

**AUDIT REPORT ON THE CONSOLIDATED  
FINANCIAL STATEMENTS OF  
THE GOVERNMENT OF LESOTHO  
FOR THE YEAR ENDED 31  
MARCH 2023**

CITIZEN'S SIMPLIFIED ENGLISH VERSION





It gives me great pleasure to present the citizens' simplified English version report on the audit of the Consolidated Financial Statements of the Government of Lesotho (GoL) for the year ended 31 March 2023. The purpose of this report is to capture the attention of citizens and serve as a pointer to the main report, also highlighting major audit concerns, enhances understanding of operations in relation to public finance<sup>1</sup>.

My role as the Auditor-General is not only to draw the attention of Parliament, Government, and other decision makers to matters arising from carrying out the audits, but also to ensure that audit messages are better communicated to citizens and understood, and that citizens also perceive the information and audit processes to be useful.

As a notable advancement, and in recognition of the global and National shift from manual operations to digital platforms, we introduced a new audit component. As part of this audit, we conducted our inaugural Information Systems Audit.

I acknowledge the Government for its commitment to public financial management reforms, Parliament for its oversight, and the Auditor-General's staff, whose professionalism and devotion made it possible for me to deliver on my constitutional mandate and contribute to making a difference in the lives of the Basotho.

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

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<sup>1</sup> Although reflecting accurate results of the audit, images in this report are generated using artificial intelligence.

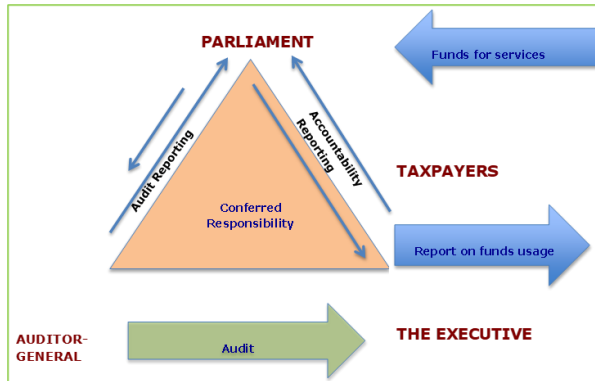
## **MANDATE AND RESPONSIBILITIES OF THE AUDITOR-GENERAL**

The Auditor-General is charged with the responsibility of promoting sustainable public accountability and transparency as mandated by Section 117 of the Constitution of Lesotho read with the Audit Act, 2016. This is achieved by providing professional auditing services to Ministries, Departments and Agencies (MDAs).



## **LEGAL ROLE OF THE AUDITOR-GENERAL IN ENSURING PUBLIC MONEY IS PROPERLY MANAGED**

The main duty of the Auditor-General is to ensure that Parliament, and ultimately taxpayers, get clear answers on how public money is used. The Auditor-General provides independent checks, information, and advice to Parliament to confirm that money is managed properly.



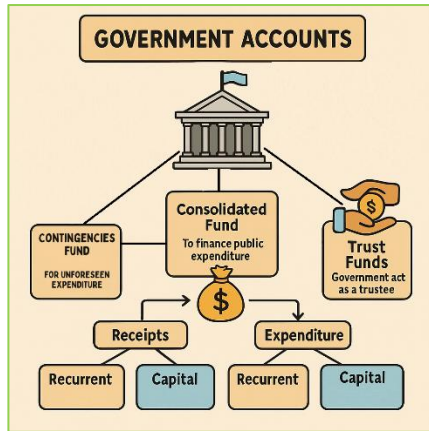
## AUDIT PROCESS

Public Financial Management and Accountability Act 2011 states that the Minister of Finance shall prepare the annual financial statements (Consolidated Financial Statements), which are a single report that combines the financial information from the Accountant-General (Treasury) Government’s main finance office and all Government ministries.

These Consolidated Financial Statements must be submitted to the Auditor-General within five months after the end of the financial year. Once the Auditor-General has audited, a report will be issued with an opinion on the financial statements, which the Minister will table before Parliament. At the time of the report, the Minister of Finance was the one tabling the report to the Parliament.

## GOVERNMENT ACCOUNTS

The structure of the Government accounts from the appropriation by Parliament to the spending units.



## OPINION OF THE AUDITOR-GENERAL ON THE CONSOLIDATED FINANCIAL STATEMENTS (COMBINED GOVERNMENT FINANCIAL STATEMENTS)

The Audit report issued an adverse opinion on the Government of Lesotho's Consolidated Financial Statements for the year ended 31st March 2023. This means the financial statements did not show the Government's true financial position on that date.

The reasons for the adverse opinion are as follows: -

### a. Cash position and Balances

There was an unexplained difference of M3.49 billion in the closing cash balances.

### b. Differences in cash decrease

Note 15 to the financial statements shows cash reduction of M1.62 billion, whereas the Consolidated Statement of Cash Receipts and Payments shows a cash reduction of M597 million, leaving a difference of M1.02 billion.

**c. Unsupported Balances**

- i. There was no evidence to support new borrowings in favour of the contract terminated between the Government and Netcare, amounting to M237.94 million under commercial banks.
- ii. The Loan Guarantees balance decreased from M76.43 million to M48.78 million, but had no supporting documents.

**d. Discrepancies in Repayment of Foreign Debt**

The repayment of foreign debt was overstated by M131.44 million in the financial statements.



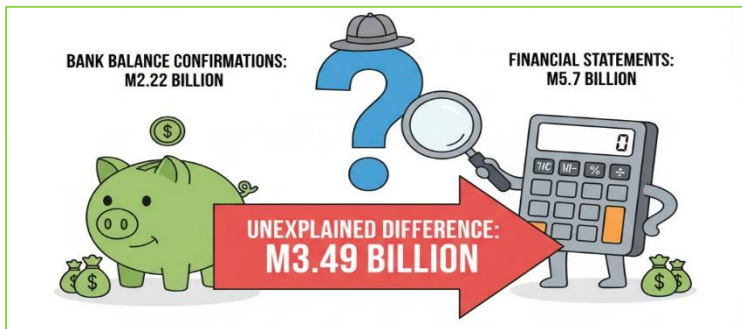
**e. Unadjusted Opening Balance**

The prior year balance on domestic debt of M561.62 was not adjusted to include interest paid.

## 1. CASH MANAGEMENT AND RECEIPTS

These are the general findings under cash management and receipts: -

- a. There was an unexplained difference of M3.49 billion in the closing cash balances. The bank balance confirmations reported M2.22 billion while the Financial Statements reported M5.7 billion.



- b. There was a difference in the movement of cash of M1.02 billion: Note 15 on cash showed a decrease of M1.62 billion, while the consolidated statement of cash receipts and payments showed M597 million.
- c. The Johannesburg Consulate could not provide bank reconciliation statements with a balance of M2.4 million. Berlin, New Delhi, and Durban missions still have unresolved differences dating back to 2019/20.



- d. 27 bank accounts remained dormant or inactive, including 8 with balances totalling M47 million, which poses risks of fraud and mismanagement.
- e. 4 out of 17 entities in which government-owned shares paid dividends in the year under review.



## 2. LIABILITIES (MONEY OWED) AND DEBT MANAGEMENT

These are the general findings under liabilities and debt management: -

## **2.1 Differences of Figures in Management of External Debt**

There were inconsistencies of figures reported in the Consolidated Statement of Financial Position and the Debt records:

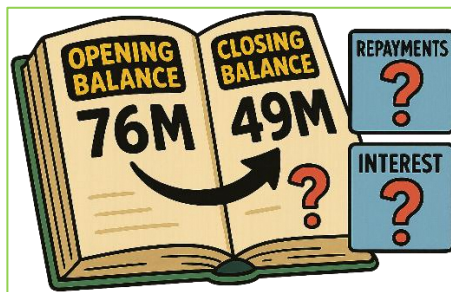
- External debt had a difference of M400 million
- Debt repayment of M916 million varies with M785 million reported by the Debt Department
- External liabilities dropped by M270 million, though the opening balance included M238 million owed to commercial banks, which was not reported in the prior year's closing balance

## **2.2 Contingent Liabilities**

Contingent Liabilities refer to an anticipated financial obligation.

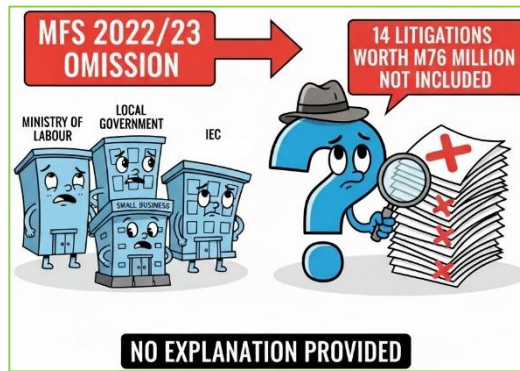
### **2.2.1 Loan Guarantees**

The closing balance of M49 million on loan guarantees from the total opening balance of 76 million could not be confirmed, as repayments made and interest charges were not reported.



### 2.2.2 Pending Litigation Claims

The financial statements of the spending units (Labour, Local Government, Independent Electoral Commission, and Small Business) for the year 2022/2023 did not include 14 litigations worth M76 million from the previous year's MFS 2021/22, and no explanation was provided for the omission.



### 2.3 Payment Arrears

Arrears are payments that remain unpaid after their due date. Currently, they amount to M924 million, a 15% increase from the previous year. Of this total, M533 million has been outstanding for more than a year.



## 2.4 Money held in Trust

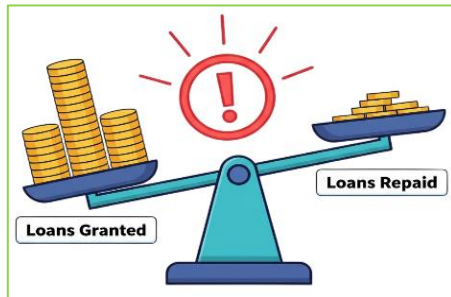
Chief Accounting Officers (CAOs) did not keep registers for twenty-nine trust money accounts. It was therefore challenging to confirm unclaimed monies.



## 2.5 ON-lent Loans

The Government on-lent loans to state-owned companies to help with specific projects that match their plans for development. The companies must pay back the loan with interest, following the agreed terms and conditions.

Seven WASCO loans totalling M589 million were in arrears, of which M221 million matured in 2020 and M24 million were due in 2023.



### 3. LOSSES

These were the general findings under losses: -

#### **3.1 Losses not Recognised**

The overdue advances amounting to M36.8 million had not been classified as a loss of public money.



#### **3.2 Loss of Cash**

- a. The Ministry of Finance Financial Statements showed cash losses of M6,000, while the loss reports submitted to the Office of the Auditor-General were M35.6 million.
- b. M1.3 million is yet to be recovered from a loss of M1.5 million in His Majesty's Office.

### 4. ADMINISTRATION OF PUBLIC FUNDS

These were the general findings under the administration of public funds: -

#### **4.1 Differences Between Appropriation Act and Book of Estimates**

The difference totalling M3.2 billion and M20 million for capital receipts and capital expenditure, respectively, was noted between the Appropriation Act and the Book of

Estimates. The differences could mislead budget implementation, potentially resulting in the use of unappropriated funds.

#### ***4.2 Overall Fiscal Balance for 2022/23***

The 2022/23 budget initially projected a deficit of M2.3 billion, which was later revised to M2.6 billion. However, the actual deficit was only M600 million.

#### ***4.3 Contingencies Fund***

The draft Supplementary Appropriation Bill 2022/23, which was supposed to regularise an advance of M265 million allocated to recurrent expenditure from the Contingencies Fund, had not yet been enacted, of which four ministries were allocated the total advance of M99.1 million for non-emergency expenditure. This contravened the Constitution and defeated the purpose of urgent and unforeseen expenditure.



#### 4.4 Accountability of Centralised Items (Head 30)

i. The Appropriation Act allocated a total of M424 million for the Centralised Items Vote, of which: -

- M355 million (84%) was re-appropriated in the Supplementary Appropriation Bill under several spending units and capital expenditure of M23 million, leaving a balance of M46 million
- M190 million (45%) was spent on items that were not intended for the Centralised Items Vote, as appropriated by the fifteen (15) spending units

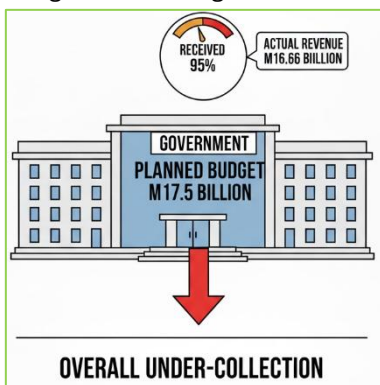
#### 5. ACCOUNTABILITY BY CHIEF ACCOUNTING OFFICERS

These were the general findings under accountability by Chief Accounting Officers: -

## 5.1 Recurrent Revenue

Chief Accounting Officers (CAOs) are responsible for the collection and safe custody of public money, and set out the budgeting and revenue collection measures within spending units as per Section 13 of the Treasury Regulations, 2014.

- i. The audit, however, noted an overall under-collection of M894.5 million between actual revenue collection of M16.66 billion against the budget of M17.5 billion (95%).



- ii. Significant variances when comparing spending units' budget and actual revenue collected ranged from 42% to 4236%.

## 5.2 Recurrent Expenditure

### 5.2.1 Excess Expenditure

The review noted that the Ministries of Defence and Gender and Youth overspent their budgets by M34 million and M25 million, respectively. These overruns were not reported to Parliament, and no action was taken against those responsible as required by Section 112 (3) (b) of the Constitution and Section 27 (6) of the PMFA Act 2011.

### 5.2.2 Unspent Supplementary Budget

Six ministries out of twenty spending units failed to use all their allocated funds, yet requested additional budgets that resulted in unspent funds ranging from 12% to 47%. This reflected poor planning and weak financial management.

### 5.3 Capital / Development Expenditure

Capital expenditure is money spent on long-term projects like roads, schools, and government buildings. In 2022/23, M6.783 billion was approved (later revised to M6.290 billion), but only M3.281 billion was actually spent.

The development expenditure amounting to M91.42 million was spent without a budget, and there was a low absorption of M529.3 million on different projects in sixteen spending units, ranging from 3% to 50%. In addition, a budget totalling M 912.76 million remained unspent in ten spending units.



### 5.4 SUPPLEMENTARY APPROPRIATION (EXTRA BUDGET REQUESTS)

- a. There were significant differences between amounts on the Supplementary Appropriation (2022/2023) Bill, 2024, with actual amounts

shown on the ministries' financial statements of nine (9) ministries.

- b. Six (6) ministries that spent without a budget were not included in the Supplementary Appropriation Bill.

There was, thus, a risk that supplementary budgets might not be legalised accordingly and result in misstatement.

## **6. AUDIT OF STATUTORY BODIES**

These were the general findings under the audit of Statutory Bodies section: -

- a. Several statutory bodies failed to comply with the law requiring them to present their annual financial statements in time for audit.
- b. Out of the sixty-seven (67) audit reports of Statutory bodies, fifty-seven (57) had still not been presented to Parliament by Ministers as at the time of the report.

### **6.1 Audit Results on the Financial Statements**

The financial statements of sixty-seven (67) entities were audited. Eighty-two per cent (82%) of those financial statements were found to be reasonably reliable, hence unqualified opinions.

Entity Type	Unqualified	Disclaimer	Qualified	Adverse
Development Projects	15	0	0	2
Trading Accounts	1	0	0	0
Other Statutory Bodies	10	1	2	1
Companies	3	3	0	1
Authorities & Corporations	6	0	1	1
CHAL Institutions	20	0	1	0

## 7. ASSET MANAGEMENT

These were the general findings under asset management: -

### **7.1 Follow-Up Audit**

A follow-up carried out in five (5) districts found that out of the issues raised in the Auditor-General's 2021/22 report, only one (1) in Maseru had been solved.

### **7.2 Asset Management Function**

The Ministry of Finance set up an Asset Management Function in 2022, but it lacks plans, reports, and a full asset register. This led to poor record-keeping in ministries. For example, M9.9 million worth of items from the 2020 AUSC Youth Games were not recorded by the Ministry of Gender.

### **7.3 Health Care Facilities – Lesotho Correctional Services**

A new health centre for Lesotho Correctional Services, completed and equipped in 2020, had not been in use as of the date of the report. The unused buildings and equipment risk damage, leading to higher future costs.



#### **7.4 GOVERNMENT FLEET MANAGEMENT**

The Government hired Fleet Services Lesotho (FSL) in 2019 and Basotho vehicle owners in 2017/18 to manage government vehicles, overseen by the Ministry of Finance. The audit found poor contract management, leading to major losses:

**FSL:** GoL owed M19.5 million, lost M14.6 million in insurance claims, wasted M6.7 million on tracking devices, and failed to pay garage rent.



### **Basotho leased vehicles:**

Payments were delayed for up to 48 months, some contracts were ended, and repair claims remained unpaid.



## **8. CONCLUSION**

The audit findings continue to highlight significant deficiencies in various aspects of financial management and budget oversight within the MDAs by the CAOs, which call for material improvement and attention to the implementation of recommendations made.