | 719,079 | 716,159 | 299,543 |
| Repayment of Foreign Liabilities | 623,797 | 917,343 | 917,343 | 293,546 |
| Total Recurrent Expenditure | 15,554,773 | 17,833,197 | 17,446,815 | 2,278,424 |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Description | Actual 2021/22 | | | Variance final/Revised M'000 |
|---|-------------------------|--------------------------------|--------------------------|------------------------------------|
| | Actual Amounts M'000 | Final/ Revised Budget M'000 | Approved Budget M'000 | |
| DEVELOPMENT EXPENDITURE | | | | |
| GOVERNMENT OF LESOTHO | 2,630,360 | 2,793,473 | 2,155,256 | 163,113 |
| Head 001 - Agriculture & Food Security | 28,880 | 28,457 | 26,303 | 423 |
| Head 002 - Health | 29,160 | 44,682 | 26,583 | 15,522 |
| Head 003 - Education & Training | 6,355 | 12,281 | 15,281 | 5,926 |
| Head 004 - Finance | 317,410 | 366,215 | 316,260 | 48,805 |
| Head 005 - Trade & Industry | 690,444 | 694,625 | 149,579 | 4,181 |
| Head 006 - Development Planning | 33,129 | 35,909 | 73,894 | 2,781 |
| Head 007 - Justice & Correctional Services | 27,108 | 28,240 | 28,427 | 1,132 |
| Head 008 - Home Affairs | 326,791 | 326,974 | 261,504 | 183 |
| Head 010 - Communications, Science & Tech | 16,010 | 24,390 | 28,390 | 8,381 |
| Head 012 - Foreign Affairs & Int. Relations | - | 5,000 | 5,000 | 5,000 |
| Head 013 - Public Works & Transport | 255,052 | 319,742 | 382,581 | 64,690 |
| Head 015 - Energy, Meteorology & Water Affairs | 310,880 | 345,059 | 189,954 | 34,178 |
| Head 017 - Tourism, Environment & Culture | 12,469 | 16,603 | 12,978 | 4,134 |
| Head 019 - His Majesty's Office | 1,109 | 7,000 | 20,000 | 5,891 |
| Head 035 - National Security Services | 4,998 | 5,000 | 5,000 | 2 |
| Head 039 - Senate | 17,758 | 17,758 | - | - |
| Head 042 - Local Government & Chieftainship | 167,372 | 175,967 | 203,967 | 8,594 |
| Head 043 - Gender, Youth, Sports & Recreation | 5,688 | 6,243 | 12,294 | 555 |
| Head 045 - Judiciary | 1,920 | 7,000 | 9,000 | 5,080 |
| Head 048 - Mining | 152 | 2,335 | 2,335 | 2,183 |
| Head 049 - Police & Public Safety | 38,388 | 58,975 | 63,975 | 20,587 |
| Head 050 - Small Business | 2,279 | 4,447 | 5,447 | 2,168 |
| Head 051 - Water | 328,342 | 251,868 | 300,868 | 76,474 |
| Head 052 - Transport | 8,666 | 8,702 | 15,636 | 37 |
| DONOR GRANTS | 549,268 | 1,376,826 | 1,327,358 | 827,557 |
| Head 001 - Agriculture & Food Security | 38,679 | 69,704 | 69,704 | 31,024 |
| Head 002 - Health | 137,121 | 389,245 | 389,245 | 252,124 |
| Head 003 - Education & Training | 19,857 | 60,321 | 60,321 | 40,464 |
| Head 004 - Finance | 260,807 | 488,285 | 488,031 | 227,478 |
| Head 005 - Trade & Industry | 2,340 | 4,801 | 4,801 | 2,461 |
| Head 006 - Development Planning | 2,365 | - | - | 2,365 |
| Head 007 - Justice & Correctional Services | 1,337 | - | - | 1,337 |
| Head 008 - Home Affairs | 3,038 | - | - | 3,038 |
| Head 010 - Communications, Science & Tech | 21,546 | - | - | 21,546 |
| Head 015 - Energy, Meteorology & Water Affairs | 22,656 | 98,407 | 86,691 | 75,751 |
| Head 017 - Tourism, Environment & Culture | 2,652 | 6,257 | 6,257 | 3,605 |
| Head 042 - Local Government & Chieftainship | 237 | - | - | 237 |
| Head 046 - Social Development | 33,270 | 45,498 | 8,000 | 12,228 |
| Head 047 - Directorate on Corruption & Economic O | 150 | - | - | 150 |
| Head 051 - Water | 3,212 | 214,308 | 214,308 | 211,096 |
| DONOR LOANS | 1,099,569 | 2,270,291 | 2,269,491 | 1,170,723 |
| Head 001 - Agriculture & Food Security | 108,981 | 353,960 | 353,960 | 244,978 |
| Head 002 - Health | 193,546 | 166,280 | 166,280 | 27,266 |
| Head 003 - Education & Training | 55,328 | 65,565 | 65,565 | 10,237 |
| Head 004 - Finance | 39,729 | 104,856 | 104,856 | 65,127 |
| Head 005 - Trade & Industry | 58,934 | 110,901 | 110,901 | 51,967 |
| Head 010 - Communications, Science & Tech | 8,787 | - | - | 8,787 |
| Head 013 - Public Works & Transport | 225,123 | 417,652 | 417,652 | 192,529 |
| Head 015 - Energy, Meteorology & Water Affairs | 395,892 | 852,000 | 852,000 | 456,108 |
| Head 046 - Social Development | - | 3,500 | 3,500 | 3,500 |
| Head 051 - Water | 13,247 | 195,578 | 194,778 | 182,331 |
| Total Development Expenditure | 4,279,197 | 6,440,590 | 5,752,105 | 2,161,393 |
| Total Cash Outflows | 19,833,970 | 24,273,787 | 23,198,920 | 4,439,817 |
| Net Flow | - 478,477 | - 5,071,444 | - 4,076,114 | - 4,592,968 |

3.3 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.

A. Basis of Preparation

- (i) **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.
- (ii) **Financial year** – The Government’s fiscal year runs from 1st April to 31st March. These consolidated financial statements cover the year ended 31st March 2022 whilst the comparative actual figures reflect the 12 months ended 31st March 2021.
- (iii) **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 2022, as advised by the Central Bank of Lesotho (CBL). Disclosures of borrowings held at 31st March 2022 and denominated in foreign currencies have been similarly converted to their Loti equivalents.
- (iv) **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:
- *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.

- *Centrally managed bank account balances are not fully reconciled as at 31st March 2022.*
- *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 FY2021/22 flows on these are disclosed.*

(v) 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.*

(vi) 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.*

- **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.*
- **Foreign exchange gains** – *realised gains are recognised on payment of funds.*
- **Sale of investments** – *revenues from the sale of shares in trading entities are recognised in the financial statements on receipt of the sale proceeds.*
- **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.

- **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.

(vii) Payments and Other Cash Outflows - Unless otherwise specified, expenditures are recognised in the financial records when the final authorisation for payment is affected in the IFMIS.

- **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 affected on the system. Adjustments were made to reflect actual payments incurred during the year by the district council.
- **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 2022.
- **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.
- **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.
- **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 affected 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.

- **Foreign Exchange Losses** – *Realised losses on foreign currency transactions are recognised on the payment of funds.*

(viii) Assets

- **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.*
- **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.*
- **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 2022 are disclosed in the Notes to the Financial Statements.*
- **Amounts receivable** - *Amounts receivable to Government at the reporting date are identified in the Notes to the Financial Statements.*
- **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.*

(ix) Liabilities

- **Borrowings** - *New borrowings are shown as funding inflows. The stock of public debt as at 31st March 2022 is disclosed in*

the Notes to the Financial Statements. Public debt comprises domestic and external borrowing by the Government.

- **Accounts payable** - *Accounts payable by the Government at the reporting date are identified in the Notes to the Financial Statements.*

(x) 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.

3.4 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 FY2021/22 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 | 20 | Public Service Commission |
| 02 | Min. Health | 35 | National Security Services |
| 03 | Min. Education & Training | 36 | Disaster Management Authority |
| 04 | Min. Finance | 37 | Min. Defence & National Security |
| 05 | Min. Trade & Industry | 38 | National Assembly |
| 06 | Min. Development Planning | 39 | Senate |
| 07 | Min. Justice & Correctional Services | 40 | Ombudsman |
| 08 | Min. Home Affairs | 41 | Independent Electoral Commission |
| 09 | Prime Minister's Office | 42 | Min. Local Government & Chieftainship |
| 10 | Min. Communication, Science & Tech | 43 | Min. Gender, Youth, Sports & Recreation |
| 11 | Min. Law & Constitutional Affairs | 44 | Min. Public Service |
| 12 | Min. Foreign Affairs & Int. Relations | 45 | Judiciary |
| 13 | Min. Public Works & Transport | 46 | Min. Social Development |
| 14 | Min. Forestry & Land Reclamation | 47 | Directorate of Corruption & Econ Offences |
| 15 | Min. Energy, Meteorology & Water Affairs | 48 | Min. Mining |

| Head | Entity | Head | Entity |
|---|-------------------------------------|--|-----------------------------|
| 16 | Min. Labour & Employment | 49 | Min. Police & Public Safety |
| 17 | Min. Tourism, Environment & Culture | 50 | Min. Small Businesses |
| 18 | Auditor General's Office | 51 | Min. Water |
| 19 | His Majesty's Office | 52 | Min. Transport |
| Central Services (managed by Min. Finance) | | District Councils (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

| State Owned Enterprises: | | |
|--|--|--|
| <ul style="list-style-type: none"> Central Bank of Lesotho (CBL) Lesotho Post Bank (LPB) Water & Sewerage Corporation (WASCO) Basotho Enterprise Development Corporation (BEDCO) | <ul style="list-style-type: none"> Lesotho National Development Corporation (LNDC) Lesotho Electricity Company (LEC) Lesotho Tourism Development Corporation (LTDC) | |
| Autonomous Bodies | | |
| <i>Agriculture & Food Security</i> | <i>Health and Social Welfare</i> | <i>Development Planning</i> |
| Lesotho Dairy | National Drug Service Organization | Council of Bureau of Statistics |
| Agriculture College | Lesotho Pharmaceutical Corporation | Council of National Manpower |
| Lesotho National Dairy Board | | |
| <i>Finance</i> | <i>Education & Training</i> | <i>Public Works</i> |
| Lesotho Institute of Accountants | Exam Council of Lesotho | Roads Directorate |
| Lesotho Revenue Authority | Lerotholi Polytechnic | Lesotho Freight Bus Services |
| Procurement Tribunal | Lesotho College of Education | |
| Centre for Accounting Studies | National University of Lesotho | |
| | Council for Higher Education | |
| <i>Energy</i> | <i>Tourism, Environment & Culture</i> | <i>Public Service</i> |
| Metolong Authority | Tourism Licensing Board | Public Service Tribunal |
| <i>Trade, Industry, Cooperatives & Marketing</i> | <i>Gender, Youth, Sports & Recreation</i> | <i>Local Government & Chieftainship</i> |
| Trade Licensing Board | Stadium Board | Lesotho Housing |
| Lesotho Cooperative College | Youth Council | Land Administration Authority |
| | Lesotho Sports & Recreation Commission | Maseru City Council |
| | <i>Extra-Budgetary Funds</i> | <i>Joint Ventures</i> |
| | Guardian Fund | |

| | | |
|--|-------------------------------|---|
| | Pension Fund | Institute of Development Management (IDM) |
| | Partial Credit Guarantee Fund | Lesotho Highlands Development Authority |
| | Road Fund | |
| | Petroleum Fund | |
| | Manpower Development Fund | |
| | HIV/AIDS Fund | |

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

3.5 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 FY2021/22 as approved by the National Assembly through the Appropriation (2021/22) Act, 2021. 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.

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.

Annual Consolidated Financial Report of the Year Ended 31st March 2022

Table 1: FY2021/22 Use of Contingency Fund

| DETAILS ON THE USE OF CONTINGENCIES FUND 2021/2022 | | | | | 600,000,000 | | |
|--|------------|--------------------------------|------------|------------|-------------|-------------|--|
| NO. | DATE | MINISTRY | RECURRENT | CAPITAL | CUMMULATIVE | BALANCE | PURPOSE |
| 1 | 08/04/2021 | Health | 24,055,830 | 0 | 24,055,830 | 575,944,170 | Procurement of COVID-19 Vaccines to immune people who are 16 years and above |
| 2 | 09/04/2022 | Small Business Development | 10,530,766 | 0 | 34,586,596 | 565,413,404 | Wool and Mohair farmers settlement for financial year 2018/19 |
| 3 | 14/04/2021 | Health | 1,972,305 | 0 | 36,558,901 | 563,441,099 | Being top up of down payment of procurement of COVID-19 vaccines to immune people under 16 years |
| 4 | 07/05/2021 | Transport | 21,003,120 | 0 | 57,562,021 | 542,437,979 | Total recall of newly issued vehicles number plates for immediate replacement of the Coat of Arms with the Basotho Hat |
| 5 | 24/05/2021 | Law and Constitutional Affairs | 3,196,350 | 0 | 60,758,371 | 539,241,629 | Funds requested to pay South African Law firm, Zimri Attorneys to represent Government of Lesotho the matter between Frazer Solar and Government of Lesotho. |
| 6 | 31/05/2021 | DCEO | 4,961,097 | 0 | 65,719,468 | 534,280,532 | Being specialised investigations regarding Victoria Hotel, Tsepong Hospital case, Pensions, Ministry of Agriculture case and Government properties |
| 7 | 17/06/2021 | Water | 80,000,000 | 0 | 145,719,468 | 454,280,532 | funds required for insurance and maintenance of 'Muela Hydropower Station as well as salaries for the staff |
| 8 | 18/06/2021 | Home Affairs | - | 14,000,000 | 159,719,468 | 440,280,532 | funds required to facilitate information capturing for every Mosotho by 2021/22 in preparation for the forthcoming general elections. |
| 9 | 12/07/2021 | Defence | 61,460,227 | 0 | 221,179,695 | 378,820,305 | additional funds requested for payment of Aviation Insurance which was not budgeted appropriately by the ministry |
| 10 | 29/07/2021 | Trade | - | 72,150,689 | 293,330,384 | 306,669,616 | funds required to settle the interim certificates for Tikoe Industrial Infrastructure Project for the period up to September |
| 11 | 29/07/2021 | Trade | - | 74,895,718 | 368,226,102 | 231,773,898 | payments of outstanding interim certificates of Belo Industrial Infrastructure Project for the period up to September |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| NO. | DATE | MINISTRY | RECURRENT | CAPITAL | CUMMULATIVE | BALANCE | PURPOSE |
|-----|------------|---|------------|------------|-------------|-------------|--|
| 12 | 30/07/2021 | Defence | 9,791,327 | - | 378,017,429 | 221,982,571 | Deployment of LDF to SADC mission in Mozambique(SAMIM) |
| 13 | 10/08/2021 | Finance | - | 25,561,795 | 403,579,224 | 196,420,776 | Procurement of Hardware for Human Resource Management Information Systems,Phase 11 |
| 14 | 27/08/2021 | Public Service | 3,000,000 | - | 406,579,224 | 193,420,776 | Implementation of Performance Management related pay(PRP) for financial year 2022/2023 |
| 15 | 06/09/2021 | Finance | 451,440 | - | 407,030,664 | 192,969,336 | HRMIS Interface with IFMIS EPICOR and CBMS |
| 16 | 06/09/2021 | Development Planning | - | 5,015,000 | 412,045,664 | 187,954,336 | Being finalisation of implementation of Agricultural Census |
| 17 | 09/09/2021 | Law and Constitutional Affairs | 7,082,601 | - | 419,128,265 | 180,871,735 | Additional funding required to pay outstanding bills regarding the legal cases/fees |
| 18 | 09/09/2021 | Disaster Management Authority | 15,000,000 | - | 434,128,265 | 165,871,735 | Being support to people that are urgently in need of humanitarian assistance as identified by LVAC |
| 19 | 09/09/2021 | Prime Minister's Office | 2,078,960 | - | 436,207,225 | 163,792,775 | Being international Travel for the Rt. Honourable The Prime Minister and his delegation to attend the 76th Session of the United Nations General Assembly |
| 20 | 17/09/2021 | Disaster Management Authority | 25,000,000 | - | 461,207,225 | 138,792,775 | Additional funding required to pay outstanding invoices of different sectors that were affected by heavy January/February rains |
| 21 | 19/10/2021 | Defence | 25,208,673 | - | 486,415,898 | 113,584,102 | Additional funds requested to pay balances in respect of deployment of LDF to SADC Mission in Mozambique(SAMIM) |
| 22 | 01/11/2021 | Foreign Affairs and International Relations | 2,673,653 | - | 489,089,551 | 110,910,449 | Financing of UN Climate Change Conference,EXPO 2020 Dubai and deployment of newly appointed diplomats and heads of missions in various diplomatic missions |
| 23 | 13/12/2021 | Disaster Management Authority | 30,000,000 | - | 519,089,551 | 80,910,449 | Funds required to address COVID-19 during the festive season rush |
| 24 | 14/12/2021 | Senate | - | 17,757,802 | 536,847,353 | 63,152,647 | funds required for payment of certificates towards Senate Chambers and offices project for the completed works |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| NO. | DATE | MINISTRY | RECURRENT | CAPITAL | CUMMULATIVE | BALANCE | PURPOSE |
|-----|------------|---|--------------------|--------------------|-------------|-------------|---|
| | 16/12/2021 | REPLENISHMENT BY REALLOCATION | - | - | 536,847,353 | 315,312,897 | |
| 25 | 11/01/2022 | Defence | 62,428,778 | - | 599,276,131 | 252,884,119 | Additional funding requested for deployment of LDF to SADC Mission in Mozambique(SAMIM) to cater for the 3months extension |
| 26 | 02/02/2022 | Finance | - | 4,140,231 | 599,276,131 | 248,743,888 | additional funding required to finance an increased headcount of public service from 48,000 to 54,842 |
| 27 | 02/02/2022 | Refunds and Erroneous Receipts | 3,133,402 | - | 602,409,533 | 245,610,486 | funds required to cater for Dipping Levy that was erroneously transferred into Revenue Account and never paid as refunds to the owners |
| 28 | 02/02/2022 | Communications, Science and Technology | 32,902,526 | - | 635,312,059 | 212,707,960 | software licence of Microsoft products which has not been paid over a year |
| 29 | 02/02/2022 | Judiciary | 2,364,924 | - | 637,676,983 | 210,343,036 | Being resusitation of criminal sessions in an endeavor to tackle the criminal case backlog in the High Court |
| 30 | 07/02/2022 | Prime Minister's Office | 5,731,722 | - | 643,408,705 | 204,611,314 | Financing of National Aids Commission,maintenance of CCTV systems, and medical expenses of the First Lady and her travel costs |
| 31 | 07/02/2022 | Law and Constitutional Affairs | 469,331 | - | 643,878,036 | 204,141,983 | Lesotho Compact 11 delegation to Washington DC with MCC |
| 32 | 07/02/2022 | Home Affairs | - | 47,460,030 | 691,338,066 | 156,681,953 | Being shortages under National Identity,Civil Registry and Livestock Registration and marking |
| 33 | 08/02/2022 | Energy and Meteorology | - | 40,000,000 | 731,338,066 | 116,681,953 | Being shortfall on the Rural ElectrificationProject |
| 34 | 11/02/2022 | Disaster Management Authority | 30,500,000 | - | 761,838,066 | 86,181,953 | Funds required to address damages caused by recent heavy rains |
| 35 | 18/02/2022 | Finance | - | 23,200,895 | 785,038,961 | 62,981,058 | Being unpaid invoices due to the budget fall to keep the health services running at LMDA |
| 36 | 18/02/2022 | Foreign Affairs and International Relations | 1,415,547 | - | 786,454,508 | 61,565,511 | funds requested to pay terminal benefits of retired local staff at Lesotho- Rome according to Article 29 of provisions governing employment of Embassies in Italy |
| 37 | 18/02/2022 | Finance | - | 4,513,161 | 790,967,669 | 57,052,350 | additional funds required to pay Human Resource Management Information System in order to fulfil the contractual obligations |
| 38 | 04/03/2022 | Communications, Science and Technology | 12,108,132 | - | 803,075,801 | 44,944,218 | Maintenance of two data centres at Moposo and Finance House, the equipment has reached end of life and no longer perform as expected. |
| | | | 478,520,711 | 328,695,321 | | | |

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 |
| | 2021/2022 | 2021/2022 | 2021/2022 | 2021/2022 |
| | M'000 | M'000 | M'000 | M'000 |
| Taxes | - | 7,608,074 | - | 7,608,074 |
| Income, Profit and Capital Gains | - | 4,161,070 | - | 4,161,070 |
| Goods and Services | - | 3,444,684 | - | 3,444,684 |
| International Trade and Transactions | - | 24 | - | 24 |
| Other Taxes | - | 2,296 | - | 2,296 |
| Total Taxes | - | 7,608,074 | - | 7,608,074 |

Note 2: Non-Tax Revenues

Collections of non-tax revenues were as follows:

| Description | Head Controlled Accounts | Treasury Accounts | 3rd Parties Accounts | Total |
|---|-----------------------------|----------------------|-------------------------|---------------------|
| | Actual 2021/2022 | Actual 2021/2022 | Actual 2021/2022 | Actual 2021/2022 |
| | M'000 | M'000 | M'000 | M'000 |
| Property Income | 72 | 614,155 | - | 614,227 |
| Interest | 72 | 34,595 | - | 34,667 |
| Dividends | - | 259,260 | - | 259,260 |
| <i>Dividends Received from Financial Public Corporations</i> | - | 71,124 | - | 71,124 |
| <i>Dividends Received from Non Financial Public Corporation</i> | - | 9,684 | - | 9,684 |
| <i>Dividends - Other</i> | - | 178,452 | - | 178,452 |
| Rent - Non Produced Assets | - | 320,301 | - | 320,301 |
| <i>Royalties</i> | - | 316,309 | - | 316,309 |
| <i>Surface Rent</i> | - | 3,991 | - | 3,991 |
| Rand Monetary Compensation | - | 177,737 | - | 177,737 |
| Sale of Goods and Services | 4,462 | 1,491,439 | - | 1,495,901 |
| Sales by Market Establishments | - | 1,330,335 | - | 1,330,335 |
| <i>Electricity - Muela</i> | - | 26,553 | - | 26,553 |
| <i>Water Royalties - LHDA</i> | - | 1,303,782 | - | 1,303,782 |
| Administrative Fees | - | 35,617 | - | 35,617 |
| Incidental Sales by Non Market Establishments | 4,453 | 64,319 | - | 68,772 |
| Imputed Sales of Goods and Services | 9 | 61,168 | - | 61,178 |
| Fines Penalties and Forfeits | - | 4,876 | - | 4,876 |
| Judicial Fines | - | 4,252 | - | |
| Other Fines, Penalties and Forfeits | - | 100 | - | |
| Surcharges | - | 524 | - | |
| Voluntary Transfers other than Grants (NGOs) | 10 | - | - | 10 |
| Miscellaneous and Unidentified Revenue | 11,450 | 64,566 | - | 76,016 |
| Transfer of Unclaimed Moneys | 11,405 | 0 | - | 11,405 |
| Repayments of Expenditure Paid in Prior Years | 45 | 64,566 | - | |
| Total Non-Tax Revenue | 15,994 | 2,352,774 | - | 2,368,768 |

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 state owned enterprises, as listed in **Table 2** above, and has minority shareholdings in companies, as indicated in **Table 2**. Of these dividends received during FY2021/22 were from those shown below.

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Supervising Spending Unit | Entity Name | Dividends Received Actual | |
|---------------------------|-------------------------|---------------------------|----------------|
| | | 2021/2022 | 2020/2021 |
| | | M'000 | M'000 |
| Finance | Central Bank of Lesotho | 46,999 | 117,840 |
| Finance | Minet | 403 | |
| Finance | Maluti Mountain Brewery | 9,282 | |
| Finance | Standard Lesotho Bank | 24,125 | |
| Mining | Letseng Mine | 178,452 | 120,000 |
| Total | | 259,260 | 237,840 |

Note 3: Incurrence of Foreign Liabilities for the Year Ended 31 March 2022

| Description | Head Controlled Accounts | Treasury Accounts | 3rd Parties Accounts | Total |
|---|--------------------------|-------------------|----------------------|------------------|
| | Actual | Actual | Actual | Actual |
| | 2021/2022 | 2021/2022 | 2021/2022 | 2021/2022 |
| | M'000 | M'000 | M'000 | M'000 |
| Incurrence of Foreign Liabilities | 823,471 | - | 584,324 | 1,407,795 |
| Loans | 823,471 | - | 584,324 | 1,407,795 |
| <i>Bilateral Loans</i> | 69,309 | - | 198,582 | 267,891 |
| <i>Multilateral Loans</i> | 754,161 | - | 41,522 | 795,683 |
| <i>Export Credits</i> | - | - | 344,221 | 344,221 |
| Total Foreign Liabilities Incurred | 823,471 | - | 584,324 | 1,407,795 |

Note 4: Grants received

Grants received during the year ended 31st March 2022 were:

| Description | Head Controlled Accounts | Treasury Accounts | 3rd Parties Accounts | Total |
|---|--------------------------|-------------------|----------------------|----------------|
| | Actual | Actual | Actual | Actual |
| | 2021/2022 | 2021/2022 | 2021/2022 | 2021/2022 |
| | M'000 | M'000 | M'000 | M'000 |
| Grants from Foreign Governments | 145,375 | - | 136,901 | 282,277 |
| Current Donor Grants - Foreign Governments | 1,190 | - | - | 1,190 |
| Capital Donor Grants - Foreign Governments | 144,185 | - | 136,901 | 281,086 |
| Grants from International Organisations | 259,667 | - | 72,620 | 332,287 |
| Current Donor Grants – Multilateral Partners | 35,065 | - | 2,978 | 38,043 |
| Capital Donor Grants – Multilateral Partners | 224,602 | - | 69,642 | 294,244 |
| Grants from Other General Government Units | - | - | 7,137 | 7,137 |
| Current Grants from Central Government | - | - | 7,137 | 7,137 |
| Total Grants | 405,043 | - | 216,659 | 621,701 |

Note 5: Payments on goods and services

Payments on goods and services of FY2021/22 were as follows

| Description | Head Controlled Accounts | Treasury Accounts | 3rd Parties Accounts | Total |
|---|-----------------------------|----------------------|-------------------------|--------------------|
| | Actual | Actual | Actual | Actual |
| | 2021/2022 M'000 | 2021/2022 M'000 | 2021/2022 M'000 | 2021/2022 M'000 |
| Travel and Transport | 138,055 | 411,616 | 17,321 | 566,992 |
| Vehicle Maintenance and Repairs | 24,987 | 51,756 | - | 76,743 |
| Fuel and Lubricants | 15,732 | 69,239 | - | 84,971 |
| Short Term Hire of Vehicles | 32,014 | 153,176 | 16 | 185,205 |
| Motor Mileage Allowance | 2 | 88 | - | 91 |
| Fares (Local) | 374 | 1,234 | 30 | 1,638 |
| Subsistence (Local) | 41,084 | 83,499 | 643 | 125,226 |
| Freight Charges | 4,862 | 8,122 | 16,633 | 29,616 |
| Equine Hire | 0 | 506 | - | 507 |
| Fares (International) | 4,562 | 9,583 | - | 14,145 |
| Subsistence (International) | 14,437 | 34,413 | - | 48,850 |
| Operating Costs | 829,066 | 2,113,859 | 146,978 | 3,089,903 |
| Power | 6,893 | 104,376 | - | 111,269 |
| Communications | 10,600 | 72,382 | 6,830 | 89,812 |
| Printing | 5,217 | 13,203 | 111 | 18,532 |
| Stationery | 8,875 | 18,397 | 98 | 27,369 |
| Maintenance of Public Assets | 114,684 | 99,496 | - | 214,179 |
| Food, Fodder and Beverage Supplies | 222 | 58,087 | - | 58,309 |
| Purchases or Production of Materials, Goods or Services, including Uniforms | 145,850 | 386,475 | 76,973 | 609,297 |
| Minor Works | 41,835 | 16,136 | - | 57,970 |
| Drugs | 98,327 | 431,365 | 939 | 530,631 |
| Dressings | - | 16,912 | - | 16,912 |
| Vaccines | 114,364 | 1,406 | - | 115,770 |
| Dips and Anthelmintics | - | 44 | - | 44 |
| Official Entertainment | - | 308 | - | 308 |
| Official Gifts | - | 617 | - | 617 |
| Training Costs | 29,334 | 8,110 | 2,788 | 40,231 |
| Software Licenses | 4,499 | 10,313 | 236 | 15,049 |
| Consultancies | 180,095 | 72,417 | 58,932 | 311,445 |
| Ammunition | - | 25,000 | - | 25,000 |
| Fitch | - | 643 | - | 643 |
| MEFMI | - | 2,181 | - | 2,181 |
| ESAAMLG | - | 1,636 | - | 1,636 |
| UNDP Lesotho | - | 1,422 | - | 1,422 |
| Books and Publications | 551 | 13,303 | 71 | 13,925 |
| Membership Subscriptions | 413 | 61,507 | - | 61,920 |
| Project Costs - Historic | 685 | - | - | 685 |
| Water Supply | 1,994 | 27,858 | - | 29,852 |
| Sewerage and Sanitation | 4 | 1,489 | - | 1,493 |
| Rent and Lease of Buildings for Government Use | 57,640 | 127,167 | - | 184,807 |
| Purchase of Health Services | - | 539,916 | - | 539,916 |
| Bank Charges | 6,984 | 3,167 | - | 10,151 |
| Witness Expenses | - | 571 | - | 571 |
| 2008-09 and Prior Year - Grants and Subsidies | - | 261 | - | 261 |
| Total Goods and Services | 967,121 | 2,525,475 | 164,299 | 3,656,895 |

Note 6: Compensation of Employees

Payments of FY2021/22 employee compensation are made up of the following:

| Description | Head Controlled Accounts | Treasury Accounts | 3rd Parties Accounts | Total |
|--|--------------------------|-------------------|----------------------|------------------|
| | Actual | Actual | Actual | Actual |
| | 2021/2022 | 2021/2022 | 2021/2022 | 2021/2022 |
| | M'000 | M'000 | M'000 | M'000 |
| Wages and salaries | 769,242 | 5,805,488 | - | 6,574,730 |
| Non Statutory Salaries in Cash | 421,525 | 5,189,118 | - | 5,610,643 |
| Salaries New Posts | 18,129 | 474 | - | 18,603 |
| Statutory Salaries in Cash | 78,178 | 79,180 | - | 157,358 |
| Wages in Cash | 134,219 | 363,010 | - | 497,229 |
| Allowances in Cash - Non Statutory Posts | 34,698 | 159,924 | - | 194,621 |
| Allowances in Cash - Statutory Posts | - | 2,288 | - | 2,288 |
| Salaries and Wages - Own Account Capital | 43,543 | - | - | 43,543 |
| Wages and Salaries in Kind | 38,950 | 11,496 | - | 50,446 |
| Social Contributions | 54,361 | 1,340,285 | - | 1,394,646 |
| Actual Social Contributions | 24,000 | 594,892 | - | 618,892 |
| Unfunded Pensions and Gratuities | 30,361 | 745,393 | - | 775,754 |
| Total Compensation of Employee | 823,603 | 7,145,773 | - | 7,969,376 |

Note 7: Other use of Goods and Services Consumed for the Year Ended 31 March 2022

| Description | Head Controlled Accounts | Treasury Accounts | 3rd Parties Accounts | Total |
|--|--------------------------|-------------------|----------------------|--------------|
| | Actual | Actual | Actual | Actual |
| | 2021/2022 | 2021/2022 | 2021/2022 | 2021/2022 |
| | M'000 | M'000 | M'000 | M'000 |
| Other Use of Goods and Services - Own Account Capital | 2,897 | - | - | 2,897 |
| Purchase of Construction Materials – Own Account Cap | 104 | - | - | 104 |
| Consultancies - Own Account Capital | 2,334 | - | - | 2,334 |
| Purchase of Other Goods and Services - Own Account C | 459 | - | - | 459 |
| Total cost of other goods and services consumed | 2,897 | - | - | 2,897 |

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 FY2021/22.

| Description | Head Controlled Accounts | Treasury Accounts | 3rd Parties Accounts | Total |
|--|--------------------------|-------------------|----------------------|------------------|
| | Actual | Actual | Actual | Actual |
| | 2021/2022 | 2021/2022 | 2021/2022 | 2021/2022 |
| | M'000 | M'000 | M'000 | M'000 |
| Acquisition of Fixed Assets | 1,345,804 | 413,143 | 636,684 | 2,395,631 |
| Buildings and Structures | 1,286,995 | 346,512 | 555,396 | 2,188,903 |
| Machinery and Equipment | 58,809 | 66,631 | 81,288 | 206,728 |
| Acquisition of Other Fixed Assets | - | 457 | - | 457 |
| Intangible Fixed Assets | - | 457 | - | 457 |
| Total value of property, plant and equipment expensed | 1,345,804 | 413,600 | 636,684 | 2,396,088 |

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 | Actual | Actual | Actual |
| | 2021/2022 | 2021/2022 | 2021/2022 | 2021/2022 |
| | M'000 | M'000 | M'000 | M'000 |
| Domestic Interest | - | 267,807 | - | 267,807 |
| Other Domestic Interest | - | 267,807 | - | 267,807 |
| Foreign Interest | - | 233,542 | - | 233,542 |
| Bilateral Interest | - | 10,880 | - | 10,880 |
| Multilateral Interest | - | 181,884 | - | 181,884 |
| Export Credit Interest | - | 40,778 | - | 40,778 |
| Total interest payable | - | 501,349 | - | 501,349 |

Note 10: Subsidies

Subsidies paid during the year are summarized as below:

| Description | Head Controlled Accounts | Treasury Accounts | 3rd Parties Accounts | Total |
|---|--------------------------|-------------------|----------------------|----------------|
| | Actual | Actual | Actual | Actual |
| | 2021/2022 | 2021/2022 | 2021/2022 | 2021/2022 |
| | M'000 | M'000 | M'000 | M'000 |
| Subsidies | | | | |
| To Public Corporations | 103,674 | 512,670 | - | 616,344 |
| Subsidies - Non Financial Public Corporations | 103,674 | 512,670 | - | 616,344 |
| Total subsidies for the year | 103,674 | 512,670 | - | 616,344 |

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 | Actual | Actual | Actual |
| | 2021/2022 M'000 | 2021/2022 M'000 | 2021/2022 M'000 | 2021/2022 M'000 |
| Grants | | | | |
| To International Organisations | - | 45,991 | - | 45,991 |
| Commonwealth Secretariat | - | 3,293 | - | 3,293 |
| ACP | - | 640 | - | 640 |
| Group Of 77 | - | 74 | - | 74 |
| SADC | - | 41,985 | - | 41,985 |
| To Other General Government Units | 161,462 | 1,089,938 | - | 1,251,400 |
| Current Grants Paid to Central Government | - | 388,151 | - | 388,151 |
| Current Grants Paid to Extra Budgetary Units | 95,518 | 284,691 | - | 380,209 |
| Current Grants Paid to Local Governments | - | 17,901 | - | 17,901 |
| Grants in Aid Paid to Extra Budgetary Units | 65,944 | 399,195 | - | 465,139 |
| Total grants for the year | 161,462 | 1,135,929 | - | 1,297,391 |

Note 12: Social Benefits

Social benefits comprised:

| Description | Head Controlled Accounts | Treasury Accounts | 3rd Parties Accounts | Total |
|-----------------------------------|--------------------------|--------------------|----------------------|--------------------|
| | Actual | Actual | Actual | Actual |
| | 2021/2022 M'000 | 2021/2022 M'000 | 2021/2022 M'000 | 2021/2022 M'000 |
| Social Benefits | | | | |
| Social Assistance Benefits | 1,152,178 | 86,448 | - | 1,238,626 |
| Old Age Pension | 767,179 | - | - | 767,179 |
| APC Pension | 2,005 | - | - | 2,005 |
| Public Assistance in Cash | 41,309 | 80,826 | - | 122,135 |
| School Feeding Program | 222,468 | - | - | 222,468 |
| Safety Net | 88,400 | - | - | 88,400 |
| Public Assistance in Kind | 84 | 5,622 | - | 5,706 |
| LLA Pensions | 2,703 | - | - | 2,703 |
| OVC Bursary | 6,180 | - | - | 6,180 |
| Child Grants | 21,851 | - | - | 21,851 |
| Employer Social Benefits | - | 10,531 | - | 10,531 |
| Compensation | - | 10,531 | - | 10,531 |
| Total social benefits | 1,152,178 | 96,978 | - | 1,249,157 |

Note 13: Other Operating Expenses

| Description | Head Controlled Accounts | Treasury Accounts | 3rd Parties Accounts | Total |
|---|---|------------------------------|------------------------------|------------------------------|
| | Actual 2021/2022 M'000 | Actual 2021/2022 M'000 | Actual 2021/2022 M'000 | Actual 2021/2022 M'000 |
| | Property Expense Other Than Interest | - | 34 | - |
| Rent of Non Produced Assets | - | 34 | - | 34 |
| <i>Rent and Lease of Land for Government Use</i> | - | 34 | - | 34 |
| Miscellaneous Other Expense | 10,576 | 1,056,261 | - | 1,066,837 |
| Current | 10,576 | 1,056,261 | - | 1,066,837 |
| <i>Transfers to Institutions Caring for Orphans</i> | - | 953,861 | - | 953,861 |
| <i>Legal Compensation</i> | 408 | 8,941 | - | 9,349 |
| <i>Motor Vehicle Assurance</i> | 8,608 | 30,874 | - | 39,482 |
| <i>Non Life Insurance Premiums</i> | 1,559 | 62,586 | - | 64,145 |
| Losses of Public Moneys | - | 34,537 | - | 34,537 |
| Exchange Rate Losses | - | 34,537 | - | 34,537 |
| <i>Exchange Rate Losses - Foreign Bank Accounts</i> | - | 34,537 | - | 34,537 |
| Total | 10,576 | 1,090,832 | - | 1,101,408 |

Note 14: Proceeds from the Sale of Assets

Under the cash basis of accounting these are proceeds from disposal of property, plant and equipment, which are recognized at the time of receipts and are included as part of Non-Tax Revenues.

For information purposes gains on disposal of property, plant and equipment were up as follows:

| Description | Head Controlled Accounts | Treasury Accounts | 3rd Parties Accounts | Total |
|--------------------------------|---------------------------------|------------------------------|------------------------------|------------------------------|
| | Actual 2021/2022 M'000 | Actual 2021/2022 M'000 | Actual 2021/2022 M'000 | Actual 2021/2022 M'000 |
| | Disposal of Fixed Assets | - | 4,960 | - |
| <i>Machinery and Equipment</i> | - | 4,960 | - | 4,960 |
| Total Proceed received | - | 4,960 | - | 4,960 |

Note 15: Cash

1. 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.

2. Funding/ Cash Allocations were previously presented at the top of the Statement of Cash Receipts and Payments and formed part of the total receipts. This overstated total receipts as it represents Inter Government Cash Movements. The change is made, in the year under review, to include it at the end of the statement, under Cash Balances, as one of the items adjusting Cash Balances.

3. The ongoing reconciliation exercises

The total of M1.665 billion reconciling items was submitted to the Auditor General for verification of which M1.132 billion was verified with supporting documents to address unaccounted cash balance of M6.1 billion. The adjustment is made in the Statement of Cash Receipts and Payments, as Year End adjustments to be cleared, under cash balances. The adjustment is yet to be made in IFMIS.

| Analysis per bank | Accounts at 31 March 2022 | | Accounts at 31 March 2021 | |
|--|------------------------------|------------------|------------------------------|------------------|
| | Count | Balance M'000 | Count | Balance M'000 |
| HEAD CONTROLLED ACCOUNTS | | | | |
| <i>Locally Denominated Accounts:</i> | | | | |
| Central Bank of Lesotho | 21 | 6,290 | 39 | 3,698,090 |
| Ned Bank Lesotho | 42 | 113,659 | 60 | 98,868 |
| Standard Lesotho Bank | 78 | 132,271 | 115 | 425,752 |
| First National Bank | 16 | 40,279 | 17 | 44,021 |
| Lesotho Post Bank | 31 | 370,842 | 33 | 465,611 |
| Total | 188 | 663,341 | 264 | 4,732,341 |
| <i>Foreign Currency Accounts</i> | | | | |
| Central Bank of Lesotho | 52 | 400,052 | 51 | 258,241 |
| Standard Lesotho Bank | 3 | 41,294 | 5 | 43,475 |
| First National Bank | | | 1 | 823 |
| ABSA | | | 1 | 3,487 |
| Foreign Diplomatic Missions | 26 | 78,828 | 26 | 58,295 |
| Total | 81 | 520,174 | 84 | 364,321 |
| <i>Mobile Network Operators (MNOs) Cash balances</i> | | | | |
| Vodacom | 8 | 8,667 | | |
| Econet | 8 | 1,038 | | |
| Chaperone | 1 | - | | |
| Total MNOs accounts | 17 | 9,705 | 0 | - |
| TOTAL HEAD CONTROLLED ACCOUNTS | 286 | 1,193,220 | 348 | 5,096,662 |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Analysis per bank | Accounts at 31 March 2022 | | Accounts at 31 March 2021 | |
|---|------------------------------|------------------|------------------------------|------------------|
| | Count | Balance | Count | Balance |
| | | M'000 | | M'000 |
| TREASURY ACCOUNTS | | | | |
| <i>Locally Denominated Accounts</i> | | | | |
| Central Bank of Lesotho | 11 | 1,078,183 | | |
| Standard Lesotho Bank | 5 | 46,171 | | |
| First National Bank | 3 | 33,098 | | |
| Lesotho Post Bank | 2 | 9,594 | | |
| Total | 21 | 1,167,045 | 0 | - |
| <i>Foreign Currency Accounts</i> | | | | |
| First National Bank | 1 | 3,645 | | |
| Total | 1 | 3,645 | 0 | - |
| <i>Debt and Debt Servicing Accounts</i> | | | | |
| Central Bank of Lesotho | 3 | 1,475,767 | | |
| Total Debt and Debt Servicing Accounts | 3 | 1,475,767 | 0 | - |
| TOTAL TREASURY ACCOUNTS | 25 | 2,646,457 | 0 | - |
| ACCOUNTS HELD FOR SPECIAL FUNDS | | | | |
| Central Bank of Lesotho | 4 | 206,141 | | |
| Ned Bank Lesotho | 10 | 42,063 | | |
| Standard Lesotho Bank | 12 | 79,031 | | |
| First National Bank | 2 | 17,400 | | |
| ABSA | 1 | 3,540 | | |
| Lesotho Post Bank | 5 | 34,874 | | |
| TOTAL SPECIAL FUNDS ACCOUNTS | 34 | 383,049 | 0 | - |
| TOTAL GOVERNMENT ACCOUNTS | 345 | 4,222,725 | 348 | 5,096,662 |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Analysis per bank | Accounts at 31 March 2022 | | Accounts at 31 March 2021 | |
|------------------------------------|------------------------------|------------------|------------------------------|------------------|
| | Count | Balance M'000 | Count | Balance M'000 |
| SOE'S ACCOUNTS: | | | | |
| Ned Bank Lesotho | 3 | 1,465 | | |
| Standard Lesotho Bank | 4 | 246 | | |
| First National Bank | 1 | 1,798 | | |
| TOTAL SOE'S ACCOUNTS | 8 | 3,509 | 0 | - |
| MONIES HELD IN TRUST: | | | | |
| Central Bank of Lesotho | 2 | 350,379 | 2 | 343,018 |
| Ned Bank Lesotho | 1 | 174 | 1 | 6 |
| Standard Lesotho Bank | 22 | 26,509 | 27 | 21,928 |
| Standard Bank SA | 1 | 971 | | |
| First National Bank | 1 | 2,393 | 2 | 1,282 |
| Lesotho Post Bank | 3 | 119 | 3 | 99 |
| TOTAL TRUST MONIES ACCOUNTS | 30 | 380,545 | 35 | 366,332 |
| GRAND TOTAL | 383 | 4,606,779 | 383 | 5,462,994 |

Note 17: Incurrence of Domestic Liabilities for the Year Ended 31 March 2022

| Description | Head Controlled Accounts | Treasury Accounts | 3rd Parties Accounts | Total |
|--|-----------------------------|----------------------|-------------------------|---------------------|
| | Actual 2021/2022 | Actual 2021/2022 | Actual 2021/2022 | Actual 2021/2022 |
| | M'000 | M'000 | M'000 | M'000 |
| Incurrence of Domestic Liabilities | - | 1,319,463 | - | 1,319,463 |
| Securities Other Than Shares | - | 1,319,463 | - | 1,319,463 |
| <i>Issue of Treasury Bills - Fiscal</i> | - | 561,623 | - | 561,623 |
| <i>Issue of Bonds</i> | - | 757,840 | - | 757,840 |
| Total Domestic Liabilities Incurred | - | 1,319,463 | - | 1,319,463 |

Note 19: Repayment of Domestic Liabilities for the Year Ended 31 March 2022

| Description | Head Controlled | Treasury | 3rd Parties | Total |
|--|-----------------|-----------|-------------|-----------|
| | Accounts | Accounts | Accounts | |
| | Actual | Actual | Actual | Actual |
| | 2021/2022 | 2021/2022 | 2021/2022 | 2021/2022 |
| | M'000 | M'000 | M'000 | M'000 |
| Repayment of Domestic Liabilities | - | 366,600 | - | 366,600 |
| Securities Other Than Shares | - | 366,600 | - | 366,600 |
| <i>Redemption of Bonds</i> | - | 366,600 | - | 366,600 |
| Loans | - | 52,920 | - | 52,920 |
| <i>Other Repayments</i> | - | 50,000 | - | 50,000 |
| <i>Repayment of Arrears</i> | - | 2,920 | - | 2,920 |
| Other Accounts Payable | - | 16 | - | 16 |
| <i>Repayment of Annual Advances</i> | - | 16 | - | 16 |
| Total Domestic Liabilities Repaid | - | 419,537 | - | 419,537 |

Note 20: Repayment of Foreign Liabilities for the Year Ended 31 March 2022

| Description | Head Controlled | Treasury | 3rd Parties | Total |
|---|-----------------|-----------|-------------|-----------|
| | Accounts | Accounts | Accounts | |
| | Actual | Actual | Actual | Actual |
| | 2021/2022 | 2021/2022 | 2021/2022 | 2021/2022 |
| | M'000 | M'000 | M'000 | M'000 |
| Repayment of Foreign Liabilities | - | 623,797 | - | 623,797 |
| Loans | - | 623,797 | - | 623,797 |
| <i>Bilateral Loans</i> | - | 41,696 | - | 41,696 |
| <i>Multilateral Loans</i> | - | 528,400 | - | 528,400 |
| <i>Export Credits</i> | - | 53,702 | - | 53,702 |
| Total Foreign Liabilities Repaid | - | 623,797 | - | 623,797 |

4. DISCLOSURE SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Schedule 1: Investments

The government owns minority shares in the trading entities listed below. The Lesotho National Development Corporation (LNDC), a wholly owned state enterprise, also holds shares in three of these companies. During 2021/22 dividends were received from the Central Bank of Lesotho, Minet, Maluti Mountain Brewery, Standard Lesotho Bank and Letšeng Diamonds Mine.

Table 4: State Owned Entities

| Entity | Government Ownership | Sector | Comments |
|--------------------------------------|----------------------|----------------|------------------------------------|
| Letseng Diamonds | 30% | Mining | |
| Kao Mining | 25% | Mining | |
| Liqhobong Mining Development Company | 25% | Mining | |
| Lemphane Diamonds | 26.5% | Mining | |
| Mothae Diamonds | 30% | Mining | 70% of shares sold in 2016 - 2017. |
| Gemstone (Show Ridge) | 25% | Mining | |
| Reskol Diamond Mine (Kolo) | 10% | Mining | |
| Standard Lesotho Bank | 9.6% | Banking | |
| Minet | 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 5: 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.

Annual Consolidated Financial Report of the Year Ended 31st March 2022

Table 6(a): Overdue Debt Analysis by period

| Analysis by Spending Unit | Period Overdue | | | | Total Receivables Arrears at 31 March 2022 M'000 |
|--|----------------------------|--|--|------------------------------|--|
| | More or equal 1 year M'000 | More than 6 Months, Less than 1 Year M'000 | More than 3 months, Less Than 6 Months M'000 | Less or equal 3 Months M'000 | |
| Head 001 - Agriculture & Food Security | 13,169 | | | 11 | 13,180 |
| Head 002 - Health | 890 | 26,028 | 59 | - | 26,977 |
| Head 004 - Finance | 542 | - | - | 10,409 | 10,951 |
| Head 005 - Trade & Industry | | | | 105 | 105 |
| Head 008 - Home Affairs | 2 | | | | 2 |
| Head 009 - Prime Minister's Office | 114 | - | 70 | - | 184 |
| Head 011 - Law & Constitutional Affairs | 5,129 | | | | 5,129 |
| Head 012 - Foreign Affairs & Int. Relations | 93 | - | - | - | 93 |
| Head 013 - Public Works & Transport | 41 | | | | 41 |
| Head 016 - Labour & Employment | | | 32 | | 32 |
| Head 017 - Tourism, Environment & Culture | 4 | | | | 4 |
| Head 035 - National Security Services | | | 35 | | 35 |
| Head 037 - Defence & National Security | | | 498 | 204 | 702 |
| Head 038 - National Assembly | | | | 15 | 15 |
| Head 039 - Senate | 47 | | | | 47 |
| Head 041 Independent Electoral Commission | 54 | | | 6 | 60 |
| Head 042 - Local Government & Chieftainship | 82 | 19 | 11 | 0 | 113 |
| Head 043 - Gender, Youth, Sports & Recreation | 481 | | | | 481 |
| Head 044 - Public Service | 7,781 | | | | 7,781 |
| Head 047 - Directorate on Corruption & Economic Offences | | | | 15 | 15 |
| Head 049 - Police & Public Safety | 848 | 37 | 26 | 12 | 922 |
| Head 050 - Small Business | 190 | | | | 190 |
| Head 051 - Water | | | | 104,983 | 104,983 |
| TOTAL | 29,467 | 26,084 | 731 | 115,760 | 172,042 |

Table 6(b): Overdue Debt Analysis by item

| Analysis by Spending Unit | Advances | | Imprests | | Rentals | | Refunds of overpayments | | Surcharges | | Sale of Goods and Services | | Total Arrears at 31 March 2022 | |
|--|----------------|---------------|---------------|-------------|--------------|-------------|-------------------------|-------------|--------------|-------------|----------------------------|-------------|--------------------------------|---------------|
| | Recurrent | Development | Recurrent | Development | Recurrent | Development | Recurrent | Development | Recurrent | Development | Recurrent | Development | Recurrent | Development |
| | M'000 | M'000 | M'000 | M'000 | M'000 | M'000 | M'000 | M'000 | M'000 | M'000 | M'000 | M'000 | M'000 | M'000 |
| Head 001 - Agriculture & Food Security | | 12,920 | 16 | 11 | 232 | | | | | | | | 249 | 12,932 |
| Head 002 - Health | | | 26,068 | | | | | | 909 | | | | 26,977 | - |
| Head 004 - Finance | | | 10,379 | | 572 | | | | | | | | 10,951 | - |
| Head 005 - Trade & Industry | | | | 105 | | | | | | | | | - | 105 |
| Head 008 - Home Affairs | | | | | | | | | 2 | | | | 2 | - |
| Head 009 - Prime Minister's Office | | | 184 | | | | | | | | | | 184 | - |
| Head 011 - Law & Constitutional Affairs | | | | | | | | | | | 5,129 | | 5,129 | - |
| Head 012 - Foreign Affairs & Int. Relations | | | 50 | | 43 | | | | | | | | 93 | - |
| Head 013 - Public Works & Transport | | | 41 | | | | | | | | | | 41 | - |
| Head 016 - Labour & Employment | | | | 32 | | | | | | | | | 32 | - |
| Head 017 - Tourism, Environment & Culture | | | | | | | | | 4 | | | | 4 | - |
| Head 035 - National Security Services | | | 35 | | | | | | | | | | 35 | - |
| Head 037 - Defence & National Security | | | | | 702 | | | | | | | | 702 | - |
| Head 038 - National Assembly | | | | | | | 15 | | | | | | 15 | - |
| Head 039 - Senate | | | 47 | | | | | | | | | | 47 | - |
| Head 041 Independent Electoral Commission | | | 60 | | | | | | | | | | 60 | - |
| Head 042 - Local Government & Chieftainship | | | | | 113 | | | | | | | | 113 | - |
| Head 043 - Gender, Youth, Sports & Recreation | | | 481 | | | | | | | | | | 481 | - |
| Head 044 - Public Service | | | 26 | | 4 | | | | 7,558 | | 193 | | 7,781 | - |
| Head 047 - Directorate on Corruption & Economic Offences | | | 15 | | | | | | | | | | 15 | - |
| Head 049 - Police & Public Safety | | | | | 48 | | 848 | | 27 | | | | 922 | - |
| Head 050 - Small Business | | | 152 | | | | | | 37 | | | | 190 | - |
| Head 051 - Water | 104,525 | | | | 427 | | | | 31 | | | | 104,983 | - |
| TOTAL | 104,525 | 12,920 | 37,588 | 117 | 2,139 | - | 863 | - | 8,568 | - | 5,322 | - | 159,006 | 13,037 |

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 31st 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 31st 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 7: External Liabilities

| Category | 01 April 2021 | 2021/2022 | | 2021/2022 | | 31 March 2022 |
|---------------|--------------------------------|--------------------------|-------------------------|----------------------------|-------------------------|--------------------------------|
| | 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 | 979,939,180 | 443,394,438 | | 41,695,788 | 10,880,005 | 924,659,449 |
| Multilateral | 12,217,824,059 | 1,330,183,313 | 999,993,607 | 528,399,601 | 181,884,009 | 12,310,332,003 |
| Export Credit | 1,571,091,723 | | 542,802,264 | 53,701,656 | 40,778,271 | 2,103,621,975 |
| Total | 14,768,854,962 | 1,773,577,751 | 1,542,795,871 | 623,797,046 | 233,542,284 | 15,338,613,426 |

Table 8: Domestic Liabilities

| NO | Category | 01 April 2021 | 2021/2022 | | 2021/2022 | | 31 March 2022 |
|----|-----------------------------------|--------------------------------|------------------------|----------------------------|-------------------------|--------------------------------|---------------|
| | | Opening Debt Balance in Maloti | Newly Issued in Maloti | Repayment Amount in Maloti | Interest Paid in Maloti | Closing Debt Balance in Maloti | |
| 1 | Treasury Bills | 881,617,600 | 1,529,531,933 | 1,534,509,833 | 31,577,667 | 876,639,700 | |
| 2 | Treasury Bonds | 2,599,802,900 | 900,000,500 | 366,600,000 | 235,092,277 | 3,133,203,400 | |
| 3 | Fiscal Bills | | 584,803,600 | | | 584,803,600 | |
| 4 | Interest to Members of Parliament | | | | 1,136,966 | | |
| | Total | 3,481,420,500 | 3,014,336,033 | 1,901,109,833 | 267,806,910 | 4,594,646,700 | |

Table 9: Debt Opening and Closing Balances and Exchange Rates

| Currency | As at 31 March 2021 | | | As At 31 March 2022 | | | Change 2020/21 (per cent) | | |
|-------------------------|---------------------|--------------------|-----------------------|---------------------|--------------------|-----------------------|---------------------------|--------------------|------------------|
| | Exchange rate | Balance (currency) | Balance Maloti | Exchange rate | Balance (currency) | Balance Maloti | Exchange rate | Balance (currency) | Balance (Maloti) |
| ADB Units of Account | 24.6916 | 13,982,898 | 345,260,125 | 20.0305 | 20,922,619 | 419,090,529 | -18.88% | 49.63% | -100.00% |
| Canadian Dollars | 12.7014 | 575,024 | 7,303,614 | 11.5787 | 499,005 | 5,777,825 | -8.84% | -13.22% | -100.00% |
| Danish Kroner | 2.6377 | 6,478,153 | 17,087,423 | 2.1737 | 5,551,167 | 12,066,572 | -17.59% | -14.31% | -100.00% |
| Euro | 19.8208 | 45,456,859 | 900,991,304 | 16.1774 | 46,497,877 | 752,214,750 | -18.38% | 2.29% | -100.00% |
| European Currency Units | 19.8208 | 2,839,005 | 56,271,347 | 17.3879 | 2,243,053 | 39,001,978 | -12.27% | -20.99% | -100.00% |
| Kuwaiti Dinars | 57.0570 | 6,896,180 | 393,475,337 | 51.3900 | 6,330,420 | 325,320,279 | -9.93% | -8.20% | -100.00% |
| Maloti | 1.0000 | 107,291,473 | 107,291,473 | 1.0000 | 89,409,561 | 089,409,561 | 0.00% | -16.67% | -100.00% |
| Norwegian Krone | 1.7151 | 2,223,856 | 3,814,135 | 1.6617 | 1,946,432 | 3,234,386 | -3.11% | -12.47% | -100.00% |
| Pound Sterling | 22.1781 | 3,970,650 | 88,061,470 | 19.0199 | 3,858,595 | 73,390,082 | -14.24% | -2.82% | -100.00% |
| Rand | 1.0000 | 1,340,399,775 | 1,340,399,775 | 1.0000 | 1,221,267,413 | 1,221,267,413 | 0.00% | -8.89% | -100.00% |
| Saudi Riyals | 4.7434 | 72,660,000 | 344,655,444 | 3.9823 | 70,316,000 | 280,019,408 | -16.05% | -3.23% | -100.00% |
| Special Drawing Rights | 24.6916 | 308,245,508 | 7,611,074,780 | 20.3322 | 360,631,814 | 7,332,444,892 | -17.66% | 16.99% | -100.00% |
| Swedish Kronor | 1.7864 | 13,776,756 | 24,610,797 | 1.5649 | 12,116,238 | 18,960,700 | -12.40% | -12.05% | -100.00% |
| Swiss Francs | 18.7136 | 3,026,809 | 56,642,501 | 15.6781 | 2,675,524 | 41,947,131 | -16.22% | -11.61% | -100.00% |
| UAE Dirhams | 4.9500 | 48,208,125 | 238,630,218 | 3.9823 | 38,566,500 | 153,583,373 | -19.55% | -20.00% | -100.00% |
| US Dollars | 18.0156 | 131,139,656 | 2,362,559,587 | 14.4803 | 133,667,683 | 1,935,548,149 | -19.62% | 1.93% | -100.00% |
| Yen (000's) | 166.2000 | 3,542,107 | 588,698,231 | 119.1000 | 3,272,999 | 389,814,206 | -28.34% | -7.60% | -100.00% |
| Yuan Renminbi | 2.5403 | 508,042,819 | 1,290,581,174 | 2.2830 | 983,583,965 | 2,245,522,192 | -10.13% | 93.60% | -100.00% |
| | | | 15,777,408,735 | | | 15,338,613,426 | | | |

Table 10: Annual Principal Repayment Schedule

| External Debt | Balance at 31 March 2022 | Principal Re payment Schedule (Maloti millions) | | | |
|----------------------------|--------------------------|---|-----------------------|-------------------------|-------------------------|
| | | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
| Multilateral lenders | 12,310,332,002.82 | 652,620,088.30 | 665,842,516.40 | 773,808,791.60 | 882,436,262.10 |
| Bilateral lenders | 924,659,448.61 | 81,644,356.40 | 101,997,170.10 | 101,997,170.10 | 101,997,170.10 |
| Other lending institutions | 2,103,621,974.90 | 126,969,224.70 | 182,897,337.70 | 182,897,337.70 | 260,198,711.00 |
| Total external debt | 15,338,613,426.33 | 861,233,669.40 | 950,737,024.20 | 1,058,703,299.40 | 1,244,632,143.20 |

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 FY2021/22 transactions and year-end status.

Table 11: On-Lending Transactions and Year-End Status

| Benefitting Agency | Balance at 01 April 2021 | Transactions during the month | | | Balance at 31st Mar 2022 |
|---|-----------------------------|-------------------------------|--------------------------|---------------------|-----------------------------|
| | | Loans Repaid | Interest charges Paid | New Loans | |
| Tikoe Factory Shells | 35,000,000.00 | 5,100,000.00 | 1,714,000.00 | | 29,900,000.00 |
| Tikoe Phase 2 Factory Shells | 202,789,827.00 | | | | 202,789,827.00 |
| Telecom National Network Phase II | 209,861,667.17 | 7,670,000.00 | 5,292,300.00 | | 202,191,667.17 |
| Telecom National Network Phase I | 187,553,930.83 | 7,373,161.58 | 4,698,832.29 | | 180,180,769.25 |
| 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 | 48,814,091.55 | | | | 48,814,091.55 |
| Five Towns (BADEA) | - | | | 564,788.59 | 564,788.59 |
| Greater Maseru Water Supply Project | - | | | 548,219.72 | - |
| Lesotho Electricity Supply Project | 31,115,455.18 | 1,944,715.96 | 690,374.16 | | 29,170,739.22 |
| TOTAL | 959,875,660.15 | 22,087,877.54 | 12,395,506.45 | 6,046,987.31 | 938,352,571.20 |

| Arrears as at 31st March 2022 | |
|-------------------------------|-----------------------|
| ARREARS | Amount i LSL |
| Econet Telecom Lesotho | 130,562,401.00 |
| WASCO | 220,507,188.70 |
| TOTAL ARREARS TO GOL | 351,069,589.70 |

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 2022, 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, in total of M804 million, declared by Spending Units and the periods for which payment is overdue. It shows that M760 million was owing to suppliers. Of this M254 million (32% of the total) has been overdue for more than six months to over a year.

Annual Consolidated Financial Report of the Year Ended 31st March 2022

Table 12(a): Analysis of Payment Arrears by period

| Spending Unit | Period Overdue | | | | Total Payment Arrears at 31st March 2022 M'000 |
|--|-------------------------------|---|---|---------------------------------|---|
| | More or equal 1 year M'000 | More than 6 Months, Less than 1 Year M'000 | More than 3 months, Less Than 6 Months M'000 | Less or equal 3 Months M'000 | |
| Head 001 - Agriculture & Food Security | | | | 8,708 | 8,708 |
| Head 002 - Health | 19,707 | 1,034 | 738 | 83,131 | 104,610 |
| Head 003 - Education & Training | 10,677 | 45,600 | 40,217 | 13,220 | 109,714 |
| Head 004 - Finance | | 175 | | 5,779 | 5,954 |
| Head 005 - Trade & Industry | 1,479 | 503 | 194 | 153,148 | 155,323 |
| Head 006 - Development Planning | 16 | | | 17,890 | 17,906 |
| Head 007 - Justice & Correctional Services | 2,714 | | | | 2,714 |
| Head 008 - Home Affairs | 14,518 | 2,832 | 3,744 | 1,571 | 22,664 |
| Head 009 - Prime Minister's Office | 7,860 | 794 | 497 | 104 | 9,256 |
| Head 010 - Communications, Science & Tech | - | - | - | 19,200 | 19,200 |
| Head 012 - Foreign Affairs & Int. Relations | - | 3,417 | - | | 3,417 |
| Head 013 - Public Works & Transport | | | 148,103 | | 148,103 |
| Head 014 - Forestry & Land Reclamation | | 1,661 | | | 1,661 |
| Head 015 - Energy and Meteorology | 33 | | 46 | 938 | 1,017 |
| Head 016 - Labour & Employment | 917 | 138 | 323 | 3,160 | 4,538 |
| Head 017 - Tourism, Environment & Culture | 97 | 0 | 199 | | 296 |
| Head 018 - Auditor General's Office | | 306 | | 9 | 315 |
| Head 019 - His Majesty's Office | | | | 404 | 404 |
| Head 020 - Public Service Commission | | | | 17 | 17 |
| Head 035 - National Security Services | | | | 380 | 380 |
| Head 037 - Defence & National Security | - | 38,750 | 5,646 | 9,642 | 54,037 |
| Head 038 - National Assembly | | | | 128 | 128 |
| Head 039 - Senate | | | 58 | | 58 |
| Head 040 - Ombudsman | 2,865 | | | | 2,865 |
| Head 041 Independent Electoral Commission | | | 2,289 | 326 | 2,615 |
| Head 042 - Local Government & Chieftainship | 6,182 | 345 | 2,258 | 2,509 | 11,295 |
| Head 043 - Gender, Youth, Sports & Recreation | | 67,410 | | | 67,410 |
| Head 044 - Public Service | 150 | | 814 | | 964 |
| Head 045 - Judiciary | 2,774 | - | 1,054 | 807 | 4,635 |
| Head 046 - Social Development | 133 | 335 | 181 | 928 | 1,577 |
| Head 047 - Directorate on Corruption & Economic Offences | | | | 48 | 48 |
| Head 048 - Mining | 54 | 16 | 79 | 527 | 675 |
| Head 049 - Police & Public Safety | 4,352 | 3,478 | - | - | 7,830 |
| Head 050 - Small Business | | 8,621 | | | 8,621 |
| Head 051 - Water | | | | 2,316 | 2,316 |
| Head 052 - Transport | 3,968 | | | | 3,968 |
| Head 023 - Pension & Gratuities | - | - | - | 18,477 | 18,477 |
| Head 024 - Statutory Salaries & Allowances | - | 9 | - | 632 | 641 |
| TOTAL | 78,495 | 175,423 | 206,440 | 343,998 | 804,356 |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

Table 12(b): Analysis of Payment Arrears by item

| Analysis by Spending Unit | Compensation of Employee | Pensions and Gratuities | Goods and Service | | Taxes Withheld | | Other Expenses | | Construct ion work | Consult ancies | Acquisition of non financial | Total Arrears at 31 March 2022 | |
|--|--------------------------|-------------------------|-------------------|--------------|----------------|--------------|----------------|--------------|--------------------|----------------|------------------------------|--------------------------------|----------------|
| | Recurrent | Recurrent | Recurrent | Development | Recurrent | Recurrent | Recurrent | Development | Development | Development | Development | Recurrent | Development |
| | M'000 | M'000 | M'000 | M'000 | M'000 | M'000 | M'000 | M'000 | M'000 | M'000 | M'000 | M'000 | M'000 |
| Head 001 - Agriculture & Food Security | 141 | | 6,427 | | | | | | | 2,140 | | 6,568 | 2,140 |
| Head 002 - Health | | | 104,610 | | | | | | | | | 104,610 | - |
| Head 003 - Education & Training | 17,206 | | 84,683 | 7,218 | | | | | 607 | | | 101,889 | 7,825 |
| Head 004 - Finance | | | 5,954 | | | | | | | | | 5,954 | - |
| Head 005 - Trade & Industry | 16 | | 15,568 | | | | 2,525 | 136,000 | 1,049 | 164 | | 15,585 | 139,739 |
| Head 006 - Development Planning | 52 | | 1,482 | | | | 16 | | 16,356 | | | 1,550 | 16,356 |
| Head 007 - Justice & Correctional Services | | | 2,714 | | | | | | | | | 2,714 | - |
| Head 008 - Home Affairs | | | 17,841 | | | 4,823 | | | | | | 22,664 | - |
| Head 009 - Prime Minister's Office | | | 9,256 | | | | | | | | | 9,256 | - |
| Head 010 - Communications, Science & Tech | | | 19,200 | | | | | | | | | 19,200 | - |
| Head 012 - Foreign Affairs & Int. Relations | | | 3,417 | | | | | | | | | 3,417 | - |
| Head 013 - Public Works & Transport | 544 | | 1,467 | | | | | | 146,091 | | | 2,011 | 146,091 |
| Head 014 - Forestry & Land Reclamation | | | 1,646 | | | 15 | | | | | | 1,661 | - |
| Head 015 - Energy and Meteorology | | 33 | 638 | | | | 346 | | | | | 1,017 | - |
| Head 016 -Labour and Employment | 190 | | 4,348 | | | | | | | | | 4,538 | - |
| Head 017 - Tourism, Environment & Culture | | | 296 | | | | | | | | | 296 | - |
| Head 018 - Auditor General's Office | | | | | | 9 | 306 | | | | | 315 | - |
| Head 019 - His Majesty's Office | | | 368 | | 12 | 7 | 18 | | | | | 404 | - |
| Head 020 - Public Service Commission | | | 17 | | | | | | | | | 17 | - |
| Head 035 - National Security Services | | | 380 | | | | | | | | | 380 | - |
| Head 037 - Defence & National Security | | | 54,037 | | | | | | | | | 54,037 | - |
| Head 038 - National Assembly | 17 | | 91 | | | 20 | | | | | | 128 | - |
| Head 039 - Senate | | | 58 | | | | | | | | | 58 | - |
| Head 040 - Ombudsman | | | 2,865 | | | | | | | | | 2,865 | - |
| Head 041 Independent Electoral Commission | | | 2,615 | | | | | | | | | 2,615 | - |
| Head 042 - Local Government & Chieftainship | 2,303 | 669 | 881 | | | | | | 7,442 | | | 3,853 | 7,442 |
| Head 043 - Gender, Youth, Sports & Recreation | | | 67,410 | | | | | | | | | 67,410 | - |
| Head 044 - Public Service | | | 964 | | | | | | | | | 964 | - |
| Head 045 - Judiciary | | | 4,635 | | | | | | | | | 4,635 | - |
| Head 046 - Social Development | | | 1,577 | | | | | | | | | 1,577 | - |
| Head 047 - Directorate on Corruption & Economic Offences | | | | | | | 48 | | | | | 48 | - |
| Head 048 - Mining | | | 675 | | | | | | | | | 675 | - |
| Head 049 - Police & Public Safety | | | 4,659 | | | | | | 3,171 | | | 4,659 | 3,171 |
| Head 050 - Small Business | | | 8,484 | 137 | | | | | | | | 8,484 | 137 |
| Head 051 - Water | 72 | | 2,244 | | | | | | | | | 2,316 | - |
| Head 052 - Transport | | | 3,806 | | | 162 | | | | | | 3,968 | - |
| Head 023 - Pension & Gratuities | | 18,477 | | | | | | | | | | 18,477 | - |
| Head 024 - Statutory Salaries & Allowances | | | 641 | | | | | | | | | 641 | - |
| Total | 20,541 | 19,179 | 435,954 | 7,356 | 12 | 5,035 | 733 | 2,525 | 293,311 | 19,545 | 164 | 481,454 | 322,902 |

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 13: Outstanding Amounts Guaranteed (per Public Debt and Aid Management Department)

| Benefiting Entity | Lending Institution | Balance of guarantee at 31-Mar-21 | 2021/22 Transactions | | | Balance of guarantee at 31-Mar-22 |
|---|-----------------------|-----------------------------------|----------------------|------------------|-------------------|-----------------------------------|
| | | | Principal Repaid | Interest Paid | New guarantee | |
| Loans to Members of Parliament & Senate | Nedbank | 9,505,433 | 7,698,913 | 675,929 | - | 1,806,520 |
| WASCO | Nedbank | 4,166,172 | 4,115,691 | - | - | 50,481 |
| PCGF | Lesotho PostBank | 13,080,586 | 14,836,081 | 1,684,513 | 8,322,949 | 6,567,454 |
| Tractor Finance Partial Guarantee | Lesotho PostBank | - | - | - | 4,990,341 | 4,990,341 |
| Loans to Statutory Positions | Standard Lesotho Bank | 1,495,054 | 815,697 | 270,826 | - | 679,357 |
| Maseru E textile | Standard Lesotho Bank | 2,168,651 | - | - | 17,825,880 | 19,994,531 |
| PCGF | Standard Lesotho Bank | 6,175,000 | - | 1,154,171 | 16,171,200 | 22,346,200 |
| Lesotho Water and Sewage Services Authority | Standard Lesotho Bank | 20,000,000 | - | - | - | 20,000,000 |
| CGM/Presitex Group | Standard Lesotho Bank | 25,589,856 | 25,589,856 | - | - | - |
| TZICC | Standard Lesotho Bank | 146,939,200 | 146,939,200 | - | - | - |
| PCGF | Standard Lesotho Bank | 2,302,500 | 2,302,500 | - | - | - |
| Eclat Evergood Textiles | Standard Lesotho Bank | 63,876,007 | 63,876,007 | - | - | - |
| Econet | Standard Lesotho Bank | 170,831,350 | 170,831,350 | - | - | - |
| Lucy's Manufacturing Pty. Ltd. | FNB | 3,600,000 | - | - | - | - |
| Total | | 469,729,810 | 437,005,295 | 3,785,439 | 47,310,370 | 76,434,886 |

Table 14: 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 31 March, 2022 M' | Exposure at 31 March, 2021 M' |
|---|----------------------------------|----------------------------------|
| Head 003 - Education & Training | 2,279,360 | |
| Head 004 - Finance | 76,434,886 | 469,729,810 |
| Head 010 - Communications, Science & Tech | 40,655,746 | |
| Head 012 - Foreign Affairs & Int. Relations | 1,105,000 | 416,364 |
| Head 019 - His Majesty's Office | 1,500,000 | 1,500,000 |
| Head 035 - National Security Services | 21,189,999 | 14,986,167 |
| Head 041 Independent Electoral Commission | 45,048,665 | |
| Head 042 - Local Government & Chieftainship | 2,666,642 | 2,666,642 |
| Head 048 - Mining | 418,630 | |
| Head 049 - Police & Public Safety | 1,034,502 | |
| Head 050 - Small Business | 3,532,855 | 3,532,855 |
| Total | 195,866,285 | 492,831,838 |

Schedule 9: Losses and Accidents**Table 15: Summary of Losses and Accidents**

| Spending Unit | | <i>Losses of Stores</i> | <i>Losses of cash</i> | <i>Assets written off</i> | <i>Motor Vehicle Accidents</i> | Total |
|--------------------|---|-------------------------|-----------------------|---------------------------|--------------------------------|---------------|
| | | M'000 | M'000 | M'000 | M'000 | M'000 |
| Head 001 | Agriculture & Food Security | | | 373 | 767 | 1,139 |
| Head 003 | Education & Training | 32 | | | 326 | 358 |
| Head 004 | Finance | | 50,000 | | 302 | 50,302 |
| Head 005 | Trade & Industry | | | | 3 | 3 |
| Head 006 | Development Planning | 33 | | | | 33 |
| Head 011 | Law & Constitutional Affairs | | | | 4 | 4 |
| Head 013 | Public Works & Transport | | | | 161 | 161 |
| Head 016 | Labour & Employment | | | | 110 | 110 |
| Head 035 | National Security Services | | | | 138 | 138 |
| Head 041 | Independent Electoral Commission | | | | 8 | 8 |
| Head 042 | Local Government & Chieftainship | | | | 216 | 216 |
| Head 043 | Gender, Youth, Sports & Recreation | | 481 | | | 481 |
| Head 044 | Public Service | | | | 59 | 59 |
| Head 045 | Judiciary | 5 | 29 | | 1,189 | 1,223 |
| Head 047 | Directorate on Corruption & Economic Offences | | | | 35 | 35 |
| Head 049 | Police & Public Safety | | | | 453 | 453 |
| Head 050 | Small Business | | 190 | | | 190 |
| Head 052 | Transport | | | | 10 | 10 |
| GRAND TOTAL | | 70 | 50,700 | 373 | 3,779 | 54,921 |

5. APPENDICES

Appendix 1: Analysis of Receipts and Payments by Spending Unit

Table 16: 2021/22 ACTUALS - SPENDING UNIT SUMMARY

(An extract from the Statement of Budget comparison and Actuals)

| Spending Unit | Recurrent | | Development | | Net Flows |
|--|-----------------------|-----------------------|----------------------|----------------------|------------------------|
| | Receipts | Payments | Receipts | Payments | |
| 001 Agriculture & Food Security | 50,274,186 | 401,040,380 | 144,610,290 | 176,540,648 | (382,696,551) |
| 002 Health | 7,896,416 | 2,084,476,429 | 488,474,760 | 359,827,566 | (1,947,932,819) |
| 003 Education & Training | 5,882,620 | 2,526,972,520 | 108,517,889 | 81,539,678 | (2,494,111,689) |
| 004 Finance | 14,987,073,722 | 842,046,692 | 311,628,255 | 617,947,180 | 13,838,708,106 |
| 005 Trade & Industry | 12,639,623 | 34,294,237 | 58,701,169 | 751,718,810 | (714,672,255) |
| 006 Development Planning | 59,650 | 1,032,517,466 | 2,365,279 | 35,493,985 | (1,065,586,522) |
| 007 Justice & Correctional Services | 70,168 | 236,495,750 | 1,337,470 | 28,445,593 | (263,533,704) |
| 008 Home Affairs | 11,195,194 | 154,337,189 | 3,461,932 | 329,828,787 | (469,508,850) |
| 009 Prime Minister's Office | - | 120,432,004 | - | - | (120,432,004) |
| 010 Communications, Science & Tech | 5,980,662 | 168,211,608 | 34,416,110 | 46,342,386 | (174,157,222) |
| 011 Law & Constitutional Affairs | 818,867 | 93,325,931 | 268,295 | - | (92,238,769) |
| 012 Foreign Affairs & Int. Relations | - | 359,986,831 | - | - | (359,986,831) |
| 013 Public Works & Transport | 526,950 | 62,804,314 | 267,890,999 | 480,175,614 | (274,561,979) |
| 014 Forestry & Land Reclamation | 53,102 | 99,861,542 | - | - | (99,808,440) |
| 015 Energy and Meteorology | 339,824,114 | 28,275,347 | 491,491,503 | 729,428,864 | 73,611,406 |
| 016 Labour & Employment | 10,215,569 | 52,263,946 | - | - | (42,048,377) |
| 017 Tourism, Environment & Culture | 3,428,467 | 78,016,366 | 3,378,780 | 15,121,281 | (86,330,401) |
| 018 Auditor General's Office | 982,805 | 18,421,020 | 193,143 | - | (17,245,072) |
| 019 His Majesty's Office | - | 8,796,987 | - | 1,109,035 | (9,906,022) |
| 020 Public Service Commission | - | 10,833,793 | - | - | (10,833,793) |
| 035 National Security Services | - | 47,452,741 | - | 4,998,090 | (52,450,831) |
| 036 Disaster Management Authority | - | 166,100,564 | - | - | (166,100,564) |
| 037 Defence & National Security | 900,224 | 702,574,716 | 10,870,156 | - | (690,804,336) |
| 038 National Assembly | - | 79,408,507 | - | - | (79,408,507) |
| 039 Senate | - | 21,717,140 | - | 17,757,802 | (39,474,942) |
| 040 Ombudsman | - | 7,351,648 | - | - | (7,351,648) |
| 041 Independent Electoral Commission | 712,612 | 68,192,393 | 586,597 | - | (66,893,184) |
| 042 Local Government & Chieftainship | 6,410,556 | 448,863,255 | 1,020,199 | 167,609,218 | (609,041,719) |
| 043 Gender, Youth, Sports & Recreation | 72,859 | 280,172,886 | 399,335 | 5,687,844 | (285,388,536) |
| 044 Public Service | 7,632,267 | 43,169,784 | - | - | (35,537,516) |
| 045 Judiciary | 4,454,808 | 109,404,006 | - | 1,920,165 | (106,869,363) |
| 046 Social Development | - | 833,819,718 | 22,017,332 | 33,269,639 | (845,072,025) |
| Directorate on Corruption & | | | | | |
| 047 Economic Offences | - | 21,536,162 | 150,497 | 150,497 | (21,536,162) |
| 048 Mining | 516,350,034 | 21,964,598 | - | 152,009 | 494,233,426 |
| 049 Police & Public Safety | 7,516,890 | 672,007,481 | - | 38,387,745 | (702,878,336) |
| 050 Small Business | 271,965 | 69,203,788 | - | 2,279,076 | (71,210,899) |
| 051 Water | 1,309,442,394 | 229,180,258 | 77,641,151 | 344,799,824 | 813,103,462 |
| 052 Transport | 23,910,038 | 80,650,622 | - | 8,665,634 | (65,406,218) |
| Total Appropriated | 17,314,596,761 | 12,316,180,618 | 2,029,421,140 | 4,279,196,969 | 2,748,640,314 |
| Statutory and Centralized Expenditure | | | | | |
| 021 Public Debt | - | 1,541,746,240 | | | (1,541,746,240) |
| 023 Pension & Gratuities | 11,400,590 | 1,554,205,332 | | | (1,542,804,742) |
| 024 Statutory Salaries & Allowances | - | 27,374,099 | | | (27,374,099) |
| 025 Subscriptions to Int. Organizations | - | 109,897,681 | | | (109,897,681) |
| 026 Refund of Erroneous Receipts | - | 5,369,325 | | | (5,369,325) |
| Total Statutory & Centralized | 11,400,590 | 3,238,592,677 | - | - | (3,227,192,087) |
| Totals | 17,325,997,351 | 15,554,773,295 | 2,029,421,140 | 4,279,196,969 | (478,551,773) |

Appendix 2: Budget Comparison – Analysis by Spending Unit**Table 17: FY2021/22 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 |
|--|-----------------------|--|-------------------------------|-----------------|
| 001 Agriculture & Food Security | 36,176,392 | 36,176,392 | 50,274,186 | 39% |
| 002 Health | 17,929,278 | 17,929,278 | 7,896,416 | -56% |
| 003 Education & Training | 4,303,000 | 4,303,000 | 5,882,620 | 37% |
| 004 Finance | 13,249,563,016 | 13,317,249,732 | 14,987,073,722 | 13% |
| 005 Trade & Industry | 7,838,940 | 7,838,940 | 12,639,623 | 61% |
| 006 Development Planning | 45,000 | 45,000 | 59,650 | 33% |
| 007 Justice & Correctional Services | 434,360 | 434,360 | 70,168 | -84% |
| 008 Home Affairs | 12,693,680 | 12,693,680 | 11,195,194 | -12% |
| 010 Communications, Science & Tech | 4,607,500 | 4,607,500 | 5,980,662 | 30% |
| 011 Law & Constitutional Affairs | 3,485,210 | 3,485,210 | 818,867 | -77% |
| 013 Public Works & Transport | 831,500 | 831,500 | 526,950 | -37% |
| 014 Forestry & Land Reclamation | 18,000 | 18,000 | 53,102 | 195% |
| 015 Energy and Meteorology | 727,280,400 | 727,280,400 | 339,824,114 | -53% |
| 016 Labour & Employment | 6,460,888 | 6,460,888 | 10,215,569 | 58% |
| 017 Tourism, Environment & Culture | 3,093,954 | 3,093,954 | 3,428,467 | 11% |
| 018 Auditor General's Office | 1,790,836 | 1,790,836 | 982,805 | -45% |
| 037 Defence & National Security | 1,169,000 | 1,169,000 | 900,224 | -23% |
| 041 Independent Electoral Commission | 100,000 | 100,000 | 712,612 | 613% |
| 042 Local Government & Chieftainship | 4,085,000 | 3,984,941 | 6,410,556 | 61% |
| 043 Gender, Youth, Sports & Recreation | 88,350 | 88,350 | 72,859 | -18% |
| 044 Public Service | 6,128,259 | 6,128,259 | 7,632,267 | 25% |
| 045 Judiciary | 3,467,903 | 3,447,903 | 4,454,808 | 29% |
| 048 Mining | 207,423,168 | 207,423,168 | 516,350,034 | 149% |
| 049 Police & Public Safety | 10,997,100 | 10,997,100 | 7,516,890 | -32% |
| 050 Small Business | 552,000 | 552,000 | 271,965 | -51% |
| 051 Water | 1,178,551,861 | 1,178,551,861 | 1,309,442,394 | 11% |
| 052 Transport | 36,842,118 | 36,842,118 | 23,910,038 | -35% |
| 023 Pension & Gratuities | | | 11,400,590 | |
| Total | 15,525,956,713 | 15,593,523,370 | 17,325,997,351 | 11% |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

Table 18: FY2021/22 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 |
|--|---|---|-----------------------|------------|
| Appropriated Expenditure | | | | |
| 001 Agriculture & Food Security | 344,648,919 | 432,903,356 | 401,040,380 | 7% |
| 002 Health | 2,397,597,781 | 2,448,462,833 | 2,084,476,429 | 15% |
| 003 Education & Training | 2,484,287,004 | 2,484,287,004 | 2,526,972,520 | -2% |
| 004 Finance | 880,922,498 | 951,428,913 | 842,046,692 | 11% |
| 005 Trade & Industry | 34,034,571 | 35,580,523 | 34,294,237 | 4% |
| 006 Development Planning | 1,034,178,492 | 1,034,440,965 | 1,032,517,466 | 0% |
| 007 Justice & Correctional Services | 237,887,237 | 243,266,666 | 236,495,750 | 3% |
| 008 Home Affairs | 157,477,534 | 157,477,544 | 154,337,189 | 2% |
| 009 Prime Minister's Office | 104,831,175 | 126,948,617 | 120,432,004 | 5% |
| 010 Communications, Science & Tech | 181,264,705 | 172,042,504 | 168,211,608 | 2% |
| 011 Law & Constitutional Affairs | 96,060,684 | 106,072,479 | 93,325,931 | 12% |
| 012 Foreign Affairs & Int. Relations | 429,131,956 | 436,018,586 | 359,986,831 | 17% |
| 013 Public Works & Transport | 73,982,477 | 73,982,477 | 62,804,314 | 15% |
| 014 Forestry & Land Reclamation | 140,635,185 | 140,635,185 | 99,861,542 | 29% |
| 015 Energy and Meteorology | 28,802,381 | 29,805,154 | 28,275,347 | 5% |
| 016 Labour & Employment | 51,039,252 | 52,896,694 | 52,263,946 | 1% |
| 017 Tourism, Environment & Culture | 79,135,798 | 80,793,384 | 78,016,366 | 3% |
| 018 Auditor General's Office | 26,754,631 | 26,754,631 | 18,421,020 | 31% |
| 019 His Majesty's Office | 10,799,862 | 11,034,378 | 8,796,987 | 20% |
| 020 Public Service Commission | 11,862,714 | 11,862,714 | 10,833,793 | 9% |
| 035 National Security Services | 55,425,501 | 55,425,501 | 47,452,741 | 14% |
| 036 Disaster Management Authority | 16,976,900 | 167,476,900 | 166,100,564 | 1% |
| 037 Defence & National Security | 553,271,848 | 729,180,064 | 702,574,716 | 4% |
| 038 National Assembly | 89,306,094 | 89,306,094 | 79,408,507 | 11% |
| 039 Senate | 23,138,916 | 23,138,916 | 21,717,140 | 6% |
| 040 Ombudsman Independent Electoral | 7,482,523 | 7,482,523 | 7,351,648 | 2% |
| 041 Commission | 92,848,720 | 106,439,456 | 68,192,393 | 36% |
| 042 Local Government & Chieftainship | 474,473,348 | 478,347,128 | 448,863,255 | 6% |
| 043 Gender, Youth, Sports & Recreation | 67,742,109 | 291,697,568 | 280,172,886 | 4% |
| 044 Public Service | 41,272,506 | 45,905,607 | 43,169,784 | 6% |
| 045 Judiciary | 107,420,436 | 111,450,319 | 109,404,006 | 2% |
| 046 Social Development Directorate on Corruption & | 906,943,362 | 911,842,414 | 833,819,718 | 9% |
| 047 Economic Offences | 19,836,820 | 24,797,917 | 21,536,162 | 13% |
| 048 Mining | 23,047,760 | 23,279,826 | 21,964,598 | 6% |
| 049 Police & Public Safety | 681,857,678 | 681,857,678 | 672,007,481 | 1% |
| 050 Small Business | 57,960,710 | 72,782,257 | 69,203,788 | 5% |
| 051 Water | 145,259,652 | 147,460,485 | 229,180,258 | -55% |
| 052 Transport | 73,981,470 | 95,159,612 | 80,650,622 | 15% |
| Total Appropriated | 12,243,581,209 | 13,119,724,872 | 12,316,180,618 | 6% |
| Statutory and Centralized Expenditure | | | | |
| 021 Public Debt | 2,444,343,440 | 2,444,343,440 | 1,541,746,240 | 37% |
| 023 Pension & Gratuities | 2,099,366,927 | 2,099,366,927 | 1,554,205,332 | 26% |
| 024 Statutory Salaries & Allowances Subscriptions to Int. | 39,151,213 | 39,926,214 | 27,374,099 | 31% |
| 025 Organizations | 124,434,160 | 124,434,160 | 109,897,681 | 12% |
| 026 Refund of Erroneous Receipts | 2,268,000 | 5,401,402 | 5,369,325 | 1% |
| Total Statutory & Centralized | 5,803,233,722 | 4,713,472,143 | 3,238,592,677 | 31% |
| Total Recurrent Expenditure | 18,046,814,931 | 17,833,197,015 | 15,554,773,295 | 13% |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

Appendix 3: Controlled Entities and Investments – Status of Annual Reporting (As at 18 August 2022) Table 19: Reporting status per entity

| MINISTRY | ENTITY | LATEST AUDITED FINANCIAL STATEMENTS | AUDIT OPINION | OUTSTANDING FINANCIAL STATEMENTS | FINANCIAL PERIOD | REMARKS |
|----------------------------|--|-------------------------------------|---------------|----------------------------------|--------------------------|--|
| HEALTH | BAYLOR COLLEGE OF MEDICINE- CHILDRENS FOUNDATION LESOTHO | 2015/16 | UNQUALIFIED | 2016/17-2020/21 | JULY TO JUNE | AUDIT FOR 2016/2017 IN PROGRESS. |
| | NATIONAL DRUG SERVICE ORGANISATION | 2020/21 | UNQUALIFIED | 2021/22 | APRIL TO MARCH | 2021/22 AUDIT STILL IN PROGRESS |
| | LESOTHO NURSING COUNCIL | 2012/13 | QUALIFIED | 2014/15 - 2021/22 | | |
| | ST.JOSEPH'S HOSPITAL | 2018/19 | UNQUALIFIED | 2019/20 - 2021/22 | | |
| | ROMA COLLEGE OF NURSING | 2019/20 | UNQUALIFIED | 2020/21 | | |
| | LESOTHO CATHOLIC BISHOPS CONFERENCE HEALTH DEPARTMENT CONFERENCE ACCOUNT | 2019/20 | UNQUALIFIED | 2020/21 | | |
| | PARAY MISSION HOSPITAL | 2019/20 | QUALIFIED | 2020/21 | | |
| EDUCATION | COUNCIL ON HIGHER EDUCATION | 2019/20 | UNQUALIFIED | 2018/19-2019/20 | | |
| | EXAMINATION COUNCIL OF LESOTHO | 2020/21 | UNQUALIFIED | 2021/22 | APRIL TO MARCH | THERE WAS SUBMISSION OF 2018/2019 AND 2019/2020 AUDIT FINANCIAL STATEMENTS FROM 2009/10 - 2017/18 SUBMITTED FOR AUDIT. |
| | LESOTHO COLLEGE OF EDUCATION | 2008/09 | DISCLAIMER | 2009/10 - 2021/22 | | |
| | LEROThOLI POLYTECHNIC | 2007/08 | QUALIFIED | 2008/09 - 2021/22 | | 2016/17 SUBMITTED FOR AUDIT. |
| | CENTRE FOR ACCOUNTING STUDIES | 2021/22 | UNQUALIFIED | NIL | APRIL TO MARCH | |
| | NATIONAL UNIVERSITY OF LESOTHO | 2019/20 | UNQUALIFIED | 2020/21- 2021/22 | JULY TO JUNE | THERE WAS A SUBMISSION OF 2018/2019 AND 2019/2020 AUDIT REPORTS. |
| FINANCE | LESOTHO REVENUE AUTHORITY | 2021/22 | UNQUALIFIED | NIL | APRIL TO MARCH | |
| | PENSION FUND | | | | | |
| | ROAD FUND | 2020/21 | QUALIFIED | 2021/22 | APRIL TO MARCH | |
| | AVANI LESOTHO (PTY) LTD | 2019 | UNQUALIFIED | 2020 -21 | JANUARY TO DECEMBER | |
| | LESOTHO INSTITUTE OF ACCOUNTANTS | 2020/21 | UNQUALIFIED | 2021/22 | JULY TO JUNE | 2021/22 AUDIT REPORT STILL IN PROGRESS. |
| | CENTRAL BANK OF LESOTHO | 2018 | UNQUALIFIED | 2019 - 2021 | JANUARY TO DECEMBER | |
| | LESOTHO CONTINUOUS SURVEY METHODOLOGY PROJECT | 2016/17 | UNQUALIFIED | 2017/18-2020/21 | | |
| | PETROLEUM FUND | 2018/19 | UNQUALIFIED | 2020/21 | | |
| | MHG LESOTHO (PTY)LTD | 2018/19 | UNQUALIFIED | 2019/20-2020/21 | | |
| | OK BAZAARS LESOTHO(PLC) | 2018/19 | UNQUALIFIED | 2019/20-2020/21 | JULY TO JUNE | |
| AGRIC | FINANCIAL INTELLIGENCE UNIT | 2018/19 | | 2019/20-2020/21 | | |
| | LESOTHO NATIONAL DAIRY BOARD | 2016/17 | | 2018/19-2020/21 | | |
| | MALUTI MOUNTAIN BREWERY | 2020 | UNQUALIFIED | | 2021 JANUARY TO DECEMBER | |
| PRIME MINISTER'S OFFICE | NATIONAL AIDS COMMISSION | 2018/19 | UNQUALIFIED | 2019/20-2020/21 | | |
| COMMUNICATIONS | LESOTHO COMMUNICATIONS AUTHORITY | 2018/19 | UNQUALIFIED | 2019/20-2020/21 | | |
| | LESOTHO POSTAL SERVICES | 2007/08 | DISCLAIMER | 2008/09-2020/21 | | |
| | LESOTHO POST BANK | 2021 | UNQUALIFIED | NIL | JANUARY TO DECEMBER | |
| PUBLIC WORKS AND TRANSPORT | LESOTHO FREIGHT AND BUS SERVICE | 2008/09 | QUALIFIED | 2009/10-2019/20 | | |
| | ROADS DIRECTORATE | 2014/15 | QUALIFIED | 2015/16-2019/20 | | |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| MINISTRY | ENTITY | LATEST AUDITED FINANCIAL | AUDIT OPINION | OUTSTANDING FINANCIAL | FINANCIAL PERIOD | REMARKS |
|---|---|--------------------------|-----------------|-----------------------|------------------|------------------------------------|
| ENERGY | LESOTHO ELECTRICITY COMPANY (PTY) LTD | 2020/21 | ADVERSE | 2021/22 | APRIL TO MARCH | |
| | LEC COMMUNICATIONS (PTY)LTD | 2019/20 | UNQUALIFIED | 2020/21 | | |
| | LEC (PTY)LTD URBAN DISTRIBUTION REHABILITATION AND TRANSMISSION EXPANSION PROJECT | 2018/19 | UNQUALIFIED | 2019/20-2020/21 | | |
| | LESOTHO ELECTRICITY AND WATER AUTHORITY | 2020/21 | UNQUALIFIED | 2021/22 | APRIL TO MARCH | 2021/22 AUDIT IS STILL IN PROGRESS |
| LABOUR | DIRECTORATE OF DISPUTE PREVENTION AND RESOLUTION | 2014/15 | UNQUALIFIED | 2015/16-2019/20 | | |
| | WORKMEN'S COMPENSATION FUND | 2010/11 | ADVERSE | 2011/12-2019/20 | | |
| TOURISM | LESOTHO TOURISM DEVELOPMENT CORPORATION | 2020/21 | UNQUALIFIED | 2021/22 | APRIL TO MARCH | |
| LOCAL GOVERNMENT & CHIEFTAINSHIP | LESOTHO HOUSING AND LAND DEVELOPMENT CORPORATION | 2010/11 | DISCLAIMER | 2018/19 - 2020/21 | | |
| | LAND ADMINISTRATION AUTHORITY | 2020/21 | UNQUALIFIED | 2021/22 | APRIL TO MARCH | |
| SMALL BUSINESS | LESOTHO SPORTS AND RECREATION COMMISSION | | | | | |
| | BASOTHO ENTERPRISES DEVELOPMENT CORPORATION | 2016/17 | UNQUALIFIED | 2017/18-2020/21 | | |
| | LESOTHO CHAMBER OF COMMERCE | | | | | |
| | LESOTHO OPPORTUNITIES INDUSTRIAL CENTRE | 2014/15 | DISCLAIMER | 2015/16-2020/21 | | |
| | PARTIAL CREDIT GUARANTEE FUND | | | | | |
| WATER | METOLONG AUTHORITY | 2018/19 | UNQUALIFIED | 2019/20-2020/21 | | |
| | WATER AND SEWERAGE COMPANY | 2020/21 | DISCLAIMER | 2021/22 | APRIL TO MARCH | |
| | LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY | 2015/16 | UNQUALIFIED | 2016/17-2020/21 | | |
| | LESOTHO HIGHLANDS WATER COMMISSION | 2015/16 | UNQUALIFIED | 2016/17-2020/21 | | |
| | MASERU WASTE WATER PROJECT | 2019/20 | UNQUALIFIED | 2020/21-2021/2022 | APRIL TO MARCH | |
| MINING | MOTHAE DIAMONDS | 2015/16 | ADVERSE OPINION | 2016/17-2020/21 | | |
| TRADE | LESOTHO LIQUOR DISTRIBUTORS PTY LTD | 2018/19 | UNQUALIFIED | 2019/20 | | |
| | LOTI BRICK (PROPRIETARY) LIMITED | 2018/19 | DISCLAIMER | 2019/20-2020/21 | | |
| | LESOTHO NATIONAL DEVELOPMENT CORPORATION AND ITS SUBSIDIARY COMPANIES | 2019/20 | UNQUALIFIED | 2020/21-2021/22 | APRIL TO MARCH | |

PART 2

AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

CHAPTER 1: INTRODUCTION

1.1. SUBMISSION AND AUDIT OF FINANCIAL STATEMENTS

Regarding Section 35(3) of the Public Financial Management and Accountability (PFMA) Act 2011, Consolidated Financial Statements (CFS) shall be prepared per the International Public Sector Accounting Standards (IPSAS), and shall be submitted to the Auditor-General for audit within five months of the end of the financial year. Section 37(1) states that the Minister shall present audited Consolidated Financial Statements to Parliament within eight months of the end of the financial year to which they relate.

1.2. SHIFT TOWARD ACCRUAL BASIS OF ACCOUNTING

Section 62 of the PFMA Act 2011, states that until the Minister publishes the date of commencement of the accrual basis of accounting, the financial statements will continue to be prepared according to IPSAS cash basis.

1.3. EXECUTIVE SUMMARY

In line with the broad mandate given to the Auditor-General, the 2021/2022 annual audit report of the Consolidated Financial Statements of the Government, Statutory Bodies, and Development Projects of the Government for the financial year 2021/2022, is herewith presented.

The Auditor-General audited the Consolidated Financial Statements as presented by the Accountant-General. Further to this, nine (9) authorities and corporations, nine (9) companies in which the Government has a shareholding of over fifty-one (51) percent, nineteen (19) other statutory bodies, one (1) trading account, twenty-two (22) development projects and sixty-eight (68) CHAL Institutions were audited. They had presented financial statements for the year 2021/22, as well as in some cases for the other statutory bodies, those dating from as far back as 2009.

The financial year 2021/2022 was still a difficult year for the fiscus, coming on the back of the COVID-19 pandemic, which led to economic downturn in all major sectors, and which slowdown is expected to continue for a few years.

As with previous audit reports, the main objectives were to draw the attention of various stakeholders to the management of the financial affairs of the government, highlighting areas of weakness and making recommendations.

The Auditor-General is mandated to ensure that the financial statements prepared present a fair view of the utilisation of the funds as appropriated by Parliament.

Whilst there were improvements in some of the areas, in many others, the lack of compliance to legal provisions and standards continued to prevail, whilst in other cases, even prior year findings had yet to be addressed. The other main area of deficiency noted was in the delayed presentation of financial statements for auditing on an annual basis, as well as in the audit reports being tabled before Parliament for review.

Recommendations to improve the management, transparency and accountability of public monies have been made. What remains, is for Chief Accounting Officers and other Officers charged with accounting responsibilities, to ensure compliance with the provisions of the Public Financial Management Accountability Act and Treasury Regulations, for the proper discharge of monies appropriated by Parliament.

CHAPTER 2: CASH MANAGEMENT

2.1. CASH BALANCES

The cash basis of accounting only recognises transactions and events when cash (including cash equivalents), is received or paid by the entity. This method does not consider accounts receivable or accounts payable. Financial statements prepared under the cash basis provide readers with information on sources of cash raised during the period, the purpose for which cash was used, and the cash balances at the reporting date. The focus of measurement in the financial statements is on balances of cash and changes therein.

In the financial years 2015/16 and 2016/17, the opening and closing cash balances were not disclosed in the Statement of Cash Receipts and Payments. In 2021/2022, there is an unexplained difference between the cash balances in the Statement of Cash Receipts and Payments and the explanatory notes which stands at M5.3 billion. These differences are indicated in **Table 2**.

There has always been a lack of explanation or disclosure regarding the variances between cash balances at the end of the year, and explanatory notes. As previously mentioned, the focus of measurement in the financial statements under the cash basis of accounting is on balances of cash and changes therein. This raises concerns regarding the Accountant-General's ability to substantiate the balance of cash held by the Government of Lesotho (GoL), at the end of each financial year.

Table 2: Status of Cash Balances for the Past 7 Financial Years

| Financial Year | Cash at the beginning of the year per Statement of Cash Receipts and Payments | Cash at the end of the year per Statement of Cash Receipts and Payments | Explanatory notes on cash balances at the end of the year | Unexplained Variance |
|----------------|---|---|---|----------------------|
| | M'000 | M'000 | M'000 | M'000 |
| A | B | C | D | E=C-D |
| 2015/16 | Not stated | Not stated | 8,914,270 | - |
| 2016/17 | Not stated | Not stated | 5,873,154 | - |
| 2017/18 | 5,307,140 | 4,837,194 | 4,714,176 | 123,018 |
| 2018/19 | 4,837,194 | 6,798,830 | 6,328,028 | 470,802 |
| 2019/20 | 6,798,830 | 8,724,444 | 5,311,184 | 3,413,260 |
| 2020/21 | 8,724,444 | 11,620,367 | 5,462,996 | 6,157,371 |
| 2021/22 | 11,620,367 | 9,914,660 | 4,606,781 | 5,307,879 |

Source: Audit Reports and Consolidated Financial Statements

2.2. CASH POSITION

According to Section 74 of the Treasury Regulations 2014, the Accountant-General has authority to establish and maintain agreements with the Central Bank of Lesotho (CBL), to define and operate the Consolidated Fund bank account's structure, including sub-accounts. The Accountant-General also has authority to establish and maintain agreements with commercial banks for the operation of other official bank accounts.

Note 15 of the Financial Statements shows that as at 31 March 2022, there were 383 accounts, comprising 366 bank accounts and 17 mobile network operator accounts. The CBL held 93 accounts with a total balance of M3.517 billion, while commercial banks held 273 accounts with a total of M1.080 billion. Moreover, local mobile network operators held 17 accounts with a total of M9.705 million, resulting in a total cash balance of M4.607 billion for the year under review. The cash position is shown in **Table 3**.

However, the Consolidated Statement of Cash Receipts and Payments showed that the Government had a cash balance of M9.900 billion as at 31st March 2022.

Audit Concern

There is a discrepancy of M5.308 billion as of 31st March 2022, which continues to be a matter of concern to the integrity of the Financial Statements.

Table 3: Cash position as at 31st March 2022

| Accounts | Central Bank of Lesotho | | Commercial Banks | | Mobile Network Operators | | TOTAL | |
|-------------------------------|-------------------------|------------------|------------------|----------------|--------------------------|--------------|-----------------|------------------|
| | No. of accounts | Amount M'000 | No. of accounts | Amount M'000 | No. of accounts | Amount M'000 | No. of accounts | Amount M'000 |
| HEAD CONTROLLED ACC. | | | | | | | | |
| Locally denominated | 21 | 6,290 | 167 | 657,051 | - | - | 188 | 663,341 |
| Foreign currency | 52 | 400,052 | 29 | 120,122 | - | - | 81 | 520,174 |
| Mobile Networks operators | - | - | - | - | 17 | 9,705 | 17 | 9,705 |
| TOTAL | 73 | 406,342 | 196 | 777,173 | 17 | 9,705 | 286 | 1,193,220 |
| TREASURY ACCOUNTS | | | | | | | | |
| Locally denominated | 11 | 1,078,183 | 10 | 88,863 | - | - | 21 | 1,167,046 |
| Foreign currency | - | - | 1 | 3,645 | - | - | 1 | 3,645 |
| Debt & Debt Servicing Account | 3 | 1,475,767 | - | - | - | - | 3 | 1,475,767 |
| TOTAL | 14 | 2,553,950 | 11 | 92,508 | | | 25 | 2,646,458 |
| SPECIAL FUNDS ACCOUNTS | 4 | 206,141 | 30 | 176,908 | - | - | 34 | 383,049 |

| | | | | | | | | |
|-----------------------------|-----------|------------------|------------|------------------|-----------|--------------|------------|------------------|
| TOTAL | 4 | 206,141 | 30 | 176,908 | - | - | 34 | 383,049 |
| TOTAL GOVT ACC. | 91 | 3,166,433 | 237 | 1,046,589 | 17 | 9,705 | 345 | 4,222,727 |
| SOEs ACCOUNTS | - | - | 8 | 3,509 | - | - | 8 | 3,509 |
| TOTAL | - | - | 8 | 3,509 | - | - | 8 | 3,509 |
| MONIES HELD IN TRUST | 2 | 350,379 | 28 | 30,166 | - | - | 30 | 380,545 |
| TOTAL | 2 | 350,379 | 28 | 30,166 | - | - | 30 | 380,545 |
| GRAND TOTAL | 93 | 3,516,812 | 273 | 1,080,264 | 17 | 9,705 | 383 | 4,606,781 |

Source: Consolidated Financial Statements

2.3. RECONCILING ITEMS

The Accountant-General has attributed the unaccounted cash balance of M6.157 billion in 2020/2021, to incomplete reconciliation of cash balances. In an ongoing effort to address this issue of unaccounted-for cash, the Accountant-General's Office indicated that they have reconciled a sum of M1.665 billion from the accounting records, spanning the period from 2019/2020 to 2020/2021. This comprehensive reconciliation exercise encompassed a total of eight (8) different items and involved 627 individual transactions.

However, the explanations provided since submission of the initial draft financial statements, do not fully validate the discrepancy between the Financial Statements and the bank balances. The verification exercise revealed that out of the reported reconciled amount of M1.67 billion, only M1.13 billion (68%) was supported with documentary evidence, and the balance of M532 million lacked documentary evidence as illustrated in **Table 4**.

The reconciling items mentioned were not fully quantified to determine the exact amount that may have contributed to the variance. As a result, the difference of M6.157 billion was only partially accounted for.

Table 4: Reconciling Items

| Item description | Reported reconciled amount M'000 | Supported amount M'000 | Unsupported amount M'000 | Remarks |
|--------------------------------------|---|-----------------------------------|-------------------------------------|--|
| Fraudulent transactions | 5,331 | 4,413 | 918 | 8 out of 10 transactions were supported and verified |
| Payments made outside IFMIS | 1,732,010 | 1,207,212 | 524,798 | 280 out of 345 transactions were supported and verified |
| Softech Issues | (96,133) | (80,174) | (15,959) | 74 out of 162 transactions were supported and verified |
| Foreign Losses | 7,517 | - | 7,517 | There was no supporting evidence for all 11 transactions |
| Voided but paid transactions | 5,005 | 319 | 4,686 | 12 out of 36 transactions were supported and verified |
| Bank queries | 10,944 | 603 | 10,341 | 10 out of 40 transactions were supported and verified |
| Duplicate payments | 77 | 77 | - | This 1 transaction was supported and verified |
| Transactions for management decision | 27 | 11 | 17 | 5 out of 22 transactions were supported and verified |
| Total | 1,664,778 | 1,132,461 | 532,317 | |

Source: Payment Vouchers, Treasury Transaction Lists

2.3.1 Payments Made Outside IFMIS

It is important at this juncture to note that payments made outside the Integrated Financial Management Information System (IFMIS) consist of five (5) components, namely External Debt, Domestic Debt (Treasury bills and Treasury bonds), Subscriptions to International Organisations, Interest payments for Members of Parliament and Statutory positions, and Unclassified payments, as shown in

Table 5.

Three (3) components were supported by documentary evidence, except for Domestic Debt and Unclassified transactions shaded in the table. Those three (3) components accounted for 70% or M1,207 billion of the total amounts.

Table 5: Payments Made Outside IFMIS

| Description | Total Adjustment/ Reconciling amount | Total No. of transactions |
|---|---|------------------------------|
| | M '000 | |
| External Debt | 982,499 | 203 |
| Domestic Debt – Treasury bills and Treasury bonds | 524,250 | 59 |
| Subscriptions to International Organisations | 222,311 | 70 |
| Interest payments for MPs and Statutory Positions | 2,401 | 7 |
| Unclassified payments / Unknown by Public Debt Department | 548 | 6 |
| TOTAL | 1,732,009 | 345 |
| Transactions supported with evidence | 1,207,212 | |
| Transactions not supported with evidence | 524,798 | |

Source: Debt records, Treasury transaction lists

2.3.2 Fraudulent Transactions

The verification of reconciliation of the cash book by the Accountant-General spanned the period from April 1, 2019, to August 2021.

Contrary to the amount of M1.2 million in payment vouchers posted to the cash books, the payment vouchers were different from the instruction letters submitted to the CBL for payment in respect of payee details and amounts, resulting in the CBL processing unauthorised payments of M48.7 million. The latter payments were made to companies that were not verifiable with the Ministry of Trade.

The details of payment vouchers as posted in the cash book are shown in columns A, B and D in **Table 6**. However, the transactions tampered with in respect of descriptions, payees, amounts, and particulars, and paid by CBL, appear in columns C and E in **Table 6**. For full details refer to **Appendix 3**.

Table 6: Fraudulent Transactions

| Date per letter of Instruction to the Central Bank | Instruction Number | Fictitious Payee | Cash book Amount unpaid M | Fraudulent Amount Paid by the Central Bank M |
|---|---------------------------|--------------------------------------|--------------------------------------|---|
| A | B | C | D | E |
| RECURRENT EXPENDITURE | | | | |
| 19/1/2020 | 002PVR21001029 | Victorious General Dealer | 24,285 | 96,385 |
| 05/02/2021 | 003PVR21002414 | Victorious General Dealer | 1,583 | 94,854 |
| 04/12/2020 | 048PVR21000278 | Hazalnut General Dealer | 1,380 | 75,895 |
| 14/01/2021 | 003PVR21001753 | Moletsima General Dealer | 112,884 | 82,752 |
| 01/03/2021 | 042PVR21000921 | Moletsima General Dealer | 3,408 | 96,854 |
| 03/02/2021 | 003PVR21000964 | Ruru Online Pty Ltd | 872,000 | 1,826,384 |
| 21/04/2021 | 002PVR21001491 | HILFD Suppliers Pty Ltd | 9,964 | 1,942,670 |
| 09/02/2021 | 052PVR21000019 | Vedilrus (Pty) Ltd | 117,845 | 942,670 |
| TOTAL | | | 1,143,349 | 5,158,464 |
| DEVELOPMENT EXPENDITURE | | | | |
| 28/01/2021 | 013PVR21001213 | MRP Enterprises (Pty) Ltd | 32,591 | 1,289,945 |
| 11/02/2021 | 013PVR21001213 | MRP Enterprises (Pty) Ltd | 32,591 | 1,289,945 |
| 09/02/2021 | 015PVR21000626 | Rusten Water Solutions (Pty) Ltd | 11,435 | 745,182 |
| 03/08/2021 | 051PVR22000308 | Sunny Penny Pty Ltd | 950 | 31,746,267 |
| 29/04/2021 | 003PVR22000091 | Plexus Supplier (Pty) Ltd | - | 673,000 |
| 16/07/2021 | 052PVR22000181 | Stone Cerfew Holdings Pty Ltd | 800 | 2,873,876 |
| TOTAL | | | 78,367 | 38,618,215 |
| PAID WITHOUT LETTERS OF INSTRUCTIONS AND NO DESCRIPTIONS | | | | |
| No letter to CBL | 013PVR22000092 | No description on bank statement | 200 | 3,973,454 |
| No letter to CBL | 003PVR22000088 | No description on the bank statement | 5,407 | 965,000 |
| TOTAL | | | 5,607 | 4,938,454 |
| GRAND TOTAL | | | 1,227,323 | 48,715,133 |

Source: Bank Statements, Instruction letters, Treasury List of Fraudulent Payments

2.4 INCONSISTENT INFORMATION

I would like to emphasise the issue regarding an instruction letter number 052PVR21000199, dated 20/01/2021. This letter authorised a payment of M942,670, which was later discovered to be fraudulent. The same instruction number was mentioned in the 'Particulars' column, while a different instruction number (052PVR21000019), was recorded in the transfer reference column on CBL bank statement. This inconsistency in information has led to confusion and requires immediate attention.

Payments made without supporting evidence increase the risk of financial loss. Without proof of payment, it may be difficult to track and recover funds if there are discrepancies, or if the recipient fails to fulfil their obligations, thus making it easier for misconduct or mismanagement to occur. Individuals or organisations could also falsely claim payments for goods or services that were never delivered.

Recommendation

I recommended that it is important to maintain proper documentation and evidence for all financial transactions. These include invoices, receipts, contracts, emails, or any other relevant records, that can verify the payment and the terms of the transaction.

2.5 DUPLICATION OF PAYMENTS

The audit revealed an incident involving fraudulent payment instructions issued to the Central Bank. Instruction letter number 013PV21001213, was exploited to make duplicate payments totalling M2.6 million to the same payee, MRP Enterprises (Pty) Ltd, on 28th January 2021, and 11th February 2021.

This situation highlights a violation of Treasury Regulations, 2014, Section 24 (g) which states that each payment voucher must be assigned a unique registration number. Furthermore, it raises concerns regarding the weaknesses within the payment system between the Treasury and CBL, in failing to detect duplicate payments.

2.6 TRIPLE PAYMENTS

During the audit process, it was discovered that a portion of payments totalling M59,404, originally reported as double payments by the Treasury Department, were actually paid thrice, instead.

This finding was revealed through a review of the bank statements, which consequently led to a total payment of M178,213, in this case.

It was observed that a single payment voucher number was utilised to authorise the payment of the identical amount to the same payee on three separate dates. **Table 7** illustrates this discrepancy.

Table 7: Triple Payments

| Payment Voucher Number | Payee | Payment Date (Bank) | Amount per Bank Statement M |
|-------------------------------|------------------------------------|----------------------------|------------------------------------|
| 044PVR20000695 | Data Deal Security Systems | 29/01/2020 | 12,671 |
| | Data Deal Security Systems | 30/01/2020 | 12,671 |
| | Data Deal Security System | 27/04/2020 | 12,671 |
| 024PVR20000621 | SANIJOB HYGIENE | 21/04/2020 | 11,259 |
| | SANIJOB HYGIENE | 27/04/2020 | 11,259 |
| | SANIJOB HYGIENE | 19/06/2020 | 11,259 |
| 039PVR21000116 | Payee not mentioned | 21/07/2020 | 34,875 |
| | Gol Salaries Nedbank | 28/07/2020 | 34,875 |
| | Gol Salaries Nedbank | 29/07/2020 | 34,875 |
| 009PVR21000248 | Payee not mentioned | 27/07/2020 | 600 |
| | Gol Salaries Standard Lesotho Bank | 29/07/2020 | 600 |
| | Gol Salaries Standard Lesotho Bank | 05/08/2020 | 600 |
| TOTAL | | | 178,213 |

Source: Bank statements, Treasury Reconciliation Analysis (Bank queries)

2.7 DOUBTFUL REVERSALS OF PAYMENTS

The review highlighted a further incident involving a payment of M9.9 million dated 30th July 2021, that was transferred using instruction number 051PVR22000237, as revealed by the bank statement. However, the CBL took corrective action and reversed the payment on 2nd September 2021. The payment was once again made on the same date 2nd September 2021, with the identical instruction number. Nonetheless, the Bank reversed the payment yet again on 7th September 2021. This duplicated payment and reversals and the circumstances surrounding the reversals were suspicious.

2.8 DIFFERENCES IN CASH DECREASE

Note 15 to the Consolidated Financial Statements (CFS) revealed a cash decrease of M856 million from M5.463 billion to M4.607 billion, between 31st March 2021 and 31st March 2022.

However, the Consolidated Statement of Cash Receipts and Payments reflects a decrease of M537 million which differs from M856 million. **Appendix 4** contains more details.

Audit Concern:

These variances cast doubt on the accuracy of the reported cash balances.

Inaccurate financial reporting can have adverse consequences for the government and users of the financial statements such as investors, and other external stakeholders.

Over-reporting cash flows can lead to cash overflow problems and an inability to settle government liabilities, while under-reporting cash flows can result in missed critical expenditures.

Recommendation

I recommended that it is crucial to address the issues surrounding the discrepancies in the Financial Statements to ensure accurate cash balances.

2.9 VARIANCES BETWEEN NOTE 15 TO THE CONSOLIDATED FINANCIAL STATEMENTS AND BANK BALANCE CONFIRMATION CERTIFICATES

Verification of bank balances per Note 15 to the CFS and bank confirmations received, revealed differences of M1.105 million on accounts held at Lesotho PostBank, and M0.138 million held in Foreign Missions. A detailed breakdown of the variance can be found in **Table 8**.

Table 8: Variances Between Note 15 and Bank Confirmations as at 31 March 2022

| Banks & Mobile Network Operations | Note 15 to the Consolidated Financial Statements | | Bank Confirmations | | Variance | |
|-----------------------------------|--|----------------|--------------------|----------------|-----------------|----------------|
| | No. of accounts | Amount ('M000) | No. of accounts | Amount ('M000) | No. of Accounts | Amount ('M000) |
| | A | B | C | D | E | F = D-B |
| BANKS | | | | | | |
| Lesotho Post Bank | 41 | 415,429 | 43 | 416,534 | 2 | 1,105 |
| Foreign Missions | 26 | 78,828 | 26 | 78,690 | - | (138) |
| TOTAL | 67 | 494,257 | 69 | 495,224 | 2 | |

Source: Consolidated Financial Statements and Bank confirmations

The table shows a breakdown of the figures and variances as at 31 March 2022, as reported in the CFS and bank confirmations. The discrepancies in the figures were caused by various factors, not limited to the following: -

- a. Two bank accounts, totalling M1.1 million, held at Lesotho PostBank, were omitted from Note 15 of the CFS. Consequently, this omission resulted in an understatement of the CFS by the same amount.
- b. The variance of M0.138 million on accounts held in Foreign missions was attributed to an incorrect conversion rate applied by the Ministry of Foreign Affairs as of 31 March 2022.

Audit Concern

These differences raise a concern on the accuracy of the CFS, particularly regarding the bank balances reported in Note 15. Inadequate reconciliations between the books of accounts and bank records have been a significant factor contributing to discrepancies between ministerial records and bank confirmations.

Recommendation

I recommended that it is essential to investigate and reconcile the variances to ensure that the Financial Statements accurately reflect the true state of the Government's finances.

2.10 DELAYED ACTION ON DORMANT/INACTIVE BANK ACCOUNTS

A dormant or inactive account is defined as an account that has not been used for a specified period, typically over a year. According to Section 83(1) of the Treasury Regulations 2014, the Chief Accounting Officer (CAO) should seek approval from the Accountant-General to close any official bank account that is no longer required.

As of 31st March 2022, a review of bank accounts reflected on **Table 9**, revealed that twelve (12) accounts, held at Standard Lesotho Bank and Lesotho Postbank, with a total balance of M40.839 million, were dormant or inactive.

Audit Concern

The Accountant-General delays to act on dormant/inactive accounts posing a risk of theft, fraud, missappropriation and embezzlement.

Table 9: Dormant Accounts

| Account Name | Ministry | Amount (M'000) | Comments from Treasury |
|------------------------------------|------------------|----------------|--|
| STANDARD LESOTHO BANK | | | |
| LMDA-GoL Performance | Finance | 40,003 | Account still dormant due to ongoing litigation (case- David Rasethunts'a vs LMDA) |
| Lithipeng F04 Community | Local Government | 203 | These accounts were dormant at reporting time but are currently active. |
| Khoelenyane F03 Community | Local Government | 207 | |
| Senqunyane F06 Community | Local government | 218 | |
| Qhoasing F06 Community | Local Government | 206 | |
| GoL Private Sector Competitiveness | Trade | 0.87 | Measures were taken to close the account on 9/12/2022 |
| Capital Project Fund M/h | Local Government | 0 | Measures taken to close the accounts in 2022/23 |
| Quthing Decentralisation | Local Government | 0 | |
| Local Government Services | Local Government | 0 | |

| | | | |
|---|--------------------------|---------------|--|
| District Councils Capital | Local Government | 0 | |
| Police Burial Society | Police and Public safety | 0 | The account is currently active |
| Total | | 40,838 | |
| STANDARD LESOTHO BANK FOREIGN CURRENCY | | | |
| EU-1 st Africa | Communications | 0 | Account closed in following year (2022/23) |
| LESOTHO POST BANK | | | |
| Lesotho Mounted Police | Police and Public Safety | 2 | Logistics underway for account closure |
| Victoria rent Collections | Finance | 0 | Account closed in August 2022 |
| Total | | 2 | |
| TOTAL | | 40,839 | |

Source: Bank Confirmations

Recommendation

I recommended that the Accountant-General should review all official bank accounts annually, close any unnecessary or invalid accounts, and transfer any remaining balances to the Consolidated Fund bank account.

2.11 UNRECONCILED CASH BALANCES AT THE FOREIGN MISSIONS

Treasury Regulations, 2014 Section 81 requires bank reconciliations to be performed and discrepancies to be resolved in a timely manner.

However, discrepancies such as unrepresented payments, late receipts or deposits, and other issues can arise, which need to be carefully addressed and resolved timeously.

Audit Concern

In reviewing bank reconciliation statements for accounts operated in Foreign Missions, I identified discrepancies that require attention, specifically: -

- a. The current accounts for Berlin and New Delhi missions and the Durban Consulate did not reconcile with the cashbook balances as at 31st March 2022. This issue has been previously reported for the unreconciled accounts of Berlin and the Durban Consulate, for the past years.

Despite recommendations made since 2019/2020, this recurring problem has not been resolved, and the unreconciled accounts for the Durban Consulate have escalated from M0.03 million in 2020/2021 to M0.15 million, at the end of March 2022.

The unreconciled amounts are shown on **Appendix 5**.

b. **Incorrect Bank Reconciliation Statements**

The confirmation received from the Lesotho Brussels bank account as at 31st March 2022 showed a balance of EUR0.2 million. I noted that the balance reflected on the bank reconciliation statement of 31st March 2022 was stated as EUR0.24 million which was the balance on 1st March 2022. Consequently, this bank reconciliation statement was inaccurate.

c. **Non-availability of Bank Reconciliation Statements**

I found that most of the reconciliations for foreign missions were being completed per Regulation, except for three mission bank accounts totalling M1.067 million, as seen on **Appendix 6**.

The failure by Accounting Officers to reconcile government records with bank accounts holding public funds, has led to the anomalies that have been identified in the preceding sections.

This hindered my ability to evaluate the accuracy and completeness of these accounts.

Recommendation

I recommended that the Accountant-General should ensure that responsible Accounting Officers perform regular reconciliations on all accounts in line with Regulation 81, to provide accurate financial reporting. This is to prevent fraud, embezzlement of public funds and avoid financial burdens such as overdraft fees.

CHAPTER 3: CASH RECEIPTS

The Government of Lesotho derives its receipts from two main streams: recurrent and capital. Recurrent receipts consist of direct and indirect taxes, fees, charges, and dividends. Revenue receipts are included within this category. On the other hand, capital receipts comprise miscellaneous receipts and external funds, including loans and grants. Government ministries responsible for revenue collection are given targets based on approved estimates for each financial year.

In the Consolidated Financial Statements (CFS), revenue figures are actual receipts, some of which may not relate to the current financial year. Revenue arrears realised from previous years are accounted for as current revenue in the year of collection.

3.1 DIVIDENDS

While the situation has slightly improved compared to the previous years, the entities shown in **Table 10**, have not declared dividends for the four years 2018/19 to 2021/22, except National Insurance General Group, which only declared once, four years ago.

Table 10: Dividends Not Received

| Entity | Government ownership % | Dividends received in 2021/22 M'000 | Dividends received in 2020/21 M'000 | Dividends received in 2019/20 M'000 | Dividends received in 2018/19 M'000 | Comment |
|----------------------------------|------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-----------------|
| Kao Mining | 25 | - | - | - | - | |
| Liqhobong Mining Development | 25 | - | - | - | - | |
| Lemphane Diamonds | 26.50 | - | - | - | - | |
| Gem Stone (Show Ridge) | 25 | - | - | - | - | |
| Reskol Diamond Mine | 10 | - | - | - | - | |
| National Insurance General Group | 20 | - | - | - | - | |
| National Life Insurance | 12 | - | - | - | √ | |
| Econet Lesotho | 30 | - | - | - | - | |
| Lesotho Flour Mills | 49 | - | - | - | - | |
| Avani International | 36.40 | - | - | - | - | LNDC owns 16.7% |

| | | | | | | |
|------------|-------|---|---|---|---|-----------------------|
| Loti Brick | 22.80 | - | - | - | - | LNDC owns 73.6% |
|------------|-------|---|---|---|---|-----------------------|

Source: Consolidated Financial Statements

3.2 COMPARISON OF THE CONSOLIDATED FINANCIAL STATEMENTS, MINISTRIES' FINANCIAL STATEMENTS AND IFMIS LEDGER

Treasury Regulation, 2014 Section 95 read along with Section 35 of the Public Finance Management Act (PFMA) and International Public Sector Accounting Standards (IPSAS) 35, provide for the consolidation of the ministerial financial statements. The Financial Statements are prepared based on the Integrated Financial Management Information System (IFMIS) ledger, which comprises head-controlled accounts, Treasury accounts, and third-party accounts. As such, the CFS, ministries' accounts, and IFMIS ledger, should reflect the same information.

Audit Concerns:

There are, however, some concerns that need to be addressed.

- a. Out of the 27-revenue collecting units, only 8 reflected the same figures on the CFS, ministries' financial statements, and IFMIS ledger. The CFS reflected a total figure of M17.326 billion, whereas ministries' financial statements totalled M16.007 billion, and the IFMIS ledger had a total figure of M17.297 billion, as reflected in **Table 11**.
- b. A comparison of the consolidated financial statements and IFMIS ledger revealed an overstatement of the CFS by M29 million. Furthermore, a comparison of ministries' financial statements and IFMIS ledger revealed an understatement of ministries' accounts by M1.291 billion.

These discrepancies indicate that some transactions were not posted in the IFMIS ledger, hence errors in data entry, system malfunctions, or fraudulent activities, among other factors, led to inconsistencies in financial reporting. Another reason for the differences was the inclusion of securities other than shares (incurrence of domestic debt) in the amount of M1.319 billion under recurrent revenue in the IFMIS ledger, whereas the amount should have been classified under loans. This issue was raised in the last report, but it appears to have increased instead from M440 million in 2021 to M1.319 billion in 2022.

Table 11: Comparison of Consolidated Financial Statements, Ministries' Financial Statements and IFMIS Ledger

| Collecting | Consolidated FS Figure | Ministries' FS Figure | IFMIS LEDGER Figure | (Under)/over CFS | (Under)/over MFS |
|--------------------|------------------------|-----------------------|---------------------|------------------|--------------------|
| | M'000 | M'000 | M'000 | M'000 | M'000 |
| A | B | C | D | E=B-D | F=C-D |
| Agriculture | 50,274 | 50,274 | 50,244 | 31 | 31 |
| Health | 7,896 | 7,896 | 1,803 | 6,093 | 6,093 |
| Education | 5,883 | 5,883 | 6,341 | (458) | (458) |
| Finance | 14,987,074 | 13,667,611 | 14,984,953 | 2,121 | (1,317,342) |
| Trade | 12,640 | 12,640 | 10,610 | 2,029 | 2,029 |
| Planning | 60 | 60 | 60 | - | - |
| Justice | 70 | 70 | 34 | 37 | 37 |
| Home Affairs | 11,195 | 11,195 | 11,395 | (200) | (200) |
| Communications | 5,981 | 5,981 | 5,981 | - | - |
| Law | 819 | 819 | 819 | - | - |
| Public Works | 527 | 527 | 527 | - | - |
| Forestry | 53 | 53 | 0 | 53 | 53 |
| Energy | 339,824 | 339,824 | 338,976 | 849 | 849 |
| Labour | 10,216 | 10,216 | 10,217 | (2) | (2) |
| Tourism | 3,428 | 3,428 | 2,622 | 777 | 777 |
| Auditor-General | 983 | 983 | 983 | - | - |
| Defence | 900 | 900 | 900 | - | - |
| IEC | 713 | 713 | 617 | 95 | 9 |
| Local Government | 6,411 | 6,411 | 6,200 | 211 | 211 |
| Gender | 73 | 73 | 51 | 22 | 22 |
| Public Service | 7,632 | 7,632 | 7,595 | 37 | 37 |
| Judiciary | 4,455 | 4,455 | 2,172 | 2,282 | 2,282 |
| Mining | 516,350 | 516,350 | 516,350 | - | - |
| Police | 7,517 | 7,517 | 5,466 | 2,051 | 2,051 |
| Small Business | 272 | 272 | 272 | - | - |
| Water | 1,309,442 | 1,309,442 | 1,309,450 | (8) | (8) |
| Transport | 23,910 | 23,910 | 22,441 | 1,469 | 1,469 |
| Pension/Gratuities | 11,401 | 11,401 | - | 11,401 | 11,401 |
| TOTAL | 17,325,999 | 16,006,536 | 17,297,079 | 28,889 | (1,290,573) |

Source: Consolidated Financial Statements, Ministries' Financial Statements & IFMIS ledger

Recommendation

I recommended that the IFMIS ledger be reconciled to ministerial records monthly, and that the ministerial financial statements be properly consolidated on an annual basis, and any discrepancies be resolved promptly, to ensure that the recorded receipts in the CFS are accurate.

CHAPTER 4: NON-CASH ASSETS

4.1 ACCOUNTS RECEIVABLE AND OTHER REVENUE ARREARS

Accounts receivable represent amounts due to ministries, departments and agencies from individuals or entities which have been provided with goods or services and advances that have not been acquitted/cleared.

Revenue arrears are amounts owed to the government beyond the due date. Year-to-year movements of accounts receivable and revenue arrears must be duly supported by relevant records. Accounts receivables are made up of outstanding amounts in relation to Advances, Rental Arrears, Recovery of Expenditure, Surcharges, Sale of Goods and Services.

The following are the audit concerns in respect of accounts receivables reported in the CFS and or spending units' financial statements: -

Audit Concern:

Undisclosed prior year balances – M415 million

The Accountant-General has reported a total amount M172 million as overdue debt (accounts receivables and revenue arrears) to Government as at 31st March 2022. In addition to M172 million, the audit revealed an undisclosed amount of M415 million from prior years for which there was no evidence of amounts being cleared. **Appendices 7** and **8** show the details.

4.1.1 Advances

- a. Treasury Regulations, 2014 Section 33 (1) establishes all advances and reimbursement thereon. Section (2) requires a Chief Accounting Officer (CAO) to maintain a register of advances, recording full details of advances approved.

Audit Concern

The Ministry of Health Contingency Advance amount of M26 million for acquisition of COVID 19 vaccines was shown as imprest advance both in the Ministry of Health's financial statements and CFS, as opposed to being shown as a contingency advance, and treated appropriately.

The advance erroneously appears under amounts to be appropriated under Supplementary Bill submitted to Parliament.

It was explained that the contingency was not used because the World Bank paid for the vaccines.

Recommendation

I recommended that the advance be removed from the Supplementary Bill and put back into the Contingency Fund.

Further, updates should be made in the register of advances to be properly classified as a contingency advance.

b. Section 31 (a) of the Treasury Regulations states that:

“As long as the Government continues to operate on the cash basis of accounting any payments of public money approved but not paid within a financial year shall be cancelled.”

Audit Concern

An amount of M10 million, which appeared as imprest under the Ministry of Finance in the financial year 2021/2022, was reserved for procurement of vehicles which were, however, only to be delivered in the subsequent financial year 2022/23, in breach of the Regulation.

In future, Ministry of Finance should adhere to the Regulation.

c. Treasury Regulations, 2014 Section 42 read along with Sections 85(1) and (2) of the same Regulations, indicate that advances that are not acquitted after the due dates be treated as a loss of public money.

Audit Concern

The current year balance of M0.8 million under Recovery of expenditure in the Ministry of Police included M0.2 million for the prior year, which should have been treated as a loss due to non-recovery in the appropriate period.

Recommendation

I recommended that the Ministry of Police should comply with the Regulations and continue to recover the full amount.

4.1.2 Standing and travel advances

Treasury Regulations, 2014 Sections 40 (1) and 41 (8) state that a standing advance must be retired before 31st March of each year. A travel advance must be acquitted within fourteen days of the return of the officer from travel, as per the same Regulations.

Furthermore, Section 42 requires that, if it is not possible to recover or acquit an outstanding advance amount within the period set for the purpose, the amount shall be treated as a loss of public money on the advance holder and dealt with in accordance with Part XIV on Losses of Public Money.

Audit Concern

Accounting for Irrecoverable Travel Advances

Outstanding travel advances amount of M1.3 million excluding misclassified imprests in the year under review at 31st March 2022, has not been treated as a loss of public funds on the accounts of the advance holders.

Recommendation

I recommended that this amount be treated as a loss of public funds and dealt with in terms of Part XIV of section 42.

4.2 ON LENT LOANS

The Government provides loans to state-owned enterprises and other entities for specific development purposes. The borrowers are required to pay interest and repay the principal amount under the agreed terms and conditions.

Section 28 (4) and (5) of the Public Financial Management and Accountability (PFMA) Act, indicate that "The Minister may guarantee the repayment of loans on behalf of Government", and that "before approving any borrowing or guarantee, the Minister shall be satisfied that the beneficiary of the borrowing or guarantee has the capacity to repay the amount involved, together with any interest, within the term proposed."

4.2.1 Contracting New on Lent Loans Despite Incapacity to Service Existing Loans

Water and Sewerage Company (WASCO)

Audit Concerns:

- a. WASCO had accumulated payment arrears amounting to M221 million at year end, since 2017. This situation was worsened by the fact that current year's loan instalments on five projects, were not paid as they fell due.
- b. Despite the defaulting status of WASCO, new on-lent loans were issued, namely Five Towns (BADEA) and Greater Maseru Water Supply. It was also established that there were three loan agreements which were contracted for similar project scope. However, one was cancelled after incurring a cost of M0.565 million. This led to fruitless expenditure and likely reputational loss.
- c. There was no loans billing system in place within the Debt Department, as a result, invoices were not being issued, leading to inconsistent settlement of loans by agencies.

Recommendation

I recommended that the Debt Department must improve its debt management, to ensure compliance with loan contracts and the PFMA Act.

CHAPTER 5: LIABILITIES

5.1 DOMESTIC DEBTS

5.1.1 Anomalies in Accounting for Treasury Bills and Bonds

IPSAS Cash Basis requires that all cash receipts and payments should be reported on a gross basis for each sub-classification, except in cases where quick turnover, large amounts, and short maturities justify reporting on a net basis.

Audit Concerns:

- a. Treasury bonds payments, totalling M602 million were incorrectly reported on a net basis, as opposed to the correct treatment of gross basis in terms of IPSAS.
- b. Furthermore, crucial information regarding withholding tax on interest and coupon payments made on Treasury bills and bonds, was not disclosed separately in the figures presented in the Consolidated Financial Statements (CFS). This omission could result in misinterpretation of the treatment of the withholding tax liability.

Recommendations

I recommended that: -

- i. The Accountant-General presents the Treasury bonds on a gross basis in terms of the IPSAS.
- ii. A thorough reconciliation between Debt Department records and bank statements on a regular basis, be undertaken. In addition, the withholding tax payment should be properly disclosed in the CFS.

5.2 PAYMENT ARREARS

Treasury Regulations, 2014 Section 26 (1) – (2) stipulates that “an Authorising Officer shall ensure that all payment vouchers are paid by the due date. The standard due date shall be 30 calendar days from receipt of the invoice, but alternate due dates may be stipulated in the Government contracts”. Further, Section 26 (3) stipulates that “as any delay in payment may affect prices paid by Government for goods and services, Authorising Officers whose payment vouchers are not processed in time to ensure payment by the due date may be subject to disciplinary proceedings”.

Payment arrears refer to outstanding payments that are past their due date and have not been made according to the agreed-upon deadline. As at 31st March 2022, the Government had a total outstanding payment obligation of M804 million. Of this, M545 million was outstanding debt for more than a year, in violation of Treasury Regulation, Section 26 (1) and (2).

Notably, there has been a significant increase in arrears related to construction work, rising from 7% in 2021, to 36% in 2022.

This situation calls for immediate attention and proactive measures to address the underlying issues.

Audit Concern

Non-compliance of payments by the due date to suppliers, puts a strain on the budget for the upcoming fiscal year. Activities implemented without budgetary allocation may fail to achieve the set objectives and priorities for the period.

Recommendations

I recommended that: -

- i. The Chief Accounting Officers (CAOs) should ensure that payments are made by due dates to conform with Section 26 (1) and (2) of the Treasury Regulations, through proper budgeting, procurement, and payment processes and procedures.
- ii. They must also implement section 26 (3) where invoices have been unduly delayed for payment.

5.3 OMITTED PAYMENT ARREARS FROM COURT ORDERS – MINISTRY OF HEALTH

Since the Government is still operating on the IPSAS cash basis, contingent liabilities will not be reflected on the face of the CFS, but rather as notes to the report.

The Ministry of Health's M10.4 million payment arrears was not included in Table 14 of the CFS. The breakdown for this figure is shown in **Table 12**. These outstanding amounts accrue interest at varying rates, and additional costs are incurred alongside the interest charges. Consequently, the figures continue to increase until they are settled.

During the audit of the CFS, further verification revealed that the cases had reached their conclusions, with judgements being issued through Court orders.

Audit Concern

Despite the absence of any evidence indicating the filing of appeals against judged cases with court orders clearly ordering payment, the Ministry's Legal Department advised that the Ministry of Health was not obliged to fulfil these Court orders.

The non-payment of the court orders results in the accumulation of arrears which puts the Government into more debt, increasing financial risk. This could result in additional litigations, leading to higher legal costs and penalties, further straining the Government's fiscal position.

Table 12: Omitted Arrears from Court Orders – Ministry of Health

| Reference | Year | Names | Amount (M) M'000 | Court Orders |
|------------------|-------------|-------------------|-------------------------|--|
| CIV/T/617/2009 | 2009 | Maliakae Moholisa | 400 | Interest to be calculated annually from the date of judgement. |
| CIV/T/279/2019 | 2019 | Tankiso Mokhosi | 500 | Plaintiff be awarded this amount, pending the final determination of final judgement on the amount of compensation. The total claim was M20,000,000. |
| CCT/0106/2020 | 2020 | Motsoako Catering | 9,517 | The defendants were further ordered to pay interest on the amount due at the rate of 18.5% p.a. from 31 December 2019 to the date of payment; 10% Collection Commission and Plaintiff's costs. |
| TOTAL | | | 10,417 | |

Source: Ministry of Health's Annual Report

Recommendation

I recommended that the Ministry of Health must implement the Court orders accordingly. Where they disagree with such, appropriate legal routes should be taken.

5.4 PENDING LITIGATION

Pending litigation claims refer to legal cases that have been initiated but are not yet resolved. These include lawsuits that have been filed but not yet served, as well as those that have gone to trial but are awaiting a

decision or judgement. They represent potential obligations that the Government may need to settle when they become due.

Audit Concerns:

- a. Table 14 of the CFS has not disclosed the contingent liability of the Public-Private Partnership (PPP) agreement for the Management of Queen 'Mamohato Memorial Hospital (QMMH). The Accountant-General has revealed that the exposure has yet to be assessed.
- b. The information in Table 14 of the presented CFS 2021/22 headed "Pending Litigation Claims (per CAO annual reports)", compared to a similarly headed Table 17 of the audited CFS 2020/21, are not the same, in terms of the reported exposures as at 31st March 2021 as depicted in **Table 13**. Thus, the audit concerns that were stated for 2020/21 were not addressed, rather further misrepresentations have been noted.

Table 13: Difference in Exposures

| Ministries | Exposure at 31 st March 2021 (Per CFS 2021) | Exposure at 31 st March 2021 (Per CFS 2022 - Restated) | Audited at 31 st March 2021 |
|---|--|---|--|
| | (M' 000) | (M' 000) | (M' 000) |
| Finance | Not stated | 469,730 | |
| Communications | 68,422 | 0 | 32,211 |
| Labour | 100 | Not stated | 100 |
| His Majesty's Office | Not stated | 1,500 | |
| National Security Services | Not stated | 14,986 | |
| Local Government | 2,627 | 2,667 | 2,626 |
| Small Business Development Cooperatives and Marketing | Not stated | 3,532 | |
| Total (CFS 2021) | 71,149 | | |
| Total (CFS 2021 Restated) | | 492,325 | |
| Total (Validated) | | | 34,937 |

Source: CFS 2021/2022 and CFS 2020/2021

As such, I cannot place reliance on the information provided in Table 14 of the CFS on pending litigations and **Appendix 1**.

- c. An analysis of the reported court cases shows unexplained movement in cases and their potential liabilities, as analysed in **Table 14**.

Table 14: Pending Litigation Claims

| Ministry | Exposure at 31 March 2022 | Exposure at 31 March 2021 |
|---|---------------------------|---------------------------|
| | (M'000) | (M'000) |
| | A | B |
| Education | 2,279 | undisclosed |
| Finance | 76,435 | 469,730 |
| Communications | 40,656 | undisclosed |
| Foreign Affairs | 1,105 | 416 |
| Labour | 100 | 100 |
| His Majesty's office | 1,500 | 1,500 |
| National Security Services | 21,190 | 14,986 |
| IEC | 45,049 | undisclosed |
| Local Government | 2,667 | 2,667 |
| Mining | 419 | undisclosed |
| Police and Public Safety | 1,035 | undisclosed |
| Small Business Development Cooperatives and Marketing | 3,533 | 3,533 |

Source: Consolidated Financial Statements

Recommendations

I recommended that: -

- Ministry of Health must expedite the assessment of the full extent of the contingent liability of QMMH, which must be disclosed.
- There is a need for case reconciliation between 2021 and 2022 records.

5.5 CONTINGENT LIABILITIES

In terms of the IPSAS cash basis of accounting currently in use by the Government, contingent liabilities and pending litigation claims are required to be disclosed in the notes to the Financial Statements.

5.5.1 Present Obligations

a. Guaranteed Loans

A government guarantee is an agreement between a financial institution and a government agency (borrower) which stipulates terms and

conditions that, should a borrower default in a manner that could not be resolved, the government would make good the financial institution exposure.

Section 36 (b) and (c) of PFMA Act 2011 states that: "The Minister shall provide a statement identifying each current guarantee provided by Government, the beneficiary of the guarantee, the purpose of the guarantee and amount involved, and any payments made during the year as a result of the guarantee".

Audit Concerns:

a. **Inadequate guarantees' management process**

I had highlighted a concern in my previous reports of the lack of a database and monitoring of guaranteed loans, resulting in challenges to evaluate the validity of guaranteed loans. Contrary to Section 36 (b) and (c) there was no documentary evidence supporting the existence/validity of the guarantees.

b. **Inconsistent principal repaid amounts**

The three loans, namely, Partial Credit Guarantee Fund (PCGF) with Lesotho PostBank, PCGF with Standard Lesotho Bank and Loans to Statutory Positions, reflected principal repaid amounts that did not tally to Debt Department records. This is depicted in **Table 15**.

Table 15: Inconsistent Principal Repaid Amounts

| Benefiting Entity | Lending Institution | Guarantee at 01-Apr-21 | Principal Repaid (Debt Records) | Principal Repaid (CFS) | Difference |
|------------------------------|-----------------------|------------------------|---------------------------------|------------------------|------------|
| | | M'000 | M'000 | M'000 | M'000 |
| | | A | B | C | D=C-B |
| PCGF | Lesotho Post Bank | 13,081 | 12,200 | 14,836 | 2,636l |
| Loans to Statutory Positions | Standard Lesotho Bank | 1,495 | 668 | 816 | 148 |
| PCGF | Standard Lesotho Bank | 6,175 | 6,851 | - | (6,851) |

Source: Consolidated Financial Statements, Debts Records

c. **Newly Disclosed Opening Balances**

Current year CFS disclose opening balances of two guaranteed loans to PCGF totalling M19 million which were not in the previous financial years' closing balances.

Furthermore, loan guarantee instruments in respect of these two guaranteed loans were not provided, raising uncertainty whether these loans were new or not, and what the terms of the guarantees were.

d. **Difference between the current year opening balance and preceding year closing balance**

There was a difference amounting to M105 million between the current year's opening balance and the previous year's closing balance for three (3) loans, namely, WASCO, Maseru E Textiles, and TZICC as shown in **Table 16**.

Table 16: Differences between current year opening balances and closing for the preceding year

| Beneficiary | Lending Institution | Opening Balance at 01 April 2021 | Closing Balance at 31 March 2021 | Difference |
|------------------|-----------------------|----------------------------------|----------------------------------|----------------|
| | | M'000 | M'000 | M'000 |
| WASCO | Nedbank | 4,166 | 50 | 4,116 |
| Maseru E textile | Standard Lesotho Bank | 2,169 | 19,995 | - 17,826 |
| TZICC | Standard Lesotho Bank | 146,939 | 28,100 | 118,839 |
| TOTAL | | 153,274 | 48,145 | 105,129 |

Source: Consolidated Financial Statements and Audit Report 2021

The Debt Department has no database of all guaranteed loans; thus, I am unable to place reliance on the completeness, and accuracy of loan guarantees as reflected in the CFS. This issue was previously raised but the situation still prevails.

Recommendation

I recommended that the Ministry of Finance should ensure effective implementation of the management of loan guarantees and appropriate reporting thereof.

5.6 POSSIBLE OBLIGATIONS

5.6.1 Public-Private Partnerships and Other Operational Agreements

Public-Private Partnership (PPP) Agreements are long-term contracts between a government and a private party, aimed at delivering public assets or services.

The Government has been engaged in numerous operational contracts with private parties for the provision of infrastructure and services.

Audit Concern

Lack of legal framework for PPP and Other Operational Agreements

There is no legislation, framework, or policy, guiding the establishment, design, and implementation of PPP and other operational agreements by the Government. It is therefore challenging to establish whether the contracts entered into by the Government meet the criteria for PPP agreements or not.

Recommendation

I recommended that the Ministry of Finance should develop a clear framework for guiding the provision of PPP Agreements.

CHAPTER 6: LOSSES AND ACCIDENTS

6.1 LOSSES OF PUBLIC MONIES AND/ OR DAMAGE TO GOVERNMENT PROPERTY

The Stores Regulations 1967 read with Treasury Regulations 2014 PART XIV and XV, relating to the responsibility of officers and action by Chief Accounting Officers (CAO), govern the losses of stores and loss of public monies, and mandate that any losses or damage to stores must be immediately reported to the Principal Secretary for Finance, with copies to the Accountant-General and Auditor-General.

The Regulations also specify that no officer should have the discretion to withhold any report where theft, fraud, negligent control, or misuse or damage to government stores is known or suspected to have occurred.

Table 17 shows a comparison of the loss reports on the Consolidated Financial Statements (CFS) against the Ministries' Financial Statements, of which during physical verification, several assets were noted to be missing, but loss reports were not received by the Ministry of Finance.

Table 17: Statement of Losses

| Ministry | Consolidated Financial Statements | | Ministries Financial Statements | |
|----------------|-----------------------------------|------------|---------------------------------|------------|
| | Stores | Cash | Stores | Cash |
| | M'000 | M'000 | M'000 | M'000 |
| Health | 32 | - | - | |
| Education | - | - | 20 | |
| Planning | 33 | - | - | - |
| Judiciary | 5 | 29 | - | - |
| Small Business | | 190 | | 191 |
| TOTAL | 70 | 219 | 20 | 191 |

Sources: Consolidated Financial Statements and Ministries' Financial Statements

Audit concerns:

a. Loss of Monies

Contrary to the requirements of the Regulations, I have observed the following:

- i. There are discrepancies between the figures reported in the CFS and the Ministries' financial statements, and there were no reports on any action taken to resolve those discrepancies.

- ii. In other cases, there were no loss reports submitted to the Auditor-General as required.
- iii. The accuracy of the figures representing losses in the CFS could not be substantiated, due to the absence of supporting documents which has been highlighted in previous audit reports.

Recommendations

I recommended that: -

- a. The CAOs should ensure the reconciliation of the Ministries' financial statements and register of loss report before submitting to the Accountant-General.
- b. The CAOs should prepare loss reports and provide copies to the Office of the Auditor-General, as required by the Regulations.
- c. Appropriate action should be taken to investigate and ensure compliance with the Regulations.

b. Losses of or damage to government property - Ministry of Health

In prior audits I had reported an incident of the extensive damage due to fire, inflicted upon the office building, furniture, and equipment at the Ministry's headquarters, in 2019.

In 2022 the Ministry reported that a loss report was prepared, and the matter was reported to the Police. Further, an assessment of the damage by the insurers was conducted on the building, and the financiers refurbished the building.

Audit Concern

A quantification of the loss on furniture and equipment was still outstanding as at the time of the report.

I did not find any supporting documents to substantiate this.

Recommendation

I recommended that the Ministry of Health should expedite the assessment and valuation of the loss of furniture and equipment, and that appropriate action be taken.

6.2 MOTOR VEHICLE ACCIDENTS

According to the Stores Regulations 1967, motor vehicle accidents include incidents where damage is caused to vehicles, where individuals are injured, killed, or both.

It is the responsibility of every Head of Department (HOD) to submit all relevant documents and reports, including the police report, to the Principal Secretary for Finance, upon receiving any report of an accident involving a vehicle in their department. The police also have to promptly provide Accident Reports on all Government vehicles to the respective HOD.

In cases of damage to Government vehicles, the cost of repairs should be charged to the departmental votes, even if the driver of the vehicle responsible for the accident is fined. The Vehicle Accident Reports submitted to the Principal Secretary (PS) for Finance also serve as a request for repairs to be carried out at the expense of the departmental vote.

My office has received reports for 38 vehicles with a total cost of M0.28 million. This amount is different from the total cost of repaired vehicles in the CFS, as well as the total cost in the Ministries' financial statements. The statement of accidents is shown in **Table 18**.

Table 18: Statement of Accidents

| Ministry | Consolidated Financial Statements | Ministries' Financial Statements | | Reports by Auditor-General | |
|------------------|-----------------------------------|----------------------------------|--------|----------------------------|--------|
| | Amount | No. | Amount | No. | Amount |
| | M'000 | | M'000 | | M'000 |
| Agriculture | 767 | 5 | 760 | 0 | - |
| Health | - | 2 | 9 | 0 | - |
| Education | 326 | 5 | 326 | 9 | 30 |
| Finance | 302 | 0 | - | 8 | 11 |
| Trade & Industry | 3 | 0 | - | 0 | - |
| Justice | | 2 | - | 0 | - |
| Home Affairs | | 7 | 298 | 2 | - |
| Prime Minister's | | 1 | - | 0 | - |
| Law | 4 | 0 | - | 0 | - |
| Works | 161 | 0 | - | 1 | - |
| Forestry | | 0 | - | 0 | - |

| | | | | | |
|------------------------|--------------|-----------|--------------|-----------|------------|
| Energy | | 2 | 8 | 1 | 0.6 |
| Labour | 110 | 0 | - | 0 | - |
| NSS | 138 | 0 | - | 0 | - |
| National Assembly | | 0 | - | 4 | 9 |
| IEC | 8 | 0 | - | 0 | - |
| Local Government | 216 | 0 | - | 0 | - |
| Gender | | 0 | - | 7 | 128 |
| Public Service | 59 | 1 | 59 | 3 | 86 |
| Judiciary | 1,189 | 6 | - | 0 | - |
| Social Development | | 3 | - | 0 | - |
| DCEO | 35 | 6 | 64 | 0 | - |
| Mining | | 0 | - | 1 | 33 |
| Police & Public Safety | 453 | 0 | - | 0 | - |
| Water | | 0 | - | 3 | 40 |
| Transport | 10 | 2 | 10 | 0 | - |
| TOTAL | 3,781 | 42 | 1,535 | 39 | 338 |

Source: Consolidated Financial Statements, Ministries' Financial Statements and Copies of Accidents Reports

Audit Concern

Contrary to the expectation that the monetary value and number of accidents reported and actioned upon, to be the same in respect of the Accountant-General, Ministries and Auditor-General's records, there have been irregularities in submissions. This violates Treasury Regulations, 2014 Sections 87 (2) – 88 and Section 91 (3) and 92, which stipulate that the Principal Secretary will provide copies of the reports of the losses with a decision on the losses to the Auditor-General. The Accountant-General shall take any appropriate action necessary to implement the decision of the Principal Secretary. It was, however, noted that: -

- a. The CFS indicate a total cost of repairs amounting to M3.8 million. However, the review of the Ministries' financial statements shows a total cost of M1.5 million. Thus, the difference of M2.3 million remained unexplained. My Office, meanwhile, received reports for vehicle repairs with a total cost of M0.28 million.
- b. The CFS did not indicate any number of vehicle accidents, whereas the Ministries showed a total of 41, while my Office received 38 reports.

Recommendations

I recommended that: -

- a. The CAOs submit relevant documents and vehicle accident reports to the Principal Secretary of Finance with a copy to the Auditor-General, as per the requirements of the Stores regulations.
- b. A reconciliation exercise be undertaken to ensure that the records of Ministries, Accountant-General and Auditor-General are the same, to inform the anticipated expenditure for repairs.
- c. The CAOs should reconcile the total estimated cost of repairs in the reports submitted to the various offices.

PART 3

ADMINISTRATION OF PUBLIC FINANCE

CHAPTER 7: ADMINISTRATION OF PUBLIC FINANCE**7.1 SUPPLY SERVICES/APPROPRIATED EXPENDITURE****7.1.1 DIFFERENCES BETWEEN BUDGET SUMMARIES**

The Appropriation (2021/2022) Act, 2021 (the Appropriation Act) authorises the spending of monies allocated in the Book of Estimates and appropriates it according to Heads of Expenditure. The total amount specified in the Book of Estimates should therefore match the amount stated in the Appropriation Act for each Head of Expenditure.

Audit Concern

The Budget Summaries per the Appropriation Act (Excluding the M600 million for the Administration Account) compared with the Book of Estimates, revealed discrepancies in Government revenues and recurrent expenditure, amounting to M2.8 billion and M8.9 billion, respectively, as shown in **Table 19**.

There is a risk that the un-updated Book of Estimates after the Appropriation Act, can mislead the budget implementation which can result in the use of unapproved funds.

Table 19: Comparison of Amounts in the Appropriation Act and Book of Estimates

| Description | Appropriation Act | Book of Estimates | Variance |
|--------------------------|-------------------|-------------------|----------------|
| | (M'000) | (M'000) | (M'000) |
| Government Revenues | 15,528 | 15,528 | - |
| Development Revenue | | | |
| • Donor Grants | 1,327 | 820 | 507 |
| • Donor loans | 2,269 | - | 2,269 |
| Total Revenue | 19,126 | 16,348 | 2,777 |
| Recurrent Expenditure | 12,735 | 21,600 | (8,865) |
| Capital Expenditure | | | |
| • GOL | 2,155 | 2,155 | - |
| • Donor Grants | 1,327 | 1,327 | - |
| • Donor Loans | 2,269 | 2,269 | - |
| Total Capital | 5,726 | 5,726 | - |
| Total Expenditure | 18,460 | 27,325 | (8,865) |

Source: Appropriation Act and Consolidated Financial Statements

Recommendations

I recommended that: -

- a. The Budget Office and the Accountant-General should reconcile the Appropriation Act to the Book of Estimates before allocation to the spending heads.
- b. Going forward, the Book of Estimates should be based on the approved values per the Appropriation Act.

7.2 OVERALL FISCAL BALANCE FOR 2021/22

The overall fiscal balance refers to the difference between the government's revenues and expenditures.

The original budget for the financial year 2021/22 projected a deficit of M4.7 billion. The revised budget projected a deficit of M 9.8 billion while the actual outcome was a deficit of M3.7 billion. **Table 20**, shows the details of the overall fiscal balance for the year ended 31st March 2022.

Table 20: Overall Fiscal Balance for 2021/22

| Item | Approved Budget | Revised Budget | Actual | Variance | Budget Exec. |
|--------------------------|--------------------|--------------------|--------------------|--------------------|--------------|
| | (M'000) | (M'000) | (M'000) | (M'000) | (%) |
| A | B | C | D | E=(D-C) | F=D/C |
| Revenue | | | | | |
| Recurrent | 15,527,757 | 15,593,523 | 16,006,534 | 413,011 | 103% |
| Other Receipts | - | - | 1,319,463 | (1,319,463) | - |
| Donor Funds | 3,596,849 | 3,608,820 | 2,029,496 | (1,579,324) | 56% |
| Total | 19,124,606 | 19,202,343 | 19,355,494 | 153,151 | 101% |
| Expenditure | | | | | |
| Recurrent – Voted | 12,734,630 | 17,833,197 | 15,554,773 | (2,278,424) | 87% |
| Recurrent – Status | 4,710,000 | 4,713,000 | 3,238,682 | (1,484,318) | 69% |
| Development | 5,752,105 | 6,440,590 | 4,279,197 | (2,161,393) | 66% |
| Administration | 600,000 | 852,000 | - | - | - |
| Total | 23,796,735 | 28,986,787 | 23,072,652 | (5,914,135) | 80% |
| Surplus/(Deficit) | (4,672,129) | (9,784,444) | (3,717,158) | | |

Source: Appropriation Act 2021/2022, and Consolidated Financial Statements

7.2.1 Administration Account/Contingencies Fund

Section 114 of the Lesotho Constitution empowers Parliament to establish a Contingencies Fund and authorises the Minister of Finance to make advances from the Fund when there is an urgent and unforeseen need for expenditure that cannot be met through other provisions. If an advance is made from the Fund, a supplementary estimate must be presented, and a Supplementary Appropriation Bill must be introduced as soon as possible, to replace the amount advanced.

Advances for the year under review

An allocation of M600 million was made to the Administration Account (Contingencies Fund), through the Appropriation Act (2021/2022). During the financial year under review, an additional amount of M252 million was allocated to the Fund, bringing the total funds available to M852 million.

For Recurrent Expenditure, advances amounted to M 478 million, while Development Expenditure advances amounted to M328 million, as shown in **Table 21**.

Audit Concern

This additional advance was not appropriated accordingly as the draft Supplementary Appropriation Bill 2021/22 was submitted to the Law Office on the 23rd November 2023, but had not been presented to Parliament, as at the time of the report.

Table 21: Advances from the Contingencies Fund

| Ministry | Recurrent Expenditure | Development Expenditure | Total Expenditure |
|--|-----------------------|-------------------------|-------------------|
| | (M'000) | (M'000) | (M'000) |
| Health | 26,028 | 0 | 26,028 |
| Finance | 451 | 57,416 | 57,868 |
| Trade and Industry | 0 | 147,046 | 147,046 |
| Development Planning | 0 | 5,015 | 5,015 |
| Home Affairs | 0 | 61,460 | 61,460 |
| Prime Minister's Office | 7,811 | 0 | 7,811 |
| Communications, Science and Technology | 45,011 | 0 | 45,011 |
| Law, Human Rights and Constitutional Affairs | 10,748 | 0 | 10,748 |
| Foreign Affairs and International Relations | 4,089 | 0 | 4,089 |
| Energy and Meteorology | 0 | 40,000 | 40,000 |

| | | | |
|--------------------------------|----------------|----------------|----------------|
| Disaster Management Authority | 100,500 | 0 | 100,500 |
| Defence | 158,890 | 0 | 158,890 |
| Senate | 0 | 17,758 | 17,758 |
| Public Service | 3,000 | 0 | 3,000 |
| Judiciary | 2,365 | 0 | 2,365 |
| DCEO | 4,961 | 0 | 4,961 |
| Small Business | 10,531 | 0 | 10,531 |
| Water | 80,000 | 0 | 80,000 |
| Transport | 21,003 | 0 | 21,003 |
| Refunds for erroneous receipts | 3,133 | 0 | 3,133 |
| TOTAL | 478,521 | 328,695 | 807,217 |

Source: Contingency Warrant 2022

Recommendation

I recommended that the Minister of Finance should follow up on the process of presenting the Supplementary Appropriation Bill to Parliament, to regularise the expenditure.

7.2.2 Centralised Items Vote

a. Usage of Budget for Centralised Items

The practice has been to finance salaries (both vacant and new positions) and the purchase of vehicles, cycles, and equine out of Centralised Items Vote. Ministries that require financing for vacant and new positions, as well as the purchase of vehicles, submit their requests to the Budget Controller. These requirements are then consolidated and presented to Parliament for approval. Once approved, the Ministry of Finance issues warrants to the requesting ministries.

Audit Concern

In my previous reports, I expressed my dissatisfaction with the use of the Centralised Items Vote (Head 30) under recurrent expenditure, as the items being charged to this vote are already existing line items in ministries. This is in contravention of Section 20 of the PFMA Act which states that, "The Minister has the responsibility for the management, supervision, control and direction of all matters relating to financial affairs of Government which are not by law assigned to any other Minister or authority".

During the year under review, the budget was revised to incorporate expenses related to consultancies and salaries for established posts, grants and for vehicles.

The Centralised Items Vote still does not have proper legislation to govern it and can therefore be revised without reference to any legislation, as shown in **Table 22**.

Table 22: Centralised Items

| Budget Line | Approved Budget | Revised Budget |
|--|-----------------|----------------|
| | (M'000) | (M'000) |
| Salaries Established Posts | - | 2,091 |
| Salaries – New | 32,401 | 8,100 |
| Wages New Posts | 292,453 | 300,000 |
| Consultancies | - | 1,288 |
| Current Grants paid to Extra Budgetary Units | 143,816 | 72,039 |
| Vehicles, Cycles & Equine | 25,000 | 40,141 |
| Total per Estimates | 493,670 | 423,660 |

Source: Appropriation Act 2021, and Book of Estimates

b. Allocation to Spending Units

Audit Concern

The Appropriation Act allocated a total of M493 million for the Centralised Items Vote of which M414 million (84%) has been reallocated to existing specific spending units and capital expenditure of M62 million as presented in **Table 23**, leaving a balance of M79 million. Refer to **Appendix 9** for details.

There is no specific expenditure breakdown for Head 30 in the CFS.

Table 23: Re-Allocation from Centralised Items

| Spending Unit | Amount |
|----------------------------------|--------|
| | M'000 |
| Finance | 70,507 |
| Trade | 1,743 |
| Planning | 262 |
| Justice | 9,698 |
| Prime Minister's Office | 14,312 |
| Communication | 7,731 |
| Foreign Affairs | 1,593 |
| Energy | 1,003 |
| Labour and Employment | 1,857 |
| Tourism | 1,658 |
| His Majesty's Office | 235 |
| Disaster Management Authority | 50,000 |
| Defence | 17,058 |
| Independent Electoral Commission | 13,591 |
| Public Service | 1,633 |
| Social Development | 2,900 |

| | |
|----------------------------------|----------------|
| Small Business | 4,165 |
| Water | 2,201 |
| Mining | 232 |
| Gender | 2,855 |
| Judiciary | 1,652 |
| Total – Voted Heads | 206,886 |
| Statutory Salaries & Expenditure | 775 |
| Total – Voted Heads | 207,661 |
| Contingency Replenishment | 144,535 |
| Reallocation | 62,085 |
| Grand Total | 414,281 |

Source: Budget Office Schedule and Consolidated Financial Statements

Recommendation

I recommended that the Minister of Finance should eliminate the use of this Centralised Item vote for expenditure items already in existence.

CHAPTER 8: ACCOUNTABILITY OF RECURRENT REVENUE BY CHIEF ACCOUNTING OFFICERS

8.1 RECURRENT REVENUE

Treasury Regulations Section 13 on cashflow planning, and Section 51 (1) on the responsibility of the Chief Accounting Officers (CAO) in the collection and safe custody of public money, set out the budgeting and revenue collection measures within spending units.

To achieve proper cashflow management, CAO must continuously evaluate and improve revenue collection processes, such as developing effective collection strategies, the timing of the collection of receipts, as well as establishing adequate machinery and scales of fees.

8.2 BUDGET EXECUTION ON RECURRENT REVENUE

The total budget for recurrent revenue as reflected in the Ministries' financial statements was M15.5 billion. The actual revenue collected by the ministries was M16 billion, resulting in an over-collection of M480 million or 3%. The Ministries of Health, Justice, Law, Energy, and Small Business had a collection rate of less than 50% against the budget, while 10 other ministries exceeded their budget by 11% to 613%.

Audit Concern

Some of the differences in the budget and actual revenue collected by the ministries are very significant, showing lack of proper planning as shown in **Table 24**.

Recommendation

I recommended that Ministries should plan better while preparing their revenue budgets in line with cashflow management in terms of the Regulation.

Table 24: Budget Execution on Recurrent Revenue

| Ministry | Budget per Ministries' accounts | Actual per Ministries Financial statements | Over/ Under (-) Collection | Variance | Reasons for variances |
|-----------------|--|---|-----------------------------------|-----------------|--|
| | M'000 | M'000 | M'000 | % | |
| A | B | C | D=C-B | E= D/B | |
| Agriculture | 36,176 | 50,274 | 14,098 | 39 | 1. The budget was revised which led to more sales input than the budget 2. Collection of marketing licenses which were not budgeted for under the Ministry as a Department was as Small Business Ministry |
| Health | 17,929 | 7,896 | -10,033 | -56 | The relocation of Queen Elizabeth the II hospital to BEDCO premises continues to hinder other services such as ophthalmic, oral and orthopaedic not to operate due to lack of consultation rooms |
| Education | 4,303 | 5,883 | 1,580 | 37 | 1. Sale of tender documents was higher than had been anticipated 2. Increased enrolment on higher education programmes 3. Improved revenue collection mechanisms. |
| Finance | 13,249,563 | 13,667,611 | 418,048 | 3 | No reasons were provided |
| Trade | 7,839 | 12,640 | 4,801 | 61 | A significant increase of prices on betting license fees and motor vehicle licenses from M600 to M150,000 |
| Planning | 45 | 60 | 15 | 33 | No reasons were provided |
| Ministry | Budget per Ministries' accounts | Actual per Ministries | Over/ Under (-) Collection | Variance | Reasons for variances |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| | | Financial statements | | | |
|----------------|--------------|-----------------------------|--------------|---------------|--|
| | M'000 | M'000 | M'000 | % | |
| A | B | C | D=C-B | E= D/B | |
| Justice | 434 | 70 | -364 | -84 | Production activities by inmates were stopped due to COVID 19 restrictions |
| Home Affairs | 12,694 | 11,195 | -1,498 | -12 | <ol style="list-style-type: none"> 1. Applications for citizenship were not approved 2. Passport fees were collected for Maseru district only 3. The e-Visa system was closed 4. Fees for births and deaths were suspended by law 5. Some tenants in refugee houses defaulted in rent payments. |
| Communications | 4,608 | 5,981 | 1,373 | 30 | There was improper budgeting on the items of Newspaper Advertising and Sale of Products |
| Law | 3,485 | 819 | -2,666 | -77 | Revenue due from World Intellectual Property Organisation (WIPO) was not remitted to the Ministry because of the change of Lesotho revenue account number. It must be noted that the total revenue due from WIPO for the past three years is M5,129,176.47 |
| Public Works | 832 | 527 | -305 | -37 | No reasons were provided |
| Forestry | 18 | 53 | 35 | 195 | No reasons were provided |
| Energy | 727,280 | 339,824 | -387,456 | -53 | There was a decline of revenue on Oil Levy and Motor Vehicle Assurance because of restrictions due to the COVID 19 pandemic |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Ministry | Budget per Ministries' accounts | Actual per Ministries Financial statements | Over/ Under (-) Collection | Variance | Reasons for variances |
|-----------------|---------------------------------|--|----------------------------|----------|---|
| | M'000 | M'000 | M'000 | % | |
| A | B | C | D=C-B | E= D/B | |
| Labour | 6,461 | 10,216 | 3,755 | 58 | Increase in revenue from work permit applications and approvals post COVID-19. The increase was a result of employment in projects such as Poli-hali, Ha Ramarothole Solar Energy, and construction of Mpiti to Sehlaba-Thebe Road |
| Tourism | 3,094 | 3,428 | 335 | 11 | <ol style="list-style-type: none"> 1. Rent arrears due to the ministry for the 2020/21 financial year were settled in the current financial year of 2021/22. 2. The decision was made to sell tender documents for donor-funded projects that were previously not sold by the government, leading to an increase in revenue. 3. There was an increase in the number of new lodges. 4. Renewal of casino licenses increased due to the relaxation of COVID-19 restrictions |
| Auditor-General | 1,791 | 983 | -808 | -45 | Some auditees did not pay audit fees; others did not pay on time. |
| Defence | 1,169 | 900 | -269 | -23 | No reasons were provided |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Ministry | Budget per Ministries' accounts | Actual per Ministries Financial statements | Over/ Under (-) Collection | Variance | Reasons for variances |
|------------------------------|---------------------------------|--|----------------------------|----------|---|
| | M'000 | M'000 | M'000 | % | |
| A | B | C | D=C-B | E= D/B | |
| Independent Electoral Office | 100 | 713 | 613 | 613 | <ol style="list-style-type: none"> 1. The budget was only for sale of tender documents; however, revenue was collected for disposal of non-financial assets and registration of political parties. 2. The number of tender documents bought was higher than anticipated |
| Local Government | 4,085 | 6,411 | 2,326 | 61 | Reasons have not been provided |
| Gender | 88 | 73 | -15 | -18 | Reasons have not been provided. |
| Public Service | 6,128 | 7,632 | 1,504 | 25 | <ol style="list-style-type: none"> 1. Tuition fees for 2020/2021 due to LIPAM from government ministries were paid in 2021/2022 resulting in an over-collection of M195,739 2. There are challenges in budgeting for the item 'Other Fines, Penalties, and Forfeits' since it is not easy to predict the number of officers who are likely to default on serving the bond agreement with the ministry |
| Judiciary | 3,468 | 4,455 | 987 | 29 | <ol style="list-style-type: none"> 1. There was an increase in the number of cases that attracted imposition of fines. 2. The number of completed cases on estates increased resulting in increase of the Master's fees |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Ministry | Budget per Ministries' accounts | Actual per Ministries Financial statements | Over/ Under (-) Collection | Variance | Reasons for variances |
|----------------|---------------------------------|--|----------------------------|----------|--|
| | M'000 | M'000 | M'000 | % | |
| A | B | C | D=C-B | E= D/B | |
| Mining | 207,423 | 516,350 | 308,927 | 149 | Revenue was collected under the items Dealer's Licenses and Diamond Sales Tax although there was no budget under the items |
| Police | 10,997 | 7,517 | -3,480 | -32 | <ol style="list-style-type: none"> 1. Towards December, which is the peak time for renewal of firearm licenses, Government Printer was unable to supply LMPS with firearm license books this led to under collection. 2. Demand for Police escorts and clearance services was low due to COVID 19 restrictions |
| Small Business | 552 | 272 | -280 | -51 | The Ministry indicated that the under collection was because of the transfer of the Marketing Department to Ministry of Agriculture. However, the reason is not convincing since the transfer (of the functions only) took effect in November 2021 and the budget was still in the control of the Ministry |
| Water | 1,178,552 | 1,309 | 131 | 11 | <ol style="list-style-type: none"> 1. Sale of tender documents was higher than had been anticipated. 2. Lesotho Highlands Development Authority (LHDA) collected rent for leasing out property situated at Katse; this was a new stream of revenue which had not been budgeted for |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Ministry | Budget per Ministries' accounts | Actual per Ministries Financial statements | Over/ Under (-) Collection | Variance | Reasons for variances |
|----------------------|---------------------------------|--|----------------------------|---------------|--|
| | M'000 | M'000 | M'000 | % | |
| A | B | C | D=C-B | E= D/B | |
| Transport | 36,842 | 23,910 | -12,932 | -35 | <ol style="list-style-type: none"> Documents that are issued by the Traffic Commissioner (permits, fitness certificates, and roadworthy certificates) were not available due to shortage of funds to procure them. Therefore, revenue in respect of the services provide through those documents declined. Suppliers of vehicle number plates ceased to supply number plates due to delayed payments. As a result, revenue was not realised. |
| Pension & Gratuities | | 11,401 | 11,401 | 0 | |
| TOTAL | 15,525,957 | 16,006,534 | 480,578 | | |

Source: Ministries' Financial Statements

CHAPTER 9: ACCOUNTABILITY FOR EXPENDITURE BY CHIEF ACCOUNTING OFFICERS

It is a requirement of Section 5 of the Public Finance Management Act (PFMA) Act 2011, that Chief Accounting Officers (CAO) should ensure that public funds allocated by Parliament are used efficiently to achieve approved programme objectives. This requires proper documentation, including vouchers, evidence of service performance, and proof of payment to the correct payee. All spending should be charged to the appropriate financial year.

At the end of each financial year, CAO must prepare a Statement of Comparison of Budget and Actual Amounts for each voted service administered. The statement should show the financial year's outturn against the amount appropriated by Parliament, based on cash payments and receipts. A comparison to the prior year's outturn is also required. This statutory requirement helps to ensure transparency and accountability in public spending.

9.1 RECURRENT EXPENDITURE

As per Section 14 of the PFMA Act, "The Minister shall for each financial year present a bill to Parliament in accordance with Section 112 (2) of the Constitution" which means an authorisation by Parliament in the form of an appropriation act to spend the public money for specific purposes during the financial year.

Audit Concern:

Under-utilisation of appropriated funds.

In contravention to the provisions of Section 14 of the PFMA Act it was established that three (3) Spending Units being Forestry, Auditor-General and Independent Electoral Commission (IEC) reported a budget execution below 75%, reflecting a relatively low utilisation of funds as depicted in **Table 25**.

Table 25: Budget Execution Against Appropriated Funds - Extract

| Spending Unit | Original Approved Budget | Supplementary / Reallocation | Revised Budget | Actual (IFMIS) | Variance | Spending % |
|-----------------|--------------------------|------------------------------|----------------|----------------|----------|------------|
| A | B | C | D=B+C | E | F=E-D | G=E/D |
| | (M'000) | (M'000) | (M'000) | (M'000) | (M'000) | |
| Forestry | 140,635 | 0 | 140,635 | 94,789 | (45,846) | 67% |
| Auditor-General | 26,755 | 0 | 26,755 | 18,228 | (8,527) | 68% |
| IEC | 92,849 | 13,591 | 106,439 | 68,192 | (38,247) | 64% |

Source: Appropriation ACT 2021/22, Supplementary Bill 21/22, Ministries Financial Statements & IFMIS Ledger

The underutilisation as depicted in **Table 25** was attributable to unreleased appropriated amounts. This is evidenced by the utilisation rates above 90%, (of the released amounts) by the same spending units, as seen in **Table 26**.

Table 26: Unreleased Appropriated Budget

| Spending Unit | Appropriated Amount | Supplementary Amount | Revised | Released Amount | Actual | Utilisation |
|-----------------|---------------------|----------------------|----------|-----------------|----------|-------------|
| | A | B | C=A+B | D | E | F=E/D |
| | (M' 000) | (M' 000) | (M' 000) | (M' 000) | (M' 000) | % |
| Forestry | 140,635 | 0 | 140,635 | 105,288 | 94,789 | 90 |
| Auditor-General | 26,755 | 0 | 26,755 | 18,228 | 18,228 | 100 |
| IEC | 92,849 | 13,591 | 106,439 | 71,922 | 68,192 | 95 |

Source: Appropriation ACT 2021/22, Supplementary Bill 21/22, Ministries Financial Statements

This therefore indicates a restriction on the implementation of the mandates of the Spending Units, had the total appropriated amounts been released.

b. Unapproved Supplementary Appropriation Bill

The Supplementary Bill 2021/22 meant to regularise expenditure from the Contingency Fund of M806 million by Spending Units had not been enacted by the Parliament until the time of the report.

c. Unspent additional budget

Budget implementation reveals that 13 specified heads of expenditure received supplementary budget allocations but failed to utilise them, as shown in **Table 27**. This implies that there was no actual need for the

additional funds, highlighting a lack of effective budget monitoring. The under-utilisation of allocated funds for planned activities may have adverse consequences at an opportunity cost to other spending units.

d. Differences in budgeted amounts between Appropriation Act, Spending units and CFS

Contrary to the stipulation of PFMA Act Section 5 which requires proper documentation for public funds allocated by all Government agencies, there were unreconciled differences between Appropriation Act balances, spending units budgeted amounts and budget amounts per CFS. This is shown in **Table 28**. This could lead to spending units utilising unapproved amounts.

Recommendations

I recommended that: -

- a. There be continuous consultation amongst the Accountant-General, Budget Controller and Spending Units on non-release of appropriated funds.
- b. The passing of the Supplementary Appropriation Bill be expedited.
- c. There be close monitoring and implementation of approved initiatives of Government agencies.
- d. The Budget Controller and Accountant-General to agree to the Appropriated figures before they are warranted to ministries.

Table 27: Unspent Additional Budget

| Spending Unit | Original Approved Budget | Supplementary/ Reallocation | Original + Reallocation | Actual Expenditure per CFS | Revised budget per CFS | Variance |
|-----------------------|--------------------------|-----------------------------|-------------------------|----------------------------|------------------------|----------|
| A | B | C | D=B+C | E | F | G=F-E/D |
| | M'000 | M'000 | M'000 | M'000 | M'000 | % |
| Health | 2,394,976 | 26,028 | 2,421,004 | 2,084,476 | 2,448,463 | 15% |
| Finance | 880,992 | 70,506 | 951,498 | 842,047 | 951,429 | 11% |
| Development planning | 1,034,178 | 262 | 1,034,440 | 1,032,517 | 1,034,441 | 0% |
| Justice & Corr. Serv. | 237,887 | 9,698 | 247,585 | 236,496 | 243,267 | 3% |
| Law | 96,061 | 10,748 | 106,809 | 93,326 | 106,072 | 12% |
| Foreign Affairs | 429,132 | 5,682 | 434,814 | 359,987 | 436,019 | 17% |
| Energy | 28,802 | 1,003 | 29,805 | 28,275 | 29,805 | 5% |
| Tourism | 79,136 | 1,658 | 80,794 | 78,016 | 80,793 | 3% |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Spending Unit | Original Approved Budget | Supplementary/ Reallocation | Original + Reallocation | Actual Expenditure per CFS | Revised budget per CFS | Variance |
|----------------------|---------------------------------|------------------------------------|--------------------------------|-----------------------------------|-------------------------------|-----------------|
| A | B | C | D=B+C | E | F | G=F-E/D |
| | M'000 | M'000 | M'000 | M'000 | M'000 | % |
| His Majesty's Office | 10,800 | 235 | 11,035 | 8,797 | 11,034 | 20% |
| IEC | 92,849 | 13,591 | 106,440 | 68,192 | 106,439 | 36% |
| Local Government | 474,473 | 0 | 474,473 | 448,863 | 478,347 | 6% |
| Social Develop. | 906,943 | 2,900 | 909,843 | 833,820 | 911,842 | 9% |
| Mining | 23,048 | 232 | 23,280 | 21,965 | 23,280 | 6% |
| Total | 6,689 | 142,543 | 6,831,820 | 6,136,777 | 6,861,231 | |

Sources: Consolidated Financial Statements and Supplementary Appropriation Bill 2021/22

Table 28: Differences in Budgeted Amounts Between Appropriation Act Balances, Spending Units Budgeted Amounts and Budget Amounts Per CFS

| Spending Unit | Original Approved Budget as per Appropriation Act | CFS Original Approved Budget | Supplementary/ Reallocation | Revised Budget | Spending Unit Budget |
|-------------------------|---|------------------------------|-----------------------------|----------------|----------------------|
| | M'000 | M'000 | M'000 | M'000 | M'000 |
| A | B | C | D | E=B+D | F |
| Agriculture | 344,649 | 344,649 | 88,254 | 432,903 | 432,903 |
| Health | 2,394,976 | 2,397,598 | 26,028 | 2,421,004 | 2448462 |
| Education | 2,484,287 | 2,484,287 | 0 | 2,484,287 | 2,484,287 |
| Finance | 880,922 | 880,922 | 70,506 | 951,428 | 951,428 |
| Trade and Indus. | 34,035 | 34,035 | 1,743 | 35,778 | 35,580 |
| Development Planning | 1,034,178 | 1,034,178 | 262 | 1,034,440 | 1,034,440 |
| Justice & Corr. Serv. | 237,887 | 237,887 | 9,698 | 247,585 | 243,266 |
| Home Affairs | 157,478 | 157,477 | 0 | 157,478 | 157,477 |
| Prime Minister's Office | 104,831 | 104,831 | 22,117 | 126,948 | 126,948 |
| Communications | 181,265 | 181,265 | 45,011 | 226,276 | 172,042 |
| Law | 96,061 | 96,061 | 10,748 | 106,809 | 106,072 |
| Foreign Affairs | 429,132 | 429,132 | 5,682 | 434,814 | 436,018 |
| Public Works | 73,982 | 73,982 | 0 | 73,982 | 73,982 |
| Forestry | 140,635 | 140,635 | 0 | 140,635 | 140,635 |
| Energy & Meter. | 28,802 | 28,802 | 1,003 | 29,805 | 29,805 |
| Labour & Employ. | 51,039 | 51,039 | 1,863 | 52,902 | 52,897 |
| Tourism | 79,136 | 79,136 | 1,656 | 80,793 | 80,793 |
| Auditor-General | 26,755 | 26,755 | 0 | 26,755 | 26,754 |
| His Majesty's Off. | 10,800 | 10,800 | 235 | 11,035 | 11,034 |
| PSC | 11,863 | 11,863 | 0 | 11,863 | 11,862 |
| NSS | 55,426 | 55,426 | 0 | 55,426 | 55,425 |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Spending Unit | Original Approved Budget as per Appropriation Act | CFS Original Approved Budget | Supplementary/ Reallocation | Revised Budget | Spending Unit Budget |
|-----------------|---|------------------------------|-----------------------------|-------------------|----------------------|
| | M'000 | M'000 | M'000 | M'000 | M'000 |
| A | B | C | D | E=B+D | F |
| DMA | 16,977 | 16,977 | 150,500 | 167,477 | 167,476 |
| Defence | 553,272 | 553,272 | 181,853 | 735,125 | 729,180 |
| National Ass. | 89,306 | 89,306 | 0 | 89,306 | 89,306 |
| Senate | 23,139 | 23,139 | 0 | 23,139 | 23,138 |
| Ombudsman | 7,483 | 7,483 | 0 | 7,483 | 7,482 |
| IEC | 92,849 | 92,849 | 13,591 | 106,440 | 106,439 |
| Loc. Government | 474,473 | 474,473 | 0 | 474,473 | 478,347 |
| Gender | 67,742 | 67,742 | 223,955 | 291,697 | 291,697 |
| Public Service | 41,273 | 41,273 | 4,633 | 45,906 | 45,905 |
| Judiciary | 107,420 | 107,420 | 4,017 | 111,437 | 111,450 |
| Social Develop. | 906,943 | 906,943 | 2,900 | 909,843 | 911,842 |
| DCEO | 19,837 | 19,837 | 4,961 | 24,798 | 24,797 |
| Mining | 23,048 | 23,048 | 232 | 23,280 | 23,279 |
| Police | 681,858 | 681,858 | 0 | 681,858 | 681,857 |
| Small Business | 57,961 | 57,961 | 14,696 | 72,657 | 72,782 |
| Water | 145,260 | 145,260 | 82,000 | 227,260 | 147,460 |
| Transport | 73,981 | 73,981 | 21,003 | 94,984 | 95,159 |
| TOTAL | 12,240,961 | 12,243,582 | 989,147 | 13,232,108 | 13,119,706 |

Source: Appropriation ACT 2021/22, Supplementary Bill 2021/22, Ministries' Financial Statements & IFMIS ledger

9.2 DEVELOPMENT BUDGET

The development budget refers to the financial resources allocated for acquiring fixed capital assets, such as land, buildings, and equipment, as well as for stock and intangible assets. Examples of development projects include the construction of schools, hospitals, and roads. The funding for such projects can come from various sources, including donor grants, donor loans, and government revenues.

In terms of Section 13 of the Treasury Regulations, 2014 the Accountant-General shall ensure an effective and efficient cash management regime which involves the preparation of a cash forecast plan for Government. The cashflow plan shall be based on a thorough assessment of the timing of Government revenue and expenditure. The expenditure shall be based on an annual procurement plan for both recurrent and capital expenditure.

9.2.1 Development Budget Execution

The total original development/capital expenditure budget per the Appropriation Act was M5.7 billion. The capital budget estimates were later increased by a Supplementary Appropriation Bill amounting to M1.6 billion which has not been approved. The revised budget therefore amounted to M7.3 billion.

Audit Concerns:

a. Under Utilisation of Budget

The CFS indicated M4.3 billion which was 58% usage of the revised budget allocation of M7.3 billion. Out of twenty-five (25) spending units that were allocated a budget, ten (10) displayed an execution rate below 50%. On the other hand, six (6) spending units allocated supplementary budgets, also spent below 50% of the total allocated. This indicated insufficient oversight of the budgetary process, which in turn, had an adverse effect on the implementation of Government priorities, as depicted in **Table 29**.

This low spending capacity on development budget for some ministries raises concerns about the ability for Government to provide the essential public services, and the opportunity cost for funding other critical projects.

Table 29: Supplemented Development Expenditure with Utilisation Below 50%

| Spending Unit | Original Budget per Appropriation Act | Supplementary Estimates | Revised budget per Consolidated Financial Statements | Actual Expenditure | Utilisation Rate |
|---------------|---------------------------------------|-------------------------|--|--------------------|------------------|
| | 'M000 | 'M000 | M000 | 'M000 | % |
| A | B | C | D | E | F=E/D |
| Agriculture | 449,966 | 15,514 | 465,480 | 176,541 | 38 |
| Health | 582,107 | 223,669 | 805,776 | 359,828 | 45 |
| Education | 141,167 | 90,839 | 232,006 | 81,540 | 35 |
| Planning | 73,894 | 5,015 | 78,909 | 35,494 | 45 |
| Water | 709,954 | 158,371 | 868,325 | 344,800 | 40 |
| Transport | 15,636 | 69,772 | 85,408 | 8,666 | 10 |

Sources: Appropriation Act 2021/2022, Savingram dated 01 July 2022 from Finance to Law Office, spending units' financial statements.

b. Unapproved Expenditures in Excess of Budget

It was noted that two Ministries of Communications, Science and Technology and Home Affairs exceeded their budgeted expenditures by M21.9 million and M2.9 million respectively, in contravention of the requirements of section 112 (3) (b) "Authorisation of expenditure" of the Constitution, which governs excess expenditure cases.

Recommendation

I recommended that Ministries prepare cashflow plans that have been thoroughly assessed in terms of the timing of the development expenditure, as stipulated by the Treasury Regulations, 2014 to avoid under or over-usage of allocated funds.

9.3 SUPPLEMENTARY APPROPRIATION BILL NOT PASSED

The PFMA Act Section 16 requires that the Minister shall prepare a bill for Supplementary Appropriation for presentation to Parliament per Section 112 (3) of the Constitution, where a need for new expenditure not provided for in the annual appropriation act, has arisen.

Audit Concern

An instruction to draft a Supplementary Appropriation Bill to make provision for M2.8 billion of which M1.6 billion was for capital expenditure, was issued by the Ministry of Finance to the Law Office (Parliamentary Counsel) in June 2022. However, at the time of the audit, the Act to regularise the capital expenditure amount of M1.6 billion had not been enacted in terms of Section 16 of the PFMA Act.

The breakdown of M1.6 billion by source is shown in **Table 30**.

Table 30: Sources of Capital Supplementary Expenditure

| Source | Amount |
|---|------------------|
| | M'000 |
| Contingency Fund | 328,695 |
| Treasury bills and bonds | 721,120 |
| Centralised items | 16,616 |
| Reallocations | 35,465 |
| Unappropriated disbursed development partners funds | 473,004 |
| TOTAL | 1,574,900 |

Source: Debt Unit, Ministries' Financial Statements

Recommendation

I recommended that the passing of the Supplementary Appropriation Bill to Parliament be expedited to comply with the PFMA Act.

9.4 VARIANCES BETWEEN REVISED BUDGETS PER ACT/BILL AND SPENDING UNITS' FINANCIAL STATEMENTS

Audit concerns:

a. Variances Between Revised Development Budgets per Act and Spending Units

There was a difference of M887 million between the appropriated budget of M7.327 billion (per Appropriation Act plus Appropriation Bill) and the total revised capital budget of M6.439 billion per Spending Units. As a result of the variances, I cannot rely on the figures in the Consolidated Statement of Comparison of Budget and Actual Amounts. Detailed variances by spending unit are as shown in **Table 31**.

Table 31: Variances Between Revised Development Budgets

| Spending Unit | Original Budget per Appropriation Act | Supplementary Estimates | Revised budget per original plus supplementary estimates | Revised budget per Spending Units | Variance |
|--------------------|---------------------------------------|-------------------------|--|-----------------------------------|-----------|
| | 'M000 | 'M000 | 'M000 | 'M000 | % |
| A | B | C | D=B+C | E | F=D-E/D |
| Agriculture | 449,966 | 15,514 | 465,480 | 452,120 | 3 |
| Health | 582,107 | 223,669 | 805,776 | 600,207 | 26 |
| Education | 141,167 | 90,839 | 232,006 | 138,167 | 40 |
| Finance | 909,146 | 72,295 | 981,441 | 959,356 | 2 |
| Trade and Industry | 265,281 | 547,046 | 812,327 | 810,328 | 0 |
| Planning | 73,894 | 5,015 | 78,909 | 35,909 | 54 |
| Justice | 28,427 | 6,813 | 35,240 | 28,240 | 20 |
| Home Affairs | 261,504 | 64,970 | 326,474 | 326,974 | 0 |
| Communications | 28,390 | 13,182 | 41,572 | 24,390 | 41 |
| Foreign Affairs | 5,000 | - | 5,000 | 5,000 | 0 |
| Public Works | 800,234 | - | 800,234 | 737,394 | 8 |
| Energy | 1,128,645 | 233,763 | 1,362,408 | 1,295,466 | 5 |
| Tourism | 19,236 | 3,625 | 22,861 | 22,240 | 3 |
| Senate | - | 17,758 | 17,758 | 17,758 | 0 |
| Majesty's Office | 20,000 | - | 20,000 | 7,000 | 65 |
| NSS | 5,000 | - | 5,000 | 5,000 | 0 |
| Local Government | 203,967 | - | 203,967 | 175,967 | 14 |
| Gender | 12,294 | - | 12,294 | 6,243 | 49 |
| Judiciary | 9,000 | - | 9,000 | 7,000 | 22 |
| Social Development | 11,500 | 52,267 | 63,767 | 48,998 | 23 |
| Mining | 2,335 | - | 2,335 | 2,335 | 0 |
| Police | 63,975 | - | 63,975 | 58,975 | 8 |
| Small Business | 5,447 | - | 5,447 | 4,447 | 18 |
| Water | 709,954 | 158,371 | 868,325 | 661,754 | 24 |
| Transport | 15,636 | 69,772 | 85,408 | 8,702 | 90 |
| Total | 5,752,105 | 1,574,899 | 7,327,004 | 6,439,070 | 12 |

Sources: Appropriation Act 2021/2022, Savingram Dated 01 July 2022 from Finance to Law Office, Spending Units' Financial Statements.

b. Unbudgeted Grants Expenditure

The PFMA Act Section 16 requires the Minister to prepare a bill for Supplementary Appropriation for presentation to Parliament per Section 112 (3) of the Constitution, where a need for new expenditure not provided for in the annual appropriation act, has arisen. In contravention of section 16 above, expenditure amounting to M27.3 million on grants was not included in the original budget as well as the

revised budget. These amounts were not included in the Supplementary Appropriation Bill for the year. **Table 32** shows the details.

Table 32: Unbudgeted Expenditure

| Spending Unit | Description | Amount (M 000) |
|---------------------------------------|---|----------------|
| Development Planning | Sustainability and Inclusive Economic Growth | 2,366 |
| DCEO | Program on Renewal of Enabling Governance Architecture (UNDP) | 150 |
| Local Government | Local Climate Adaptive Project -UNCDF | 237 |
| Communications Science and Technology | E-Government Phase 1 and 2 | 21,546 |
| Total Home Affairs | | 3,038 |
| Home Affairs | AU- Refugee, Returnees and IDPs | 1,406 |
| | UNHCR-Refugee Coordinating Unit | 258 |
| | Excess Mortality | 620 |
| | Child Registration | 753 |
| GRAND TOTAL | | 27,336 |

Source: Consolidated Financial Statements

Recommendation

I recommended that the CAO complies with Section (13) of the Treasury Regulations, 2014 to ensure that all expenditure shall be based on an approved annual plan.

c. Inconsistent amounts between CFS and Audited Financial Statements

Audit Concern

A discrepancy of M310,373 was found between the actual expenditure reported in the CFS and the audited financial statements of the Economic Diversification Project within the Ministry of Trade and Industry. That was revealed by the fact that CFS showed an actual amount of M2.24 million, while the audited financial statements of the project reported an amount of M1.93 million.

Recommendation

I recommended that the Account-General and Ministry CAO reconcile the reported figure.

9.5 BUDGET EXECUTION

I had previously mentioned that charged or statutory expenditures are made independently of annual appropriations by Parliament. However, the Appropriation Act has included this expenditure, against the requirements of the Constitution Section 112 (2) and Section 14 (4) of the PFMA Act 2011.

Audit Concern

Under-utilisation of budget

The original budget amounted to M4.710 billion but the revised budget was M4.713 billion, indicating an additional budget of M3 million.

The actual expenditure incurred amounted to M3.239 billion, resulting in a budget execution rate of 69 percent, as presented in **Table 33**, when compared to the revised budget of M4.710 billion.

Table 33: Budget Execution on Charged Expenditure

| Spending Unit | Revised Budget | Actual Expenditure | Variance | Budget Execution |
|-------------------------------------|------------------|--------------------|------------------|------------------|
| A | B | C | D=B-C | E=C/B |
| | (M'000) | (M'000) | (M'000) | (%) |
| Public Debt | 2,444,345 | 1,541,746 | 902,599 | 63 |
| Pensions | 2,099,367 | 1,554,205 | 545,162 | 74 |
| Statutory Salaries | 39,926 | 27,463 | 12,463 | 69 |
| Subscriptions to Int. Organisations | 124,434 | 109,898 | 14,536 | 88 |
| Refunds of Erroneous receipts | 2,268 | 5,369 | -3,101 | 237 |
| Total | 4,710,341 | 3,238,682 | 1,471,659 | 69 |

Source: Ministries' Financial Statements

9.6 USAGE OF DONOR GRANTS, LOANS, AND GoL DEVELOPMENT BUDGET

In terms of Audit Act 2016, Section 7(1)(b)(vii) read with Section 28 thereof, the Auditor-General shall cause accounts of Government projects to be audited, and report on his examination findings.

The review of the CFS on the projects revealed the following observations:-

a. Low Absorption of Donor Grants

Generally, there was low absorption on donor grants as the original budget per Appropriation Act was M1.3 billion and revised to M1.37

billion, but only M520 million (38%) of grants received was utilised, leaving the unspent balance of M856 million as indicated in **Appendix 10**.

9 out of 15 spending units had a low absorption rate below 73 percent and the lowest performing at 2%.

b. Year-on-Year Comparison on Loans Utilisation

The total expenditure of M1.09 billion accounted for 48% of the budget, which amounted to M2.27 billion. The 48% utilisation represents a 13% decline compared to the previous year's expenditure level of 61% as seen in **Table 34** and **Appendix 11**.

- i. Ministry of Health overspent by 16% (M27 million), while other three (3) ministries underspent by 7% to 53% of the budgeted loans.
- ii. Ministry of Social Development did not utilise 100% (M3.5 million) of the budgeted loan.

The financial statements of the ministries did not disclose reasons for the overspending or the low absorption of the budget.

Table 34: Loan Execution vs Budget and Released

| Spending Unit | Loan Revised Budget M'000 | Loan Actual Amount M'000 | Loan Released Amount M'000 | Variance (Actual vs Budget) M'000 | Variance (Actual vs Released) M'000 | % Execution Vs Budget | % Execution Vs Released |
|--------------------|---------------------------|--------------------------|----------------------------|-----------------------------------|-------------------------------------|-----------------------|-------------------------|
| A | B | C | D | E=C-B | F=C-D | G=C/B | H=C/D |
| Agriculture | 353,960 | 108,981 | 116,744 | (244,978) | (7,763) | 31 | 93 |
| Health | 166,280 | 193,546 | 340,274 | 27,266 | (146,728) | 116 | 57 |
| Education | 65,565 | 55,328 | 90,839 | (10,237) | (35,511) | 84 | 61 |
| Finance | 104,856 | 39,729 | 24,883 | (65,127) | 14,846 | 38 | 160 |
| Trade and Industry | 110,901 | 58,934 | 57,511 | (51,967) | 1,423 | 53 | 102 |
| Public Works | 417,652 | 225,123 | 267,891 | (192,529) | (42,768) | 54 | 84 |
| Energy | 852,000 | 395,892 | 467,134 | (456,108) | (71,251) | 46 | 85 |
| Social Development | 3,500 | - | 4,780 | (3,500) | (4,780) | 0 | 0 |
| Water | 195,578 | 13,247 | 64,232 | (182,331) | (50,985) | 7 | 7 |
| Total | 2,270,292 | 1,090,780 | 1,434,288 | (1,179,512) | (343,517) | | |

Source: Appropriation Act, Book of Estimates and Ministries Financial Statements

PART 4

AUDIT OF STATUTORY AUDITS

CHAPTER 10: AUDIT OF STATUTORY BODIES, PUBLIC ENTERPRISES AND OTHER BODIES (SP&OB)

According to Section 2 of the Public Financial Management Accountability (PFMA) Act 2011, "A statutory body means an entity which is established by law to carry out specific Government functions, is owned and controlled by Government, and is a distinct accounting entity producing its own financial statements."

According to Section 2 and 40 Part VI of the PFMA Act, Public enterprise means an entity which has been established by law to carry out specific commercial activities; is owned and controlled by Government or its agencies; and is a distinct accounting entity producing its own financial statements. Other bodies include extra budgetary bodies such as Christian Health Association of Lesotho (CHAL) institutions.

10.1 PREPARATION BY AND AUDIT OF ANNUAL ACCOUNTS OF STATUTORY BODIES

Section 28 of the Audit Act 2016 read along with Sections 44 and 45 of the PFMA Act, require the Minister responsible for a statutory body to present annual audited Financial Statements to Parliament within six (6) months of the end of the financial year to which they relate.

Audit concerns:

a. Failure to Produce Timely Annual Financial Statements

It was observed that a number of statutory bodies had failed to comply with the law requiring them to present their annual Financial Statements in time for audit in the current year.

In addition, other statutory bodies had not submitted any financial statements for audit in the period under review.

These are shown in **Appendix 2**.

b. Failure to Present Audited Annual Reports to Parliament

In contravention of Section 44(1) of PMFA Act, audit reports of statutory bodies are still not being presented to Parliament by Ministers.

Recommendations

I recommended that: -

- a. Statutory bodies present their Financial Statements annually to the Auditor-General for audit.
- b. Ministers present audited annual reports of their statutory bodies to Parliament in terms of the law.

10.2 NON-COMPLIANCE WITH RULES AND REGULATIONS- ROADS DIRECTORATE

10.2.1 unrecognised liability

International Financial Reporting Standards (IFRS 9) requires an entity financial position when it becomes a party to the contractual provisions of the instrument. to recognise a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

Audit Concern

In contravention of IFRS 9, the liability of M 44.9 million in contractors' claims had not been recognised in the Statement of Financial Position of Roads Directorate. M37.9 million of this amount was attributable to interest charged on delayed payments, while M7.0 million was because of the termination of projects. **Table 35** provides more detailed information on these claims.

Table 35: Fruitless Expenditure

| Section | Project | Charges | Period | Status | Amount (M'000) |
|--------------|---------------------------------------|-------------------------------|-----------------|-------------|----------------|
| Development | Leshoele-Mathokoane-Hasetene-Ha Bene | Interests on Delayed Payments | 2015/16-2020/21 | Outstanding | 32,044 |
| Development | Mpiti-Sehlabathebe | Interest on Delayed Payments | 2019/20-2021/22 | Outstanding | 5,832 |
| Maintenance | Majane- Ramohapi and Makintane- Patsa | Termination Costs | 2015/16 | Outstanding | 7,004 |
| Total | | | | | 44,880 |

Source: Contractors Completion Certificates

Recommendation

I recommended that the liability be recognised in the Statement of Financial Position as well as to deal with the matter to bring it to finality and timely payments be made to contractors to avoid losses.

10.2.2 Improper Procurement of Road Construction Equipment - M 10,6 Million

In terms of Section 4 (1)(e) of the Roads Directorate Act 2010, one of the functions of the Directorate is to procure and manage contracts for the development and maintenance of projects.

Contrary to Section 4 (1)(e), in 2019, the Roads Directorate operating through the Road Fund, purchased a set of road construction equipment from Bell Equipment Sales SA Limited, totalling M10.6 million.

During the audit conducted in 2021, it was discovered that the said equipment had remained unused.

Equipment is remaining idle, depreciating, and necessary capital is tied in those assets at opportunity cost of funding other activities.

In response, Management stated that the equipment was procured to address emergencies, but due to insufficient funds, the complete plan could not be implemented.

Recommendations

I recommended that Management ensures that: -

- i. the Directorate operates within its mandated activities.
- ii. the value of Government funds committed in this equipment is maintained and put to beneficial use.

10.3 ANALYSIS OF OPINIONS OF SP&OB

Below is a summary of common audit opinions¹: -

A **disclaimer opinion** is the opinion that may be issued when the auditor has concluded that the entity has limited their ability to conduct a thorough audit. They may have not received enough supporting evidence.

¹ ISSAI 2700 and 2705 – Forming an opinion and modification of the opinion in the independent auditor's report.

The **adverse opinion** is issued when the auditor identifies material misstatements or departures from the accounting standards that are pervasive and affect the overall financial statements. These misstatements could arise from errors, omissions, intentional or unintentional misreporting, or inadequate disclosures in the financial statements.

The **qualified opinion** is issued when the auditor identifies material misstatements in the financial statements, but these misstatements are not pervasive. These could be due to inadequate disclosures, estimation uncertainties, or deviations from generally accepted accounting principles. Despite these issues, the rest of the financial statements are fairly presented.

The **Unqualified opinion** is a clean opinion. It is the most common and desirable. It is formed when the financial statements are prepared according to accounting standards and are in all material respect true and fair. Thus, there are no material misstatements, individually or in aggregate.

Table 36 and **Appendix 2** present the summary of opinions and basis for the modified opinion on the audited financial statements of various statutory bodies, CHAL Institutions, Trading Accounts, Companies, Authorities and Corporations as well as for Development Projects. Out of one hundred and twenty-eight (128) statutory bodies, public enterprises, and other bodies, nine (9) had a disclaimer opinion, thirty (30) had a qualified opinion while six (6) had an adverse opinion and eighty-three (83), were unqualified.

Table 36: Analysis of Opinions of (SP&OB)

| Agencies | Bodies | Unqualified | Disclaimer | Qualified | Adverse |
|------------------------------|------------|-------------|------------|-----------|----------|
| CHAL Institutions | 68 | 36 | 4 | 26 | 2 |
| Development Projects | 22 | 21 | 0 | 0 | 1 |
| Trading Accounts | 1 | 1 | | | |
| Other Statutory Bodies | 19 | 12 | 4 | 3 | 0 |
| Companies | 9 | 6 | 1 | | 2 |
| Authorities and Corporations | 9 | 7 | 0 | 1 | 1 |
| TOTALS | 128 | 83 | 9 | 30 | 6 |

Source: Appendix 2 (Audit Reports)

Audit Concern

Unfavourable audit opinions

A disclaimer opinion indicates weaknesses in the entity's internal controls and governance processes. Inadequate internal controls increase the risk of fraud, errors and misstatements in the financial statements that could potentially erode trust and confidence of the stakeholders.

Due to significant limitations on the audit scope and other constraints, I was unable to ascertain the correctness of balances in the financial statements and validate whether balances were fairly presented.

On the other hand, an adverse opinion can have profound repercussions, affecting the entity's reputation, credibility, and its relationships with various stakeholders, including investors, lenders, and even the government's ability to effectively allocate its resources.

Recommendation

I recommended that all financial statements be well supported with reliable, sufficient, and relevant evidence as well as having correct treatment of transactions and being presented on time.

10.4 OTHER MATTERS ARISING FROM THE AUDIT OF STATE-OWNED ENTERPRISES

During the audit of state-owned enterprises, against their mandates, the following anomalies were discovered as depicted below:

10.4.1 Payment made for a suspended project: - Lesotho Communications Authority (LCA)

In December 2020, the LCA entered into a contract with Global Voice Group (GVG) to provide a Compliance Monitoring and Revenue Assurance Tool (C-MART) through a Build, Operate, and Transfer agreement. The estimated total cost of the project was M529 million. However, two pre-conditions needed to be met before the project could commence: -

- i. The appointment of steering committee members and the project management per the agreement.
- ii. The approval of necessary regulations by the competent authorities of the Kingdom of Lesotho, followed by the enforcement of those regulations.

However, at the time of the audit, none of these conditions had been fulfilled.

In September 2022, the project had not commenced due to the aforementioned factors. However, an amount of M14.5 million had been paid as a commencement fee, despite no progress on the project. This amount was recorded as Property, Plant, and Equipment (PPE), specifically as computer equipment (M9.6 million) and software (M4.9 million). Consequently, there was an understatement of expenditure in the income statement and an overstatement of assets in the statement of financial position.

Given the prevailing circumstances, the chances of the project progressing soon are slim, and there is a high likelihood that the funds already spent will be considered as fruitless expenditure.

10.4.2 Base Transceiver Stations not completed on time: - UNIVERSAL SERVICE FUND (USF): -

Specific timeframes were established for the construction of seven (7) Base Transceiver Stations (BTS). These deadlines were set between November 2021 and March 2022. However, during the audit conducted in September 2022, it was observed that five of the BTS were still incomplete.

Furthermore, it was noted that USF lacked the necessary capacity to effectively oversee the project. Consequently, a decision was made to reassign the task to Vodacom Lesotho (VCL) and Econet, with the expectation that they would be better equipped to ensure the timely completion of the remaining BTS.

Table 37 has the details. Table 37: BTS Not Completed on Time

| BTS Location/Name | Cost (M'000) | Expected start Period | Planned completion period |
|--------------------------|---------------------|------------------------------|----------------------------------|
| Khubelu Valley | 3,994 | September 2021 | March 2022 |
| Liseleng | 3,609 | September 2021 | March 2022 |
| Mants'onyane (2BTS) | 7,729 | August 2021 | November 2021 |
| Semonkong | 4,064 | September 2021 | March 2022 |

Source: BTS Memorandum of Agreements

As a result of the delays in the completion of BTS, certain areas that were previously unserved or underserved continue to lack universal access to communication services. There is also a growing possibility of construction costs escalating due to the ongoing increase in prices.

Recommendation

I recommended that the project be accorded the necessary resources to ensure that it is completed, and the anticipated services provided.

CHAPTER 11: AUDIT OF DEVELOPMENT PROJECTS

During the audit of development projects against their mandates, the following anomalies were discovered: -

11.1 MINISTRY OF HEALTH

Audit Concern

11.1.1 Budget underperformance - Health Sector Reform Project

The budget analysis revealed significant underperformance in the Health Sector Reform Projects throughout the year. The projects with the highest underperformance include "COVID TF" with 0% budget performance, "Cancer Treatment Centre" with 7%, and "LNHSS" with 10%. The details are reflected in **Table 38**.

Table 38: Projects Underperformance

| Project | Budgeted Amount | Actual Amount Used | Budget Performance Level |
|-------------------------|-----------------|--------------------|--------------------------|
| | USD' 000 | USD' 000 | % |
| Amount in USD | | | |
| LNHSS | 4,015 | 382 | 10% |
| SATBAF | 7,900 | 2,537 | 32% |
| COVID TF | 1,693 | 0,12 | 0% |
| COVID AF | 13, 000 | 7,000 | 54% |
| Amount in LSL | | | |
| | M'000 | M'000 | |
| Cancer treatment Centre | 2,280 | 157 | 7% |
| GAVI GOL | 6,457 | 3,161 | 49% |
| Maseru District | 6,857 | 2,253 | 33% |

Source: Project records

Recommendation

I recommended that the management of the project should closely monitor projects performance and address any delays to fast-track the implementation of planned activities.

11.2 MINISTRY OF TRADE AND INDUSTRY

11.2.1 Economic Diversification Support Project

The objectives of Economic Diversification Support Project (EDSP) include amongst others, to upgrade infrastructure, support short courses for lecturers, as well as procure tourism and hospitality equipment, primarily to improve students' teaching and learning. Lerotholi Polytechnic has been one of the institutions identified to implement Curriculum Development Shortage Skills in Tourism Management and Hospitality schools.

To facilitate materials to students in teaching and learning, EDSP procured fifty (50) HP ProDesk monitor computers amounting to M0.849 million and Hospitality Management Equipment amounting to M1.2 million. These computers and equipment were delivered to Lerotholi Polytechnic.

Audit Concern

Loss report not prepared

Physical verification of assets at Lerotholi Polytechnic, Information Communications Technology (ICT) Department, revealed that out of fifty (50) desktop computers donated by EDSP, five (5) CPU and two (2) monitors were missing. The matter was not reported to EDSP management, even though it was reported to the Police, as per case number MCCO RCI 94/06/22. There was no Loss Report submitted to the Ministry of Finance by the Principal Secretary (PS) of the Ministry of Education. The Hospitality Management Equipment could not be physically verified as the guesthouse building where it was said to be stored, was under renovation and some of the components were still in the boxes. The stolen computers and monitors constitute loss of public funds.

Recommendation

I recommended that the management of the project continue with their investigations to recover stolen property and promptly submit loss reports to the PS of the Ministry of Finance.

11.3 MINISTRY OF COMMUNICATIONS, INFORMATION, SCIENCE AND TECHNOLOGY

11.3.1 E-Government Infrastructure Project

The Phase II of the e-Government Infrastructure Project is a collaborative effort between the African Development Bank Group (AfDB) and the Government of Lesotho (GoL), aimed at enhancing access to reliable digital services for citizens residing in rural and underserved areas.

This project is a natural continuation of Phase I, which was initiated by AfDB in September 2020. With estimated Loan, Grant, and GoL contributions amounting to LSL 231.88 million (equivalent to USD 17.53 million), Phase II of the project is scheduled to be implemented over four years from 2020 to 2024.

Audit concerns:

a. Delay in implementation of the project

Officially launched on September 15, 2020, the project outlined a total of 31 planned activities for the first year. However, during the year under review, it was revealed that only 11 activities (35%) were completed, while 2 activities (7%) were in progress, and 18 activities (58%) were not implemented. Consequently, there have been delays and a lack of progress in terms of physical activities since the project's inception.

Recommendation

I recommended that the project management closely monitor and supervise the project's progress.

b. Variances between the amounts in the Financial Statements and the payment vouchers.

An analysis of itemised expenditure as reflected in payment vouchers against the financial statements, revealed a variance of M1.3 million. The financial statements indicate a total expenditure of M7.1 million, while the payment vouchers account for M5.8 million. **Table 39** has the details.

Table 39: Financial Statements Amounts Different from Source Documents

| Items | Financial Statements | Payment vouchers | Differences |
|----------------------------------|-----------------------------|-------------------------|--------------------|
| | M'000 | M'000 | M'000 |
| Expenditure | M | M | M |
| Salaries | 1,024 | 816 | 208 |
| Subsistence Local | 99 | 83 | 16 |
| Power | 362 | 0 | 362 |
| Purchase/Production of Materials | 3,278 | 2,741 | 537 |
| Rent | 437 | 301 | 136 |
| Consultancies | 1,933 | 1,886 | 47 |
| Total | 7,133 | 5,826 | 1,307 |

Source: Financial statements & Payment Vouchers 2021/2022

Recommendation

I recommended that the project coordinators should undertake monthly reconciliations between the ledger and cashbook.

PART 5

REPORT ON ASSET MANAGEMENT PROCESS REVIEW – MINISTRIES AND DEPARTMENTS

CHAPTER 12: REPORT ON ASSET MANAGEMENT PROCESS REVIEW – MINISTRIES AND DEPARTMENTS

12.1 PROPERTY, PLANT AND EQUIPMENT

In terms of Section 5 (h) of the Public Financial Management and Accountability (PFMA) Act 2011, the Chief Accounting Officer (CAO) shall ensure that Government property is recorded and managed efficiently to achieve programme objectives approved by Parliament.

The principle and approaches that underscore the successful management and tracking of plant, property and equipment encompasses a comprehensive asset register, diligently recording all assets' details, including purchase date, value, and physical location.

A sample of seven (7) ministries being Agriculture and Food Security, Health, Foreign Affairs and International Relations, Forestry and Land Reclamation, Home Affairs as well as Local Government and Chieftainship Affairs, were selected for asset verification. The following anomalies were observed: -

Audit Concerns:

a. Ministry of Agriculture and Food Security

i. Absence of sub lease agreements

Table 40 shows a list of sites and buildings owned by the Ministry which were being utilised either wholly or partly by unauthorised parties. Most of these properties lacked sublease agreements.

ii. Untagged Assets

There were lists of assets submitted that were obsolete (no longer in use) by various units, such as Lesotho Agricultural College (LAC) and Department of Livestock. However, due to untagged assets, these could not be identified against the assets in use.

Table 40: Land and Buildings for Ministry of Agriculture

| Site | District | Condition/Remarks |
|--|---------------|---|
| TOU | Butha-Buthe | Partly operational, another part taken by Mr. Lerato (an individual) |
| Marakabei | Butha-Buthe | Used by an individual, Mr Mothe Nyathela |
| Ngoajane Warehouse RC | Butha-Buthe | Fenced but used by an individual not named |
| Ngoajane RC 2 roomed house | Butha-Buthe | Dilapidated |
| House no. 49 | Butha-Buthe | Used by District Adm. staff |
| Warehouse | Leribe | An individual Mr. Monate has built some flats on that property |
| 36 residential houses | Leribe | Officers from other Ministries have self-allocated themselves the rooms. One room is Burnt. |
| Pitseng Livestock | Leribe | Football field within the site |
| DCS Office, Offices, 8 Silos and old Tractor | Leribe | Issuance of land to DCS should be documented |
| Market Center | Leribe | Used by Vendors |
| Seaka Machinery | Quthing | Dilapidated in some areas |
| Moyeni site, | Quthing | Used by different people |
| Residential house | Quthing | Used by Mr Bafokeng, who is now a pensioner. |
| Tlasi Lehlakeng | Quthing | Used as a farm |
| Site next to WASCO | Qacha's nek | Partly sold |
| Site next to Police Station | Qacha's nek | Small Business claims the site, certificate required |
| Mohalenyana Sub-center | Maseru | Dilapidated |
| Residences | Maseru | Dilapidated |
| Semonkong Guest House | Maseru | User Certificate required |
| DAO Offices, Residences | Mafeteng | Dilapidated |
| Basotho Pony Building | Thaba-Tseka | Dilapidated stables, store |
| Market Place | Mohale's Hoek | Used as car repairs |
| Thabang Woolshed, above District Council | Mokhotlong | 2 storerooms and 1 dilapidated house |
| Mapholaneng sub-center | Mokhotlong | Dilapidated warehouse |

Source: Asset Verification Report

The associated risk in this respect is that this has led to unauthorised use of Government property by external parties, including other ministries and private individuals.

Recommendations

I recommended that: -

- i. The CAO complies with Section 5 of the PFMA Act and ensures the existence of sublease agreements.
- ii. The CAO to ensure that all unauthorised occupation and use of Government property is discontinued.
- iii. The Ministry engages in an asset review activity and tag assets in use, while the remainder of the assets be removed from records and physically.

b. Ministry of Foreign Affairs and International Relations

The Pretoria High Commission of Lesotho in South Africa heads four (4) Consulates in Johannesburg, Klerksdorp, Welkom, and Durban. To facilitate its operations, the Lesotho Government has acquired properties in Johannesburg, Klerksdorp, and Pretoria, while opting to rent privately owned properties in Durban and Welkom.

Sections 5 (h) and 46, 1 (c) of the PFMA Act assigns the CAO the duty of recording and managing Government property and ensuring its disposal when it no longer contributes to programme objectives or incurs costs exceeding its contribution.

Audit Concerns:

- i. **Improper maintenance of assets/asset register**
 - i. The Asset Register had not been updated since April 2019.
 - ii. For recorded assets in the register their acquisition dates were not specified.
 - iii. Within Johannesburg, it was noted that 12 out of 19 properties were in a poor condition.

Recommendations

I recommended that: -

- i. The CAO should ensure that the property of Lesotho in South Africa is properly recorded, managed, and maintained in terms of the above-quoted regulation.

- ii. The asset register should be up to date and all information about the assets be adequately disclosed.
- iii. The assets in poor condition be maintained.

c. Ministry of Home Affairs

The Ministry of Home Affairs, through the Department of Passport Services, is responsible for issuing travel documents in Lesotho. The Government of Lesotho entered into a maintenance agreement with PANGEA Ngu (Ltd) which entailed conditions such as transfer of information technology (IT) skills.

Section 3 of the Agreement stipulated that PANGEA would collaborate with Government IT Personnel for the duration of the Agreement.

Audit Concerns:

i. **Lack of skills transfer**

Due to the absence of collaboration between the Ministry IT personnel and PANGEA Officers, skills transfer was limited, and there was poor maintenance of the systems leading to dysfunctional printers and computers.

ii. **Lack of security arrangement**

Contrary to Section 5 (h) of the PFMA Act, it was observed that passports were being distributed from production to various destinations in unsealed boxes and by a Passport Officer not accompanied by any security personnel.

iii. **Unrealised revenue**

The Department of Passport Services is responsible for preparing the revenue budget for passports anticipated to be printed in the upcoming year. Several passports, totalling 15,372 were rendered unusable due to a variety of reasons, including folded paper, chip errors, and data mismatches, leading to their mutilation.

These mutilated passports had cost Government M3.6 million. If these passports had remained intact, they would have generated an estimated revenue of M2.1 million for the Ministry, as outlined in **Table 41**.

Table 41: Unrealised Revenue

| Number of Pages per Passport | Regular Passports | | Diplomatic | | Service | Refugee | Official | Total Quantity | Total (M'000) |
|------------------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|----------|----------------|---------------|
| | 32 Page Passport | 64 Page Passports | 32 Page Passports | 64 Page Passports | 32 Page Passport | 32 Page Passport | | | |
| Number of Passports | 14,957 | 308 | 60 | 27 | 15 | 3 | 2 | 15,372 | |
| Price per Passport | 132.00 | M250 | M200.00 | M400 | M200 | FREE | M132 | | |
| TOTAL | M1,974,324 | M77,000 | M12,000 | M10,800 | M3,000 | | M264 | | M2,077 |

Source: Audit inspection report

This loss was not reported to the Chief Accounting Officer (CAO) by the Public Officer or the Finance Officer. Consequently, the CAO did not report to the Principal Secretary (PS) of Finance in violation of Section 89 (1) of the Treasury Regulations, 2014.

Recommendations

I recommended that: -

- i. The Ministry places IT personnel at the Passport Production Centre.
- ii. PANGEA facilitates training of the Ministry's IT personnel to support the system.
- iii. The CAO develops security guidelines for the delivery of passports from production to distribution sites.
- iv. Ministry complies with the loss report per Regulation.

d. Ministry of Health

i. Absence of Asset Register

Section 5 (h) and (i) of the PMFA Act requires that the CAO shall ensure that Government property is recorded and managed efficiently to achieve the programme objectives and register assets and prepare asset management plans.

Audit Concern

Contrary to Section 5 (h) and (i), the Ministry of Health did not keep an asset register. The Ministry owns valuable assets such as health equipment, vehicles, including ambulances and mobile clinics, personal protective equipment (PPE), land and buildings, as well as office furniture. All these assets have not been registered.

ii. Irregularly Appointed Service Provider and Attempted Transfer of Public Funds

Section 8 (2) (b) and (c) of the Procurement Regulations 2007 requires that exceptional procurement procedure shall only apply where the required service can only be secured from a single source and there must be significant reasons, for competition to be avoided.

Section 5 (g) of the PFMA Act requires a CAO to establish sound systems of internal controls within the spending unit to ensure that programme objectives are being met.

Generally, there is an established practice in the provision of software for wholesale service providers to operate through approved service providers (partners).

Audit Concern

Contrary to Sections 8 (2) (b) and (c), and 5 (g) as well as the established practice, Leбомatt Consulting was awarded a contract as a single source service provider despite not being a business partner of SAP Business One. Furthermore, there was another existing service provider who was better suited as a partner of SAP Business One.

Despite this irregularly awarded contract, on the 10th March 2022, Queen `Mamohato Memorial Hospital (QMMH) instructed First National Bank Lesotho (FNB) to transfer public funds amounting to M5.2 million in favour of Leбомatt Consulting for SAP software installation and environmental setup.

However, FNB did not process the payment.

Recommendations

I recommended that: -

- i. The CAO adheres to transparency and accountability principles by fully disclosing their assets in the financial statements.
- ii. The Lebomatt case be further investigated, and procurement regulations and controls be complied with.

Generally, in all the Ministries quoted above, the Chief Accounting Officers (CAO) are required to abide by the PFMA Act, to ensure proper asset management practices, including the recording and security of properties, and improve overall operational efficiency.

12.2 CASH AND CASH EQUIVALENTS

12.2.1 Ministry of Forestry and Land Reclamation

Assistance from Japan International Cooperation Agency (JICA)

Section 30 (1) and (2) of the PFMA Act states that the Minister, having signed agreements on behalf of the Government and Government entities, shall receive any grants made by foreign Governments or any other entity.

Audit Concern

Non-existence of funding agreement

Contrary to Section 30 (1), (2) an amount of USD 7,000 was received in the form of cash by a public officer without any signed agreement between the donor (JICA) and the Government.

The Accountant General requested assistance from the Financial Intelligence Unit (FIU) to investigate this matter. However, despite this, the Ministry of Forestry has yet to produce a comprehensive written report on how the funds were received, the circumstances surrounding their receipt, and the purpose for which they were received.

Recommendations

I recommended that the Ministries of Forestry, Finance, and the FIU, jointly agree on the treatment of these funds.

12.2.2 Ministry of Local Government

a. No loss reports prepared - M279,200

Treasury Regulations, 2014 Section 81 (1), (3) and (4) require Finance Officers to conduct monthly reconciliations of bank statements to cash Journals.

Further to that, Treasury Regulations, 2014 Section 85 (1), (2) and (3), read with Local Government Service Act 2008 Section 85 (1) and (2) require that Finance and Public Officers report any incident or suspicion of loss, shortage, fraud, theft, or any other irregularity in any cash be reported to the Chief Accounting Officer (CAO), and a loss report be prepared and submitted to the Principal Secretary (PS), with copies to the Accountant-General and the Auditor-General.

In addition, Section 32 (1) (b) of the Local Government Service Act 2008, states that a surcharge may be imposed on an officer who has been found guilty of misconduct.

Employees of the Leribe District Council (LDC) are required to complete cash withdrawal slips when claiming out-of-pocket expenses for items such as lunch, soft drinks, office calling cards, individual airtime, electricity units, and transportation related to office duties. These expenses are reimbursed by the Community Councils, Urban Councils, and District Council Secretaries (DCS) offices.

The review of the bank statements showed discrepancies in the withdrawal amounts, compared to those approved by the authorising officers. This occurred between October 2020 and April 2021, where approved withdrawals totalled M33,738 while the bank statements reflected withdrawals amounting to M312,938. As a result, there was an unaccounted amount of M279,200. If bank reconciliations were prepared accordingly, these unaccounted amounts would have been detected on time.

LDC took disciplinary action to surcharge the officers involved in the unauthorised withdrawals in accordance with Section 32 (1) (b) of the Local Government Service Act 2008.

Audit Concern

While the officers were held accountable for the full amount of the shortfall, the management of LDC however, did not comply with Section 85 (1), (2), and (3) of the Treasury Regulations, 2014 as no loss reports were prepared and submitted as required.

Recommendations

I recommended that: -

- i. Loss reports be prepared and submitted to relevant offices in terms of the Regulations.
- ii. Management ensure that monthly bank reconciliations are promptly prepared in line with the Regulations.

b. Non-compliance with regulations

Section 13 (4) (a) of the Treasury Regulations, 2014 states that the "ministries shall prepare budget implementation and cash plans to estimate when funds will be required based on when activities will be implemented, making use of past patterns of monthly or quarterly expenditure as a guide, and submit their cash plans to Treasury Department".

I undertook an audit of the financial statements of the LDC for the two years ended 31st March 2019 and 2020, and these were the major findings:-

On 31st March 2018, Digjam Enterprises (Pty) Ltd (sub-lessor) signed a contract with (LDC) (sub-lessee) to lease office premises located in Hlotse. The lease was set to last for a period of five (5) years, starting from 1st May 2018, and ending on 30th April 2023. In this sublease agreement, a provision for upgrade of the property was agreed on and included into the contract, the upgrade was at the instruction of LDC.

However, on 7th November 2018, six (6) months after signing the contract, LDC informed Digjam Enterprises (Pty) Ltd of its intention to terminate the sub-lease agreement. LDC cited supervening impossibility of performance as the grounds for termination, specifically the inability to make rental payments due to insufficient funds. In response, Digjam Enterprises (Pty) Ltd claimed the upgrade costs from LDC to the amount of M450 000, which LDC agreed to, as adjudicated by the Commercial Court of Lesotho (Case number CCT/0314/2019).

However, LDC has not complied with the Court order and has failed to honour the claim.

Audit Concerns:

- i. LDC did not comply with Section 13 (4) (a) of the Treasury Regulations, 2014 in not doing a proper cashflow analysis of their situation.
- ii. Non-compliance with a Court order, as further charges may follow if this matter remains unresolved. Thus, LDC may face further financial losses and reputational risk.
- iii. **Fruitless expenditure**
This compensation claim has brought about a liability of M450,000 which has not been accounted for, or recorded by the Ministry or disclosed in the CFS.

Recommendations

I recommended that: -

- i. Comprehensive cash plans be prepared and implementation of those budgets to be followed.
- ii. The contingent liability be recorded in the Ministry's financial statements and disclosed in the CFS.

PART 6

PERFORMANCE AUDIT

CHAPTER 13: PERFORMANCE AUDIT

13.1 PERFORMANCE AUDIT

Section 7 (2)(d) of the Audit Act of 2016 mandates the Auditor-General to undertake several types of audits including performance audits. This is defined as an assessment of the activities of an organisation to see if its operations are being carried out with due regard to economy, efficiency and effectiveness, and that accountability requirements are met reasonably.

Performance audits by their nature may span over a period exceeding one financial year.

13.2 LESOTHO AGRICULTURAL COLLEGE

A performance audit of Lesotho Agricultural College (LAC) was conducted to evaluate the effectiveness of measures implemented for the proper administration of academic programs, the progress in implementing management strategies, and the adherence to standard operating procedures in educational facilities.

LAC is a department under the Ministry of Agriculture, Food Security, and Nutrition. It functions as a higher education institution, providing various three-year diploma programs such as in Agriculture, Agricultural Education, Forestry and Resource Management, Education, Home Economics Education, Agricultural Engineering, and Land and Water Management.

The audit also sought to identify areas of improvement to support decision-making processes and the formulation of targeted strategies, to enhance the quality of academic programs and the administration of LAC. The following areas of improvement were therefore noted: -

a. Implementation of LAC Academic Programmes

i. Accreditation

Section 2 of the Higher Education Act 2004 defines accreditation as a “process leading to the issuance of a certificate of accredited status by an educational institution or a recognised local or international body attesting to the quality of standard of one or more education programs and to the effectiveness of the management and operations of the higher education institution offering the programme”.

Furthermore, the Council on Higher Education (CHE) accredits programmes and issues certificates of accreditation to institutions of higher learning.

To implement the provision of the Act, CHE had instructed LAC to conduct a Self-Assessment Evaluation and submit for review.

Audit Concern

Lack of accredited programmes

Among the six (6) programmes offered by LAC, only the Diploma Programme in Agriculture was submitted for accreditation in 2018. However, the programme did not meet some of the standards specified in the minimum programme accreditation standards required by CHE. LAC was, therefore, granted probationary accreditation for a period of two years ending in June 2021. This was done to allow LAC to address recommendations raised in the CHE Second Review for Diploma in Agriculture Programme, 2018 report. As a result, none of the programmes offered at LAC met accreditation standards.

Recommendation

I recommended that LAC management address recommendations raised by CHE.

ii. Institutional Audit

Lesotho Qualification Framework (LQF) 2020 requires that institutions of higher learning should conduct an internal evaluation of the institution to facilitate institutional audit and accreditation by CHE. Section 12 (1) of the Higher Education Act 2004 states that: -

“Every higher education institution operating in Lesotho shall provide the CHE with such information as the CHE may reasonably require, to enable it to perform its functions and exercise its powers”.

Information gathered through internal evaluation should be submitted to CHE before the institutional audit. CHE presents the information to the auditing panel in preparation for institutional audit and CHE charges institutions an audit fee of M100,000.00.

Audit Concern

Failure to conduct institutional audit

The audit revealed that the institutional audit that was supposed to have been undertaken by CHE in October 2021 was never carried out due to the unavailability of funds, and LACs' failure to submit internal evaluation information to CHE.

Recommendation

I recommended that the LAC Management undertake the internal evaluation and prepare for the institutional audit.

iii. Curriculum Review

Section 5.1.4 of the National Strategic Development Plan (NSDP 1) 2012/13 – 2016/17 states that educational institutions should develop more effective and specialised curricula for farmers and extension staff to support commercialised agriculture, review curriculum and explore the need to introduce 3-6 months intensive programs, targeted at potential lead and young farmers.

This was further strengthened by CHE Review Report 2018 which required that curriculum should be reviewed after every five (5) years.

Audit Concern

No curriculum review conducted

The audit revealed that, LAC curriculum was last reviewed in 2008 as shown in the Course Structure 2008. The reason for not reviewing the curriculum was that it was not regarded as a priority in the plans by the Ministry of Agriculture Food Security and Nutrition.

In the case where higher education curriculum is not modified, training provided may not adapt to diverse developments in the agricultural sector.

Recommendation

I recommended that the LAC management review the curriculum every five (5) years as stipulated by Higher Education Act 2004.

iv. Student Enterprise Projects (SEPs)

SEP Supervisors Manual of February 1992 stated that LAC provides loans to third-year students studying for Diplomas in Agriculture and Home Economics in crop and animal husbandry. Students request the SEP loans for purchase or rental of inputs and facilities for their projects. The products resulting from the implementation of the projects are sold at the LAC tuck shop to individuals or other marketing outlets, at market prices. After repaying the loan, loan interest and charges for use of LAC facilities, students take the net profit and/or retain some or all their animals or produce.

Audit Concern

Discontinued SE projects

The audit revealed that there were projects such as for rabbits, fish, dairy cattle, and beef cattle which were discontinued, due to depletion of SEP funds which led to students' inability to select projects they wished to continue with.

Recommendation

I recommended that the LAC management lobby for funds and monitor SEPs effectively.

b. Implementation of LAC Management Strategies

i. Transformation of LAC

Lesotho Agricultural College Strategic Plan 2016/17-2020/21, states that LAC should be transformed and deregulated into Lesotho College of Agriculture.

In addition, the Savingram dated 7th May 2014 from Government Secretary (GS) to Principal Secretary of the Ministry of Agriculture, Food Security and Nutrition on "Establishment of LAC as a semi-autonomous Agricultural Education and Training Institution", instructed the Law Office to draft the LAC Bill 2014, which would be an instrument to spearhead the transfer of LAC as a semi-autonomous higher education institution, to the Ministry of Education and Training.

Audit Concern

LAC Bill 2014 not passed

The bill was drafted in 2014, but not passed due to prorogation of Parliament in 2014 and subsequent dissolution of Cabinet. In the following years, LAC failed to pursue the issue with different management of the Ministry of Agriculture, Food Security and Nutrition.

As a result, LAC had remained a department within the Ministry of Agriculture, Food Security and Nutrition, and thus failed to reflect capability of self-governance and development in the quality of education, which would not make it possible to transition from an agricultural school to an autonomous institute of higher learning.

Recommendation

I recommended that the Ministry of Agriculture, Food Security and Nutrition facilitate tabling of LAC Bill before Parliament.

ii. Education facilities

The objectives of the LAC as contained in the Lesotho Agricultural College Strategic Plan 2016/17-2020/21 state that it should acquire its own equipment and improve infrastructure for teaching, training, and research.

Audit Concern

Lack of maintenance of infrastructure

The audit revealed that existing infrastructure such as laboratories, libraries, workshops, greenhouses, and recreational facilities had not been rehabilitated. The necessary equipment, farm machinery, equipment and implements, irrigation system and security fencing were not purchased or maintained per **Table 42**.

Table 42: Status of LAC Facilities

| Facility | Status/Cause |
|-----------------------------------|--|
| Laboratories | <ul style="list-style-type: none"> • Pipes were rusted leading to lack of water • No electrical outlets • No reagents • Procurement delays and contractual disagreements |
| Libraries in Maseru campus | <ul style="list-style-type: none"> • Inadequate reading space |
| Farm Machinery | <ul style="list-style-type: none"> • 2 tractors and a combined harvester not in a functional state • Irrigation system not functional |
| Agricultural Engineering Workshop | <ul style="list-style-type: none"> • Absence of machinery, equipment and parts used for practical trainings • Workshop irregularly loaned to a private individual |
| Milking Parlor | <ul style="list-style-type: none"> • Although constructed at a cost of M6 million was never completed. The necessary tools for milking were never purchased. The building has been vandalised |

Source: 2023 Performance Audit Report

Recommendation

I recommended that the Ministry of Agriculture, Food Security and Nutrition ensure that LAC budget is independent and not allocated according to the discretion of the Ministry.

The Ministry should endeavour to allocate a sufficient budget to LAC to ensure the maintenance and acquisition of facilities required to achieve its set goals.

APPENDICES WITH MORE DETAILS FROM THE VARIOUS SECTIONS**APPENDIX 1: PENDING LITIGATIONS**

| Reference | Start year | Claimant/ Beneficiary | Nature of contingent liability | Exposure at 31 March 2022 M'000 | Exposure at 31 March 2021 M'000 |
|--|------------|---|--|--|--|
| MINISTRY OF COMMUNICATIONS | | | | | |
| | 2015 | EOH Mthombo (Pty) Ltd | Claim | 25,773 | 24,527 |
| | 2015 | EOH Mthombo (Pty) Ltd | Claim | 0 | 1,246 |
| | 2015 | Motebang Mphutlane | Defamation | 1,200 | 1,200 |
| | 2018 | Moses Makhoa | Complaint | 3 | 3 |
| | 2018 | Qobolo Senekane | Claim | 2,000 | 2,000 |
| | 2018 | Lipolelo Kharitse | Claim | 848 | 848 |
| | 2019 | Relebohile Mafatle | Claim | 150 | 150 |
| | 2020 | Makalimeng Matsoso | Claim | 269 | 269 |
| | 2020 | MoAfrika FM | Claim | 0 | 0 |
| | 2006 | Mamotloang Mohale | Claim | 990 | 990 |
| | 2020 | Mathe Letsie | Claim | 0 | 0 |
| | 2021 | Mampoi Lebakeng Mosebo | Claim | 3,500 | 0 |
| | 2020 | Matlotlo Mphohla | Defamation | 3,500 | 3,500 |
| | 2021 | Resalt Consulting | Award of tender | 2,423 | 0 |
| TOTAL | | | | 40,656 | 34,733 |
| MINISTRY OF FOREIGN AFFAIRS | | | | | |
| CIV/T/666/16 | 2016 | Majane Ntsála | Litigation | | 416 |
| CIV/APN/462/20 | 2020 | Rethabile Mokaeanne Vs PS Foreign Affairs | School fees and Legal Fees | 350 | 0 |
| CIV/APN/13/13 | 2013 | Thabiso Mokhobori Vs PS Foreign Affairs | Monetary Claim | 30 | 0 |
| C of A (CIV) 47/21 | 2021 | PS Public Service Vs Khotso Mabaso | Legal fees and costs | 150 | 0 |
| CIV/APN/146/21 | 2021 | PS Public Service Vs Khotso Mabaso and others | Legal fees and costs | 250 | 0 |
| CIV/APN/85/21 | 2021 | Mathapelo Kanono Vs Foreign Affairs | Legal fees and costs | 250 | 0 |
| BMB/19/20/0191 | 2020 | Samuel Mokoro Vs Foreign Affairs | Salary (Ministry pursuing SADC to pay) | 75 | 0 |
| TOTAL | | | | 1,105 | 416 |
| MINISTRY OF LABOUR & EMPLOYMENT | | | | | |
| Rentals | 2018 | G. Dambha | Pending lawsuits | 100 | 100 |
| TOTAL | | | | 100 | 100 |
| MINISTRY OF LOCAL GOVERNMENT | | | | | |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| | | | | | |
|---|---------|--------------------------|---|--------------|------------------------------------|
| CCT/0217/2019 | 2019 | Cash Build (Pty) Ltd | Loss of sales and profits due to forced closure during a holiday | 50 | 50 |
| CCT/0424/2018 | 2018 | NAM Consult | Capital sum and occurred interest | 2,243 | 2,243 |
| CIV/APN/143/2019 | 2019 | Sepha Moiloa | Payment for early retirement from date of compulsory retirement | | Amount to be computed by the court |
| | 2019 | Cash Build (Pty) Ltd | Loss of sales and profits due to forced closure during a holiday | 184 | 184 |
| CCT/0501/2014 | 2014 | MEI & MEI ATTORNEYS INC. | Court order obtained in default on non-payment of professional fees | 87 | 86 |
| CCT/0502/2014 | 2014 | MEI & MEI ATTORNEYS INC. | Court order obtained in default on non-payment of professional fees | 63 | 63 |
| LN/APN/87/2015 | 2015 | HUDSOONS CHAMBERS | Recovery costs of suit | 39 | 39 |
| CIV/T/373/2018 | 2018 | Monkhankhane and Lehomo | Claim for pain suffering after being beaten by villagers allegedly under the instruction of the Chief | | 100 |
| TOTAL | | | | 2,666 | 2,765 |
| INDEPENDENT ELECTORAL COMMISSION | | | | | |
| | 2016/17 | Waymark Infotech | Payment claims for | 2,344 | 2,344 |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| | | | | | |
|---------------------------------------|---------|---|---|---------------|--------------|
| | | | tender and loss of Profit | | |
| | 2016/17 | ITEC Lesotho | Payment claims for tender and loss of Profit | 1,185 | 1,331 |
| C OF A (CIV) 26/2022 CCA/0039/2022 | 2021/22 | Laxton Group | Payment claims for tender | 41,520 | 0 |
| SUB-TOTAL | | | | 45,049 | 3,675 |
| HIS MAJESTY'S OFFICE | | | | | |
| PSAC/01/2021 | 2020 | Moeketsi Tsiboho Vs The Royal Palace Secretariat His Majesty's Office | Uncleared imprest | 1,500 | 1,500 |
| TOTAL | | | | 1,500 | 1,500 |
| NATIONAL SECURITY SERVICES | | | | | |
| CIV/APN/66/2018 | 2018 | 90 NSS Officers | Officers relieved from their duties by Management | 20,223 | 14,986 |
| CIV/APN/79/21 | 2021 | Teboho Masimong Vs NSS | Unlawful promotions effected by Director General | 90 | 0 |
| CIV/APN/66/21 | 2021 | Makali Mosoeunyane Vs NSS | Transfer alleges unlawful | 60 | 0 |
| CIC/APN/70/20 | 2020 | Seriti Likotsi Vs NSS | Unfair discharge from the service | 382 | 0 |
| CIV/APN/398/21 | 2021 | Lethula Vs Chairperson of the Staff Board and others | Unfair dismissal | 60 | 0 |
| CIV/APN/402/21 | 2021 | Mosoeunyane Vs Dir Mpakane and others | Challenging allocation of houses and demotion | 40 | 0 |
| CIV/APN/318/21 | 2021 | Ramathe Vs Director General NSS and others | Disciplinary hearing | 90 | 0 |
| CIV/APN/0135/22 | 2022 | Liau Vs Director General and others | Disciplinary hearing | 90 | 0 |
| CIV/APN/0044/22 | 2022 | Makhalemele Vs Director General and others | Disciplinary hearing | 95 | 0 |
| CIV/APN/305/21 | 2021 | Mohale Vs Director General and others | Discharge from the service | 60 | 0 |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| | | | | | |
|--|------|---|----------------------------|----------------|---------------|
| SUB-TOTAL | | | | 21,190 | 14,986 |
| MINISTRY OF POLICE AND PUBLIC SAFETY | | | | | |
| CIV/T/762/22 | | Seabata Lehana | Legal Claims | 35 | 0 |
| CIV/T/29/19 | | Motlatsi Tsóoana | Legal Claims | 900 | 0 |
| CIV/T/154/17 | | Maliketso Sankoela | Legal Claims | 21 | 0 |
| CIV/T/154/17 | | Maliketso Sankoela | Legal Claims | 60 | 0 |
| CIV/T/727/16 | | Motsoene Masiphole | Legal Claims | 19 | 0 |
| SUB-TOTAL | | | | 1,035 | 0 |
| MINISTRY OF MINING | | | | | |
| | 2015 | Nobendi Gugushe | Salary | 136 | 0 |
| | 2020 | Tip Top Guest House | Service rendered | 282 | 0 |
| TOTAL | | | | 418 | 0 |
| MINISTRY OF SMALL BUSINESS CORPORATIVES AND MARKETING | | | | | |
| | 2019 | Lefokotsane & others | Pending lawsuits | 43 | 43 |
| | 2020 | Lesotho Opportunities Industrialisation Centre and 2 others | Legal Bill | 147 | 147 |
| | 2019 | Lesotho National Wool and Mohair Growers Association | Legal Bill | 181 | 181 |
| | 2021 | Contract | Pending lawsuits | 3,163 | 3,163 |
| TOTAL | | | | 3,534 | 3,534 |
| MINISTRY OF EDUCATION AND TRAINING | | | | | |
| CIV/T/404/2018 | 2018 | Sebongile Khoete | Learner injured by teacher | 1,500 | 0 |
| CCT/0408/2019 | 2018 | Thabiso Nyabanyaba | Termination of contract | 779 | 0 |
| TOTAL | | | | 2,279 | 0 |
| GRAND TOTAL | | | | 119,532 | 61,709 |

Source: Ministries Financial and CFS

APPENDIX 2: ANNUAL FINANCIAL STATEMENTS AND AUDIT OPINIONS

| Organisation | Last audited financial statements | Opinion | Remarks |
|---|-----------------------------------|-------------|--|
| Authorities and Corporations | | | |
| 1. Land Administration Authority | 31 March 2022 | Unqualified | |
| 2. Lesotho Communications Authority Universal Service fund | 31 March 2022 | Unqualified | |
| 3. Lesotho Communication Authority | 31 March 2022 | Qualified | <ul style="list-style-type: none"> An amount of M14,548,449.39 was allocated as a commencement fee for the acquisition of a Compliance Monitoring and Revenue Assurance Tool (C-MART), which should be categorised under the build, operate, and transfer project category. This amount was wrongly recognised as an asset in the statement of financial position under Property, Plant, and Equipment instead of an expense. |
| 4. Lesotho Electricity and Water Authority | 31 March 2022 | Unqualified | |
| 5. Lesotho Revenue Authority | 31 March 2022 | Unqualified | |
| 6. Lesotho Tourism Development Corporation | 31 March 2022 | Unqualified | |
| 7. Lesotho National Development Corporation | 31 March 2021 | Unqualified | |
| 8. Basotho Enterprise Development Corporation | 31 March 2018 | Unqualified | Audit of accounts for 2019-2021 awaiting signed f/s |
| 9. Lesotho Housing and Land Development Corporation | 31 March 2018-2020 | Adverse | <ul style="list-style-type: none"> I have not been able to confirm that some of the sites to which customers paid deposits amounting to M481,286 exist, as these sites could not be traced to inventory list. Sale contracts for houses and sites amounting to M703,113 could not be verified. There were no supporting documents for work in progress amounting to M231,923. |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Organisation | Last audited financial statements | Opinion | Remarks |
|--|-----------------------------------|-------------|---|
| Companies | | | |
| 1. OK Bazaars (Lesotho) (Pty) Ltd | 30 June 2020 | Unqualified | |
| 2. Loti Brick | 31 March 2020 | Disclaimer | |
| 3. Avani Lesotho (Pty) Ltd | 31 December 2020 | Unqualified | Audit of accounts for 2020/21 in progress |
| 4. MHG Lesotho (Pty) Ltd | 31 December 2021 | Unqualified | Audit of accounts for 2020/22 in progress |
| 5. Lesotho Electricity Company (Pty) Ltd | 31 March 2021 | Adverse | Audit of accounts for 2021/22 in progress |
| 6. LEC Communications (Pty) Ltd | 31 March 2021 | Unqualified | |
| 7. LEC Renewable Energy Grid Integration (Pty) Ltd | 31 March 2022 | Unqualified | |
| 8. Maluti Mountain Brewery (Pty) Ltd | 31 December 2019 | Unqualified | Audit of accounts for 2021 at the reporting stage |
| 9. Water and Sewerage Company (Pty) Ltd | 31 March 2020 | Adverse | <ul style="list-style-type: none"> • Land and Buildings are depreciated together without separating the two in contravention of International Accounting Standard 1 • Government debt as at year end has excluded the Expected Credit Losses in contravention of International Financial Reporting Standard 9. • Work in progress amounting to M215.21 million has been reflected in the annual financial statements and a list showing the makeup of the figure was not provided to auditors. • Interest payable amounting to M24,216,599 as at year end could not be substantiated. |
| Other Statutory Bodies | | | |
| 1. Directorate of Dispute Prevention and Resolution Trust Fund | 31 March 2016 | Unqualified | |
| 2. Directorate of Dispute Prevention and Resolution | 31 March 2016 | Unqualified | 2017 to 2021 accounts received. |
| 3. Lesotho Postal Services | 31 March 2009-11 | Disclaimer | |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Organisation | Last audited financial statements | Opinion | Remarks |
|---------------------------------|-----------------------------------|-------------|---|
| 4. Lesotho College of Education | 31 March 2010-19 | Disclaimer | <ul style="list-style-type: none"> • There were unexplained opening balances in the Financial Statements • Carrying values of land and building did not include depreciation charge. • There was a significant difference between the revalued class of assets amounts stated in the valuation report and the corresponding figures reported in the financial statements. • Recognition criteria did not align with the requirements outlined in IFRS 15 • Payables and accruals in the Financial Statements did not include outstanding PAYE. |
| 5. Lerotholi Polytechnic | 31 March 2009-17 | Disclaimer | <ul style="list-style-type: none"> • Insufficient appropriate evidence to substantiate Business Development Unit. • Amounts not identified in the bank reconciliations in 2008/09, lack of supporting documentation for recorded expenses from 2009-2013 with exception of 2011. • Recalculated terminal benefits provision for 2010 differed from the amount presented in the financial statements. • The scrutiny of financial statements revealed that the institution did not adhere to the requirements outlined by the IFRS |
| 6. Lesotho National Dairy Board | 31 March 2015 | Unqualified | Audit of 2016-2017 at the reporting stage |
| 7. Lesotho Nursing Council | 31 March 2015-19 | Unqualified | |
| 8. National Aids Commission | 31 March 2019 | Unqualified | Audit of accounts for 2019/2020 at the planning stage |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Organisation | Last audited financial statements | Opinion | Remarks |
|--|--|----------------|--|
| 9. Lesotho Opportunities Industrialisation Centre | 30 March 2015 | Disclaimer | |
| 10. Council on Higher Education | 31 March 2022 | Unqualified | |
| 11. Petroleum Fund | 31 March 2022 | Unqualified | |
| 12. National University of Lesotho | 30 June 2020 | Unqualified | Audit of Accounts for 2021 awaiting signing of f/s |
| 13. Tloutle Holdings – National University of Lesotho | 30 June 2020 | Unqualified | 2020/21 accounts received |
| 14. Road Fund | 31 March 2021 | Qualified | |
| 15. Financial Intelligence Unit | 31 March 2019 | Qualified | 2021/22 accounts received |
| 16. Lesotho Millennium Development Agency | 31 March 2022 | Unqualified | |
| 17. Roads Directorate | 31 March 2015-21 | Qualified | Audit of accounts for 2022 at the reporting stage |
| 18. Baylor College of Medicine Children’s Foundation Lesotho | 30 June 2018-20 | Unqualified | Audit of accounts for 2021/2022 in progress |
| 19. Examination Council of Lesotho | 31 March 2018 | Unqualified | Audit of accounts for 2018-2021 at the reporting stage |
| Trading Accounts | | | |
| National Drug Service Organisation | 31 March 2020-21 | Unqualified | |
| Development Projects | | | |
| 1. Smallholder Agricultural Development Project | 31 March 2021 | Unqualified | |
| 2. Wool and Mohair Promotion Project | 31 March 2021 | Unqualified | |
| 3. Agricultural Productivity Program for Southern Africa Project | 31 March 2020-21 | Unqualified | |
| 4. Health Sector Reform Programme | 31 March 2021 | Unqualified | |
| 5. Lesotho Education Quality for Equality Project | 31 March 2021 | Unqualified | |
| 6. Lesotho Basic Education Improvement Project | 31 March 2021 | Unqualified | |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Organisation | Last audited financial statements | Opinion | Remarks |
|--|-----------------------------------|-------------|--|
| 7. Global Fund Projects | 31 March 2021 | Unqualified | |
| 8. Lesotho Tax Modernisation Project | 31 March 2021 | Unqualified | |
| 9. Public Financial Management Reform Project | 31 March 2021 | Unqualified | |
| 10. Urban Distribution Rehabilitation and Transmission Expansion Project | 31 March 2021 | Unqualified | |
| 11. Private Sector Competitiveness Economic Diversification Project | 31 March 2021 | Unqualified | |
| 12. National University of Lesotho – Sefika Project | 31 March 2020 | Unqualified | Audit of 2021 accounts awaiting signing of financial statements |
| 13. E-Government Infrastructure Project | 31 March 2020 | Disclaimer | <ul style="list-style-type: none"> • There was no cashbook to track the movement of cash inflows and outflows • Cash balances in financial statements were based on bank balances that were not reconciled. • Variance of expenditure between statement of Cash Receipts and Payments and payment vouchers. |
| 14. Transport Infrastructure and Connectivity Project | 31 March 2021 | Unqualified | |
| 15. Local Climate Adaptive Living Project | 31 March 2021 | Unqualified | |
| 16. Lesotho Lowlands Rural Supply and Sanitation Project | 31 March 2021 | Unqualified | |
| 17. Lesotho Lowlands Water Development Project | 31 March 2021 | Unqualified | |
| 18. Lesotho Renewable Energy and Energy Access project | 31 March 2022 | Adverse | <ul style="list-style-type: none"> • Omission of figures for cash increase amount • Non-disclosure of foreign exchange rates and exchange gains or losses • Non-compliance with the applicable accounting framework (IPSAS) |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Organisation | Last audited financial statements | Opinion | Remarks |
|--|-----------------------------------|--------------|---|
| 19. Economic Diversification Support Project | 31 March 2021 | Unqualified | |
| 20. Social Assistance – Original Project | 31 March 2021 | Unqualified | |
| 21. Social Assistance – Additional Funding Project | 31 March 2021 | Unqualified | |
| 22. Maseru Wastewater Project | 31 March 2020 | Unqualified | |
| | | | |
| CHAL INSITUTIONS | | | |
| 1. Sacred Heart Health Centre | 31 March 2020 | Qualified | Adjustments of M 483, 519.00 and (M 67,000.00) had no supporting evidence and unexplained suspense of M53, 185.00 in the payables balance |
| 2. St. Francis health Centre | 31 March 2020 | Qualified | Adjustments of M65,653.00 had no supporting evidence and documentation. |
| 3. Ts'epo Health Centre | 31 March 2020 | Qualified | Adjustments of M275,429.00 have supporting evidence and documentation. |
| 4. Mofumahali oa Rosari Health Centre | 31 March 2020 | Unqualified | |
| 5. Holy family Health Centre | 31 March 2020 | Unqualified | |
| 6. Holy cross health centre | 31 March 2020 | Unqualified | |
| 7. Bethel health centre | 31 March 2020 | Unqualified | |
| 8. Hermitage health centre | 31 March 2020 | Unqualified | |
| 9. Valla Maria Health Centre | 31 March 2020 | Unqualified | |
| 10. Mount Olivet health Centre. | 31 March 2020 | Qualified | Suspense of M132,690.73 included in the receivables. |
| 11. Tebellong LECSA Hospital | 31 March 2020 | Unqualified. | |
| 12. Sekake Health Centre | 31 March 2020 | Unqualified. | |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Organisation | Last audited financial statements | Opinion | Remarks |
|-------------------------------|-----------------------------------|--------------|---|
| 13. Mount Tabor Health Centre | 31 March 2020 | Qualified. | No statement of changes in equity, unsupported difference of M106, 360.55 in the accumulated funds balance when compared with the previous year balance and unsupported prior year adjustment of M56, 704.00 in the statement cash flows. |
| 14. Samaria Health Centre. | 31 March 2020 | Qualified. | Staff allowances of M50, 182.00 had no supporting evidence and documentation. LCBC receivables balance differ from the underlying statement by M157, 610.00 . |
| 15. St. Francis | 31 March 2020 | Qualified. | Adjustments amounting to M65,653.00 have no supporting evidence and documentation. |
| 16. St. Gabriel | 31 March 2020 | Unqualified. | |
| 17. St. Andrews | 31 March 2020 | Unqualified. | |
| 18. St. Mathews | 31 March 2020 | Unqualified. | |
| 19. St. James Hospital | 31 March 2020 | Qualified | <ul style="list-style-type: none"> • Not furnished with supporting doc of expenditure amounting M683,566.00 • Not provided with the supporting document of intercompany receivables, that were between the hospital and the health centres amounting to M1,777,161.61 |
| 20. Lephoi Health Centre | 31 March 2020 | Qualified | Not furnished with the supporting documentation of intercompany receivables for Marakabei and Popa Health centers amounting to M222,923.60 |
| 21. Marakabei Health Centre | 31 March 2020 | Qualified | Not furnished with supporting documentation of intercompany receivables for Lephoi and Popa Health centers amounting to M77,393.00 and M1,109,644.46 |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Organisation | Last audited financial statements | Opinion | Remarks |
|--------------------------------------|-----------------------------------|-----------|---|
| 22. Popa Health Centre | 31 March 2020 | Qualified | Not furnished with supporting documentation of intercompany receivables and payables amounting to M222,002.60 and M849,334.53 respectively. |
| 23. Auray Health Centre | 31 March 2020 | Qualified | Included in the Financial statement is an unsupported suspense account balance of M81,267 |
| 24. Mohlanapeng Health Centre | 31 March 2020 | Qualified | <ul style="list-style-type: none"> • General ledger information and supporting document of drug purchases amounting to 246,058 was not availed for verification. • Fixed asset register was not maintained during the year. As a result, verification of the valuation, ownership and completeness of fixed assets amounting to M7,499,739 was not done. • Accounts receivable balance of M78,200 that relates to cash embezzlement by the former bookkeeper and the Nurse in charge could not be ascertained as recoverable. • There was a trial balance imbalance with the difference being M191,327 |
| 25. Montmatre Health Centre | 31 March 2020 | Qualified | Unsupported suspense account balance of M223,869 was included in receivables. |
| 26. St. Theresa Mashai Health Centre | 31 March 2020 | Qualified | Adjustments of M126,523 that caused a decrease in the suspense account as well as an adjustment of M83,938 in donors income account have no documentation and supporting evidence to explain the rationale for adjustment. |
| 27. Paray Hospital | 31 March 2020 | Qualified | <ul style="list-style-type: none"> • An unexplained balance of M2,227,873 between reported opening balance of M4,219,264 in the retained income account and M34,941,391 |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Organisation | Last audited financial statements | Opinion | Remarks |
|-------------------------------|-----------------------------------|-------------|--|
| | | | <p>balance in the previous year's audited Financial Statements.</p> <ul style="list-style-type: none"> Also, the severance pay provision showing an opening balance of M4,035,216 was understated by M347,428 when compared to the previous year's audited financial statements balance of M4,382,644. |
| 28. Paray School of Nursing | 31 March 2020 | Qualified | <ul style="list-style-type: none"> Receivables included M1,071,356 which could not be matched to a specific receivable listing. The financial statements further included a revaluation surplus of M16,706,348 which was authorized to be written off. Failure to account for results of revaluation in the year of review. Equity also included a balance of M6,688,561 in relation to government grants which has no supporting list. |
| 29. Scott Hospital | 31 March 2020 | Unqualified | |
| 30. Matelile Health Centre | 31 March 2020 | Unqualified | |
| 31. Masemouse Health Centre | 31 March 2020 | Unqualified | |
| 32. Ribaneng Health Centre | 31 March 2020 | Unqualified | |
| 33. Mofoka Health Centre | 31 March 2020 | Unqualified | |
| 34. Scott School of Nursing | 31 March 2020 | Unqualified | |
| 35. St. Leonard Health Centre | 31 March 2020 | Unqualified | |
| 36. Seboche Hospital | 31 March 2020 | Qualified | <ul style="list-style-type: none"> Unresolved variance of M8,305,649 on non-current assets between the general ledger and the Fixed asset register. Unexplained variances between the reconciled bank balance and the general ledger of M8,850,673 and |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Organisation | Last audited financial statements | Opinion | Remarks |
|--------------------------------|-----------------------------------|-------------|--|
| | | | M24,762,6832 for the Standard Lesotho Bank Current and Call account respectively. |
| 37. St. Peters Health Centre | 31 March 2020 | Disclaimer | <ul style="list-style-type: none"> Unresolved variance of M1,469,977 on non-current assets between the general ledger and the fixed asset register. Unexplained variances between the reconciled bank balance and the general ledger of M68,160 and M71,392 for the Standard Lesotho Bank Current and Call account respectively. |
| 38. Maryland Health Centre | 31 March 2020 | Qualified | Included in the accounts payable is an unexplained amount of M1,623,656 . |
| 39. St. Denis Health Centre | 31 March 2020 | Qualified | <ul style="list-style-type: none"> An unexplained suspense movement balance of M135,034 in comparison with the prior year balance included in trade and other receivables. The annual financial statements were misstated by M106,636. |
| 40. St. James (Mokhotlong) | 31 March 2020 | Unqualified | |
| 41. St. Martin's Health Centre | 31 March 2020 | Qualified | Unable to establish the ownership of land and building worth a carrying value of M5,499,400 . |
| 42. St. Monica's Health Centre | 31 March 2020 | Disclaimer | The trial balance figures differed from the general ledger balances by M5,453,638 . |
| 43. St. Paul Health Centre | 31 March 2020 | Qualified | Title deed for land and buildings worth a carrying value of M6,130,431.00 were not provided. |
| 44. Mamohau Hospital | 31 March 2020 | Disclaimer | Unable to obtain some information required for the audit, particularly, recording of Board meeting minutes and details of the ABSA bank account. |
| 45. Louis Gerard Health Centre | 31 March 2020 | Adverse | Included in the accounts payable is the total number of drugs counted and not the monetary value. The National drug Services Organisation statement shows |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Organisation | Last audited financial statements | Opinion | Remarks |
|---|-----------------------------------|-------------|---|
| | | | the value of M51,880.00 while trial balance showed M89,887.00 . |
| 46. Pontmain Health Centre | 31 March 2020 | Adverse | <ul style="list-style-type: none"> The Finance Income valued at M 569,736.00 in the financial statements had no supporting documents. Unsubstantiated suspense balance of M 332,525.00 in the financial statements |
| 47. Mahobong Health Centre | 31 March 2020 | Disclaimer | <ul style="list-style-type: none"> The clinical analysis template closing balance did not tally with the trial balance amounts totalling M1, 0629,718. Included in trade and other receivables is an unresolved suspense account balance of M179,219 and unexplained prior adjustment of M42,974 without supporting documents. |
| 48. Mositi – Our Lady of Lourdes | 31 March 2020 | Unqualified | |
| 49. St. Margaret Health Centre | 31 March 2020 | Unqualified | |
| 50. St. Magdalene Health Centre | 31 March 2020 | Unqualified | |
| 51. St. Peter Claver Health Centre | 31 March 2020 | Unqualified | |
| 52. Immaculate Conception Health Centre | 31 March 2020 | Qualified | Included in the accounts payable was an amount of M769,961 for suspense from prior year. There was no sufficient appropriate evidence to support this amount disclosed in the financial statements. |
| 53. Maluti Adventist Hospital | 31 March 2020 | Unqualified | |
| 54. Emmanuel Adventist Health Centre | 31 March 2020 | Unqualified | |
| 55. Maphaleng Health Centre | 31 March 2020 | Unqualified | |
| 56. St Theresa Health Centre | 31 March 2020 | Unqualified | |
| 57. St David Health Centre | 31 March 2020 | Unqualified | |
| 58. Kolo Health Centre | 31 March 2020 | Unqualified | |
| 59. Maputsoe Adventist Health Centre | 31 March 2020 | Unqualified | |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| Organisation | Last audited financial statements | Opinion | Remarks |
|------------------------------------|-----------------------------------|-------------|--|
| 60. Sion Health Centre | 31 March 2020 | Unqualified | |
| 61. Little Flower Health Centre | 31 March 2020 | Unqualified | |
| 62. St Rose Health Centre | 31 March 2020 | Qualified | <ul style="list-style-type: none"> Expenses amounting to M31,593 was included in the accounts receivables. There was no sufficient and appropriate evidence to support this amount disclosed in the financial statements. Financial statements disclosed assets with a net book of M4,807,802. The figure could not be confirmed in the absence of asset register which listed the assets and their values. |
| 63. Maseru Adventist Health Centre | 31 March 2020 | Unqualified | |
| 64. Maluti Adventist College PTY | 31 March 2020 | Unqualified | |
| 65. Fobane Advestist Health Centre | 31 March 2020 | Unqualified | |
| 66. Sebedia Health Centre | 31 March 2020 | Qualified | Included in the accounts receivables was an amount of M78,147 for suspense from prior year. There was no sufficient, appropriate evidence to support this amount disclosed in the financial statements. |
| 67. St Magdalena Health Centre | 31 March 2020 | Unqualified | |
| 68. St Ann Health Centre | 31 March 2020 | Qualified | Included in the accounts payable was an amount of M163,177 for suspense from prior years. There was no sufficient appropriate evidence to support this amount disclosed in the financial statements. |

Source: Audit Reports and records of the Auditor-General

APPENDIX 3: DOUBTFUL DESCRIPTION OF PAYMENTS

| Payment Voucher/ Instruction Number | Original Payment Vouchers Posted to the Cash Book | | | Information on Instruction Letters to CBL | | |
|--|---|---|---------|---|--|-----------|
| | Payee | Description of Payments | Amount | Payee | Description of payments | Amount |
| RECURRENT EXPENDITURE | | | | | | |
| 002PVR21001029 | GoL salary overpayment | Salary over payment for October 2020 | 24,285 | Victorious General Dealer | Supply of cartridges | 96,385 |
| 003PVR21002414 | GOL Salary Overpay | Salary overpay for December 2020 | 1,583 | Victorious General Dealer | Supply of printer cartridges | 94,854 |
| 048PVR21000278 | GOL Salary Overpay | Salary overpayment for October 2020 | 1,380 | Hazalnut General Dealer | Supply of printer cartridges | 75,895 |
| 003PVR21001753 | GOL Salary Overpay | Overpayment deducted from teachers' salaries for November 2020 | 112,884 | Moletsima General Dealer | supply of printer cartridges | 82,752 |
| 042PVR21000921 | Not stated | Not stated | 3,408 | Moletsima General Dealer | Not stated | 96,854 |
| 003PVR21000964 | Revenue Services Lesotho Income Tax | Lesotho Tax deductions for January 2021 | 872,000 | Ruru Online Pty Ltd | supply of computers, switches and UPS as per attachments | 1,826,384 |
| 002PVR21001491 | GOL Salary Overpay | Salary overpayment for January 2021 | 9,964 | HILFD Suppliers Pty Ltd | Payment for medical equipment and protective equipment | 1,942,670 |
| 052PVR21000019/199 | Lesotho Revenue Authority Income Tax | Withholding tax for Sign World while producing number plates | 117,845 | Vedilrus (Pty) Ltd | Installation of software and supply of fitness equipment at the Center | 942,670 |
| DEVELOPMENT EXPENDITURE | | | | | | |
| 013PVR21001213 | Lesotho Revenue Authority Income Tax | Pay As You Earn for Transport Infrastructure and Connectivity Project Support staff | 32,591 | MRP Enterprises PTY LTD | - | 1,289,945 |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| | | | | | | |
|---|--------------------------------------|---|--------|----------------------------------|---|------------|
| | | for January 2021 | | | | |
| 013PVR21001213 | Lesotho Revenue Authority Income Tax | PAYE for Transport Infrastructure and Connectivity Project Support staff for month January 2021 | 32,591 | MRP Enterprises PTY LTD | - | 1,289,945 |
| 015PVR21000626 | Lesotho Revenue Authority Income Tax | PAYE for Meteorology Projects officers' wages for January | 11,435 | Rusten Water Solutions (Pty) Ltd | - | 745,182 |
| 051PVR22000308 | Lavie Royale Catering | Payment for Meals of drinks | 950 | Sunny Penny Pty Ltd | Khubelu sponges, Protection of Khubelu wetlands and classification of water courses | 31,746,267 |
| 003PVR22000091 | - | - | - | Plexus Supplier (Pty) Ltd | Design and building of toilets in Lesotho Government primary schools | 673,000 |
| 052PVR22000181 | GOL Salary Overpay | Salary Overpayment - deductions for July 2021 | 800 | Stone Cerfew Holdings Pty Ltd | Supply of fitness test equipment and installation of equipment hardware and software for the center | 2,873,076 |
| PAID WITHOUT LETTERS OF INSTRUCTIONS AND NO DESCRIPTIONS | | | | | | |
| 013PVR22000092 | - | - | 200 | - | - | 3,973,454 |
| 003PVR22000088 | - | - | 5,407 | - | - | 965,000 |

Source: Cashbook, payment vouchers, instruction letters, bank statements

APPENDIX 4: CASH INCREASE/(DECREASE)

| BANK | Accounts at 31 March 2022 | | Accounts at 31 March 2021 | | Increase/ (Decrease) No. of accounts | Increase/ (Decrease) No. of accounts M'000 |
|---|---------------------------|------------------|---------------------------|------------------|--------------------------------------|--|
| | No. of accounts | Amount M'000 | No. of accounts | Amount ('M000) | | |
| HEAD CONTROLLED ACCOUNTS | | | | | | |
| LOCALLY DENOMINATED | | | | | | |
| Central Bank of Lesotho | 21 | 6,290 | 39 | 3,698,090 | (18) | (3,691,800) |
| Ned Bank Lesotho | 42 | 113,659 | 60 | 98,868 | (18) | 14,791 |
| Standard Lesotho Bank | 78 | 132,271 | 115 | 425,752 | (37) | (293,481) |
| First National Bank | 16 | 40,279 | 17 | 44,021 | (1) | (3,742) |
| Post Bank | 31 | 370,842 | 33 | 465,611 | (2) | (94,769) |
| Total | 188 | 663,341 | 264 | 4,732,242 | (76) | (4,069,001) |
| FOREIGN CURRENCY ACCOUNT | | | | | | |
| Central Bank of Lesotho | 52 | 400,052 | 51 | 258,241 | 1 | 141,811 |
| Standard Lesotho Bank | 3 | 41,294 | 5 | 43,475 | 2() | (2,181) |
| First National Bank | 0 | 0 | 1 | 823 | (1) | (823) |
| ABSA | - | - | 1 | 3,487 | (1) | (3,487) |
| Foreign Diplomatic Missions | 26 | 78,828 | 26 | 58,295 | - | 20,533 |
| Total | 81 | 520,174 | 84 | 364,321 | (3) | 155,853 |
| MOBILE NETWORK OPERATORS (MNOS) | | | | | | |
| Vodacom | 8 | 8,667 | - | - | 8 | 8,667 |
| Econet | 8 | 1038 | - | - | 8 | 1,038 |
| Chaperone | 1 | 0 | - | - | 1 | 0 |
| Total | 17 | 9,705 | - | - | 17 | 9,705 |
| TOTAL Head Control | 286 | 1,193,220 | 348 | 5,096,663 | (62) | (3,903,443) |
| TREASURY ACCOUNTS | | | | | | |
| Central Bank of Lesotho | 11 | 1,078,183 | - | - | 11 | 1,078,183 |
| Standard Lesotho Bank | 5 | 46,171 | - | - | 5 | 46,171 |
| First National Bank | 3 | 33,098 | - | - | 3 | 33,098 |
| Lesotho Post Bank | 2 | 9,594 | - | - | 2 | 9,594 |
| Total | 21 | 1,167,046 | - | - | 21 | 1,167,046 |
| FOREIGN CURRENCY ACCOUNTS | | | | | | |
| First National Bank | 1 | 3,645 | - | - | 1 | 3,645 |
| Total Foreign Currency | 1 | 3,645 | - | - | 1 | 3,645 |
| DEBT & DEBT SERVICING ACCOUNTS | | | | | | |
| Central Bank of Lesotho | 3 | 1,475,767 | - | - | 3 | 1,475,767 |
| Total | 3 | 1,475,767 | - | - | 3 | 1,475,767 |
| TOTAL TREASURY ACC | 25 | 2,646,458 | - | - | 25 | 2,646,458 |
| SPECIAL FUNDS ACCOUNTS | | | | | | |
| Central Bank of Lesotho | 4 | 206,141 | - | - | 4 | 206,141 |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| | | | | | | |
|--|------------|------------------|------------|------------------|------------|------------------|
| Ned Bank Lesotho | 10 | 42,063 | - | - | 10 | 42,063 |
| Standard Lesotho Bank | 12 | 79,031 | - | - | 12 | 79,031 |
| First National Bank | 2 | 17,400 | - | - | 2 | 17,400 |
| ABSA | 1 | 3,540 | - | - | 1 | 3,540 |
| Lesotho Post Bank | 5 | 34,874 | - | - | 5 | 34,874 |
| TOTAL SPECIAL FUNDS ACCOUNTS | 34 | 383,049 | - | - | 34 | 383,049 |
| TOTAL GOVERNMENT ACCOUNTS | 345 | 4,222,727 | 348 | 5,096,663 | (3) | (873,936) |
| STATE OWNED ENTERPRISES (SOEs) ACCOUNTS | | | | | | |
| Ned Bank | 3 | 1,465 | - | - | 3 | 1,465 |
| Standard Lesotho Bank | 4 | 246 | - | - | 4 | 246 |
| First National Bank | 1 | 1,798 | - | - | 1 | 1,798 |
| TOTAL SOEs | 8 | 3,509 | - | - | 8 | 3,509 |
| MONIES HELD IN TRUST | | | | | | |
| Central Bank of Lesotho | 2 | 350,379 | 2 | 343,018 | 0 | 7,361 |
| Ned Bank Lesotho | 1 | 174 | 1 | 6 | 0 | 168 |
| Standard Lesotho Bank | 22 | 26,509 | 27 | 21,928 | (5) | 4,581 |
| Standard Bank SA | 1 | 971 | - | - | 1 | 971 |
| First National Bank | 1 | 2,393 | 2 | 1,282 | (1) | 1,111 |
| Lesotho Post Bank | 3 | 119 | 3 | 99 | 0 | 20 |
| TOTAL TRUST MONIES | 30 | 380,545 | 35 | 366,333 | (5) | 14,212 |
| GRAND TOTAL | 383 | 4,606,781 | 383 | 5,462,996 | | (856,215) |

Source: Consolidated Financial Statements

APPENDIX 5: UN-RECONCILED AMOUNTS

| Mission/Consulate | Unreconciled Amounts (M) | | |
|-------------------|------------------------------|------------------------------|------------------------------|
| | 31 March 2021/22 M'000 | 31 March 2020/21 M'000 | 31 March 2019/20 M'000 |
| Berlin | 1,286 | 1,390 | 1,430 |
| Durban | 151 | 33 | 34 |
| New Delhi | 754 | Not reconciled | Not reconciled |

Source: Bank reconciliations, Cash books

APPENDIX 6: BANK RECONCILIATIONS STATEMENTS NOT AVAILABLE

| Mission name | Bank Account No. | Currency code | Foreign currency balance | Exchange rate applied | Balance in Maloti M'000 |
|-----------------------------|--------------------------|----------------------|---------------------------------|------------------------------|--------------------------------|
| Berlin | DE7510040000026 80825 | EUR | 52,440 | 16.1943 | 849 |
| Brussels | BE1131046091114 8 | EUR | 10,836 | 16.1943 | 175 |
| Consulate - Johannesburg | 1581406000 | ZAR | 42,505 | 1.0000 | 43 |
| TOTAL | | | | | 1,067 |

Source: Bank Statements and Lead Schedules

APPENDIX 7: UNDISCLOSED NON-CASH ASSETS

| Description | Amount | Remarks |
|--|-----------------------|---|
| ADVANCES | | |
| Agriculture and Food Security | 82,949,317.00 | Balance from prior year of M82,949,317 has not been cleared |
| Home Affairs and Chieftainship Affairs | 4,947,051.00 | Balance from the previous years. The clearance documents were not provided. The advances were initiated by LMPS in 2012 which were under the Ministry of Home Affairs. |
| Education and Training | 34,088,316.00 | Balance from the prior year on advance to principals on performance contracts, there are no documents indicating being cleared. |
| Sub-Total | 121,984,684.00 | |
| IMPRESTS | | |
| Prime Minister's office | 1,178,538.00 | The amount is outstanding tour imprest from officers. |
| Home Affairs and Chieftainship Affairs | 207,101.00 | Balance from prior year |
| Ombudsman | 29,249.00 | Prior year balance after M3,000.00 paid on over |
| Trade and Industry | 45,313.14 | An amount of M54,155.00 was owed by 3 officers as tour advance. One officer cleared the advance of M8,841.58 . The outstanding amount is made up of M36,471.53 and M8,841.58 due from the former minister and his chauffer/bodyguard. |
| Small Business Development, Marketing and Cooperatives | 132,927.00 | Outstanding imprest not cleared by two officers from the ministry and two officers from the Ministry of Works for more than one year. |
| Communications, Science and Technology | 7,705.00 | Prior balance. |
| Public Service | 25,896.00 | Balance accrued from 2017/18 owed by the former minister and two bodyguards who were transferred to the Ministry of Communication, Science and Technology |
| Sub-Total | 1,581,416.00 | |
| RENTALS | | |
| Communications, Science and Technology | 3,980,657.00 | Arrears on transmitter rentals and new coverage |
| Energy and Meteorology | 110,426,435.00 | Revenue and LEC arrears |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| | | |
|---|-----------------------|---|
| Labour and Employment | 39,440.00 | Rent owed by a tenant at the Ministry's old office premises |
| Gender, Sports and Recreation | 12,000.00 | Rental arrears for 12 months from Mokhotlong Urban Council |
| Sub-Total | 114,458,532.00 | |
| RECOVERY OF EXPENDITURE | | |
| Health | 849,988.00 | This is salary overpayment to two officers who proceeded an unauthorised secondment to Millennium Challenge Account for a period of 24 months each (from April 2015 to March 2017). One officer retired and other one resigned. Attempts to recover the amount due have not been successful to the date of this report. |
| Home Affairs and Chieftainship Affairs | 133,978.47 | The outstanding amount is M133,978.47 due to Ministry resulting from refund on VAT of M956,989.06 paid to South African Company, is still not recovered and thus understates receivables of 2022. |
| Foreign Affairs and Chieftainship Affairs | 40,639.00 | Salary overpayment of M40,639 from the previous year, and it was not recorded in the financial statements. |
| Sub-Total | 1,024,605.47 | |
| SURCHARGES | | |
| Labour and Labour | 11,057.00 | Balance from prior year |
| His Majesty's Office | 22,839.00 | Balance from prior year |
| Home Affairs and Chieftainship Affairs | 28,116.00 | Outstanding balance of M28,116 was from prior years of employees who did not return monies in 2017/18. There was no evidence of surcharge being cleared and not disclosed in the financial statements |
| Foreign Affairs and International Affairs | 227,815.00 | Balance on surcharge imposed on one officer who did not clear tour imprest. |
| Sub-Total | 289,827.00 | |
| SALE OF GOODS AND SERVICES | | |
| Defence | 337,458.00 | Unpaid invoices for services rendered to MDAs. |
| Mining | 175,000,000.00 | Prior year balance owed by Lucapa (Pty) Ltd for acquisition of Mothae Mines |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| | | |
|--------------------|-----------------------|--|
| Auditor-General | 131,756.00 | Balance of Unpaid invoices from prior year balance of M194,926.00 |
| Police | 47,500.00 | Unpaid invoice |
| Sub-Total | 175,516,714.00 | |
| Grand Total | 414,855,778.47 | |

Sources: 2020/2021 Audit report

APPENDIX 8: ACCOUNTS RECEIVABLE REPORTED IN THE YEAR UNDER REVIEW 2021/2022

| Head | Amount M'000 | Remarks |
|---|-----------------|---|
| ADVANCES | | |
| Water | 104,525 | Royalties invoice to Lesotho Highlands Wate Project issued in March 2022 |
| Ministry of Agric | 12,920 | |
| Sub-Total | 117,445 | |
| IMPRESTS | | |
| IEC | 60 | The outstanding imprest was not cleared by two officers. |
| Public Service | 26 | Balance from the previous year, accrued from 2017/18 owed by the then minister and two bodyguards who were transferred to the Ministry of Communication, Science & Technology. All efforts have been made and the secretary to the Hon Minister/ promised to provide necessary documentation to clear the imprests. |
| Trade and Industry | 105 | Outstanding travel advance in favour of two officers (out of 3 officers) at M52,573.86 each. |
| Directorate on Corruption and Economic Offences | 15 | Standing imprest where the vendor was set up as Contingency but paid under Recurrent Expenditure so the system cannot retire the imprest. |
| Ministry of Foreign Affairs and International Relations | 50 | Outstanding tour imprest not cleared by one officer. |
| National Security Service | 35 | The amount was fully utilised for its purpose but remains unretired in the system owing to technical issues which are still to be addressed by the system developer Softech. |
| Ministry of Agriculture and Food Security | 28 | An amount of M16,204.00 was outstanding imprest over one year issued to one officer and M11369.00 was imprest given in the year under review but have not been cleared |
| Prime Minister's Office | 184 | Two officers have not cleared their travel advance. |
| Small Business | 152 | Includes Prior year balance M132,927.00 uncleared tour imprest by two officers from the ministry and two officers from the Ministry of Works. One officer uncleared tour imprest of M19,352. |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| | | |
|--|--------|---|
| Gender - Balance to reduce with a repayment by 3 officers amounting M6,049.72. | 481 | <p>The correct balance as at 31st March 2021 was supposed to be M606,366.92.00 not M366,452.00 as stated. An amount of M239,915.15 was subtracted from M606,366.92 because the ministry had indicated that it would be deducted from gratuities in respect of the three officers who had not cleared tour imprest. The officers were former minister, former principal secretary and another officer. The amounts were M102,161.23; M123,086.44 and M14,667.48 respectively. However, contrary to the commitment, the amounts were not deducted.</p> <p>The balance did not consider surcharge repayment from three officers' amount M6,049.72; this will result in the outstanding amount being reduced to M475,144.51 as at the year end.</p> |
| Senate | 47 | Balance from the previous years of tour imprest given to one officer in 2018/2019. |
| Labour and Employment | 32 | Outstanding imprest by one officer, the ministry has made arrangements with the officer responsible to opt for surcharge effective from July 2022. |
| Ministry of Health | 40 | The amount was uncleared tour imprest by one officer. |
| Ministry of Finance | 10,379 | This amount was wrongfully classified under imprests whereas it was reserved for procurement of Ministries' vehicles. Delivery of vehicles was supposed to take place during 2022/2023 financial year. The commitment was made by letter of credit of which the payment would be credited into the supplier's bank account only when the delivery was made. |
| PRIOR YEAR NOT IN THE 2020/2021 REPORT | | |
| Public Works | 41 | The imprest was for purchase of airtime of Heads of Departments on 18 November 2019. Efforts to clear imprest were not successful due to system problem. The amount was not reported in the previous year financial statements. |
| WRONGLY CHARGED TO IMPRESTS | | |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| | | |
|---|---------------|--|
| Health | 26,028 | According to the Ministry of Health, the amount was from the Contingency Fund, and it was to be used to acquire COVID 19 vaccines. However, the amount was not spent because the World Bank paid for acquisition of the vaccines. |
| Sub-Total | 37,703 | |
| RENTALS | | |
| Water | 427 | Rent owed by Vodacom Lesotho and Standard Lesotho Bank at the Lesotho Bank Tower Building as at 31 st March 2022 |
| Public Service | 4 | Outstanding rent arrears to be deducted from the officer's salary from balance of M5,901 in previous year. |
| Finance | 572 | Balance of Surface rent from Engen of the accumulated rents from October 2015 to March 2022. |
| Defence and National Security | 702 | The amount is owed by government ministries and non-governmental organisations. |
| Ministry of Local Government and Chieftainship Affairs | 113 | Rent owed by tenants from the districts. |
| Agriculture and Food Security | 232 | |
| Police and Public Safety | 48 | Invoice for escort services not paid at the end of the year. |
| Ministry of Foreign and International Affairs | 43 | Invoices for goods or services received prior to 31st March 2022 but not settled by that date. |
| Sub-Total | 2,141 | |
| RECOVERY OF EXPENDITURE | | |
| Police and Public Safety - is overstated by M208,100.00, which was part of M639,560.78 | 848 | Salary overpayment of M639,560.78 from the previous years and M208,100.00 was for the year under review. Balance from previous year of salary overpayment for two officers who absented themselves from duty for a period of 24 months |
| National Assembly | 15 | Salary overpayment |
| Sub-Total | 863 | |
| Surcharges | | |
| Water | 31 | This was the pension money that was erroneously paid in the officer's Standard Lesotho Bank Account from September 2015 to February 2020. The two officers happened to share the same account number. The other officer did not notify the bank but used the money. Deductions of M1,000 per month were effected from February 2021 and the balance is M31,389 as at 31 st March 2022. |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| | | |
|--|----------------|---|
| Health | 909 | A balance of M849,888.00 was from previous years, which was overpayment of salary to two officers who went on unauthorised secondment to Millenium Challenge Account from April 2015 to March 2017. One officer has retired while the other has resigned. Details are contained in the Audit Report for the year ended 31 March 2020. M58,957.18 was overpayment of salaries for twenty-five officers. Overpayments were because of Doctors' housing allowances double payments. |
| Public Service | 7,558 | Outstanding amount from previous years from employees who had not honoured a bond to serve the Government after being granted study leave whilst in service. |
| Trade and Industry | 3 | An unrecovered surcharge in respect of a vehicle accident that occurred during the financial year 2021/2022. |
| Police and Public Safety | 27 | An outstanding amount from prior year surcharges of M31,692.00 . |
| Tourism, Environment and Culture | 4 | The occurrence dates for the surcharges were in 2016, 2017, 2020 and 2021 but the officers were only surcharged in the year 2021/2022. |
| Small Business, Marketing and Cooperatives | 37 | Balance on surcharges imposed to one officer paying uncleared tour imprests given in 2018. |
| Home Affairs and Chieftainship Affairs | 2 | Surcharge of M2,302.45 was for accident occurred in 2013/14, that were acknowledged for surcharge by PS in the year under review. |
| Sub-Total | 8,571 | |
| SALE OF GOODS AND SERVICES | | |
| Ministry of Justice | 5,129 | Accrued revenue of three consecutive years from World Intellectual Property Organization (WIPO). The amount was eventually received in July 2022. There was also a commitment from WIPO that the subsequent payment would be made in April 2023. |
| Public Service | 193 | Tuition fees arrears |
| Sub-Total | 5,322 | |
| Grant Totals | 172,045 | |

Source: Ministries financial statements and CFS

APPENDIX 9: CENTRALISED ITEMS ALLOCATION TO SPENDING UNITS

| 2021-2022 CENTRALIZED ITEMS | | | | | |
|-----------------------------|-----------------------------------|------------------------------|-------------|-------------------------------------|---|
| Date | Ministry/Office | Allocation to Spending Units | Contingency | Reallocation to Capital Expenditure | Reasons for request |
| 27/04/2021 | Finance | 7,032 | | | Youth Apprentice Program stipend for three months (April to June 2021) |
| 28/06/2021 | Gender | 2,779 | | | National Volunteer Corp was under budgeted |
| 17/06/2021 | Finance | 3,983 | | | Additional request to cater for Youth Apprentice Program stipend for three months (April to June 2021) |
| 10/06/2021 | Foreign | 568 | | | Filling of positions (Director HR and Senior Procurement Officer). |
| 16/06/2021 | Finance | 1,926 | | | Youth Apprentice Program stipend for three months (May to June 2021) |
| 18/06/2021 | IEC | 4,900 | | | Re-Registration of Electors |
| 30/06/2021 | Prime Minister's Office | 1,254 | | | State house annual costs |
| 07/07/2021 | Foreign | 198 | | | Subsistence International requested for Extra-Ordinary SADC summit held in Maputo, Mozambique. |
| 21/07/2021 | Justice | 1,709 | | | Additional budget for Honourable Deputy Minister |
| | Justice | 293 | | | |
| 21/07/2021 | Judiciary | 1,577 | | | Funds for new Judges of the High Court to cater for operations and utilities |
| 28/07/2021 | Finance | 18,633 | | | Youth apprentice Program stipend and operating costs for July to September 2021 |
| 18/08/2021 | Justice | 3,377 | | | Tribunal to handle impeachment of DCEO officers |
| 12/10/2021 | IEC | 8,600 | | | Funds requested to finalise Demarcations of Electoral Boundaries Project. |
| | Finance | 12,689 | | | Youth apprentice Program stipend for October to December 2021 |
| 25/10/2021 | Statutory Salaries and Allowances | 775 | | | Two escort vehicles-Toyota Hilux |
| 26/10/2021 | Prime Minister's Office | 1,276 | | | International travel for Rt. Hon. PM and his delegation to attend the 26th UN Climate Change Conference |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| | | | | | |
|------------|-------------------------|--------|---------|--------|--|
| 2/11/2021 | Finance | 26,243 | | | Youth apprentice Program stipend for October to December 2021 |
| | Health | | | 9,849 | Gratuities (Capital Reallocation) |
| | Health | | | 8,251 | NDSO (Capital Reallocation) |
| 26/11/2021 | Development Planning | 192 | | | Minister to attend the eight Ministerial Conference of Forum on China-Africa Cooperation (FOCAC) to be held in Dakar, Senegal. |
| | Justice | | | 17,269 | Leribe Correctional Institution (Capital Reallocation) |
| | Finance | | | 1,773 | Border post refurbishment Project (Capital Reallocation) |
| | Agriculture | | | 5,154 | Slaughterhouse (Capital Reallocation) |
| | Contingency | | 144,535 | | Contingency replenishment |
| | Tourism | | | 3,625 | Semonkong Visitors Centre (Capital Reallocation) |
| 30/12/2021 | Labour and Employment | 1,138 | | | Settlement Agreement between the Ministry of Labour and Employment and DDPR Arbitrators (regarding the new salary structure and arrears for DDPR) |
| 14/01/2022 | Home Affairs (Capital) | | | 3,510 | Shortage for NICR Jan wages |
| 10/01/2022 | Prime Minister's Office | 5,115 | | | Shortage of salaries for March 2022 |
| 10/01/2022 | Judiciary | 75 | | | Funding for return ticket and subsistence for Master of High Court to be part of delegation sent to Washington DC. |
| | Development Planning | 70 | | | Saudi Arabia resource mobilisation |
| | Foreign | 827 | | | To cater for Saudi Arabia, Washington, and Brussels trips |
| | Gender | 76 | | | Delegate to Compact II meeting in Washington |
| 17/02/2022 | Prime Minister's Office | 6,667 | | | Maintenance of public assets, Fuel, and lubricants for running of the office, shorth term hire of vehicles to cater for payments of Basotho own vehicles hired by the ministry. International travel for Rt. Hon. PM and his delegation to attend the 6th African Union-European Union (AU-EU) Summit. |

Annual Consolidated Financial Report of the Year Ended 31st March 2022

| | | | | | |
|------------|-----------------------|-------------------|-------------------|------------------|---|
| 18/02/2022 | Social Development | 2,765 | | | February and March 2022 salaries, shortfall was created by some positions that were filled towards end of financial year and were not included in the budget. |
| | DMA | 50,000 | | | Outstanding payments of suppliers who offered services since 2020. |
| | Energy | 1,003 | | | March 2022 salaries of arrears for to two Legal Officers |
| | Tourism | 1,658 | | | March 2022 salaries, shortfall created by some positions created at the end of the year that were not budgeted for. |
| | Finance | | | 5,125 | Consultancies (0530 Project) |
| | Defence | 17,058 | | | Shortfall in salaries |
| | Trade | 1,743 | | | Shortfall in salaries |
| | Public Service | 1,555 | | | Shortfall in salaries |
| | His Majesty | 235 | | | Shortfall in salaries |
| | Labour and Employment | 595 | | | March 2022 salaries, shortage as a result of salary arrears paid to two Legal Officers |
| | Justice | 4,319 | | | Shortfall in salaries |
| | Finance | | | 7,529 | Consultancies (0530 Project) |
| | IEC | 91 | | | Shortfall in salaries |
| | Water | 2,201 | | | Shortfall in salaries |
| | Mining | 232 | | | Shortfall in salaries |
| | Social Development | 133 | | | Shortfall in salaries |
| | Social Development | 2 | | | Shortfall in salaries |
| | Labour and Employment | 80 | | | Shortfall in salaries |
| | Public Service | 78 | | | Shortfall in salaries |
| | Labour and Employment | 35 | | | Shortfall in salaries |
| | Small Businesses | 4,165 | | | Advance operating costs |
| | Labour and Employment | 3 | | | Shortfall in allowances |
| | Labour and Employment | 6 | | | Shortfall in salaries |
| | Communications | 7,731 | | | To cater for Data Centre costs |
| | Total | 207,661.00 | 144,535.00 | 62,085.00 | |

Source: Ministries Financial Statements and responses to queries

APPENDIX 10: USAGE OF DONOR GRANTS

| Spending Unit | Grants Revised Budget M'000 | Grants Actual Expenditure M'000 | Variance M'000 | % Execution |
|----------------------|------------------------------------|--|-----------------------|--------------------|
| A | B | C | D=C-B | E=C/B*100 |
| Agriculture | 69,704 | 38,679 | (31,024) | 55 |
| Health | 389,245 | 137,121 | (252,124) | 35 |
| Education | 60,321 | 19,857 | (40,464) | 33 |
| Finance | 488,285 | 260,807 | (227,478) | 53 |
| Trade | 4,801 | 2,340 | (2,461) | 49 |
| Energy | 98,407 | 22,652 | (75,755) | 23 |
| Tourism | 5,636 | 2,652 | (2,984) | 47 |
| Social Development | 45,498 | 33,270 | (12,228) | 73 |
| Water | 214,308 | 3,212 | (211,096) | 2 |
| Total | 1,376,205 | 520,590 | (855,615) | 38 |

Source: Appropriation (2021/2022) Act, 2021, Book of Estimates and Ministries Financial Statements

APPENDIX 11: USAGE OF DONOR LOANS

| Spending Unit | Loan Revised Budget M'000 | Grants Actual Amount M'000 | Variance M'000 | % Execution |
|----------------------|----------------------------------|-----------------------------------|-----------------------|--------------------|
| A | B | C | D=C-B | E=C/B |
| Agriculture | 353,960 | 108,981 | (244,978) | 31 |
| Health | 166,280 | 193,546 | 27,266 | 116 |
| Education | 65,565 | 55,328 | (10,237) | 84 |
| Finance | 104,856 | 39,729 | (65,127) | 38 |
| Trade and Industry | 110,901 | 58,934 | (51,967) | 53 |
| Public Works | 417,652 | 225,123 | (192,529) | 54 |
| Energy | 852,000 | 395,892 | (456,108) | 46 |
| Social Development | 3,500 | - | (3,500) | 0 |
| Water | 195,578 | 13,247 | (182,331) | 7 |
| Total | 2,270,292 | 1,090,780 | (1,179,512) | 48 |

Source: Appropriation 92021/2022) Act 2021, Book of Estimates and Ministries Financial Statements