

ACKNOWLEDGEMENTS

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

I also wish to express my sincere thanks to the Accountant-General, ministries, departments and agencies as well as projects administrators for the support and cooperation, which facilitated compilation and preparation of this report. I sincerely commend the positive attitude indicated by all audited bodies thus facilitating my office to deliver on its mandate. Continued Public Financial Management reforms that are aimed at further enhancing public financial management in Lesotho are very welcome. The commitment of all actors is needed so as to achieve sound financial management that will result in significant economic growth.

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

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**AUDIT CERTIFICATE
ON THE CONSOLIDATED FINANCIAL STATEMENTS
OF THE GOVERNMENT OF LESOTHO FOR THE
YEAR ENDED 31 MARCH 2017**

ADVERSE OPINION

I have audited the consolidated financial statements of the Government of Lesotho (the Government) set out on pages 11–62, which comprise the consolidated statement of cash receipts and payments as at 31 March 2017, and consolidated statement of budget and actual amounts for the year then ended, statement of consolidated entities and notes to consolidated financial statements including a summary of significant accounting policies.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the accompanying consolidated financial statements do not present fairly the financial position of the Government as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

BASIS FOR ADVERSE OPINION

1. Non-compliance to the primary finance laws of Lesotho

- 1.1 Transfer of M450 million from Trust Monies Account to the Consolidated Fund contravened the requirements of the Public Financial Management and Accountability Act 2011, as there was no evidence that monies remained unclaimed for a period of five years to be transferred to the Consolidated Fund.
- 1.2 The same amount of M450 million was later transferred from the Consolidated Fund to Recurrent Expenditure Account contrary to the requirements of Section 112 of the Constitution of Lesotho.

The Constitution requires that an Appropriation Act should approve the issue of funds from the Consolidated Fund to meet expenditure under separate votes for head of expenditure, which was not the case.

- 1.3 Advance warrants from the Contingencies Fund totalling M123.8 million were directly allocated to some voted heads of expenditure. That contravened the Constitution, which requires allocations to heads of expenditure to be made only on the basis of Appropriation Act. This issue recurred on annual basis since 2009/10 and a total amount of M1.048 billion for eight financial years ended 31 March 2017 is yet to be regularised through Supplementary Appropriation Acts.

2. Cash position of the Government of Lesotho

- 2.1 The consolidated statement of cash receipts and payments had not disclosed the beginning and closing cash balances and as such cash position of the Government of Lesotho as at 31 March 2017 could not be determined.
- 2.2 Note 15 to the financial statements shows that there were 468 accounts held at different banks with a total balance of M5.873 billion as at 31 March 2017. However bank confirmation statements revealed 448 bank accounts totalling M5.647 billion as of that date.
- 2.3 Certificates of Balances from Central Bank of Lesotho and Standard Lesotho Bank have omitted 8 accounts totalling M422 million.
- 2.4 The ninety-three (93) foreign currency bank accounts amounting to M193 million held at the Central Bank of Lesotho were disclosed for the first time in the financial year 2016/17, as a result the cash balances had been significantly understated in the past years.

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

- 3.1 The consolidated financial statements do not include the accounts of all government-controlled entities. State owned enterprises, autonomous institutions and other extra-budgetary funds are not fully consolidated. Failure of some foreign missions to timeously acquit advances to allow their inclusion in the consolidation has caused the expenditures to be understated.
- 3.2 Not all cash transactions and balances are recognised. Bank accounts pertaining to donor-funded development projects and extra-budgetary funds were not consistently included in the consolidated financial statements (e.g. bank accounts managed by the Lesotho Mounted Police). Centrally managed bank account balances were not reconciled as at 31 March 2017.
- 3.3 The financial statements include 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.

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

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

Table 1 – Differences of figures

Item	Consolidated Financial Statements	Underlying Records	(Over)/Under statement of financial statements
	M'000	M'000	M'000
Recurrent Receipts	12,712,193	12,703,114	(9,079)
Grants	1,201,000	1,210,000	9,000
Foreign Loans	88,000	590,000	502,000
Domestic loans	105,717	1,353,727	1,248,010
Recurrent Expenditure –Voted Heads	9,809,150	9,811,115	1,905
Development Expenditure	3,905,929	3,982,448	76,519

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

5. Opening balance of the current year different from the closing balance of the previous year

The closing external debt stock as at 31 March 2016 stood at M12.703 billion but the financial statements reflect opening stock of M12.205 billion on 1 April 2016 resulting in a difference of M498 million.

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

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

7. Inadequate IT controls in IFMIS

The quality, validity, accuracy and completeness of information produced by IFMIS remain doubtful, as there was no cut off date for postings for the financial year 2016/17. The system allowed Spending Units to continue making postings after the consolidated financial statements had been submitted for audit hence verification of balances became impossible.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

LUCY L. LIPHAFI (MRS)
AUDITOR-GENERAL

13 APRIL 2018

PART 1

**AUDITED CONSOLIDATED FINANCIAL
STATEMENTS OF THE GOVERNMENT OF LESOTHO
FOR THE YEAR ENDED 31 MARCH 2017**

Kingdom of Lesotho



Ministry of Finance

Government of Lesotho Consolidated Financial Statements For the Year Ended 31st March 2017

Accountant General's Office

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ABBREVIATIONS

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

I. REPORT BY THE MINISTER OF FINANCE

The Government's Consolidated Financial Statements are a key public accountability tool. They are designed to explain to a range of stakeholders how monies received by government were used to deliver public services and achieve strategic objectives in accordance with the policy priorities set out in the annual budget and National Strategic Development Plan (NSDP). These FY2016/17 financial statements are prepared and submitted for audit within the statutory time limit. They build on the presentational changes introduced in the previous year's report by improving on the quality of information. They tell the story of budget implementation for that year in a concise and understandable format intended to encourage stakeholder engagement.

The story for FY2016/17 is relatively bleak. It is characterized by: a significant budgeted deficit; underperforming revenue collections; unplanned additional expenditures particularly on settling fleet management obligations and general election costs; slippage in capital project implementation; extensive budget reallocations; crystallization of several fiscal risks; increased borrowing; and a depletion of government's cash reserves. The story worsens when combined with recent assessments of Lesotho's public financial management institutions, notably those of the December 2016 external Public Expenditure and Financial Accountability (PEFA) and a more recent Ministry of Finance internal review of its ongoing public financial management reform programme. Both studies concluded that minimal improvements had been achieved in recent years whilst much remained to be done to establish effective, accountable and transparent management of the public finances.

Since my appointment as Minister of Finance, following the snap 2017 general election, I am more appreciative of the issues confronting the public finances and the impact that they have on the delivery of public services. I and my Cabinet colleagues are committed to establishing a sounder and sustainable framework for managing the public finances. Whilst much of the fiscal policy debate is forward-looking centering around the budget processes, access to timely and reliable historical financial reports is equally important. The production, audit and publication of the Consolidated Financial Statements are essential for fulfilling the government's accountability and transparency objectives, as well as for helping to inform budgetary decisions.

Improving the timeliness, quality and access to financial reports is one necessary element for establishing a sounder public financial management framework. My priorities include: improving the routine capture of all expenditure transactions by increasing the usage of the financial management system (IFMIS) and reducing the volume of payments transacted through multiple bank accounts maintained in commercial banks; publishing regular monthly budget execution reports; ensuring the

complete reconciliation of bank account and other balances; and continuing to improve the coverage and quality of the annual consolidated financial statements.

Activities to improve financial reporting are included in the Ministry's activity plan and are supported through the Public Financial Management Reform and Action Plan (PFMRAP). I am especially grateful to the European Union, the World Bank and the African Development Bank for their continuing support to the PFMRAP.

Finally, I wish to thank the Acting Accountant General and her team for their dedication and professionalism in compiling these Consolidated Financial Statements. They set an important benchmark against which future financial statements will be measured and form the basis for further enhancements. I encourage the Treasury to continue making every effort to improve the reliability, frequency and accessibility of future financial reporting.

.....
HONOURABLE DR. MOEKETSI MAJORO, M.P.
MINISTER OF FINANCE

12 APRIL 2018

II. REPORT BY ACCOUNTANT GENERAL

A. General Commentary

Section 35 of the Public Financial Management and Accountability Act, 2011 requires the Ministry of Finance to prepare 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.

During 2016, the Treasury evaluated its annual reporting practices against the cash-based IPSAS, established the gaps and agreed a roadmap for achieving compliance. The FY2016/17 Consolidated Financial Statements represent the second year of the roadmap and includes the introduction of several improvements. Notable amongst these have been: the incorporation of district councils' and capital project financial data; improvements in the contents of annual reports prepared by Chief Accounting Officers (CAOs) for their respective Spending Units; increased focus on bank account reconciliation and data cleansing; and increased disclosures on financial assets, liabilities and contingent liabilities.

Despite these improvements, challenges remain, especially: difficulties in implementing reforms aimed at increasing the professionalism of the accounting cadre have resulted in delays in filling vacant posts within the Treasury and Spending Units; attending to the large backlog of the reconciliation of bank and other balances has distracted resources from other routine oversight duties; and the proliferation of bank accounts maintained outside of the government's accounting system distorts the accuracy of accounting data for financial reporting and cash management purposes.

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

Based on the information provided by the CAOs, and to the best of my knowledge, the Consolidated Financial Statements as set out on pages 15 to 24 reliably present the FY2016/17 cash flows and financial performance of the Government of Lesotho.

B. Commentary on Consolidated Financial Statements

Introduction

These Financial Statements consolidate information from the annual reports prepared and submitted by the CAOs in respect of the Spending Units, projects and other funds for which they are accountable. The statements include the financial performance information reported by: the 35 central government ministries, departments, constitutional bodies and other Spending Units; the ten district councils; and 8 centrally operated spending heads administered by the Ministry of Finance. The coverage is the same as that of the national budget. Future consolidated financial statements will be progressively expanded to incorporate information on all of its controlled entities, most notably its state-owned enterprises, autonomous funds and agencies.

The Consolidated Financial Statements for the year ended 31st March, 2017 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 FY2016/17 financial performance.

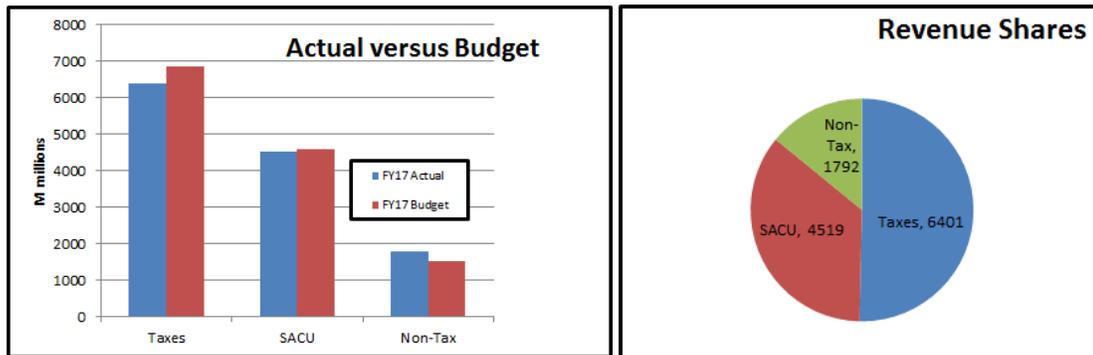
Overall performance

The appropriated budget projected a Consolidated Fund unfunded deficit of M1.872 billion to be funded by additional borrowing and a drawdown of cash reserves. Increased recurrent expenditures, under-performance of revenue collections and difficulties in raising domestic borrowing were slightly offset by under-spending on development expenditures. The actual deficit was M2.041 billion. The financial performance of each component follows.

Revenues

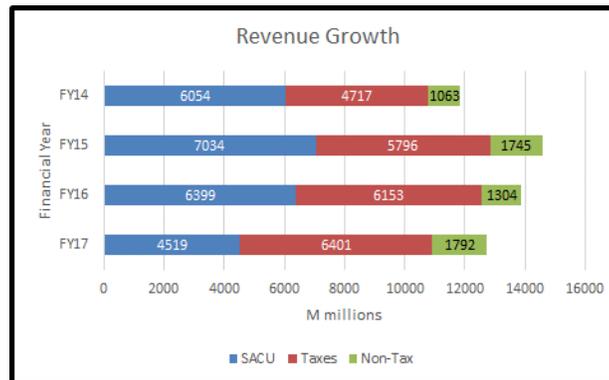
The overall revenue collections (excluding loans and project grants) for FY2016/17 were M12,712 million, some M 257 million less than the revenue budget for FY2016/17 which was set as M 12,969 million. **Figure 1** illustrates the revenue deposits against the main revenue categories and the comparative collection rates against the approved budgets.

Figure 1: FY2016/17 Revenues



Actual tax revenues of M 6,401 million (compared to FY2015/16 of M 6,153) continue to grow but the increases were insufficient to offset the steep reduction in the Southern Africa Customs Union (SACU) receipts from M 6,398 million in FY2015/16 to M 4,519 million in FY2016/17. 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 indicating the impact and volatility of the SACU revenues.

Figure 2: FY2016/17 Revenue Trends

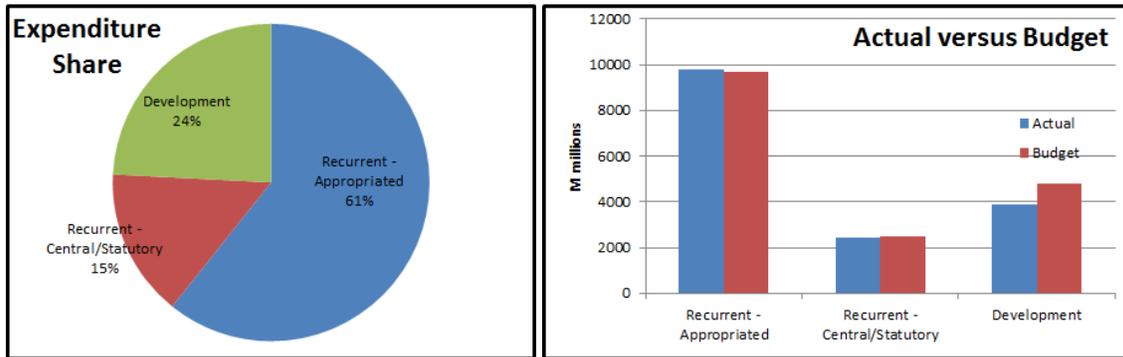


Expenditures

The total originally approved expenditure budget for FY2016/17 was M 16,944 million of which M 12,151 million (72%) was allocated to recurrent and M 4,793 million (28%) towards achieving the government's infrastructure and other development objectives. The recurrent provision can be further broken down between the appropriated amounts for release to Spending Units of M 9,657 million and the statutory/centralized budgets of M 2,494 million managed by the Ministry of Finance for pensions, debt servicing, statutory salaries and related expenses and the Contingency Fund. The comparative actual aggregate expenditure was M16,149 million made up of appropriated recurrent of M9,809 million (representing an implementation rate against the original budget of 102%), statutory/central payments of M2,434 million (98%) and development expenditure of M3,906 million (81%). **Figure 3** illustrates the

proportional split between expenditures and relative execution rates between the three main expenditure categories. The higher rate of recurrent expenditure was covered by budget reallocations and supplementary budgets whilst the lower rate of capital expenditure partly reflects delays an ongoing trend of slippage in project procurements and implementation.

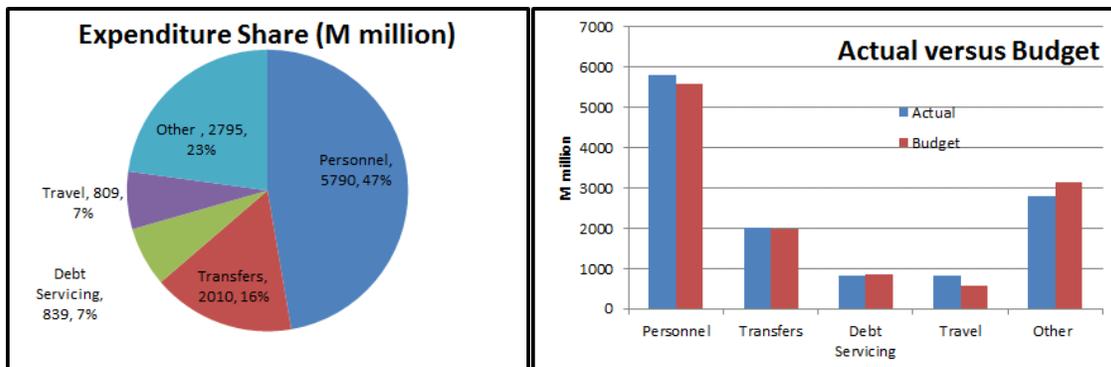
Figure 3: FY2016/17 Aggregate expenditure



Recurrent expenditures

The FY2016/17 recurrent expenditures were M12,243 million. **Figure 4** illustrates that compensation of employees' accounts for 47% of recurrent expenditures and reflects a 104% execution rate against the original approved budget. Expenditures on other recurrent transactions (namely, goods, services, supplies, maintenance and acquisition of fixed assets) were slightly less than the approved budget, whilst expenditures on travel and transfers exceeded the original budgeted amounts.

Figure 4: FY2016/17 Recurrent Expenditures

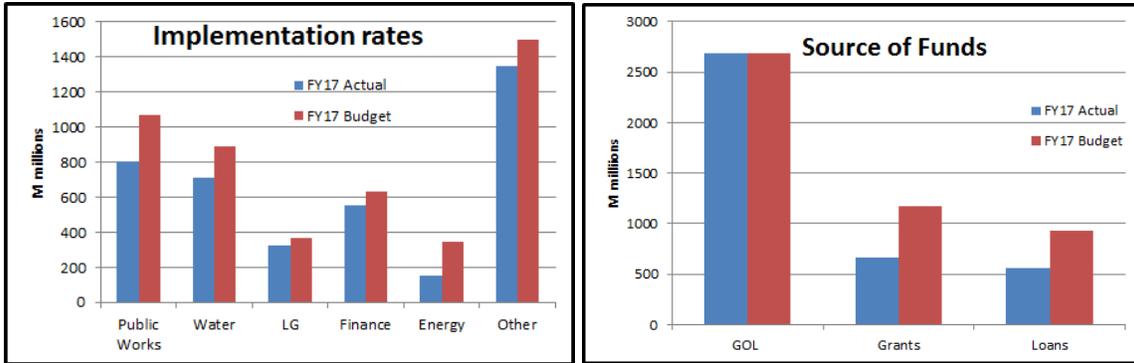


Capital Expenditures

Overall project expenditure was M3,906 million against the approved budget of M4,793 million representing an execution rate of 81%. **Figure 4** illustrates that the implementation rate varied considerably across the three funding categories, ranging from 100% of domestic resources to 57% and 60% for grant and loan funded expenditures. The higher implementation rate for domestically funded projects is partly

explained by the in-year reallocation of budget funds from slower-moving projects to those where there was faster progress.

Figure 5: FY2016/17 Capital Expenditures

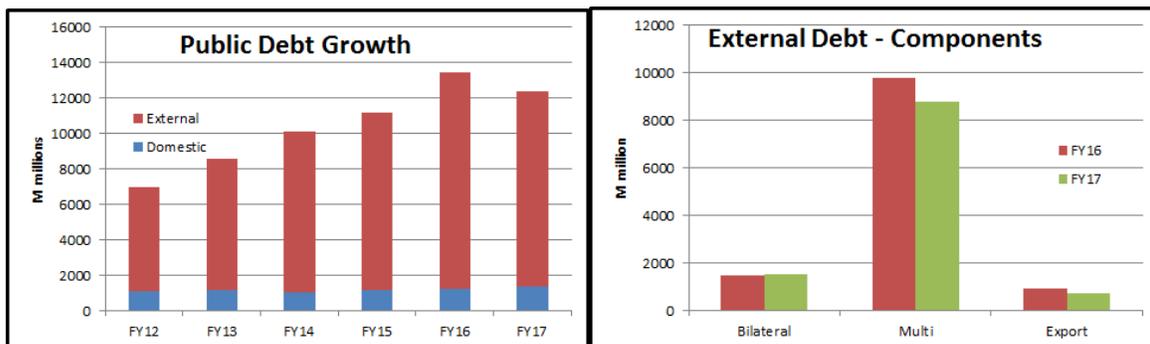


Almost 66% of the capital expenditure budget is accounted for by five Spending Units (Public Works, Water, Local Government, Finance and Energy). Project execution rates varied across these agencies ranging from 89% for Local Government to 45% for Energy. Differences may be partly explained according to whether planned expenditures were for ongoing projects and contracts as opposed to projects where procurements were commenced during earlier years.

Financing

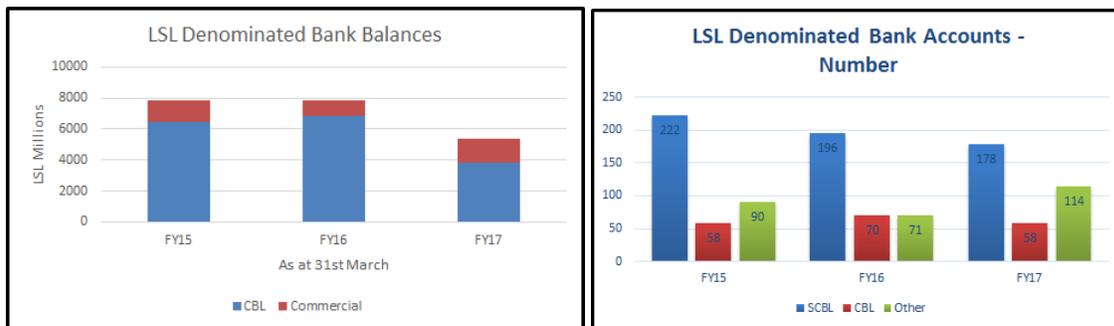
The stock of public debt decreased during FY2016/17 from M 13,479 million to M 12,378 million (i.e. by 8%), as illustrated in **Figure 6**. The decrease is due to favorable variations in the exchange rate between March 2016 and March 2017 – during the previous financial year the Loti had suffered a significant depreciation against the major loan denominated currencies. In FY 2016/17 new disbursements of M 669 million and loan redemptions of M 435 million were made. Over the six-year period since FY2011/12, the loan stock has increased by 77%. Over the same period the annual debt servicing costs (i.e. interest and commitment charges, and principal repayments) has more than doubled from M 368 million to M 815 million.

Figure 6: FY2016/17 Public Debt



During FY2016/17 the government’s cash balances reduced from M7.97 billion at the start of the year to M5.87 billion at the year end. The reduction in the government’s Maloti-denominated cash reserves held at the CBL was the main source for funding the budget deficit for that year. During the same period the balances held in commercial banks increased by 40% to M1.6 billion – much of this increase attributable to transfers of funds as a provision for the snap June 2017 general election and for the Manpower Development Fund. **Figure 7** illustrates the movements in cash balances and the number of bank accounts.

Figure 7: FY2016/17 Cash Balances



C. Addressing Ongoing Challenges

As noted above, whilst these Consolidated Financial Statements reflect important improvements, several factors continue to adversely impact on their quality and hence their value for decision-making purposes. Initiatives are underway to address the most significant of these issues, as discussed below:

- Bank account reconciliation.** Whilst efforts have been made to match the FY2016/17 bank and accounting records, unreconciled backlogs from 2009 prevent the full reconciliation of the three Central Payment Office (CPO) accounts. An exercise is currently underway to bring those reconciliations up-to-date and to ensure their future timely reconciliation. Cooperation from the Central Bank of Lesotho (CBL) in exploiting its new core banking system to enable Treasury staff online access to bank statements and automated transaction matching processes are benefitting the exercise. Bank reconciliation and payment efficiency will be further enhanced through the phased introduction of electronic funds transfers.
- Use of commercial bank accounts.** A multitude of commercial bank accounts are operated for transacting on capital projects and extra-budgetary funds. These were largely justified due to central payment inefficiencies, specific reporting requirements or the need to ringfence funds. However, the use of bank accounts outside of the IFMIS cause numerous accounting problems, including:

 - Cash management:** Transfers from the Consolidated Fund to commercial bank accounts are generally made at the start of each quarter. They tend to be

based on budgeted figures with little regard to spending needs. Earlier than necessary transfers impact on cash and monetary management objectives.

- ***Surrender of unutilized funds:*** Once funds are transferred to commercial bank accounts there are no effective mechanisms for the end-of-year reimbursement of unutilized balances. Instead, agencies have the potential to accumulate funds. Contrary to the regulatory framework some of these surplus funds are deposited on call; the interest is not remitted to the Consolidated Fund.
- ***Accounting and reconciliation:*** The recording of transactions and completion of bank reconciliations are neither performed nor reported in a consistent manner. At best, the information is provided as input to the annual financial statements, but are rarely incorporated to in-year reports.

The Treasury has embarked on implementing a Treasury Single Account (TSA) bank account structure. Its objective is to manage the aggregate of all government cash resources and for all transactions to be generated through the IFMIS. Starting 2018 it will review its banking arrangements with the objective of rationalizing the number, purpose and location of bank accounts and ensuring the earlier and fuller capture of transactions in the financial reports.

- **Delays in CAO report submission.** The statutory time limit for the submission of CAO reports is 30th June, three months after the year end. For FY2016/17 none of the CAOs complied with this requirement – due in part to the learning curve for new procedures and partly to the lateness in reconciling revenue collection accounts, cleansing hanging transactions and gathering information on their controlled bank accounts. Longer delays by several Spending Units have had a knock-on effect on the Treasury verification and consolidation processes. The failure of several foreign missions to acquit advances in sufficient time to allow their inclusion in the consolidation has caused the expenditures to be understated. Future adherence to the deadline by CAOs should improve as the reporting requirement is better understood and increased discipline introduced through in-year reporting, month closure and increased Treasury oversight of data capture.
- **Inappropriate use of line items.** Actual payments follow the budget allocations. There are two types of payments where payments are incorrectly recorded impacting on the financial and statistical reports and accountability. These comprise:
 - ***Transfers:*** Budgets for district councils, semi-autonomous bodies (e.g. Roads Directorate) and projects are provided against line items for the expenditure types. Where funds are transferred to commercial bank accounts, the same

line items are expensed (rather than a line item for Transfer). Actual payments may be against different line items and incurred in different periods.

- **Activities:** Examples exist where administrative purposes are included as a line item (e.g. national ceremonies) whereby all costs are aggregated under one budget line irrespective of the nature of the payment (e.g. foodstuffs, hire of equipment, rentals).

A revised chart of accounts and revision of business processes will be supported by the upgraded IFMIS effective from April 2019. They will look to address these irregularities.

- **IFMIS upgrade - establishing opening balances.** It is of critical importance that the substantial government investment in upgrading its IFMIS delivers maximum benefits, including reliable reports as the basis for accountability and decision-making. This means that the upgrade will need to commence with “clean” reconciled balances. However, in addition to the bank reconciliation and data cleansing issues discussed above, other balances of financial assets and liabilities remain unreconciled, including some originating from before 2009. It is intended that Treasury will rigorously examine all historic unreconciled balances and based on its findings establish an “opening” statement of affairs.

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

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MS. HLOMPHO MATSOSO
ACTING ACCOUNTANT GENERAL

12 APRIL 2018

iii. CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2017

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

A. Consolidated Statement of Cash Receipts and Payments
For the year ended 31st March, 2017

Description	Note	2016/2017 Actuals					2015/16 Total for All Accounts M'000
		Head Controlled Accounts M'000	Treasury Accounts M'000	Government Accounts M'000	3rd Parties Accounts M'000	Total for All Accounts M'000	
Revenue							
Taxes		8,324	6,392,366	6,400,690	-	6,400,690	6,153,287
Income, Profit and Capital Gains	1	-	3,723,087	3,723,087	-	3,723,087	3,714,606
Payroll and Workforce	1	-	-	-	-	-	-
Property	1	-	-	-	-	-	-
Goods and Services	1	-	2,418,705	2,418,705	-	2,418,705	2,187,420
International Trade and Transactions	1	8,324	248,715	257,039	-	257,039	250,107
Other Taxes	1	-	1,858	1,858	-	1,858	1,154
Social Contributions		-	-	-	-	-	-
Other Social Contributions		-	-	-	-	-	-
Grants		621,125	-	621,125	580,419	1,201,544	908,891
Foreign Governments	4	4,133	-	4,133	66,114	70,248	1,000
International Organisations	4	470,821	-	470,821	514,304	985,125	907,891
Grants from Other General Government Units	4	146,171	-	146,171	-	146,171	-
Other Revenue		43,591	1,748,365	1,791,956	-	1,791,956	1,302,679
Property Income	2	855	391,635	392,490	-	392,490	427,041
Rand Monetary Compensation	2	-	362,505	362,505	-	362,505	-
Sale of Goods and Services	2	40,726	979,312	1,020,038	-	1,020,038	860,168
Fines, Penalties and Forfeits	2	-	7,319	7,319	-	7,319	5,846
Voluntary Transfers other than Grants (NGOs)	2	2,011	-	2,011	-	2,011	-
Miscellaneous and Unidentified Revenue	2	-	7,594	7,594	-	7,594	9,624
SACU Receipts		-	4,518,966	4,518,966	-	4,518,966	6,398,620
SACU Receipts		-	4,518,966	4,518,966	-	4,518,966	6,398,620
Disposal of Financial Assets		-	8	8	-	8	-
Domestic Financial Assets		-	8	8	-	8	-
Foreign Financial Assets		-	-	-	-	-	-
Disp. Of Money Gold and Spcl Draw Rights		-	-	-	-	-	-
Special Drawing Rights		-	-	-	-	-	-
Disposal of Non Financial Assets		460	113	573	-	573	568
Fixed Assets	14	460	101	560	-	560	568
Non Produced Assets	14	-	12	12	-	12	-
Incurrence of Domestic Liabilities		103,669	-	103,669	2,049	105,717	-
Securities Other Than Shares		-	-	-	-	-	-
Loans		103,669	-	103,669	2,049	105,717	-
Incurrence of Foreign Liabilities		64,760	-	64,760	23,279	88,038	-
Loans		64,760	-	64,760	23,279	88,038	-
Total Receipts		841,929	12,659,817	13,501,746	605,746	14,107,492	14,764,045

Description	Note	2016/2017 Actuals					2015/16 Total for All Accounts M'000
		Head Controlled Accounts M'000	Treasury Accounts M'000	Government Accounts M'000	3rd Parties Accounts M'000	Total for All Accounts M'000	
PAYMENTS							
Compensation of Employees		526,262	5,727,801	6,254,063	-	6,254,063	5,586,236
Wages and Salaries	6	504,667	4,802,012	5,306,680	-	5,306,680	4,772,873
Social Contribution	6	21,595	925,789	947,383	-	947,383	813,363
Goods and Service		998,272	3,107,673	4,105,945	210,806	4,316,750	3,403,372
Travel and Transport		176,800	782,148	958,948	1,212	960,160	804,791
Operating Costs		821,471	2,325,525	3,146,996	209,594	3,356,590	2,598,581
Other Use of Goods and Services		6,158	-	6,158	-	6,158	17,321
Other Use of Goods and Services	7	6,158	-	6,158	-	6,158	17,321
Interest		-	313,412	313,412	-	313,412	322,780
Domestic Interest	9	-	102,287	102,287	-	102,287	126,303
Foreign Interest	9	-	211,125	211,125	-	211,125	196,477
Transfers		1,045,024	1,050,517	2,095,541	-	2,095,541	2,074,156
Subsidies		-	409,979	409,979	-	409,979	272,482
Grants	11	228,666	571,942	800,608	-	800,608	740,747
Social Benefits	12	816,358	68,596	884,955	-	884,955	1,060,927
Other Expenses		18,042	602,628	620,670	-	620,670	878,833
Property Expense Other Than Interest	13	108	85	193	-	193	-
Miscellaneous Other Expense	13	17,934	602,543	620,477	-	620,477	878,833
Losses		-	7	7	-	7	26,425
Losses of Public Moneys	13	-	7	7	-	7	26,425
Acquisition of Financial Assets		-	188	188	-	188	667,473
Domestic Financial Assets		-	-	-	-	-	-
Foreign Financial Assets		-	188	188	-	188	667,473
Acquisition of Monetary Gold & Spcl Drawing Rights		-	-	-	-	-	-
Special Drawing Rights		-	-	-	-	-	-
Acquisition of Non Financial Assets		913,537	563,739	1,477,276	538,854	2,016,129	2,755,322
Fixed Assets	8	913,537	563,739	1,477,276	538,854	2,016,129	2,755,322
Non Produced Assets	8	-	-	-	-	-	-
Repayment of Domestic Liabilities		-	90,518	90,518	-	90,518	43,853
Securities Other Than Shares		-	-	-	-	-	-
Loans	21	-	90,518	90,518	-	90,518	43,853
Other Accounts Payable		-	-	-	-	-	-
Repayment of Foreign Liabilities		-	435,442	435,442	-	435,442	431,928
Loans	21	-	435,442	435,442	-	435,442	431,928
Total Payments		3,507,295	11,891,925	15,399,221	749,659	16,148,880	15,916,457
Net Deficit for year		(2,665,366)	767,892	(1,897,475)	(143,913)	(2,041,388)	(1,477,394)
Deficit Financing							
Net Borrowing:							
Treasury Bills	21					11,345	
Treasury Bonds	21					72,000	
Reduction in Cash and other Net Assets						1,958,043	
Total Deficit Financing						2,041,388	

Notes:

- **Head Controlled Accounts** – identify transactions and balances controlled by Spending Units outside of the IFMIS.
- **Treasury Accounts** – comprise transactions processed and managed through IFMIS and Treasury controlled bank accounts.
- **Third Party Accounts** – bank accounts and transactions are controlled by a third party (e.g. donor) but the government benefits from the transactions.

**B. Consolidated Statement of Comparison of Budget and Actual Amounts
For the Year Ended 31 March 2017**

Description	Actual 2016/17			Variance
	Actual Amounts M'000	Final/ Revised Budget M'000	Approved Budget M'000	Variance Actual to final/Revised M'000
RECURRENT RECEIPTS				
Taxes	6,400,690	6,844,449	6,844,449	443,759
Income, Profit and Capital Gains	3,723,087	3,711,753	3,711,753	11,334
Payroll and Workforce	-	-	-	-
Property	-	-	-	-
Goods and Services	2,418,705	2,872,531	2,872,531	453,826
International Trade and Transactions	257,039	256,380	256,380	660
Other Taxes	1,858	3,785	3,785	1,927
Social Contributions	-	-	-	-
Other Social Contributions	-	-	-	-
Other Revenue	1,791,956	1,509,152	1,518,632	282,804
Property Income	392,490	352,591	352,591	39,899
Rand Monetary Compensation	362,505	175,002	175,002	187,503
Sale of Goods and Services	1,023,414	975,599	985,079	47,815
Fines, Penalties and Forfeits	3,944	2,799	2,799	1,145
Voluntary Transfers other than Grants (NGOs)	2,011	2,642	2,642	632
Miscellaneous and Unidentified Revenue	7,594	520	520	7,074
SACU Receipts	4,518,966	4,593,761	4,593,761	74,795
SACU Receipts	4,518,966	4,593,761	4,593,761	74,795
Disposal of Financial Assets	8	12,386	12,386	12,378
Domestic Financial Assets	8	12,386	12,386	12,378
Foreign Financial Assets	-	-	-	-
Disp. Of Money Gold and Spcl Draw Rights	-	-	-	-
Special Drawing Rights	-	-	-	-
Disposal of Non Financial Assets	573	54	54	519
Fixed Assets	560	-	-	560
Non Produced Assets	12	54	54	42
Total Recurrent Cash Inflows	12,712,193	12,959,803	12,969,283	247,610
RECURRENT EXPENDITURE				
Compensation of Employees	5,789,502	5,902,894	5,729,341	113,391
Wages and Salaries	4,879,333	4,990,151	4,930,914	110,818
Social Contribution	910,169	912,742	798,428	2,573
Goods and Service	3,014,250	3,053,266	2,708,562	39,016
Travel and Transport	808,596	889,133	575,755	80,538
Operating Costs	2,205,654	2,164,133	2,132,807	41,521
Other Use of Goods and Services	-	-	-	-
Other Use of Goods and Services	-	-	-	-
Interest	313,412	322,626	322,626	9,214
Domestic Interest	102,287	100,720	100,720	1,567
Foreign Interest	211,125	221,906	221,906	10,781
Transfers	2,009,646	2,095,089	1,990,943	85,444
Subsidies	556,238	578,633	593,970	22,395
Grants	835,872	888,237	756,703	52,365
Social Benefits	617,535	628,219	640,270	10,684
Other Expenses	545,450	712,704	715,526	167,255
Property Expense Other Than Interest	20	21	-	1
Miscellaneous Other Expense	545,429	712,683	715,526	167,254
Losses	7	9	101	2
Losses of Public Moneys	7	9	101	2
Acquisition of Financial Assets	188	4,201	4,201	4,013
Domestic Financial Assets	-	-	-	-
Foreign Financial Assets	188	4,201	4,201	4,013
Acquisition of Monetary Gold & Spcl Drawing Rights	-	3,040	3,040	3,040
Special Drawing Rights	-	3,040	3,040	3,040
Acquisition of Non Financial Assets	44,539	71,188	32,505	26,650
Fixed Assets	44,494	71,118	32,505	26,625
Non Produced Assets	45	70	-	25
Repayment of Domestic Liabilities	90,518	30,000	30,000	60,518
Securities Other Than Shares	90,518	30,000	30,000	60,518
Loans	-	-	-	-
Other Accounts Payable	-	-	-	-
Repayment of Foreign Liabilities	435,442	514,325	514,325	78,883
Loans	435,442	514,325	514,325	78,883
Total Recurrent Payments	12,242,954	12,709,342	12,051,170	466,388
DEVELOPMENT RECEIPTS				
Grants	1,201,544	1,169,497	1,169,497	32,047
Foreign Governments	69,633	35,840	35,840	33,793
International Organisations	985,740	803,657	803,657	182,082
Grants from Other General Government Units	146,171	330,000	330,000	183,829
Incurrence of Foreign Liabilities	190,987	933,579	933,579	742,591
Loans	190,987	933,579	933,579	742,591
Incurrence of Domestic Liabilities	2,769	-	-	2,769
Securities Other Than Shares	-	-	-	-
Loans	2,769	-	-	2,769
Total Capital Receipts	1,395,300	2,103,076	2,103,076	707,776

Description	Actual 2016/17			Variance
	Actual Amounts M'000	Final/ Revised Budget M'000	Approved Budget M'000	Variance Actual to final/Revised M'000
DEVELOPMENT PAYMENTS				
GOVERNMENT OF LESOTHO FUNDED	2,680,998	3,084,960	2,690,137	403,962
Head 01 - Agriculture & Food Security	124,363	135,613	136,300	11,250
Head 02 - Health	68,787	78,567	37,800	9,780
Head 03 - Education & Training	18,173	20,400	20,400	2,227
Head 04 - finance	322,739	480,274	157,400	157,534
Head 05 - Trade & Industry	50,867	48,548	64,125	2,320
Head 06 - Development Planning	114,453	79,500	79,500	34,953
Head 07 - Justice & Correctional Services	27,942	39,648	50,000	11,706
Head 08 - Home Affairs	163,337	165,744	145,000	2,407
Head 10 - Communications, Science & Tech	117,444	124,553	134,311	7,109
Head 11 - Law, Constitutional Affairs and Human Rts	1,011	-	-	1,011
Head 13 - Public Works & Transport	656,653	580,451	638,700	76,202
Head 14 - Forestry & Land Reclamation	128,830	130,000	130,000	1,170
Head 15 -Energy	137,084	146,400	136,900	9,316
Head 17 - Tourism, Environment & Culture	57,008	60,106	49,530	3,098
Head 19 - Royal Palace	26,445	53,000	20,000	26,555
Head 37 - Defence	6,100	10,500	34,500	4,400
Head 42 - Local Government & Chieftainship	291,999	361,050	361,050	69,051
Head 43 - Gender Youth, Sports and Recreation	16,000	22,992	20,492	6,992
Head 44 - Public Service	-	-	-	-
Head 45 - Judiciary	9,993	10,000	10,000	7
Head 46 - Social Development	4,911	4,911	5,000	0
Head 48 - Mining	1,994	9,900	9,900	7,906
Head 49 - Police	28,286	30,000	30,000	1,714
Head 50 - Small business	17,228	148,200	74,100	130,972
Head 51 - Water	289,351	344,604	345,129	55,253
DONOR GRANT FUNDED	661,995	1,166,098	1,169,497	504,103
Head 01 - Agriculture & Food Security	1,279	4,199	8,241	2,920
Head 02 - Health	60,805	227,346	155,776	166,542
Head 03 - Education & Training	101,252	3,302	106,840	97,950
Head 04 -Finance	229,677	378,660	378,660	148,982
Head 05 - Trade & Industry	37,386	32,389	32,728	4,996
Head 06 - Development Planning	2,289	6,917	6,917	4,628
Head 08 - Home Affairs	-	-	-	-
Head 10 - Communications, Science & Tech	3,080	14,575	14,575	11,495
Head 13 - Public Works & Transport	145,763	330,000	330,000	184,237
Head 15 -Energy	5,529	31,762	39,826	26,233
Head 17 - Tourism, Environment & Culture	2,209	10,192	-	7,983
Head 42 - Local Government & Chieftainship	33,150	36,957	5,250	3,807
Head 43 - Gender Youth, Sports and Recreation	1,820	974	858	846
Head 46 - Social Development	35,583	36,000	36,000	417
Head 51 - Water	2,175	52,826	53,826	50,651
DONOR LOAN FUNDED	562,933	1,003,343	933,579	440,410
Head 01 - Agriculture & Food Security	89,898	81,921	81,921	7,978
Head 03 - Education & Training	27,463	4,834	-	22,629
Head 04 - Finance	5,077	93,012	93,012	87,935
Head 10 - Communications, Science & Tech	2,731	64,931	-	62,200
Head 13 - Public Works & Transport	4,407	100,000	100,000	95,593
Head 15 -Energy	12,394	170,692	170,692	158,298
Head 51 - Water	420,964	487,954	487,954	66,991
	-	-	-	-
Total Development Expenditure	3,905,926	5,254,401	4,793,213	1,348,475
Total Cash Outflows	16,148,880	17,963,743	16,844,383	1,814,863
Net Flow	(2,041,388)	(2,900,865)	(1,772,024)	859,477
Deficit Financing				
Net Borrowing:				
Treasury Bills	11,345			
Treasury Bonds	72,000			
Change in Cash and other Net Assets (computed)	1,958,043			
Total Deficit Financing	2,041,388			

C. Statement of Accounting Policies

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

Basis of Preparation

1. **Reporting entity** – These financial statements consolidate information for the national government, including ministries, departments, Constitutional bodies and other Spending Units covered by the national budget. The lists of included and excluded agencies are shown below in the Statement of Consolidated Entities.
2. **Financial year** – The Government’s fiscal year runs from 1st April to 31st March. These consolidated financial statements cover the year ended 31st March, 2017 whilst the comparative actual figures reflect the 12 months ended 31st March, 2016.
3. **Reporting currency** – All amounts have been presented in the Lesotho Loti (M). Transactions denominated in other currencies have been converted to Loti at the exchange rate prevailing at the time of transaction. Cash held in other currencies have been converted to Lesotho Loti at the exchange rates prevailing on 31st March 2017, as advised by the Central Bank of Lesotho (CBL). Disclosures of borrowings held at 31st March 2017 and denominated in foreign currencies have been similarly converted to their Loti equivalents.
4. **Accounting basis**–The Consolidated Financial Statements comply with the provisions of the Public Financial Management and Accountability Act, 2011 excepting the requirement for their compliance to IPSAS. The Government has embarked on a roadmap for implementing the cash-basis IPSAS but does not yet comply for the following significant reasons:
 - (a) The financial statements do not consolidate all government-controlled entities. State owned enterprises, autonomous institutions and other extra-budgetary funds are not fully consolidated. Two foreign missions had failed to account for their FY2016/17 in time for them to be included in the consolidation – the statements are therefore understated by an estimated M20 million.
 - (b) Not all cash transactions and balances are recognized. Bank accounts pertaining to donor-funded development projects and extra-budgetary funds are not consistently included in the consolidated statements (e.g. bank accounts managed by the Lesotho Mounted Police). Centrally managed bank account balances are not reconciled as at 31st March 2017.

- (c) The financial statements include 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.
5. **Previous year adjustments** - Corrections made by Spending Units to the reported figures of previous years have adjusted the comparative figures and cash balances carried forward from the respective years. The adjustments are disclosed in the notes to the financial statements.
6. **Receipts and Other Cash Inflows** - Revenues include the net tax collections by Lesotho Revenue Authority (LRA), receipts from the Southern African Customs Union (SACU), grants from development partners, dividends, royalties and miscellaneous non-tax revenues collected by spending units. Revenues are recognised in the financial records when received.
- (a) **Grant aid** – grants received from local or foreign institutions are recorded when funds are received or, in respect of grant funded expenditures that benefit government but are disbursed by donors to third parties, upon receipt of notification that the disbursement has been made. In-kind local and foreign aid assistance are disclosed in the statements at fair value based on records supplied by the donors.
- (b) **Foreign exchange gains** – realised gains are recognised on payment of funds.
- (c) **Sale of investments** – revenues from the sale of shares in trading entities are recognised in the financial statements on receipt of the sale proceeds.
- (d) **Borrowing receipts** – loans received from local or foreign institutions are recorded when funds are received or, in respect of loans disbursed by institutions to settle government obligations to third parties, upon receipt of notification that the disbursement has been made.
- (e) **Short term borrowings** – Treasury Bills with tenures of less than one year are recorded on a net basis with the repayment of short term borrowings.
7. **Payments and Other Cash Outflows** - Unless otherwise specified, expenditures are recognised in the financial records when the final authorisation for payment is effected in the IFMIS.
- (a) **Advances to local authorities** – advances of budgeted monies transferred to district councils were expensed at the time the final authorisation for payment of the advance is effected on the system. Adjustments were made to reflect actual payments incurred during the year by the district council.
- (b) **Repayment of Borrowings** – Repayments of borrowed monies are recorded when the final authorisation for payment is entered on the system. The values

are updated to account for the actual exchange rate applied by the Central Bank of Lesotho. The Notes to the Financial Statements identify the borrowing balances as at 31st March 2017.

- (c) Repayment of short term borrowings** – Repayments of Treasury Bills with tenures of one year or less are recorded on a net basis with short borrowing receipts.
- (d) Inventories** – Payments for inventories purchased during the year are treated as expenditures. Stock balances and issues are maintained for statistical purposes. The financial value of stock balances is not recognized in the financial statements.
- (e) Donor and Loan Funded Capital Projects** – Payments funded from grants or loans received from local or foreign institutions are recorded as expenditure when the final authorisation for payment is effected on the system, or in respect of loan or grant funded expenditures that are disbursed by the donors or lenders to third parties, upon receipt of notification that the disbursement has been made. In-kind local and foreign aid assistance are disclosed in the statements at fair value based on records supplied by the donors.
- (f) Foreign Exchange Losses** – Realised losses on foreign currency transactions are recognised on the payment of funds.

8. Assets

- (a) Cash and cash equivalents** – comprises cash on hand, balances with banks and investments in short-term money market instruments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.
- (b) Investments** - Investments are not recognized in the Consolidated Financial Statements. They are recorded in the financial records at historic cost and are updated where independent external valuation exercises have been completed. Shareholdings are disclosed in the Notes to the Financial Statements. Any cash flows such as dividends received or proceeds from the sale of the investment are recognised in the financial records when the cash is received.
- (c) Loans and advances** - are recognised as expenditure at the nominal amount when cash is paid to the beneficiary. Loan balances are recorded in a loan register and balances reduced when cash repayments are received from the beneficiary. Balances as at 31st March 2017 are disclosed in the Notes to the Financial Statements.
- (d) Amounts receivable** - Amounts receivable to Government at the reporting date are identified in the Notes to the Financial Statements.

(e) Property, plant and equipment – Payments for the acquisition of property plant and equipment items are not capitalized. The costs of acquisition and proceeds from disposal of these items are treated as expenditure and income items respectively.

9. Liabilities

(a) Borrowings - New borrowings are shown as funding inflows. The stock of public debt as at 31st March 2017 is disclosed in the Notes to the Financial Statements. Public debt comprises domestic and external borrowing by the Government.

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

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

D. Statement of Consolidated Entities

Compliance with 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”***. Applying this definition means that Government control extends to the following entity categories: budgetary central government, including projects; financial and non-financial enterprises where Government has majority ownership; local authorities; extra-budgetary funds; and autonomous government agencies receiving their majority funding from the national budget.

The FY2016/17 financial statements have concentrated on consolidating information from the budgetary central government and district councils as listed in Table 1. Coverage of future financial statements will eventually extend to include the controlled-entities listed in Table 2.

Table 1: Controlled entities included in consolidation

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

Head	Entity
	Revenue

Head	Entity
	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 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 	
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	<i>Prime Minister's Office</i>
	Council on Higher Education	National AIDS Commission
<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
<i>Small Business</i>	Lesotho Sports & Recreation Commission	Maseru City Council
LOIC		
	<i>Extra-Budgetary Funds</i>	<i>Joint Ventures</i>
	Guardian Fund	Institute of Development Management (IDM)
	Pension Fund	
	Partial Credit Guarantee Fund	Lesotho Highlands Development Authority
	Road Fund	
	Petroleum Fund	

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

IV. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Basis for budget comparison:

The Consolidated Statement of Comparison of Budget and Actual Amounts includes the original budget for FY2016/17 as approved by the National Assembly through the Appropriation (2016/17) Act, 2016 in accordance with Section 112 (1) and (2) of the Constitution. It also includes the revised budget for the year taking account of supplementary budgets, reallocations and other budget variations authorised in accordance with the Treasury regulations. The comparison is made for the major classifications of revenue and expenditure. Appendix 2 provides budget versus actual comparisons analysed by Spending Unit. Appendix 3 tracks the changes from originally approved to revised budget.

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

Table 3: FY2016/17 Summary Budget

	Approved	Supplementary	Contingency	Reallocation	Revised
Government Revenues	12,969,283,151				12,969,283,151
Donor Grants	1,169,497,163				1,169,497,163
Total Revenues	14,138,780,314	-	-	-	14,138,780,314
<i>Recurrent Expenditure:</i>	<i>12,051,170,057</i>	<i>449,404,449</i>	<i>122,105,263</i>		<i>12,622,679,769</i>
Appropriated	9,656,846,320	399,404,449	122,105,263		10,178,356,032
Statutory	2,394,323,737	50,000,000			2,444,323,737
<i>Capital Expenditure:</i>	<i>4,793,212,994</i>	-	<i>1,723,920</i>	<i>(18,222,074)</i>	<i>4,776,714,840</i>
Appropriated	2,690,137,300		1,723,920	(18,222,074)	2,673,639,146
Grant Funded	1,169,497,163				1,169,497,163
Loan Funded	933,578,531				933,578,531
Contingency	100,000,000	30,000,000	(123,829,183)		6,170,817
Total Expenditure	16,944,383,051	479,404,449	-	(18,222,074)	17,405,565,426
<i>Deficit - funded from:</i>	<i>2,805,602,737</i>	<i>479,404,449</i>	-	<i>(18,222,074)</i>	<i>3,266,785,112</i>
External Loan	933,578,531				933,578,531
Domestic borrowing and cash reserves	1,872,024,206	479,404,449	-	(18,222,074)	2,333,206,581

Notes: # The requests for Supplementary budget approvals have yet to be submitted to Parliament.

Table 4: FY2016/17 Use of Contingency Fund

Serial	Spending Unit	Amount	Contingency Purpose
1	Finance	36,742,515	For payment of short term hire to Bidvest Bank Ltd for the months of April and May 2016.
2	Judiciary	648,485	Payment of allowances to former President of the Court of Appeal during period of his suspension (October 2013 and April 2014)
3	Public Works and Transport	8,798,000	payments for clearing backlog in the production and issuance of SADC compliant driver licences.
4	Small Business	14,398,146	Subsidy on maaiize meal, sugar beans and split peas.
5	Small Business	20,000,000	Implementation costs of subsidy on maize meal, sugar beans and split peas.
6	Home Affairs	498,483	Payments to suppliers who were engaged during the official funeral of the late Hon. Ntsukunyuane Mphanya
7	Defence and National Security	4,190,213	Payment of terminal benefits for the Commander of Lesotho Defence Force, Lieutenant General Kamoli who has retired from office in terms of section 23(2) of the LDF Act No.4 of 1996.
8	Finance	458,420	Transfer to the Contributory Pension Fund as interest that would have been generated from terminal benefits of Lieutenant General kamoli if he retired in May 2021 and the money had been invested from December 2016 to May 2021
9	Judiciary	1,953,238	Payment of LEC and WASCO bills for 2016/17 as the budget under those votes was exhausted.
10	Prime Minister's Office	5,321,427	Establishment costs of the Constitutional Reform Secretariat as per Cabinet Directive of 25 October 2016.
11	Home Affairs	2,630,880	Payment for printing of drivers licences for clearing the backlog.
12	Home Affairs	5,620,052	Part payment of the already committed procurement of 150,000 blank passport booklets whilst arrangements for settlement of final amount are ongoing.
13	Home Affairs	13,149,213	Procurement of blank passport booklets, application forms and consumables
14	Public Service	1,383,590	Procurement of Landcruiser, desktop printer and for repairs of utility vehicle and renovation of guard house for Honourable Minister
15	Finance	531,816	To cover outstanding commitments in Department of Treasury
16	Small Business	4,000,000	Top up subventions to Basotho Enterprises Development Corporation (BEDCO), Lesotho Opportunities Industrialization Centre (LOIC) and Lesotho Cooperative College (LCC)
17	Communications, Science and Technology	1,780,785	Payment for satellite bandwidth to provide radio and television transmission
18	Tourism, Environment and Culture	1,723,920	Top up to part payment to contractor for construction of National Museum and an outstanding debt to project's Structural Engineer Aurecon.
	Total Advanced	123,829,183	
	Appropriated	100,000,000	
	Supplementary Provision	30,000,000	
	Revised Contingency	130,000,000	
	Unutilized Balance	6,170,817	

Table 6: FY2016/17 Supplementary Budgets

Serial	Head - Spending Unit	Amount	Recurrent/ Development	Supplementary Purpose
1	37 - Defence and National Security	28,400,000	Recurrent	Procurement of cyber security equipment
2	04 - Finance	107,713,780	Recurrent	Terminal payment for fleet management service contract.
3	03 - Education and Training	15,901,389	Recurrent	Budget shortage for teacher salaries.
4	41 - Independent Electoral Commission	247,389,280	Recurrent	Provision for snap June 2017 general election.
5	23 - Pension and Gratuities	50,000,000	Recurrent	Budget shortage on pensions.
6	31 - Contingencies	30,000,000	Recurrent	partial replenishment of used contingency funds.
7				
8				
9				
	Total Supplementary	479,404,449		

Receipts

Note 1: Tax Revenues

The Lesotho Revenue Authority (LRA) acts as the government's agent for collecting taxes and customs duties. Collections are regularly remitted to the Consolidated Fund. These are net of any tax expenditures (e.g. for VAT refunds). They also exclude Road Fund collections by the LRA which are transferred directly to the Roads Directorate. In FY2016/17 the Road Fund transfers amounted to M194 million.

Note 2: Non-Tax Revenues

Collections of non-tax revenues were as follows

Description	FY2016/17 Actuals			
	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
	M'000	M'000	M'000	M'000
Property Income	855	391,635	-	392,490
Interest	855	189,774	-	190,629
Dividends	-	146,241	-	146,241
<i>Dividends Received from Financial Public Corporations</i>	-	32,241	-	32,241
<i>Dividends - Other</i>	-	114,000	-	114,000
Rent - Non Produced Assets	-	55,620	-	55,620
<i>Industrial Minerals Royalties</i>	-	2,081	-	2,081
<i>Surface Rent</i>	-	53,539	-	53,539
Rand Monetary Compensation	-	362,505	-	362,505
Sale of Goods and Services	40,726	982,455	-	1,023,181
Sales by Market Establishments	-	834,898	-	834,898
<i>Electricity - Muela</i>	-	50,032	-	50,032
<i>Water Royalties - LHDA</i>	-	784,866	-	784,866
Administrative Fees	-	53,067	-	53,067
Incidental Sales by Non Market Establishments	40,726	94,490	-	135,216
Fines Penalties and Forfeits	-	3,944	-	3,944
Voluntary Transfers other than Grants (NGOs)	2,011	-	-	2,011
Miscellaneous and Unidentified Revenue	-	7,594	-	7,594
Total Non-Tax Revenue	43,591	1,748,133	-	1,791,724

Note 2a: Rand Compensation

South Africa compensates Lesotho and other members of the South African Rand Common Monetary Union for lost seignorage revenues in respect of the Rand currency that circulates in Lesotho. Compensation payments are made annually. During FY2016/17 two payments were received by the government: M174 million in May 2016 relating to the 2015/16; and M188 million in February 2017 in respect of the 2016/17 compensation.

Note 2b: Dividends

Amounts shown as dividends represent the cash received by government during the financial year. Actual amounts received may relate to the dividends declared by the enterprises for their previous years' performances. The Government controls 7 state owned enterprises, as listed in Table 2 above, and has minority shareholdings in 16 companies, as indicated in Note 10. Of these dividends received during FY2016/17 were from only 6 as shown below.

Entity Name	Supervising Spending Unit	Dividends Received Actual	
		2016/2017	2015/2016
Standard Lesotho Bank	Finance	24,125,000	10,560,000
Lesotho National Insurance Group	Finance	4,654,800	1,930,000
Lesotho Life Assurance Company	Finance		2,410,000
Central Bank of Lesotho	Finance	184,232,000	131,166,000
AON	Finance	384,714	
Maluti Mountain Brewery	Finance	3,076,139	
Letseng Mine	Mining	114,000,000	254,400,000
Total		330,472,653	400,466,000

Note 4: Grants received

Grants received during the year ended 31st March 2017 were:

Description	FY2016/17 Actuals			
	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
	M'000	M'000	M'000	M'000
Grants from Foreign Governments	4,133	-	65,500	69,633
Current Donor Grants - Foreign Governments	4,133	-	-	4,133
Capital Donor Grants - Foreign Governments	-	-	65,500	65,500
Grants from International Organisations	479,145	-	514,919	994,064
Current Donor Grants – Multilateral Partners	9,401	-	614	10,016
Capital Donor Grants – Multilateral Partners	469,744	-	514,304	984,048
Grants from Other General Government Units	146,171	-	-	146,171
Current Grants from Central Government	146,171	-	-	146,171
Total Grants	629,450	-	580,419	1,209,868

Note 6: Compensation of Employees

Payments of FY2016/17 employee compensation are made up of the following;

Description	FY2016/17 Actuals			
	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
	M'000	M'000	M'000	M'000
Wages and salaries	504,667	4,794,211	-	5,298,878
Non Statutory Salaries in Cash	299,033	4,355,958	-	4,654,991
Statutory Salaries in Cash	-	13,043	-	13,043
Wages in Cash	97,481	89,663	-	187,144
Allowances in Cash - Non Statutory Posts	108,154	281,548	-	389,702
Allowances in Cash - Statutory Posts	-	14,194	-	14,194
Wages and Salaries in Kind	-	39,805	-	39,805
Social Contributions	21,595	925,789	-	947,383
Actual Social Contributions	-	393,425	-	393,425
Unfunded Pensions and Gratuities	21,595	532,364	-	553,959
Total Compensation of Employee	526,262	5,719,999	-	6,246,261

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 tables summarise the capital assets acquired during FY2016/17.

Description	FY2016/17 Actuals			
	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
	M'000	M'000	M'000	M'000
Fixed Assets	1,311,428	578,329	538,854	2,428,610
Buildings and Structures	1,251,468	471,003	519,116	2,241,587
Machinery and Equipment	59,960	107,092	19,737	186,789
Acquisition of Other Fixed Assets	-	235	-	235
Non-Produced Assets	-	-	-	-
Total value of property, plant and equipment expensed	1,311,428	578,329	538,854	2,428,610

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. During FY2016/17 they also include interest payments of M6.3 million in respect of guaranteed loans to Members of Parliament and Statutory positions that were called upon by the lenders.

Description	FY2016/17 Actuals			
	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
	M'000	M'000	M'000	M'000
Domestic Interest	-	102,287	-	102,287
Other Domestic Interest	-	102,287	-	102,287
Foreign Interest	-	211,125	-	211,125
Bilateral Interest	-	24,190	-	24,190
Multilateral Interest	-	177,790	-	177,790
Financial Institutions Interest	-	72	-	72
Export Credit Interest	-	9,072	-	9,072
Total interest payable	-	313,412	-	313,412

Note 11: Grants Paid

The below table shows the subscriptions paid to international organizations that were paid centrally during FY2016/17 through the Ministry of Finance.

Subscriptions	2016/17 Budget	2016/17 Actual	2015/16 Actual
	M	M	M
ACP	1,102,000	1,355,331	717,885
African Development Bank (AfDB)	978,966	188,169	525,464
CABRI			242,419
Commonwealth Secretariat	4,622,775	1,171,947	7,759,863
ESAAMLG	729,000	1,127,552	509,555
Fitch Ratings	767,700	555,541	683,054
Food and Agriculture Organization (FAO)			144,548
GROUP OF 77	124,000	71,470	
IBRD	1,952,231		19,331,001
IDA	84,532		17,468
IDEP SUBSCRIPTION	270,000	424,896	
IFC	1,185,250		413,600
IMF	3,040,120		619,931,925
Institute of Auditors		66,670	47,175
MEFMI	3,099,600	2,272,901	2,466,866
MEMBERSHIP SUBSCRIPTIONS	32,241,640	14,954,014	
SADC	36,080,208	29,221,163	25,559,222
UNDP	2,235,294	1,125,722	765,480
UNFPA	29,100		27,710
Total	88,542,416	52,535,376	679,143,235

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	FY2016/17 Actuals			
	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
	M'000	M'000	M'000	M'000
Grants	-	-	-	-
To Foreign Governments	-	-	-	-
To International Organisations	-	31,820	-	31,820
Commonwealth Secretariat	-	1,172	-	1,172
ACP	-	1,355	-	1,355
Group Of 77	-	71	-	71
SADC	-	29,221	-	29,221
To Other General Government Units	207,565	627,261	-	834,826
Current Grants Paid to Central Government	-	338,623	-	338,623
Current Grants Paid to Extra Budgetary Units	127,119	147,644	-	274,763
Current Grants Paid to Local Governments	-	25,500	-	25,500
Grants in Aid Paid to Extra Budgetary Units	-	115,494	-	115,494
Capital Grants Paid to Central Government	14,407	-	-	14,407
Capital Grants Paid to Extra Budgetary Units	56,195	-	-	56,195
Capital Grants Paid to Local Governments	9,843	-	-	9,843
Total grants for the year	207,565	659,081	-	866,646

An amount of M247,389,280 was included as a Transfer under the Head 41 for the Independent Electoral Commission (IEC) in March 2017. This was paid in the FY2016/17 financial statements from the Treasury central bank account, but was merely transferred to a commercial bank account as a provision to meet the snap June 2017 General Election expenses. The payment and receipt of the transfer are offset in the Statement of Consolidated

Budget Versus Actual. The amount is reflected in the commercial bank cash balances. Accounting for the use of the funds will form part of the IEC annual report for FY2017/18 and the consolidated financial statements for that year.

Note 12: Social Benefits

Social benefits comprised:

Description	FY2016/17 Actuals			
	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
	M'000	M'000	M'000	M'000
Social Benefits	-	-	-	-
Social Security Benefits	-	-	-	-
Social Assistance Benefits	814,642	68,596	-	883,238
Old Age Pension	581,609	-	-	581,609
APC Pension	5,824	-	-	5,824
Public Assistance in Cash	-	64,950	-	64,950
School Feeding Program	178,369	-	-	178,369
Safety Net	46,001	-	-	46,001
LLA Pensions	2,839	-	-	2,839
Public Assistance in Kind	-	3,647	-	3,647
Employer Social Benefits	1,716	-	-	1,716
Compensation	1,716	-	-	1,716
Total social benefits	816,358	68,596	-	884,955

Note 13: Other Operating Expenses

Description	FY2016/17 Actuals			
	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
	M'000	M'000	M'000	M'000
Property Expense Other Than Interest	108	85	-	193
Rent of Non Produced Assets	108	85	-	193
<i>Rent and Lease of Land for Government Use</i>	108	85	-	193
Miscellaneous Other Expense	17,934	602,218	-	620,152
Current	1,044	544,990	-	546,034
<i>Transfers to Institutions Caring for Orphans</i>	-	3,158	-	3,158
<i>Student Grants - National Manpower Development</i>	-	496,562	-	496,562
<i>Legal Compensation</i>	49	3,612	-	3,661
<i>Maseru City Council - Government Housing Property Expense</i>	-	1,256	-	1,256
<i>Motor Vehicle Assurance</i>	596	20,259	-	20,854
<i>Non Life Insurance Premiums</i>	399	20,143	-	20,541
Capital	16,891	57,228	-	74,118
<i>Capital Transfers - Non Financial Public Corporations</i>	16,891	57,228	-	74,118
Losses of Public Moneys	-	7	-	7
Losses of Public Moneys	-	7	-	7
<i>Cash Losses Reported</i>	-	7	-	7
Total	18,042	602,309	-	620,352

Note 14: Proceeds from the Sale of Assets

Description	FY2016/17 Actuals			
	Head Controlled Accounts	Treasury Accounts	3rd Parties Accounts	Total for all Accounts
	M'000	M'000	M'000	M'000
	Disposal of Fixed Assets	460	101	-
Buildings and Structures	460	-	-	460
Machinery and Equipment	-	101	-	101
Disposal of Other Fixed Assets	-	-	-	-
Disposal of Inventories	-	-	-	-
Disposal of Valuables	-	-	-	-
Disposal of Non-Produced Assets	-	12	-	12
Total Proceed received	460	113	-	573

Note 15: Cash

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

Analysis per bank	Accounts at 31 March 2017		Accounts at 1st April 2016		Variance
	Number	Balance	Number	Balance	
Locally Denominated Accounts:		M'000		M'000	M'000
Central Bank of Lesotho	56	3,817,587	70	6,823,114	(3,005,527)
Ned Bank Lesotho	56	121,311	57	76,082	45,229
Standard Lesotho Bank	178	1,107,599	196	961,584	146,015
First National Bank	25	83,614	10	34,863	48,751
Lesotho Post Bank	32	480,990	2	-	480,990
ABSA			1	2,430	(2,430)
Crown Agents	1		1	-	-
Foreign Currency Accounts					
Central Bank of Lesotho	93	199,422			199,422
Foreign Diplomatic Missions	27	62,631	22	72,960	(10,329)
TOTAL	468	5,873,154	359	7,971,033	(2,097,879)

Notes:

- The opening balances exclude 5 CBL accounts erroneously disclosed in FY2015/16 with a combined balance of M943 millions. These are not controlled by government.
- The FY2016/17 includes 93 foreign currency bank accounts held by government at the CBL. These pertain to donor funded projects.
- During FY2016/17, M18 million misappropriated from accounts held in one of the commercial banks was recovered in full and credited to the Consolidated Fund.

- Also during FY2016/17 20 bank accounts were closed and their residual balances of M3.4 million transferred to the Consolidated Fund. The closures have been partly offset by the opening of new accounts, notably for development projects.

Increased efforts were made during the year to reconcile bank account balances. These efforts will continue whilst initiatives to rationalize the number and purposes of bank accounts will be strengthened during 2017.

Note 16: Investments

The government owns minority shares in the 16 trading entities listed below. The Lesotho National Development Corporation (LNDC), a wholly owned state enterprise, also holds shares in three of these companies. During 2016/17 dividends were received from companies in the mining, banking and insurance sectors.

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

Government will retain a residual of 30% ownership in Mothae Diamonds Limited after an agreement was reached to sell 70% of its shares to Lucapa Diamond Company Limited, an Australian registered company. Settlement for the sale of shares will be in installments. The first for US\$400,000 (M 5,257,163) was received in March 2017 upon signing of the Share Purchase and Mining Lease Agreements; future installments of US\$4.1 million and US\$4.5million (spread over an 8-month term) are receivable during FY2017/18.

Note 17: 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. Table 7 shows the current status:

Table 7: GOLFIS Balances

Below- the-line account	GOLFIS (M000's)	Bank (M000's)	Difference (M000's)	Comments
Cash at Bank (401)	(2,629,192)	3,661,176	6,290,368	
Cash Foreign Missions (402)	(76,289)	16,451	92,740	
Cash on Deposit (403)	(24,588)	(13,802)	10,786	
Cash in Transit (404)	(1,010,853)	733,536	1,744,389	
Cash with Projects (405)	(801,939)	(517,344)	284,595	
Imprests (411)	10,570	4,133	(6,437)	
Advances (423)	(78,814)	(201,250)	(122,436)	
Advances Public Officers (424)	(2,102)	(391)	1,711	
Contingencies (425)	3,704	79,455	75,751	
Investments Abroad (426)	3,914	37,213	33,299	
Investments Special Funds (427)	201,520	201,520	0	
Advances Clearing Accounts (428)	3,830,265	4,773,841	943,576	
Suspense Clearing Accounts (431)	7,739	(53,633)	(61,372)	
Trading Accounts (432)	4,679	(8,160)	(12,839)	
Deposits – Other (503)	(113,011)	(128,322)	(15,311)	
Deposits – General (504)	(2,318)	(2,346)	(28)	
Special Funds (511)	(273,104)	(160,153)	112,951	
	3,663,388	8,421,924	9,371,743	

Proposals for resolving these differences will be included as part of the ongoing data cleansing exercise to ensure that all balances can be substantiated before migrating opening balances to the planned upgraded IFMIS version in March 2018.

Note 18: Revenue Arrears

Revenue arrears are amounts receivable by government but which have not been remitted to government by the due date. The below table analyses the overdue debt by collecting agency and period for which amounts are overdue.

Analysis by Spending Unit		Period Overdue				Total Revenue Arrears at 31st March 2017
		More or equal 1 year	More than 6 Months, Less Than 1 Year	More than 3 months, Less Than 6 Months	Less or equal 3 Months	
		M'000	M'000	M'000	M'000	M'000
Head 02	Health	425	34	70	-	528
Head 03	Education & Training	30	18			47
Head 04	Finance	20,969		9	203	21,181
Head 06	Development Planning	1,031,801				1,031,801
Head 07	Justice & Correctional Services	9		54		63
Head 08	Home Affairs	5,170			181	5,351
Head 06	Energy				10	10
Head 17	Tourism, Environment & Culture		105			105
Head 37	Defense & National Security		396	37	678	1,112
Head 05	Trade	124				124
Head 40	Ombudsman				54	54
Head 43	Gender	127				127
Head 44	Public Service	127	52			179
Head 45	Judiciary	590	48			638
Head 13	Public Works			529		529
Head 50	Small Business		9			9
TOTAL		1,059,372	662	699	1,125	1,061,858

Note 19: Hanging Transactions

Hanging balances represent uncompleted transactions within the IFMIS. As part of an ongoing data cleansing exercise, efforts over the past two years have been directed at investigating the causes for hanging transactions and effecting correcting entries. Table 8 provides the status as at 31st March 2017, compared with the previous two years and shows a steady downward trend in the numbers of hanging transactions.

Table 8: Hanging Transactions

Transaction Type	31st March 2015		31st March 2016		31st March, 2017						Amount Change (%)
	No.	Amount	No.	Amount	Transactions Per IFMIS		Adjustment		Revised Total		
					No.	Amount	No.	Amount	No.	Amount	
		M		M		M		M		M	
Purchase order	390	4,940,721	95	1,245,940	12	123,253			12	123,253	-90%
Unposted vouchers	589	20,871,278	170	2,148,244	17	8,783,283	6	8,743,103	11	40,180	-98%
Unposted payments	1649	267,682,352	71	3,097,421	56	30,302,287	22	27,112,653	34	3,189,634	3%
Outstanding imprests	337	419,346,556	282	163,972,517	336	177,029,125			336	177,029,125	8%
Total	2965	712,840,907	618	170,464,121	421	216,237,949	28	35,855,756	393	180,382,192	6%

The IFMIS records include 28 foreign currency transactions for debt servicing and international subscriptions where technical issues have prevented to completion of the transaction. The problem had been escalated to the IFMIS team and vendor but has yet to be resolved. The transaction amounts have been included in the consolidated statements.

Of the remaining hanging transactions, Outstanding Imprests represent the largest share, accounting for 85% of the number and 98% of the value. These comprise advances made to individuals (e.g. for travel) or to remote Spending Unit service delivery units and which have not been acquitted as at the reporting date. Four Spending Units accounts for 68% of the total number: Finance (54); Foreign Affairs (76); Home Affairs (63); and the Prime Minister's Office (36). Delays in accounting for advances may mean that reported expenditures are understated.

Note 20: Pension Liabilities

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

Note 21: Public Debt

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

NO.	Category	01 April 2016	2016/2017	2016/2017	2016/2017	2016/2017	31 March 2017
		Opening Balance (M)	New Borrowings (M)	Disbursements (M)	Repayment (M)	Interest Paid (M)	Closing Loan Balance (M)
1	Bilateral	1,504,428,742	-		70,197,618	24,190,056	1,539,864,377
2	Multilateral	9,783,784,858	1,204,044,400	590,226,165	343,068,875	177,790,018	8,772,848,100
3	Export Credit	916,413,520			22,045,506	9,072,152	535,631
4	Other Financial Institutions	639,728			130,340	72,467	708,268,123
	Total	12,205,266,848	1,204,044,400	590,226,165	435,442,339	211,124,694	11,021,516,232

NO.	Category	01 April 2016	2016/2017	2016/2017	2016/2017	31 March 2017
		Opening Debt Balance (M)	New Issues (M)	Repayments (M)	Interest Paid (M)	Closing Debt Balance (M)
1	Treasury Bills	592,580,900	1,004,411,975	997,452,675	41,220,227	603,926,000
2	Treasury Bonds	682,187,000	72,000,000		54,743,455	752,892,000
3	Other - Contingent Liabilities			90,518,299	6,323,654	
	Total	1,274,767,900	1,076,411,975	1,087,970,974	102,287,336	1,356,818,000

During FY2016/17, loan agreements equivalent to M1,204 millions were finalized. There was no rescheduling or cancelation of public debt instruments.

In addition to the principal repayments above on the government debt stock, Head 21 includes M90.5 million in respect of loans guaranteed by government and called by the lenders because the borrowers were in default. These comprised debt servicing on

behalf of: TZICC and CGM of M89,735,000; and loans to Members of Parliament and Statutory positions of M783,299.

Note 22: 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 FY2016/17 transactions and year-end status.

Lender	Balance (M) 1st April 2016	Payments in 2016/17 (M)		Balance (M) 31 Mar 2017
		Principal	Interest	
ODA 2 nd Line of Credit	1,485,343	723,716	0	761,627
IDA Infrastructure	5,460,946	1,680,290	0	3,780,666
EIB M/S Printing	137,420	137,420	0	0
ADB Line of Credit	7,229,611	5,290,437	0	1,939,174
Basotho Cannery	905,013	905,013	0	0
Thetsane (Nieng Hsing)	260,000	260,000	0	0
Tikoe Factory Shells	51,000,000	0	0	51,000,000
CGM	21,000,000	6,000,000	0	15,000,000
Tikoe Phase 2 Factory Shells	202,789,827	0	0	202,789,827
Telecom National Network Phase II	222,726,839	0	15,660,405	222,726,839
Telecom National Network Phase I	205,986,835	7,373,161	5,406,576	205,986,835
BADEA 132 Maseru Water Supply I	63,023,315	0	0	63,023,315
BADEA 133 Maseru Water Supply II	78,097,438	0	0	78,097,438
OFID 134 Maseru Supply II	85,500,487	0	0	85,500,487
IDA 2400 Infrastructure Engineering	18,119,448	0	0	18,119,448
IDA 3995 Water Improvement Project	48,814,092	0	0	48,814,092
Lesotho Electricity Supply Project	48,617,899	972,358	437,561	47,645,541
Total	1,061,154,513	23,342,395	21,504,542	1,045,185,289

Note 23: Payment Arrears

Payment arrears are payment obligations on Government to individuals, suppliers, lenders or contractors that were due for settlement prior to 31st March 2017, but which remained unpaid as at that date. Their eventual settlement will be against the budget appropriations for future years. The table below provides a summary analysis of payment arrears declared by Spending Units and the periods for which payment is overdue. It shows that M117 million (64% of the total) has been overdue for more than six months.

Spending Unit		Period Overdue				Total Payment Arrears at 31st March 2017
		More or equal 1 year	More than 6 Months, Less Than 1 Year	More than 3 months, Less Than 6 Months	Less or equal 3 Months	
		M'000	M'000	M'000	M'000	
Head 01	Agric				11	11
Head 02	Health		6	188	6,373	6,567
Head 03	Education & Training		68,057			68,057
Head 04	Finance	7,806	1,492	33		9,331
Head 05	Trade			6,850	3	6,853
Head 07	Justice	4	22		134	159
Head 08	Home Affairs	75	4,583	14,387	12,505	31,551
Head 13	Public Works	77	375	357		810
Head 14	Forestry				413	413
Head 15	Energy, Meteorology & Water Affairs				431	431
Head 16	Labour & Employment	1,903				1,903
Head 17	Tourism, Environment & Culture	586	111			698
Head 37	Defense & National Security	7,233	16,518	1,256	16,177	41,183
Head 42	Local Government & Chieftainship	88	25	244	46	404
Head 43	Gender	13	1,737	5,441	240	7,432
Head 44	Public Service		32	168	1,405	1,604
Head 45	Judiciary	230				230
Head 46	Social Development	13	32	36	10	90
Head 49	Police	5,647	2,193	-	-	7,841
TOTAL		23,676	95,184	28,960	37,747	185,568

Note 24: 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.

Ref	Start Year	Beneficiary	Lender	Purpose	Exposure at 31 March, 2017 (M)	Exposure at 31 March, 2016 (M)
		WASCO (PTY) LTD	Nedbank		20,000,000	20,000,000
	2016	Maseru E Textile	Standard Lesotho Bank		15,528,000	18,228,000
	2014	CGM	Standard Lesotho Bank		24,000,000	68,355,000
	2014	Presitex Industry PTY	Standard Lesotho Bank		18,000,000	61,650,000
	2014	Eclat Evergood Textiles	Standard Lesotho Bank		55,642,000	
	2015	PS and Statutory positions	Standard Lesotho Bank		7,474,845	
	2014	TZICC	Standard Lesotho Bank		60,494,500	
	2015	Members of 9th Parliament	Nedbank		54,315,971	

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, 2016 M'	Exposure at 31 March, 2017 M'
Head 02 - Health	324,286	172,456
Head 03 - Education & Training		772,599
Head 04 - Finance	13,451,556	29,633,066
Head 10 - Communications, Science & Tech	14,456,960	24,527,350
Head 13 - Public Works & Transport	12,220,969	22,052,824
Head 42 - Local Government & Chieftainship		50,512
Head 49 - Police & Public Safety	2,941,565	2,941,565
Total Compensation Claims	43,395,336	80,150,373

During FY2016/17 several contingent liabilities crystallized resulting in costs being incurred by the Government. These included:

- Compensation claim for canceled mine contract. Law and Constitutional Affairs paid M33 million in respect of a claim against Swissborough Diamond Mine. Of this M8 million related to costs and M25 million has been lodged as security pending final award by the Singapore Williams Tribunal.
- Default by TZICC and GCM on servicing their government guaranteed debt. The Standard Bank called on government to honour M89,735,000. This was paid against savings on the Public Debt Heads 21 and 22.
- Debt servicing of loans granted to Members of Parliament and Statutory positions of M7,106,954.

Note 25: Losses and Accidents

Spending Unit		Irrecoverable revenue and debts	Irrecoverable overpayment of salaries, pensions etc	Irrecoverable overpayment to suppliers	Losses of stores	Losses of cash	Assets written off	Motor Vehicle Accidents	Gifts of assets	Total
		M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000	M'000
Head 01	Agric									
Head 02	Health		850		13			148		1,011
Head 03	Education & Training	30				34				64
Head 04	Finance					21,206				21,206
Head 05	Trade and Industry					124				124
HEAD 06	Development Planning					23				23
Head 07	Justice & Correctional Services									-
Head 08	Home Affairs					223				223
Head 09	Prime Minister's Office					923				923
Head 10	Communications					104				104
Head 11	Law									-
Head 12	Foreign Affairs									-
Head 13	Public Works				110	448		65		623
Head 14	Forestry & Land Reclamation									-
Head 15	Energy					10				10
Head 16	Labour				1					1
Head 17	Tourism, Environment & Culture							151		151
Head 18	Audit									-
Head 19	His Majesty's Office									-
Head 20	Public Service Commission							4		4
Head 21	Principal Repayments	783								783
Head 38	National Assembly					173				173
Head 39	Senate				19	9				28
Head 40	Ombudsman					54				54
Head 41	IEC				27					27
Head 42	Local Government & Chieftainship									-
Head 43	Gender, Youth, Sports & Recreation					127				127
Head 44	Public Service					62				62
Head 45	Judiciary	32				48				80
Head 46	Social Development							604		604
Head 47	Directorate on Corruption & Economic Offences									-
Head 48	Mining					94		6		100
Head 49	Police									-
Head 50	Small Business					9		18		27
Head 51	Water									-
GRAND TOTAL		845	850	-	170	23,671	-	996	-	26,532

APPENDIX 1: ANALYSIS OF RECEIPTS AND PAYMENTS BY SPENDING UNIT

	Spending Unit	Recurrent		Development		Net Flows
		Receipts	Payments	Receipts	Payments	
01	Agriculture and Food Security	19,741,145	(167,435,831)	115,578,980	(215,540,270)	(247,655,976)
02	Health	18,328,540	(1,711,361,068)	92,904,895	(129,591,622)	(1,729,719,255)
03	Education and Training	6,784,635	(2,226,599,024)	124,834,749	(146,887,723)	(2,241,867,363)
04	Finance	11,136,991,466	(934,164,104)	325,823,034	(557,493,300)	9,971,157,096
05	Trade and Industry	9,792,581	(38,774,971)	40,005,367	(88,252,729)	(77,229,752)
06	Development Planning	113,661	(601,526,410)	4,770,594	(116,742,412)	(713,384,567)
07	Justice and Correctional Services	273,137	(210,444,548)		(27,941,593)	(238,113,004)
08	Home Affairs	40,549,147	(177,519,013)	4,614,281	(163,336,636)	(295,692,221)
09	Prime Minister's Office	8,324,385	(145,097,037)		-	(136,772,652)
10	Communications, Science and Technology	6,584,232	(113,963,957)	5,848,225	(123,254,044)	(224,785,544)
11	Law and Constitutional Affairs	11,477,647	(113,974,731)		(1,011,028)	(103,508,112)
12	Foreign Affairs and International Relations		(327,727,059)		-	(327,727,059)
13	Public Works and Transport	22,340,219	(149,290,165)	161,113,508	(806,823,095)	(772,659,533)
14	Forestry Range and Soil Conservation	89,125	(51,314,420)		(128,829,779)	(180,055,074)
15	Energy and Meteorology	207,163,942	(26,136,698)	18,692,036	(155,006,735)	44,712,545
16	Labour and Employment	5,982,199	(44,990,045)		-	(39,007,846)
17	Tourism, Environment & Culture	4,804,688	(77,842,469)	3,782,632	(59,216,525)	(128,471,674)
18	Auditor General's Office	571,755	(26,641,698)		-	(26,069,943)
19	His Majesty's Office		(5,317,381)		(26,444,995)	(31,762,376)
20	Public Service Commission		(7,099,820)		-	(7,099,820)
37	Defence and National Security	3,356,637	(593,754,688)		(6,100,252)	(596,498,303)
38	National Assembly		(74,870,107)		-	(74,870,107)
39	Senate		(17,716,005)		-	(17,716,005)
40	Ombudsman		(6,677,356)		-	(6,677,356)
41	Independent Electoral Commission		(116,559,083)		-	(116,559,083)
42	Local Government and Chieftainship Affairs	2,487,830	(441,766,213)	33,149,644	(325,148,947)	(731,277,686)
43	Gender & Youth, Sports & Recreation	888,729	(79,356,173)	1,450,962	(17,820,038)	(94,836,520)
44	Public Service	8,076,522	(35,983,326)	614,480	-	(27,292,324)
45	Judiciary	4,005,732	(101,662,365)		(9,992,814)	(107,649,447)
46	Social Development	-	(185,447,639)	39,177,771	(40,494,426)	(186,764,294)
47	Directorate on Corruption & Economic Offences	459,612	(22,053,761)		-	(21,594,149)
48	Mining	374,975,328	(21,574,358)		(1,993,992)	351,406,978
49	Police and Public Safety	31,577,063	(616,104,283)		(28,285,762)	(612,812,982)
50	Small Business Development, Cooperatives & Marketing	358,158	(206,828,010)		(17,227,515)	(223,697,367)
51	Water	786,094,478	(131,575,894)	422,938,398	(712,489,678)	364,967,304
	Total Appropriated	12,712,192,593	(9,809,149,710)	1,395,299,556	(3,905,925,910)	392,416,529
	Statutory and Centralized Expenditure					-
21	Principal Repayment		(525,960,638)			(525,960,638)
22	Interest Charges		(313,412,029)			(313,412,029)
23	Pensions and Gratuities		(1,503,451,549)			(1,503,451,549)
24	Statutory Salaries & Gratuities		(37,188,548)			(37,188,548)
25	Subscriptions to International Financial Organisations		(52,535,376)			(52,535,376)
26	Refund to Erroneous Receipts		(1,256,144)			(1,256,144)
30	Centralised Items		-			-
31	Contingencies		-			-
	Total Statutory & Centralized	-	(2,433,804,284)	-	-	(2,433,804,284)
	Totals	12,712,192,593	(12,242,953,994)	1,395,299,556	(3,905,925,910)	(2,041,387,755)

APPENDIX 2: BUDGET COMPARISON – ANALYSIS BY SPENDING UNIT

Table 9: FY2016/17 Budget versus Actual - Revenues

Collecting Unit		Original	Revised	Actual	Variance
01	Agriculture and Food Security	40,593,512	40,593,512	19,741,145	-51%
02	Health	21,420,163	21,420,163	18,328,540	-14%
03	Education and Training	14,358,461	14,358,461	6,784,635	-53%
04	Finance	11,413,398,289	11,413,398,289	11,136,991,466	-2%
05	Trade and Industry	13,944,610	13,944,610	9,792,581	-30%
06	Development Planning	37,000	37,000	113,661	207%
07	Justice and Correctional Services	369,380	376,380	273,137	-26%
08	Home Affairs	23,116,000	23,116,000	40,549,147	75%
09	Prime Minister's Office			8,324,385	100%
10	Communication, Science and Technology	7,439,100	4,652,000	6,584,232	-11%
11	Law and Constitutional Affairs	818,077	818,077	11,477,647	1303%
12	Foreign Affairs And International Relations	520,000	520,000		-100%
13	Public Works and Transport	15,498,113	15,498,113	22,340,219	44%
14	Forestry, Range and Soil Conservation	-		89,125	
15	Energy and Meteorology	174,380,051	167,680,000	207,163,942	19%
16	Labour and Employment	3,871,500	3,871,500	5,982,199	55%
17	Tourism, Environment and Culture	3,410,915	3,410,915	4,804,688	41%
18	Auditor General's Office	351,000	351,000	571,755	63%
37	Defence and National Security	1,614,660	1,614,660	3,356,637	108%
42	Local Government and Chieftainship	1,794,214	1,794,214	2,487,830	39%
43	Gender, Youth, Sports and Recreation	48,000	48,000	888,729	1752%
44	Public Service	8,402,000	8,402,000	8,076,522	-4%
45	Judiciary	3,150,047	3,150,047	4,005,732	27%
46	Social Development	262,000	262,000	-	-100%
47	DCEO			459,612	
48	Mining	443,073,955	443,073,955	374,975,328	-15%
49	Police and Public Safety	3,847,620	3,847,620	31,577,063	721%
50	Small Business Development, Cooperatives & Marketing	476,600	476,600	358,158	-25%
51	Water	773,087,883	773,087,883	786,094,478	2%
Total		12,969,283,151	12,959,802,999	12,712,192,593	-2%

Table 10: FY2016/17 Budget versus Actual – Recurrent Expenditures

Spending Unit		Original Budget	Revised Budget	Actual	Variance
Appropriated Expenditure					
01	Agriculture and Food Security	177,883,370	179,170,016	167,435,831	6%
02	Health	1,755,493,710	1,711,612,730	1,711,361,068	3%
03	Education and Training	2,236,923,841	2,239,793,388	2,226,599,024	0%
04	Finance	484,058,766	905,502,395	934,164,104	-93%
05	Trade and Industry	43,034,840	41,279,011	38,774,971	10%
06	Development Planning	798,323,180	782,813,172	601,526,410	25%
07	Justice and Correctional Services	215,608,800	211,432,473	210,444,548	2%
08	Home Affairs	149,465,745	171,187,056	177,519,013	-19%
09	Prime Minister's Office	133,292,070	144,738,116	145,097,037	-9%
10	Communications, Science and Technology	120,970,680	115,540,363	113,963,957	6%
11	Law and Constitutional Affairs	75,525,850	107,375,936	113,974,731	-51%
12	Foreign Affairs and International Relations	351,624,560	351,624,560	327,727,059	7%
13	Public Works and Transport	156,637,157	156,574,472	149,290,165	5%
14	Forestry Range and Soil Conservation	56,695,090	56,640,628	51,314,420	9%
15	Energy and Meteorology	34,380,460	30,468,420	26,136,698	24%
16	Labour and Employment	48,554,765	45,241,584	44,990,045	7%
17	Tourism, Environment & Culture	86,874,570	79,928,057	77,842,469	10%
18	Auditor General's Office	28,862,282	28,301,034	26,641,698	8%
19	His Majesty's Office	7,177,835	6,361,719	5,317,381	26%
20	Public Service Commission	7,905,830	7,885,732	7,099,820	10%
37	Defence and National Security	589,738,258	627,150,117	593,754,688	-1%
38	National Assembly	81,741,640	78,431,692	74,870,107	8%
39	Senate	19,480,120	18,801,066	17,716,005	9%
40	Ombudsman	7,675,920	6,834,808	6,677,356	13%
41	Independent Electoral Commission	237,489,050	378,745,837	116,559,083	51%
42	Local Government and Chieftainship Affairs	471,143,900	464,892,124	441,766,213	6%
43	Gender & Youth, Sports & Recreation	83,514,870	81,348,988	79,356,173	5%
44	Public Service	35,342,900	35,067,538	35,983,326	-2%
45	Judiciary	100,524,130	103,351,739	101,662,365	-1%
46	Social Development	194,257,960	180,430,921	185,447,639	5%
47	Directorate on Corruption & Economic Offences	23,109,500	22,111,496	22,053,761	5%
48	Mining	29,218,210	29,439,428	21,574,358	26%
49	Police and Public Safety	608,436,620	598,526,137	616,104,283	-1%
50	Small Business Development, Cooperatives & Marketing	62,762,050	64,041,418	206,828,010	-230%
51	Water	143,117,790	145,548,661	131,575,894	8%
	Total Appropriated	9,656,846,320	10,208,192,832	9,809,149,710	-2%
Statutory and Centralized Expenditure					
21	Principal Repayment	544,325,000	544,325,000	525,960,638	3%
22	Interest Charges	322,625,700	322,625,700	313,412,029	3%
23	Pensions and Gratuities	1,404,137,500	1,510,203,000	1,503,451,549	-7%
24	Statutory Salaries & Gratuities	42,399,463	42,409,465	37,188,548	12%
25	Subscriptions to International Financial Organisations	77,836,074	77,836,074	52,535,376	33%
26	Refund to Erroneous Receipts	3,000,000	3,000,000	1,256,144	58%
30	Centralised Items	0	0	-	0%
	Total Statutory & Centralized	2,394,323,737	2,500,399,239	2,433,804,284	-2%
	Total Recurrent Expenditure	12,051,170,057	12,708,592,071	12,242,953,994	-2%
31	Contingencies	100,000,000	6,170,817		
	Total Recurrent + Contingencies	12,151,170,057	12,714,762,888		

Table 1: FY2016/17 Budget versus Actual – Development Expenditures

Spending Unit		Original Budget	Revised Budget	Actual	Variance
01	Agriculture & Food Security	226,461,509	226,697,789	215,540,270	5%
	GoL Funded	136,300,000	135,612,670	124,362,968	
	Development Partner - Grants	8,240,992	4,198,875	1,279,112	
	Development Partner - Loans	81,920,517	81,920,517	89,898,190	
02	Health	193,576,003	234,343,309	129,591,622	33%
	GoL Funded	37,800,000	78,567,306	68,787,112	
	Development Partner - Grants	155,776,003	227,346,305	60,804,510	
	Development Partner - Loans		-		
03	Education and Training	127,240,000	127,240,000	146,887,723	-15%
	GoL Funded	20,400,000	18,172,860	18,172,860	
	Development Partner - Grants	106,840,000	3,301,934	101,252,004	
	Development Partner - Loans		4,833,934	27,462,859	
04	Finance	629,071,256	629,071,256	557,493,300	11%
	GoL Funded	157,400,000	480,273,649	322,739,288	
	Development Partner - Grants	378,659,556	378,659,556	229,677,430	
	Development Partner - Loans	93,011,700	93,011,700	5,076,582	
05	Trade & Industry	96,853,477	84,031,403	88,252,729	9%
	GoL Funded	64,125,000	48,547,523	50,867,202	
	Development Partner - Grants	32,728,477	32,389,440	37,385,527	
	Development Partner - Loans		-		
06	Development Planning	86,417,355	86,417,355	116,742,412	-35%
	GoL Funded	79,500,000	79,500,000	114,453,377	
	Development Partner - Grants	6,917,355	6,917,355	2,289,035	
	Development Partner - Loans		-		
07	Justice, Human Rights & Rehab	50,000,000	38,100,937	27,941,593	44%
	GoL Funded	50,000,000	39,648,041	27,941,593	
	Development Partner - Grants		-	-	
	Development Partner - Loans		-		
08	Home Affairs	145,000,000	165,743,518	163,336,636	-13%
	GoL Funded	145,000,000	165,743,518	163,336,636	
	Development Partner - Grants		-	-	
	Development Partner - Loans		-		
10	Communications, Science & Te	148,885,940	148,885,940	123,254,044	17%
	GoL Funded	134,311,000	124,553,059	117,443,602	
	Development Partner - Grants	14,574,940	14,574,940	3,079,718	
	Development Partner - Loans		64,930,803	2,730,724	
11	Law & Constitutional Affairs	-	-	1,011,028	
	GoL Funded		-	1,011,028	
	Development Partner - Grants		-		
	Development Partner - Loans		-		
13	Public Works & Transport	1,068,700,000	1,084,700,000	806,823,095	25%
	GoL Funded	638,700,000	580,451,171	656,653,335	
	Development Partner - Grants	330,000,000	330,000,000	145,762,696	
	Development Partner - Loans	100,000,000	200,000,000	4,407,064	
14	Forestry and Land Reclamation	130,000,000	125,000,000	128,829,779	1%
	GoL Funded	130,000,000	130,000,000	128,829,779	
	Development Partner - Grants		-	-	
	Development Partner - Loans		-		
15	Energy and Meteorology	347,418,212	342,418,212	155,006,735	55%
	GoL Funded	136,900,000	146,400,000	137,083,751	
	Development Partner - Grants	39,826,291	31,761,611	5,528,834	
	Development Partner - Loans	170,691,921	234,250,242	12,394,150	

Spending Unit		Original Budget	Revised Budget	Actual	Variance
17	Tourism,Environment & Cultu.	49,530,000	63,605,879	59,216,525	-20%
	GoL Funded	49,530,000	60,105,879	57,007,960	
	Development Partner - Grants		10,191,667	2,208,565	
	Development Partner - Loans		-		
19	His Majesty's Office	20,000,000	20,000,000	26,444,995	-32%
	GoL Funded	20,000,000	53,000,000	26,444,995	
	Development Partner - Grants		-		
	Development Partner - Loans		-		
37	Defence and National Security	34,500,000	14,500,000	6,100,252	82%
	GoL Funded	34,500,000	10,500,000	6,100,252	
	Development Partner - Grants		-		
	Development Partner - Loans		-		
42	Local Government & Chieftain.	366,300,000	366,300,000	325,148,947	11%
	GoL Funded	361,050,000	361,050,000	291,999,303	
	Development Partner - Grants	5,250,000	36,956,680	33,149,644	
	Development Partner - Loans		-		
43	Gender and Youth, Sports .	21,349,850	21,349,850	17,820,038	17%
	GoL Funded	20,492,000	22,992,000	16,000,161	
	Development Partner - Grants	857,850	973,962	1,819,877	
	Development Partner - Loans		-		
44	Public Service	-	-	-	
	GoL Funded		-	-	
	Development Partner - Grants		-		
	Development Partner - Loans		-		
45	Judiciary	10,000,000	10,000,000	9,992,814	0%
	GoL Funded	10,000,000	10,000,000	9,992,814	
	Development Partner - Grants		-		
	Development Partner - Loans		-		
46	Social Development	41,000,000	41,000,000	40,494,426	1%
	GoL Funded	5,000,000	4,911,083	4,911,082	
	Development Partner - Grants	36,000,000	36,000,000	35,583,344	
	Development Partner - Loans		-		
48	Mining	9,900,000	9,900,000	1,993,992	80%
	GoL Funded	9,900,000	9,900,000	1,993,992	
	Development Partner - Grants		-		
	Development Partner - Loans		-		
49	Police and Public Safety	30,000,000	30,000,000	28,285,762	6%
	GoL Funded	30,000,000	30,000,000	28,285,762	
	Development Partner - Grants		-		
	Development Partner - Loans		-		
50	Small Business Development	74,100,000	18,500,000	17,227,515	77%
	GoL Funded	74,100,000	148,200,000	17,227,515	
	Development Partner - Grants		-		
	Development Partner - Loans		-		
51	Water	886,909,392	886,909,392	712,489,678	20%
	GoL Funded	345,129,300	344,604,091	289,351,195	
	Development Partner - Grants	53,825,699	52,825,699	2,174,751	
	Development Partner - Loans	487,954,393		420,963,732	
	TOTAL	4,793,212,994	4,851,246,455	3,905,925,910	19%
Sources of Funding - Summary					
	GoL Funded	2,690,137,300	3,082,732,850	2,680,997,562	0%
	Development Partner - Grants	1,169,497,163	1,166,098,024	661,995,047	43%
	Development Partner - Loans	933,578,531	678,947,196	562,933,301	40%
	TOTAL	4,793,212,994	4,927,778,070	3,905,925,910	19%

APPENDIX 3: FY2016/17 ORIGINAL TO REVISED BUDGET
Table 12: Recurrent Expenditure - Original to Revised Budget

Spending Unit	Original Budget	Use of Contingency Fund	Supplementary Budgets	Reallocation	Revised Budget
Appropriated Expenditure					
01 Agriculture and Food Security	177,883,370				179,170,016
02 Health	1,755,493,710				1,711,612,730
03 Education and Training	2,236,923,841				2,239,793,388
04 Finance	484,058,766	37,732,751			905,502,395
05 Trade and Industry	43,034,840				41,279,011
06 Development Planning	798,323,180				782,813,172
07 Justice and Correctional Services	215,608,800				211,432,473
08 Home Affairs	149,465,745	21,898,628			171,187,056
09 Prime Minister's Office	133,292,070	5,321,427			144,738,116
10 Communications, Science and Technology	120,970,680	1,780,785			115,540,363
11 Law and Constitutional Affairs	75,525,850				107,375,936
12 Foreign Affairs and International Relations	351,624,560				351,624,560
13 Public Works and Transport	156,637,157	8,798,000			156,574,472
14 Forestry Range and Soil Conservation	56,695,090				56,640,628
15 Energy and Meteorology	34,380,460				30,468,420
16 Labour and Employment	48,554,765				45,241,584
17 Tourism, Environment & Culture	86,874,570				79,928,057
18 Auditor General's Office	28,862,282				28,301,034
19 His Majesty's Office	7,177,835				6,361,719
20 Public Service Commission	7,905,830				7,885,732
37 Defence and National Security	589,738,258	4,190,213			627,150,117
38 National Assembly	81,741,640				78,431,692
39 Senate	19,480,120				18,801,066
40 Ombudsman	7,675,920				6,834,808
41 Independent Electoral Commission	237,489,050				378,745,837
42 Local Government and Chieftainship Affairs	471,143,900				464,892,124
43 Gender & Youth, Sports & Recreation	83,514,870				81,348,988
44 Public Service	35,342,900	1,383,590			35,067,538
45 Judiciary	100,524,130	2,601,723			103,351,739
46 Social Development	194,257,960				180,430,921
47 Directorate on Corruption & Economic Offences	23,109,500				22,111,496
48 Mining	29,218,210				29,439,428
49 Police and Public Safety	608,436,620				598,526,137
50 Small Business Development, Cooperatives & Marketing	62,762,050	38,398,146			64,041,418
51 Water	143,117,790				145,548,661
Total Appropriated	9,656,846,320	122,105,263	0	0	10,208,192,832
Statutory and Centralized Expenditure					
21 Principal Repayment	544,325,000				544,325,000
22 Interest Charges	322,625,700				322,625,700
23 Pensions and Gratuities	1,404,137,500				1,510,203,000
24 Statutory Salaries & Gratuities	42,399,463				42,409,465
25 Subscriptions to International Financial Organisations	77,836,074				77,836,074
26 Refund to Erroneous Receipts	3,000,000				3,000,000
30 Centralised Items	0				0
Total Statutory & Centralized	2,394,323,737	0	0	0	2,500,399,239
Total Recurrent Expenditure	12,051,170,057	122,105,263	0	0	12,708,592,071
31 Contingencies	100,000,000	-123,829,183	30,000,000	0	6,170,817
Total Recurrent + Contingencies	12,151,170,057	-1,723,920	30,000,000	0	12,714,762,888

Table 13: Development Expenditure Budget

Spending Unit		Original Budget	Contingency Fund	Supplementary	Reallocated	Revised Budget
01	Agriculture & Food Security	226,461,509	-	-	236,280	226,697,789
	GoL Funded	136,300,000			236,280	135,612,670
	Development Partner - Grants	8,240,992				4,198,875
	Development Partner - Loans	81,920,517				81,920,517
02	Health	193,576,003	-	-	40,767,306	234,343,309
	GoL Funded	37,800,000			40,767,306	78,567,306
	Development Partner - Grants	155,776,003				227,346,305
	Development Partner - Loans					-
03	Education and Training	127,240,000	-	-	-	127,240,000
	GoL Funded	20,400,000			-	18,172,860
	Development Partner - Grants	106,840,000				3,301,934
	Development Partner - Loans					4,833,934
04	Finance	629,071,256	-	-	-	629,071,256
	GoL Funded	157,400,000				480,273,649
	Development Partner - Grants	378,659,556				378,659,556
	Development Partner - Loans	93,011,700				93,011,700
05	Trade & Industry	96,853,477	-	-	(12,822,074)	84,031,403
	GoL Funded	64,125,000			(12,822,074)	48,547,523
	Development Partner - Grants	32,728,477				32,389,440
	Development Partner - Loans					-
06	Development Planning	86,417,355	-	-	-	86,417,355
	GoL Funded	79,500,000				79,500,000
	Development Partner - Grants	6,917,355				6,917,355
	Development Partner - Loans					-
07	Justice, Human Rights & Rehab	50,000,000	-	-	(11,899,063)	38,100,937
	GoL Funded	50,000,000			(11,899,063)	39,648,041
	Development Partner - Grants					-
	Development Partner - Loans					-
08	Home Affairs	145,000,000	-	-	20,743,518	165,743,518
	GoL Funded	145,000,000			20,743,518	165,743,518
	Development Partner - Grants					-
	Development Partner - Loans					-
10	Communications, Science & Te	148,885,940	-	-	-	148,885,940
	GoL Funded	134,311,000				124,553,059
	Development Partner - Grants	14,574,940				14,574,940
	Development Partner - Loans					64,930,803
11	Law & Constitutional Affairs	-	-	-	2,000,000	
	GoL Funded				2,000,000	-
	Development Partner - Grants					-
	Development Partner - Loans					-
13	Public Works & Transport	1,068,700,000	-	-	16,000,000	1,084,700,000
	GoL Funded	638,700,000			16,000,000	580,451,171
	Development Partner - Grants	330,000,000				330,000,000
	Development Partner - Loans	100,000,000				200,000,000
14	Forestry and Land Reclamation	130,000,000	-	-	(5,000,000)	125,000,000
	GoL Funded	130,000,000			(5,000,000)	130,000,000
	Development Partner - Grants					-
	Development Partner - Loans					-
15	Energy and Meteorology	347,418,212	-	-	(5,000,000)	342,418,212
	GoL Funded	136,900,000			(5,000,000)	146,400,000
	Development Partner - Grants	39,826,291				31,761,611
	Development Partner - Loans	170,691,921				234,250,242

Spending Unit		Original Budget	Contingency Fund	Supplementary	Reallocated	Revised Budget
17	Tourism,Environment & Cultu.	49,530,000	1,723,920	-	12,351,959	63,605,879
	GoL Funded	49,530,000	1,723,920		12,351,959	60,105,879
	Development Partner - Grants					10,191,667
	Development Partner - Loans					-
19	His Majesty's Office	20,000,000	-	-	-	20,000,000
	GoL Funded	20,000,000				53,000,000
	Development Partner - Grants					-
	Development Partner - Loans					-
37	Defence and National Security	34,500,000	-	-	(20,000,000)	14,500,000
	GoL Funded	34,500,000			(20,000,000)	10,500,000
	Development Partner - Grants					-
	Development Partner - Loans					-
42	Local Government & Chieftain.	366,300,000	-	-	-	366,300,000
	GoL Funded	361,050,000				361,050,000
	Development Partner - Grants	5,250,000				36,956,680
	Development Partner - Loans					-
43	Gender and Youth, Sports .	21,349,850	-	-	-	21,349,850
	GoL Funded	20,492,000				22,992,000
	Development Partner - Grants	857,850				973,962
	Development Partner - Loans					-
44	Public Service	-	-	-	-	-
	GoL Funded					-
	Development Partner - Grants					-
	Development Partner - Loans					-
45	Judiciary	10,000,000	-	-	-	10,000,000
	GoL Funded	10,000,000				10,000,000
	Development Partner - Grants					-
	Development Partner - Loans					-
46	Social Development	41,000,000	-	-	-	41,000,000
	GoL Funded	5,000,000				4,911,083
	Development Partner - Grants	36,000,000				36,000,000
	Development Partner - Loans					-
48	Mining	9,900,000	-	-	-	9,900,000
	GoL Funded	9,900,000				9,900,000
	Development Partner - Grants					-
	Development Partner - Loans					-
49	Police and Public Safety	30,000,000	-	-	-	30,000,000
	GoL Funded	30,000,000				30,000,000
	Development Partner - Grants					-
	Development Partner - Loans					-
50	Small Business Development	74,100,000	-	-	(55,600,000)	18,500,000
	GoL Funded	74,100,000			(55,600,000)	148,200,000
	Development Partner - Grants					-
	Development Partner - Loans					-
51	Water	886,909,392	-	-	-	886,909,392
	GoL Funded	345,129,300				344,604,091
	Development Partner - Grants	53,825,699				52,825,699
	Development Partner - Loans	487,954,393				
	TOTAL	4,793,212,994	1,723,920	-	(18,222,074)	4,851,246,455
Sources of Funding - Summary						
	GoL Funded	2,690,137,300	1,723,920	-	(18,222,074)	3,082,732,850
	Development Partner - Grants	1,169,497,163	-	-	-	1,166,098,024
	Development Partner - Loans	933,578,531	-	-	-	678,947,196
	TOTAL	4,793,212,994	1,723,920	-	(18,222,074)	4,927,778,070

**APPENDIX 4: CONTROLLED ENTITIES AND INVESTMENTS – STATUS OF ANNUAL REPORTING
(AS AT 31ST AUGUST 2017)**

MINISTRY	ENTITY	LATEST AUDITED STATEMENTS	AUDIT OPINION	OUTSTANDING	REMARKS
HEALTH	BAYLOR COLLEGE OF MEDICINE CHILDRENS FOUNDATION LESOTHO	2015/16	UNQUALIFIED	2016/17	FINANCIAL YEAR ENDED ON 30 JUNE 2017
	NATIONAL DRUG SERVICE ORGANISATION	2015/16	QUALIFIED	2016/17	AUDIT FOR 2016/17 FINANCIAL STATEMENTS IN PROGRESS
	NURSING COUNCIL	2012/13	QUALIFIED	2013/14 - 2016/17	AUDITOR GENERAL ALREADY WORKING ON 2013/14 FINANCIAL STATEMENTS. SUBSEQUENT FINANCIAL YEARS' FINANCIAL STATEMENTS NOT SUBMITTED FOR AUDIT
	CHRISTIAN HEALTH ASSOCIATION OF LESOTHO	UNKNOWN	UNKNOWN		
EDUCATION	COUNCIL ON HIGHER EDUCATION	2016/17	UNQUALIFIED	NIL	
	EXAMINATION COUNCIL OF LESOTHO	2013/14	QUALIFIED	2014/15 - 2016/17	AUDIT FOR 2014/2015 & 2015/16 FINANCIAL STATEMENTS IS IN PROGRESS. 2016/17 NOT SUBMITTED FOR AUDIT
	LESOTHO COLLEGE OF EDUCATION	2008/2009	DISCLAIMER	2009/2010 - 2016/17	NO SUBMISSIONS FOR THE OUTSTANDING YEARS
	LEROTHOLI POLYTECHNIC	2007/2008	QUALIFIED	2008/2009 - 2016/17	NO SUBMISSIONS FOR 2010/2011 - 2016/17 FINANCIAL YEARS. AUDIT FOR 2008/2009 - 2009/2010 FINANCIAL STATEMENTS IN PROGRESS.
	NATIONAL UNIVERSITY OF LESOTHO	2014/15	DISCLAIMER	2015/16 - 2016/17	FINANCIAL YEAR RUNS FROM JULY TO JUNE.
FINANCE	LESOTHO REVENUE AUTHORITY	2016/17	UNQUALIFIED	NIL	
	ROAD FUND				
	PENSION FUND				
	PARTIAL CREDIT GUARANTEE FUND				
	ROAD FUND	2015/2016	UNQUALIFIED	2016/17	AUDIT FOR 2016/17 FINANCIAL STATEMENTS IN PROGRESS
	SUN INTERNATIONAL (AVANI)	2016	UNQUALIFIED	NIL	FINANCIAL YEAR RUNS FROM JANUARY TO DECEMBER
	LESOTHO INSTITUTE FOR ACCOUNTANTS				
	CENTRAL BANK OF LESOTHO				
CENTRE FOR ACCOUNTING STUDIES					

MINISTRY	ENTITY	LATEST AUDITED STATEMENTS	AUDIT OPINION	OUTSTANDING	REMARKS
TRADE AND INDUSTRY	LESOTHO NATIONAL DEVELOPMENT CORPORATION	2015/2016	QUALIFIED	2016/2017	AUDIT FOR 2016/17 FINANCIAL STATEMENTS IN PROGRESS
	LESOTHO NATIONAL DAIRY BOARD	2014/2015	UNQUALIFIED	2015/2016-2016/2017	AUDIT FOR OUTSTANDING FINANCIAL YEARS IS NOT YET STARTED
	OK BAZAARS LESOTHO	2015/2016	UNQUALIFIED	2016/2017	FINANCIAL YEAR RUNS FROM JULY TO JUNE.
	LOTI BRICK	2013/2014	QUALIFIED	2014/2015-2016/2017	AUDIT FOR 2015/2016 AND 2016/2017 FINANCIAL STATEMENTS IS ONGOING. 2016/2017 NOT SUBMITTED
	MALUTI MOUNTAIN BREWERY	2016	UNQUALIFIED	NIL	FINANCIAL YEAR RUNS FROM JANUARY TO DECEMBER.
PRIME MINISTER'S OFFICE	NATIONAL AIDS COMMISSION	2008/09	UNQUALIFIED		NOT OPERATIONAL FROM 2009/10 TO 2015/16. FINANCIAL STATEMENTS FOR 2016/17 SUBMITTED BUT AUDIT NOT YET STARTED
COMMUNICATIONS	LESOTHO COMMUNICATIONS AUTHORITY	2016/17	UNQUALIFIED	NIL	
	LESOTHO POSTAL SERVICES	2007/2008	DISCLAIMER	2008/2009-2016/2017	OUTSTANDING FINANCIAL STATEMENTS NOT YET SUBMITTED FOR AUDIT
	LESOTHO POST BANK	2016	UNQUALIFIED	NIL	FINANCIAL YEAR RUNS FROM JANUARY TO DECEMBER
PUBLIC WORKS AND TRANSPORT	LESOTHO FREIGHT AND BUS SERVICE	2008/2009	QUALIFIED	2009/2010-2016/2017	AUDIT FOR 2009/2010-2014/2015 IS IN PROGRESS. NO SUBMISSION 2015/2016 AND 2016/2017.
	ROADS DIRECTORATE	2013/2014	QUALIFIED	2014/2015-2016/2017	NO BOARD TO APPROVE 2014/2015 FINANCIAL STATEMENTS FOR SUBMISSION TO AUDITOR GENERAL.
ENERGY	LESOTHO ELECTRICITY CORPORATION	2016/2017	QUALIFIED		
	PETROLEUM FUND	2015/16	UNQUALIFIED	2016/2017	AUDIT FOR 2016/17 FINANCIAL STATEMENTS IN PROGRESS
LABOUR	DIRECTORATE OF DISPUTE PREVENTION AND RESOLUTION	2015/2016	UNQUALIFIED	2016/2017	2016/2017 FINANCIAL STATEMENTS NOT YET SUBMITTED TO AUDITOR GENERAL.
	WORKMEN'S COMPENSATION FUND				
TOURISM	LESOTHO TOURISM DEVELOPMENT CORPORATION	2014/2015	ADVERSE	2015/2016 - 2016/17	OUTSTANDING FINANCIAL STATEMENTS NOT YET SUBMITTED FOR AUDIT
LOCAL GOVERNMENT & CHIEFTAINSHIP	LESOTHO HOUSING AND LAND DEVELOPMENT CORPORATION	2010/2011	DISCLAIMER	2011/2012 - 2016/17	AUDIT FOR 2011/2012-2015/2016 FINANCIAL STATEMENTS IS IN PROGRESS. 2016/2017 FINANCIAL STATEMENTS NOT YET SUBMITTED.

MINISTRY	ENTITY	LATEST AUDITED STATEMENTS	AUDIT OPINION	OUTSTANDING	REMARKS
	LAND ADMINISTRATION AUTHORITY	2015/2016	UNQUALIFIED	2016/2017	AUDIT FOR 2016/17 FINANCIAL STATEMENTS IN PROGRESS
GENDER	STADIUM BOARD				
	YOUTH COUNCIL				
	LESOTHO SPORTS AND RECREATION COMMISSION				
SMALL BUSINESS	BASOTHO ENTERPRISE DEVELOPMENT CORPORATION	2013/2014	UNQUALIFIED	2014/2015-2016/2017	AUDIT FOR 2014/2015 FINANCIAL STATEMENTS IS IN PROGRESS
	LESOTHO CHAMBER OF COMMERCE				
	LOIC				AUDIT FOR 2012/13 to 2014/15 IS IN PROGRESS. FINANCIAL STATEMENTS FOR 2015/16 AND 2016/17 ARE NOT SUBMITTED.
WATER	METOLONG AUTHORITY	2015/2016	UNQUALIFIED	2016/2017	AUDIT FOR 2016/17 FINANCIAL STATEMENTS IN PROGRESS
	WATER AND SEWERAGE COMPANY	2015/2016	ADVERSE	2016/2017	2016/2017 FINANCIAL STATEMENTS NOT YET SUBMITTED TO AUDITOR GENERAL.
	LESOTHO ELECTRICITY AND WATER AUTHORITY	2016/2017	UNQUALIFIED		
	LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY	2015/16	UNQUALIFIED	2016/17	
	LESOTHO HIGHLANDS WATER COMMISSION	2015/16	UNQUALIFIED	2016/17	

PART 2

**AUDIT/REVIEW OF THE CONSOLIDATED
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 MARCH 2017**

CHAPTER 1: BACKGROUND INFORMATION ON THE AUDIT OPINION

1.1 INTRODUCTION

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

The consolidated financial statements of the Government of Lesotho for the year ended 31 March 2017 do not present fairly the financial position of government as of that date. I issue an **adverse opinion** as I have fundamental disagreements on those statements regarding compliance to legislation and accounting standards, disclosure of information and accounting treatment of some items.

1.2 STATEMENTS SUBMITTED FOR AUDIT

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

1.3 BACKGROUND INFORMATION ON THE AUDIT OPINION

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

material enough not to mislead the reader.

1.4 MANDATE FOR THE AUDIT

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

1.5 PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

1.6 AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

In terms of Section 117 of the Constitution of Lesotho and Section 7 of the Audit Act 2016, I am required to audit, in such a manner as I may deem necessary, the accounts relating to the Consolidated

Fund, other public funds and stores; and to submit my report thereon to the Minister of Finance for laying it before the National Assembly.

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

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

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

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

1.7 AUDIT METHODOLOGY

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

The result of the audits performed at various departments and agencies that generate a significant portion of the expenditure and revenue has also been considered as part of this audit. In addition, I have performed tests on a sample of controls, to assess the accuracy, completeness and reliability of accounts from which balances were generated for the financial statements. The audit was not planned to uncover for fraud and therefore, it cannot be relied upon to disclose all such matters. However, the audit was planned and executed so that I could have a reasonable expectation of detecting material misstatements.

CHAPTER 2: COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2016/17

2.1 REPORT OF THE MINISTER OF FINANCE

In the accompanying consolidated financial statements for the year ended 31 March 2017, the Minister of Finance has commented that the financial year 2016/17 was characterised by a significant budget deficit; underperforming revenue collections; unplanned additional expenditures particularly on settling fleet management obligations and general election costs; slippage in capital project implementation; extensive budget reallocations; crystallization of several fiscal risks; increased borrowing and a depletion of government's cash reserves.

He also indicated that recent assessments of Lesotho's public financial management institutions concluded that minimal improvements had been achieved in recent years whilst much remains to be done to establish effective, accountable and transparent management of public finances.

He has committed to improving the timeliness, quality and access to financial reports for establishing a sounder public financial management framework. His priorities include: improving the routine capture of all expenditure transactions by increasing the usage of the financial management system (IFMIS) and reducing the volume of payments transacted through multiple bank accounts maintained in commercial banks; publishing regular monthly budget execution reports; ensuring the complete reconciliation of bank accounts and other balances; and continuing to improve the coverage and quality of the annual consolidated financial statements.

2.2 REPORT OF THE ACCOUNTANT-GENERAL

The Accountant-General has pointed out that these Consolidated Financial Statements reflect important improvements, in spite of several factors that continue to adversely impact on their quality and hence their value for decision-making purposes. She has indicated that initiatives are underway to address majority of significant issues, which have been a concern for several years such as:

a) Reconciliation of bank accounts

Efforts have been made to match the financial year 2016/17 bank and accounting records however, un-reconciled backlogs from 2009 prevent the full reconciliation of the three Central Payment Office (CPO) accounts. However, an exercise is currently underway to bring those reconciliations up-to-date and to ensure their future timely reconciliation. Cooperation from the Central Bank of Lesotho (CBL) in exploiting its new core banking system to enable Treasury staff online access to bank statements and automated transaction matching processes are benefitting the exercise. Bank reconciliation and payment efficiency will be further enhanced through the phased introduction of electronic funds transfers.

b) Use of commercial bank accounts

A multitude of commercial bank accounts are operated for transacting on capital projects and extra-budgetary funds. These were largely justified due to central payment inefficiencies, specific reporting requirements or the need to ring-fence funds. However, the use of bank accounts outside of the IFMIS cause numerous accounting problems, including:

- **Cash management** - Transfers from the Consolidated Fund to commercial bank accounts are generally made at the start of each quarter. They tend to be based on budgeted figures with little regard to spending needs. Earlier than necessary, transfers impact on cash and monetary management objectives.
- **Surrender of unutilised funds** - Once funds are transferred to commercial bank accounts, there are no effective mechanisms for the end-of-year reimbursement of unutilized balances. Instead, agencies have the potential to accumulate funds. Contrary to the regulatory framework some of these surplus funds are deposited on call accounts and the interest is not remitted to the Consolidated Fund.
- **Accounting and reconciliation** - The recording of transactions and completion of bank reconciliations are neither performed nor reported in a consistent manner. At

best, the information is provided as input to the annual financial statements, but rarely incorporated to in-year reports.

c) Delays in submitting Chief Accounting Officers' reports

The statutory time limit for the submission of CAO reports is 30th June, three months after the year-end. For financial year 2016/17 none of the CAOs complied with this requirement due to the learning curve for new procedures and partly to the lateness in reconciling revenue collection accounts, cleansing hanging transactions and gathering information on their controlled bank accounts. Longer delays by several Spending Units have had a knock-on effect on the Treasury verification and consolidation processes. Failure of several foreign missions to acquit advances in sufficient time to allow their inclusion in the consolidation has caused the expenditures to be understated.

d) Inappropriate use of line items

Some payments were incorrectly recorded impacting on the financial and statistical reports and accountability. These comprise:

- **Transfers** - Budgets for district councils, semi-autonomous bodies (e.g. Roads Directorate) and projects are provided against line items for the expenditure types. Where funds are transferred to commercial bank accounts, the same line items are expensed (rather than a line item for Transfer). Actual payments may be against different line items and incurred in different periods.
- **Activities** - Examples exist where administrative purposes are included as a line item (e.g. national ceremonies) whereby all costs are aggregated under one budget line irrespective of the nature of the payment (e.g. foodstuffs, hire of equipment, rentals).

e) IFMIS upgrade - establishing opening balances

It is of critical importance that the substantial government investment in upgrading its IFMIS delivers maximum benefits, including reliable reports as the basis for accountability and decision-making. This means that the upgrade will need to commence with "clean" reconciled balances. However, in addition to the bank reconciliation and data cleansing issues discussed above, other balances of financial assets and liabilities remain un-reconciled, including some originating before 2009. It is intended that Treasury will rigorously examine all historic un-reconciled balances and based on its findings establish an "opening" statement of affairs.

2.3 AUDIT REMARKS

In my report on the consolidated financial statements for financial year 2015/16, I commended the Accountant-General on a notable improvement in terms of presentation and disclosures on those statements ever since the Public Financial Management and Accountability Act, 2011 came into operation. It is further gratifying to note additional improvements in the consolidated financial statements for 2016/17, which include:

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

I appreciate most importantly the commitment of the Minister of Finance for establishing a sounder and sustainable framework for managing the public finances in an effort to address unsatisfactory public financial management during the financial year 2016/17. I also acknowledge the initiatives outlined by the Accountant-General to address the most significant issues that have been tracking for many years such as the large backlog of the bank reconciliation and other balances, proliferation of bank accounts maintained outside of the government's accounting system that distorts the accuracy of

accounting data for financial reporting and cash management purposes.

Failure to implement these initiatives will continue to give rise to a negative opinion on the consolidated financial statements of the Government of Lesotho.

CHAPTER 3: OVERVIEW OF THE CONSOLIDATED FINANCIAL STATEMENTS

3.1 FINANCIAL POSITION OF THE GOVERNMENT OF LESOTHO

The consolidated financial statements of the Government of Lesotho for the year ended 31 March 2017 submitted for audit indicated that the approved budget for 2016/17 was M12,446,983,620 against estimated resources of M15,072,358,845 with a surplus of M2,625,375,225. At the end of the financial year the actual expenditure reported was M16,148,880,000 against realised resources of M14,107,492,000 resulting into a deficit of M2,041,388,000.

As against the capital budget of M4,793,213,000 the actual expenditure was M3,905,926,000 with resultant underutilisation of capital budget of M887,287,000. The recurrent expenditure budget was M9,656,846,320 while actual expenditure was M12,242,954,000 resulting into over-utilisation of M2,586,107,680.

The consolidated financial statements show a cash decrease of M2,097,879,000 during the financial year, from M7,971,033,000 in 2015/16 to M5,873,154,000. This is an indication that expenditures were financed by reserves.

The government debt was M 12,378,334,232 as at 31 March 2017, of which M1,356,818,000 accounted for domestic debt and M11,021,516,232 for external debt.

3.2 SUMMARY OF THE 2016/17 FINANCIAL YEAR OPERATIONS

Table 3.2 summarises the position of the receipts, disbursements and borrowings of the Government of Lesotho for the financial year 2016/17 as reflected in the financial statements.

Table 3.2 – Summary of 2016/17 operations

Receipts (M'000)		Disbursements (M'000)		Derived Parameters (M'000)	
Consolidated Fund					
Recurrent Receipts	12,711,612	Recurrent Expenditure	12,242,954		
Miscellaneous capital receipts	581	Cap. Expenditure (LG)	2,680,998		
Gov. Resources	12,712,193	GOL Funded Expend.	14,923,952		(2,211,759)
Grants	1,201,544	Cap. Expenditure	661,995		539,549
Loans	193,755	Cap. Expenditure	562,933		(369,178)
Donor Funds	1,395,299	Donor Funded Expenditure	1,224,928		170,371
Total receipts into CF	14,107,492	Total Disbursements from CF	16,148,880	Deficit in CF	(2,041,388)
Trust Funds					
Special Funds	-	Special Funds	-		-
Deposits	-	Deposits	-		-
Total Trust Funds	-	Total Trust Funds	-		-
Opening Cash	7,971,033	Closing Cash	5,873,154	Cash decrease	(2,097,879)

Source: Consolidated Financial Statements

Audit Concerns:

- If the figures were properly reflected in the financial statements, the closing cash would be M5,929,645,000 not M5,873,154,000 as stated (opening cash + total receipts into Consolidated Fund – total disbursements from Consolidated Fund). There is a difference of M56,491,000.
- The difference of M56,491,000 should be a Trust Funds Deficit resulting from decrease in cash balance of M2,097,879,000 and deficit in the Consolidated Fund of M2,041,388,000.
- Receipts and disbursements in the Trust Funds are not reflected in the financial statements, however the opening and closing cash balances of M7.971 billion and M5.873 billion respectively include a balance of the Trust Funds account. The un-reconciled bank closing balance of Trust Funds account in March 2016 was M1,053,894,540 and in March 2017 was M336,513,886 resulting into a cash decrease of M717,380,654.

CHAPTER 4: CASH RECEIPTS

4.1 RESOURCE GENERATION

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

4.2 RECURRENT RECEIPTS

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

4.2.1 Status of Recurrent Receipts

Main components of Recurrent Receipts are **tax revenue** (Income, Profit and Capital gains; International Trade; Goods and Services; Other Taxes and SACU Receipts) and **non-tax revenue** (Other Revenue). In 2015/16, tax revenue accounted for 91% of the total recurrent receipts of M 13.855 billion while in 2016/17 it accounted for 86% of the total of M12.712 billion as indicated on Table 4.2.1 below.

Table 4.2.1 – Comparative figures for Recurrent Receipts

Description	2016/17	2015/16	Increase/ (Decrease)	Increase/ (Decrease)
	M'000	M'000	M'000	%
A	B	C	D (B-C)	E (D/C%)
Income, profit	3,723,087	3,714,606	8,481	0
International trade	257,039	250,107	6,932	3
Goods and services	2,418,705	2,187,420	231,285	11
Other taxes	1,858	1,154	704	61
SACU Receipts	4,518,966	6,398,620	(1,879,654)	(29)
Total Taxes	10,919,655	12,551,907	(1,632,252)	(13)
Other revenue	1,791,956	1,302,679	489,277	38
Total Recurrent Receipts	12,711,611	13,854,586	(1,142,975)	(8)
GOL	581	568	13	2

Grants	1,201,544	908,891	292,653	32
Loans	193,756	0	193,756	-
Total Capital Receipts	1,395,881	909,459	486,422	53
Grand Total	14,107,492	14,764,045	(656,553)	(4)

Source: Consolidated Financial Statements for 2015/16 and 2016/17

SACU Receipts:

Southern African Customs Union (SACU) receipts represented 46% of total recurrent revenue in 2015/16 and 36% in 2016/17. There was an overall decline of 8% in revenues and significant decrease was by 29% on SACU receipts. The Minister of Finance had anticipated a decline in SACU receipts in the budget speech for 2016/17 and they were expected to drop to 17% of the Gross National Product (GNP). The main challenge confronting the SACU economies was the higher price of imported goods due to the Rand's depreciation against major currencies and weaker commodity demand from China.

SACU receipts were budgeted at M4.594 billion in 2016/17, which was M1.8 billion less than the previous year's budget of M6.398 billion. Actual receipts amounted to M4.519 billion during the year under review resulting into budget execution of 98% whereas in the previous year budget execution was 100%.

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

IFMIS ledger is a source document for preparation of consolidated financial statements and ministries' accounts therefore figures in the consolidated financial statements, ministries financial statements and IFMIS ledger should be the same. It was however noted that out of 32 ministries/departments, only 11 shaded in green have the same information. The consolidated financial statements show total recurrent revenue of M12.712 billion whereas ministries' accounts reflect a total of M12.703 billion and IFMIS ledger with a total of M12.657 billion as indicated on Table 4.2.2.

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

Table 4.2.2 – Comparison of figures for Recurrent Revenue as per consolidated financial statements, ministries accounts and IFMIS ledger

Ministry	Consolidated Financial Statements	Ministry's Financial Statements	IFMIS
Agriculture	19,741,145	19,741,145	19,741,145
Health	18,328,540	18,328,540	18,997,843
Education	6,784,635	6,784,635	7,676,669
Finance	11,136,991,466	11,136,992,466	11,136,992,466
Trade	9,792,581	9,792,581	9,791,471
Dev. Planning	113,661	113,661	113,661
Justice	273,137	273,137	273,137
Home Affairs	40,549,147	40,549,147	38,976,727
PM's Office	8,324,385	0	0
Communications	6,584,232	6,584,232	6,584,232
Law	11,477,647	11,415,581	896,289
Foreign Affairs	0	0	0
Public Works	22,340,219	22,340,219	15,924,158
Forestry	89,125	89,125	80,125
Energy	207,163,942	207,163,942	206,435,466
Labour	5,982,199	5,982,199	5,813,162
Tourism	4,804,688	4,804,688	4,833,685
Auditor-General	571,755	571,755	571,755
Defence	3,356,637	3,356,637	3,356,637
Local Government	2,487,830	2,487,830	2,487,830
Gender	888,729	888,729	55,460
Public Service	8,076,522	8,076,522	6,305,341
Judiciary	4,005,732	3,983,232	3,980,632
Social Development	0	0	0
DCEO	459,612	459,612	0
Mining	374,975,328	374,975,328	374,912,611
Police	31,577,063	30,906,233	5,841,529
Small Business	358,158	358,158	358,158
Water	786,094,478	786,094,478	786,094,478
Total	12,712,192,593	12,703,113,812	12,657,094,667

Source: Consolidated Financial Statements, Ministries Accounts and IFMIS Ledger

4.3 Debt receipts

Debt receipts comprise of loans and grants from external and domestic sources. External sources represent all resources in the form of loans, grants, technical assistance, guarantees or other assistance received from bilateral, multilateral and other financial

institutions under agreements specifying the purposes for which the assistance would be utilised.

The responsibility for administration of debt receipts is vested in the Debt Section in the Ministry of Finance, which also maintains all records pertaining to such receipts. Ministries receiving external assistance are therefore required to report such assistance to the Ministry of Finance for information and control.

4.3.1 Donor Loans

The Consolidated Statement of Cash Receipts and Payments shows total foreign loans of M88 million. However, supporting notes to the financial statements show a total of M590 million to have been disbursed during the year. There is a difference of M502 million which already brings doubt on the accuracy of figures reported in the Consolidated Statement of Cash Receipts and Payments.

Table 4.3.1 is a breakdown of M590 million and the ministries that benefitted from foreign loans in the financial year 2016/17.

Table 4.3.1 - Loan Disbursement in 2016/17

Ministry	Disbursement
Agriculture	54,836,123
Health	83,443,262
Education	58,853,793
Finance	10,575,379
Trade	33,665,790
Communications	1,155,060
Public Works	3,051,432
Energy	13,535,585
Social Development	21,682,092
Water Affairs	309,427,649
Total	590,226,165

Source: Debt Records

4.3.2 Donor Grants

The Consolidated Statement of Cash Receipts and Payments shows total grants of M1.201 billion consisting of head controlled accounts to the amount of M621 million and 3rd Parties accounts of M580 million. The Ministries' financial statements show the amount of M1.210 billion as grants received in 2016/17 and therefore the

financial statements have been understated by M9 million. Debt records reflect a total amount of M356,960,032 indicating that grants totalling M852,908,116 reflected on Table 4.3.2 below were not reported by ministries. The difference is an indication that Ministries did not report grants received to the Ministry of Finance for Debt Section to capture that information. Chief Accounting Officers should ensure proper accountability of grants so that the Debt Section could capture that information and give a true picture of the overall donor funding.

Table 4.3.2 – Comparison of grants received as per Debt Records and Ministries’ records

Ministry	Grants received per Debt records	Grants received per Ministries’ Financial Statements	Variance
Agriculture	8,481,182	12,630,000	-4,148,818
Health	17,053,757	67,859,229	-50,805,472
Education	1,093,902	101,087,149	-99,993,247
Finance	304,165,524	313,914,893	-9,749,369
Trade	3,939,478	40,005,367	-36,065,889
Planning	1,584,752	4,770,594	-3,185,842
Home Affairs	0	4,614,281	-4,614,281
PM’s Office	0	8,324,385	-8,324,385
Communications	3,007,225	3,079,718	-72,493
Public Works	0	146,170,758	-146,170,758
Energy	0	6,297,886	-6,297,886
Tourism	0	3,782,632	-3,782,632
Local Government	13,600,750	33,149,644	-19,548,894
Gender	0	1,450,962	-1,450,962
Public Service	0	614,480	-614,480
Social Development	0	39,177,771	-39,177,771
Water	4,033,461	422,938,398	-418,904,937
TOTAL	356,960,031	1,209,868,147	-852,908,116

Source: Debt records and Ministries’ financial statements

CHAPTER 5: CASH PAYMENTS

5.1 DISBURSEMENT OF FUNDS

The financial statements show total disbursements of M16.149 billion during financial year 2016/17 as indicated on Table 5.1, of which M12.243 billion was recurrent expenditure and M3.906 billion was development expenditure.

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

Comparison of disbursements in 2016/17 and 2015/16 shows a slight increase of 1% as shown on Table 5.1. There was a decrease of 5% in recurrent expenditure and an increase of 26% on development expenditure, which can be considered as a positive move towards development of the country.

Table 5.1 – Comparison of disbursements for 2016/17 and 2015/16

Description	2016/17 M'000	2015/16 M'000	Increase/ (Decrease) M'000	Increase/ (Decrease) %
A	B	C	D (B-C)	E (D/C%)
Recurrent Expenditure				
Compensation of employees	5,789,502	5,376,251	413,251	8
Goods and services	3,014,250	2,943,853	70,397	2
Transfers	2,009,646	2,103,604	(93,958)	(4)
Losses	7	28,627	(28,620)	(100)
Other Expenses	545,450	696,869	(151,419)	(22)
Acquisition of assets	44,727	895,130	(850,403)	(95)
Loan Repayments	525,960	475,781	50,179	11
Interest Payments	313,412	322,780	(9,368)	(3)
Total	12,242,954	12,842,895	(599,941)	(5)
Development Expenditure				
GOL	2,680,998	2,433,162	247,836	10
Grants	661,995	172,790	489,205	283
Loans	562,933	501,104	61,829	12
Total	3,905,926	3,107,056	798,870	26

Grand Total	16,148,880	15,949,951	198,929	1
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5.2 VERIFICATION OF EXPENDITURE

The Accountant-General in her commentary on the Consolidated Financial Statements reported that, the Financial Statements have consolidated information from the annual reports prepared and submitted by the Chief Accounting Officers (CAOs) in respect of the spending units, projects and other funds for which they are accountable. On the basis of this comment, it was my expectation that IFMIS ledger, the annual reports prepared by the CAOs and the Consolidated Financial Statements would all reflect same balances. However, the tests performed revealed the variances as shown on Table 5.2a and Table 5.2b for recurrent expenditure and development expenditure respectively, thus rendering the Consolidated Financial Statements balances unreliable.

Table 5.2a - Comparison of consolidated financial statements, ministries' accounts and IFMIS ledger

Ministry	Consolidated Financial Statements	Ministries' Financial Statements	IFMIS Ledger
Agriculture	167,435,831	167,435,831	159,158,238
Health	1,711,361,068	1,711,361,068	864,502,434
Education	2,226,599,024	2,226,599,024	2,230,895,788
Finance	934,164,104	934,164,104	934,177,854
Trade	38,774,971	38,774,971	38,793,781
Dev. Planning	601,526,410	601,526,410	601,583,078
Justice	210,444,548	210,444,548	210,444,548
Home Affairs	177,519,013	177,519,013	159,891,344
PM's Office	145,097,037	145,097,038	116,290,488
Communications	113,963,957	113,964,756	113,962,007
Law	113,974,731	113,974,691	104,282,711
Foreign	327,727,059	327,727,060	325,124,791
Public Works	149,290,165	149,290,165	148,159,950
Forestry	51,314,420	51,314,420	4,595,943
Energy	26,136,698	26,136,698	26,136,698
Labour	44,990,045	44,990,045	45,281,096
Tourism	77,842,469	77,842,470	78,452,671
Auditor-General	26,641,698	26,641,697	26,360,988
His Majesty's Office	5,317,381	5,287,442	5,317,382
Public Service Comm.	7,099,820	7,099,820	7,099,820
Defence	593,754,688	593,754,689	593,631,301
National Assembly	74,870,107	74,870,107	75,722,208
Senate	17,716,005	17,716,005	17,716,006

Ombudsman	6,677,356	6,677,356	6,677,356
IEC	116,559,083	116,559,083	347,455,995
Local Government	441,766,213	441,766,213	388,980,381
Gender	79,356,173	79,356,173	79,058,879
Public Service	35,983,326	35,983,426	35,023,957
Judiciary	101,662,365	101,662,365	101,662,364
Social Development	185,447,639	185,447,639	145,822,157
DCEO	22,053,761	22,053,761	22,004,631
Mining	21,574,358	23,568,351	25,478,097
Police	616,104,283	616,104,283	590,381,396
Small Business	206,828,010	206,828,009	224,055,523
Water Affairs	131,575,894	131,575,895	131,613,124
TOTAL	9,809,149,710	9,811,114,626	8,985,794,986

Source – Consolidated Financial Statements, Ministries’ Accounts and IFMIS Ledger

Table 5.2b – Comparison of consolidated financial statements, ministries’ accounts and IFMIS ledger for Development Expenditure

Ministry	Consolidated Financial Statements (M’000)	Ministries’ Accounts (M’000)	IFMIS Ledger (M’000)
Agriculture	215,540	215,540	125,067
Health	129,592	132,135	97,321
Education	146,888	135,995	26,309
Finance	557,493	557,493	350,232
Trade	88,253	50,867	44,875
Planning	116,742	116,742	81,290
Justice	27,942	27,942	27,942
Home Affairs	163,337	163,337	159,327
Communications	123,255	146,481	139,303
Law	1,011	0	0
Works	806,823	803,823	638,006
Forestry	128,830	128,830	130,000
Energy	155,007	347,418	140,843
Tourism	59,217	59,217	61,483
His Majesty’s Office	26,445	26,445	26,445
Defence	6,100	6,100	6,100
Local Government	325,149	325,149	363,492
Gender	17,820	18,204	16,000
Judiciary	9,993	9,993	9,993
Social Development	40,494	40,494	18,205
Mining	1,994	2,077	1,994
Police	28,286	28,286	28,286
Small Business	17,228	8,946	17,228
Water Affairs	712,490	630,934	313,506
TOTAL	3,905,929	3,982,448	2,823,247

Source: Consolidated Financial Statements, Ministries’ Accounts and IFMIS Ledger

Reasons for variances

- In most cases the consolidated financial statements agree with ministries' accounts but are different from IFMIS ledger. This again brings up my concern on cut-off date in the system. It appears there were adjustments made on the IFMIS ledger after ministries had prepared their financial statements.
- As for development expenditure, this could have been attributable to the fact that there were projects expenditures on Table 5.2c, which were not captured in the IFMIS Ledgers. This is an indication that ministries did not prepare or submit expenditure returns to be incorporated into IFMIS.

Table 5.2c – Omitted Project Expenditures from IFMIS Ledger

Ministry	Project Name	Donor	Amount
Agriculture	Wool and Mohair Production Development Project (Grant)	IFAD	1,277,695
	Wool and Mohair Production Development Project	ASAF	1,417
	Wool and Mohair Production Development Project (Loan)	IFAD	1,277,695
	Smallholder Agric. Development Project	IFAD	88,620,495
Health	Health Sector Reform Project	WHO	144,002
	Support to Immunisation	GAVI	2,215,805
	Maternal, New Born & Child Health Care Programme	Vodafone Consortium	2,543,595
Education	Basic Education Enhancement Project III (Grant)	ADF	31,141,281
	Basic Education Enhancement Project III (Loan)	ADF	11,736,060
Finance	Support to HIV/AIDS	GF	218,699,611
	Public Financial Management Reform Project	EU	916,342
Trade	Enhanced Integrated Framework	UNOPS	2,436,681
	Agric. Productivity Trade Dev Tier2	UNOPS	664,812
	PSCED	IDA	34,284,034
Planning	Population Census	GOL	37,215,783
	Population Census	UNFPA	236,741
	Metolong Dam	BADEA	7,739,578
	Metolong Dam	IDA	47,633,514
	Metolong Dam	EIB	318,999,647
	Metolong Dam	ABU DHABI	3,869,202
Public Works	Transport Infrastructure & Connectivity	IDA	1,020,482

	Project		
	Pavement Strengthening (Paved & Unpaved Roads)	RF	145,762,696
	Moshoeshoe I Rehabilitation	GK	3,386,582

Source: Ministries' Accounts

CHAPTER 6: CASH BALANCES

6.1 CASH POSITION OF THE GOVERNMENT OF LESOTHO

Notes to the consolidated financial statements show that at 31 March 2017, there were 468 bank accounts held in different banks with a total balance of M5.873 billion as shown on Table 6.1 below.

Table 6.1 – Cash balances at the banks

Bank	Accounts at 31 March 2017		Accounts at 31 March 2016		Cash Increase/ (Decrease) (M'000)
	No.	Balance (M'000)	No.	Balance (M'000)	
Local Accounts					
Central Bank of Lesotho	56	3,817,587	70	6,823,114	(3,005,527)
Nedbank Lesotho	56	121,311	57	76,082	45,229
Standard Lesotho Bank	178	1,107,599	196	961,584	146,015
First National Bank	25	83,614	10	34,863	48,751
Lesotho Post Bank	32	480,990	2	-	480,990
ABSA	0	-	1	2,430	(2,430)
Crown Agents	1	-	1	-	-
Foreign Currency Accounts					
Central Bank of Lesotho	93	199,422	0	-	199,422
Foreign Diplomatic Missions	27	62,631	22	72,960	(10,329)
Total	468	5,873,154	359	7,971,033	(2,097,879)

Source: Consolidated Financial Statements

6.1.1 Different comparative balances

In my 2015/16 Audit Report, I indicated that there were 364 bank accounts with a balance of M8.914 billion at 31 March 2016. However Table 6.1 above shows that there were 359 bank accounts at 31 March 2016 with a balance of M7.971 billion resulting into a difference of 5 bank accounts with a total balance of M943 million.

The Accountant-General has explained that Government does not control these 5 accounts listed below and were erroneously included in the cash balances for 2015/16.

Account Number	Account Name	Balance
100073LSL369102	International Dev. Agency	247,951.37
100073LSL369103	International Dev. Agency	-
100078LSL361101	IMF No1	697,523,095.02
100073LSL361102	IMF No2	18,843.35
100073LSL363101	IMF Securities	245,447,214.47
Total		943,237,104.21

6.1.2 Non-disclosure of cash balances in the Statement of Cash Receipts and Payments

The opening and closing cash balances have not been disclosed in the Statement of Cash Receipts and Payments as required by IPSAS cash basis of accounting. The statement only reflects a net deficit of M2.041 billion that was financed by borrowings of M83 million and cash reserves of M1.958 billion. It should also be noted from Table 6.1 above that there was significant cash decrease of M2.098 billion which could not be verified in the absence of reconciled balances.

6.1.3 Unreliability of financial statements

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

a) Discrepancies between financial statements and bank confirmations

There were discrepancies between the consolidated financial statements and Bank Confirmations with regard to the number of bank accounts and cash balances as at 31 March 2017 as indicated on Table 6.1.3a below. There are 468 accounts held at the different banks reported in the financial statements totalling M5.873 billion whereas bank confirmations reflect 448 accounts with a total balance of M5.647 billion.

Table 6.1.3a – Comparison of financial statements and bank confirmations

Bank	Cons. Financial Statements		Bank Confirmations	
	Number	Amount (M'000)	Number	Amount (M'000)
Central Bank of Lesotho	57	3,817,587	57	3,817,587
Nedbank Lesotho	56	121,311	53	101,178
Standard Lesotho Bank	178	1,107,599	178	910,006
First National Bank	25	83,614	22	87,880
Lesotho Post Bank	32	480,990	24	475,718
CBL Foreign Currency	93	199,422	93	193,520
Foreign Diplomatic Missions	27	62,631	21	61,651
Total	468	5,873,154	448	5,647,540

Source: Financial Statements and bank confirmations

b) Disclosure of Foreign Currency Bank Accounts

There has been an improvement in disclosing information in the financial statements. Foreign currency bank accounts pertaining to donor-funded projects held at the Central Bank of Lesotho had not been disclosed in the prior financial years, but 93 accounts with a total balance of M193,520,467 were disclosed in the financial statements for the year ended 31 March 2017. The cash balances of the Government of Lesotho have been significantly understated in the past years.

c) Use of un-reconciled bank balances

The cash position of the Government of Lesotho has been reported using bank confirmation balances only instead of the reconciled bank balances. There were bank reconciliation statements for Lesotho Foreign Missions with an exception of Lesotho-Kuwait. However, those reconciled bank balances were not disclosed in the financial statements.

d) Inconsistent information provided by the Central Bank of Lesotho

The audit noted that in some instances the bank balance confirmations as at 31 March 2017 submitted by Central Bank of Lesotho (CBL) to the Accountant-General were different from those submitted to bank account holders as indicated on Table 6.1.3c. The inconsistency of information impairs reliability of the reported cash position of the Government of Lesotho as at 31 March 2017.

Table 6.1.3c - Inconsistent information provided by CBL

Account name	Account number	Account holder	Balance as at 31/03/17 as per confirmation submitted to Accountant-General	Balance as at 31/03/17 as per confirmation submitted to Account holder	Variance
Free Primary Education CAPT.	0100023712016	Ministry of Education	107,446.70	145,340.11	37,893.41
Free Primary Education Recurrent	0100023712017	Ministry of Education	62,777.43	33,222,137.55	33,159,360.12
Public Sector Modernization Project USD A/c	94210	Ministry of Finance	(94,875.31)	3,967.62	90,907.69

Source: Consolidated Financial Statements, Bank confirmations

Furthermore, there were two accounts operated by the Ministry of Education, namely Education III Loan (0100023712024) and GOL Construction of Secondary Schools (0100023712028) with credit balances of M0.04 and M2,525,496.59 respectively. These balances appeared in the certificate of bank balances as at 31 March 2017 provided by CBL submitted to account holder but did not appear in the certificate submitted to the Accountant-General.

e) Omitted Bank accounts – M58,606,860

The bank accounts listed on Table 6.1.3d below appeared in the certificate of balances as at 31 March 2016 released by the Central Bank of Lesotho and the Standard Lesotho Bank (SLB) however, these bank accounts did not appear in the certificate of balances as at 31 March 2017.

Table 6.1.3d –Omitted Bank Accounts

Account name	Bank	Account number	Balance as at 31 March 2016
National Dialogue	CBL	100016LSL371212	92,350.00
Famine Relief Programme	CBL	100016LSL371216	1,213,908.73
LFCD Revenue Account	CBL	100016LSL371414	4,234,217.76
Director of Postal Services	CBL	100461LSL371401	60,482.62
GOL CNPart E5DP2-PH2	CBL	100016LSL372111	1,927,522.06
Indus & Agro-Ind PRJ	CBL	100016LSL393301	10,348,712.64
Referral Hospital Closed	CBL	100008LSL491612	46,311,965.44
LTDC Fund	SLB	0140019516301	2,000
Lesotho Electricity	SLB	0140058976301	16,660

Source: Bank Confirmation Certificates

The investigations on status of bank accounts revealed the following:

- The highlighted bank accounts have been closed and balances transferred to the GOL Consolidated Fund account as requested by the Treasury Department.
- The account for the Director of Postal Services did not belong to the Government of Lesotho but to the Lesotho Post Office, hence it was left out.

- There was no evidence that the other five bank accounts with a total favourable balance of M58,606,860.14 have been closed. This omission has led to understatement of cash balances at the CBL and SLB.

f) Omission of Crown Agents account - M363.6 million

The Government of Lesotho had a current account and a call account with the Crown Agents in the United Kingdom. The two accounts had a favourable balance of 45.9 million as at 31 March 2014. The amount was transferred to the Central Bank of Lesotho under the directive of the Minister of Finance during the financial year 2014/15. The balance as at 31 March 2015 was still M45.9 million and I even raised a concern that movements such as interest earned and bank charges were not taken into account.

The balance for the Crown Agents was not disclosed as at 31 March 2016 in the financial statements and it is not also disclosed as at 31 March 2017. Upon inquiry on this account, I was provided with a bank confirmation of M363,557,240.84 as at 31 March 2017 broken down as follows:

Call Account	49,628,832.00
Current Account	8,799,022.25
Lesotho Surplus Fund	305,129,386.59
Total	363,557,240.84

The omission of M363.6 million in the financial statements has also materially affected the cash position of the Government of Lesotho as at 31 March 2017.

6.2 IRREGULAR SWEEP OF FUNDS FROM DEVELOPMENT PROJECTS ACCOUNT

The Treasury Department has agreed with Central Bank of Lesotho (CBL) to sweep all collected revenue from GOL revenue accounts for Government Ministries/Departments to Main Revenue Account on a weekly basis. Such revenues should then be swept from the Main Revenue Account to the Consolidated Fund on a weekly basis. Therefore at each year-end, revenue accounts and Main Revenue account should reflect nil balances.

In February 2017, the Treasury Department requested CBL to close the Development Projects account and transfer remaining funds into the Consolidated Fund.

Contrary to the above-mentioned agreement and instruction from Treasury, CBL made a sweep of M6.4 million from the Development Projects account to Main Revenue account and then to the Consolidated Fund. Three months later CBL reversed the sweep and on the same date made a transfer to the Consolidated Fund but through Main Revenue account as indicated on Table 6.2 below. It could not be established why CBL reversed the sweep and also why transfer of funds to the Consolidated Fund had to go through Main Revenue account as Development Projects account does not form part of GOL revenue accounts.

Table 6.2 - Movement of funds held in the Development Project account

Date	Transaction particulars	Transfer of funds		Amount
		From	To	
06/12/2016	Standing Instruction SI Number 29	Development Projects Account	Main Revenue Account	6,420,196.34
13/12/2016	Standing Instruction SI Number 31	Main Revenue Account	Consolidated Fund Account	6,420,196.34
28/03/2017	Reversing of Sweep DD 03 and 06/12/2016	Consolidated Fund Account	Main Revenue Account	6,420,196.34
28/03/2017	Reversing of Sweep DD 03 and 06/12/2016	Main Revenue Account	Consolidated Fund Account	6,420,196.34
28/03/2017	Standing Instruction SI Number 29	Development Projects Account	Main Revenue Account	6,420,196.34
28/03/2017	Standing Instruction SI 29 Number 31	Main Revenue Account	Consolidated Fund Account	6,420,196.34

Source: CBL bank statements

The audit further noted that the Development Projects account was apparently not closed as per Treasury instruction. The account still appeared in the certificate of balances as at 31 March 2017 with a nil balance.

6.3 RESERVE FUND

The Reserve Fund was established under Section 16 of Finance Order 1988. The Finance Order specified that moneys to be withdrawn from the Reserve Fund should be for the credit of the Consolidated Fund on the authority of the Minister, with prior concurrence of the Council of Ministers; provided that withdrawals made would not reduce the balance in the Fund below a sum of five

million Maloti or such other amount as the Council of Ministers, on the advice of the Minister, may from time to time, determine.

I raised a concern in my Audit Report for the three years ended 31 March 2013 that the PFMA Act 2011 has repealed the Finance Order 1988 yet it does not provide for the Reserve Fund. The Government has not yet addressed this issue and it is still not known how the funds can be treated in the absence of a governing legislation.

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

6.4 RECOVERY OF MISAPPROPRIATED FUNDS – M18.5 million

The consolidated financial statements have disclosed a recovery of M18.5 million and crediting the amount into the Consolidated Fund. The audit established that the funds were held on dormant and active accounts at Standard Lesotho Bank and embezzled by a syndicate within the bank. The embezzlement was in the amounts of M14.2 million, M0.9 million and M3.4 million in 2011/12, 2012/13 and 2013/14 respectively. The Standard Lesotho Bank refunded Lesotho Government a total of M18.5 million in the financial year 2016/17.

It was further noted that a loss report was never prepared for that loss of public funds contrary to the requirements of finance laws that loss, shortage, theft or other irregularity should be reported to the Principal Secretary for Finance.

6.5 OVERDRAWN BANK ACCOUNTS

The audit revealed that 4 bank accounts listed on Table 6.5 below, operated by Lesotho foreign missions were overdrawn and New York Mission's account excessively overdrawn by M3.3 Million. Overdrawn bank accounts contradict Section 74 of the Treasury Regulations 2014 which prohibits a Chief Accounting Officer to permit the overdrawing of an official bank account without prior approval of the Principal Secretary for Finance, who is authorised to approve such overdrafts provided that the overdraft does not extend beyond the end of the current financial year and the amount does not exceed Twenty Thousand Maloti.

Three overdrawn bank accounts required approval of the Minister or Cabinet in accordance with Section 74 (7) of the Treasury Regulations, as the overdrawn balances were above the threshold of Twenty Thousand Maloti.

Table 6.5 - Overdrawn bank accounts

Foreign Mission Name	Bank Account Number	Currency code	Reconciled bank balance (in Foreign currency)	Reconciled bank balance (converted to Maloti)
Lesotho – New York	226001302853	USD	(252,114.76)	(3,388,422.37)
Lesotho – Berlin	266016500	EUR	(66,317.43)	(951,913.76)
Lesotho Consulate – Johannesburg	1538659	ZAR	(114,293.80)	(114,293.80)
Lesotho – New Delhi	100932601356	INR	(59,998.80)	(12,599.75)
Total				(4,467,229.68)

Source: Bank Statements, Bank Reconciliation Statements

CHAPTER 7: NON-CASH ASSETS

7.1 ON-LENT LOANS

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

7.1.1 Differences in balances

My 2015/16 Audit Report indicated a difference of M365,197,019 between the closing balances at 31 March 2016 reflected in the consolidated financial statements and Debt records. However, both records reflect opening balance of M1,061,154,513 whereas closing balances at 31 March 2016 were M926,024,738 and M560,827,719 on the financial statements and on Debt records respectively.

Further analysis of the closing and opening balances on Table 7.1.1 below revealed the following:

- The financial statements showed different figures of opening and closing balances for TELECOM/ECONET and WASCO.
- The Debt section records omitted WASCO in the records submitted for audit of 2015/16 consolidated financial statements and included in their records for 2016/17.
- The Debt section records reflect different figures of opening balances from the closing balances on LNDC, TELECOM and LEC.

Table 7.1.1 – Analysis of closing and opening balances

Statutory Body	Consolidated Statements		Debt Records	
	Closing Balance at 31 March 2016	Opening Balance on 1 April 2016	Closing Balance at 31 March 2016	Opening Balance on 1 April 2016
LNDC	290,268,160	290,268,160	87,792,300	308,387,608
TELECOM/ECONET	293,483,509	428,713,674	429,999,882	428,713,674
LEC	48,617,899	48,617,899	43,035,538	48,617,899
WASCO	293,655,170	293,554,780	-	275,435,332
Total	926,024,738	1,061,154,513	560,827,720	1,061,154,513

Source – Consolidated Financial Statements and Debt Records

7.1.2 Defaults in repayment of loans and interest payments

During the year under review repayments of loans totalled M23,342,395 and interest payments amounted to M21,504,542. The outstanding loans at the year-end added up to M1,037,812,118.

It can be noted from Table 7.1.2 below that out of ten (10) accounts, LNDC managed to make repayments on seven (7) accounts and did not pay interest on all of them. In the last financial year, LNDC was in arrears of M14,996,877 for principal and M5,438,973 for interest. TELECOM/ECONET made a repayment on one account and paid interest on two (2) accounts.

WASCO totally defaulted by not paying the principal and interest on all four (4) accounts. It is worth mentioning that in 2015/16, WASCO was in arrears of M67,873,858 and M23,840,222 for principal and interest payments respectively.

The statutory bodies should be encouraged to pay their debts as they become due, to avoid inconveniencing the Government with more debt to pay on behalf of defaulters.

Table 7.1.2 – Status of On-lent loans

Borrower		Opening Balance on 1 st April 2016	Principal Repayment	Interest	Closing Balance on 31 st March 2017
LNDC	ODA 2 nd Line of credit	1,485,343	723,716	-	761,627
	IDA Infrastructure	5,460,946	1,680,290	-	3,780,656
	EIB M/S printing	137,420	137,420	-	-
	ADB line of credit	7,229,611	5,290,437	-	1,939,174
	Basotho Cannery	905,013	905,013	-	-
	Thetsane Nieng Hsing	260,000	260,000	-	-
	Tikoe Factory shells	51,000,000	-	-	51,000,000
	CGM	21,000,000	6,000,000	-	15,000,000
	Tikoe phase 2 factory shells	202,789,827	-	-	202,789,827

	IDA 2400 Infrastructure Engineering	18,119,448	-	-	18,119,448
TELECOM	Telecom National Network II	222,726,839	-	15,660,405	222,726,839
TELECOM	Telecom National Network phase I	205,986,835	7,373,161	5,406,576	198,613,674
WASA	BADEA 132 Maseru Water supply I	63,023,315	-	-	63,023,315
	BADEA 133 Maseru Water Supply II	78,097,438	-	-	78,097,438
	OFID 134 Maseru Supply II	85,500,487	-	-	85,500,487
	IDA 3995 Water Improvement Project	48,814,092	-	-	48,814,092
LEC	Lesotho Electricity supply Project	48,617,899	972,358	437,561	47,645,541
	TOTAL	1,061,154,513	23,342,395	21,504,542	1,037,812,118

Source: Debt records

7.2 ADVANCES OF PUBLIC MONEY

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

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

7.2.1 Travel Advances

Travel advances are moneys granted to officers proceeding on official duties outside Lesotho or within the country but outside their duty stations mainly to cater for subsistence allowance. Section 41(8) of the Treasury Regulations 2014 requires that a travel advance should be acquitted within fourteen (14) days of the return of the officer from the travel.

For the three consecutive years, I have reported the long outstanding travel advances, which appeared on the financial statements. I have noted that some of the advances that appeared under outstanding travel advances have been cleared, however, they still appear in Treasury records as un-cleared. For instance, some of the cleared advances in the ministry of Health, Trade, Finance, Auditor-General and Prime Minister's office appeared on the list of un-cleared advances. As a result, I could not confirm the correctness of outstanding advances at the end of March 2017.

Table 7.2.1 shows status of outstanding travel advances as submitted by the Accountant-General.

Table 7.2.1 - Outstanding Travel Advances

Ministry	No. of travel advances	Outstanding advances from previous years	Outstanding advances in 2016/17	
			No. of advances	Amount
Agriculture	1	506	-	-
Health	5	26,862	-	-
Education	7	90,435	1	5,120
Finance	11	66,839	11	231,057
Trade	12	112,563	-	-
Justice	4	97,234	3	79,712
Home Affairs	23	959,317	1	13,508
PM's Office	21	531,064	13	264,293
Communications	1	43,630	1	100,083
Law	7	43,568	-	-
Foreign Affairs	4	405,297	3	504,904
Public Works	3	32,103	11	456,649
Tourism	3	133,404	-	-
Auditor-General	1	2,060	-	-
Defence	4	104,630	-	-
Nat. Assembly	2	31,033	4	163,469
Senate	-	-	1	9,451
Gender	2	44,735	5	171,936
Public Service	-	-	2	61,603
Judiciary	-	-	4	163,085
Social Development	-	-	1	5,786
DCEO	2	15,610	-	-
Police	-	-	2	58,845
Statutory Salaries	-	-	1	13,463
Energy	-	-	1	9,571
Small Business	-	-	1	9,469
Mining	-	-	6	93,869
Total	113	2,740,890	73	2,312,535

Source: Records accompanying financial statements

7.2.2 Advances to Sub-Accountancies and Foreign Missions

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

Contrary to the requirements of the regulation, documents accompanying the financial statements revealed that forty five (45) advances amounting to M6,141,482.00 issued to Sub-Accountancies prior to the financial year 2016/17 were not cleared at the end of March 2017. These advances were issued during the financial years 2012/13 and 2013/14.

It was further noted that a total amount of M149,920,211.00 was not cleared by the foreign Missions, out of which M76,015,757.00 which is sixty-four per cent (64%) has been outstanding for six years since 2012. However, the accuracy of the outstanding advances amounting to M149,920,211.00 by foreign Missions remains doubtful as the IFMIS ledger showed an outstanding balance of M143,310,774.00 resulting into a difference of M6,609,437.00

Breakdown of outstanding advances is reflected on Table 7.2.2a and Table 7.2.2b.

Table 7.2.2a- Advances at the Sub-Accountancies

Ministry	Sub-Accountancy	No.	Amount
Finance	Qachas' Nek	4	482,806
Home Affairs	Berea	4	248,922
	Botha-Bothe	4	216,276
	Leribe	5	1,535,490
	Mafeteng	2	20,000
	Mohale's Hoek	5	1,338,421
	Mokhotlong	4	209,720
	Qacha's Nek	4	192,514
	Quthing	4	202,286
	Thaba-Tseka	4	1,004,185
Judiciary	Qachas' Nek	5	690,862
Total		43	6,141,482

Source: Records accompanying Financial Statements

Table 7.2.2b- Outstanding Advances at the Foreign Missions

Mission	Outstanding advances per Treasury records		
	Outstanding from 2012	Outstanding in 2017	Total Outstanding
Addis Ababa	4,750,437	-	4,750,437
Beijing	3,198,995	372,048	3,571,043
Berlin	7,171,766	8,372,205	15,543,971
Brussels	15,451,937	-	15,451,937
Cairo	4,128,425	-	4,128,425
Dublin	9,901,570	656,117	10,557,687
Durban	1,174,393	1,387,395	2,561,788
Kuwait	-	10,680,428	10,680,428
Geneva	2,431,054	-	2,431,054
Johannesburg	2,828,008	535,451	3,363,459
London	7,335,887	-	7,335,887
Libya	7,895,340	-	7,895,340
Malaysia	6,765,758	1,862,402	8,628,160
New Delhi	5,516,016	11,431,715	16,947,731
New York	6,446,579	631,253	7,077,832
Ottawa	6,413,546	9,074,199	15,487,745
Rome	788,968	-	788,968
Tokyo	7,700,000	355,219	8,055,219
Washington	3,019,184	1,643,916	4,663,100
Total	102,917,863	48,389,743	149,920,211

Source: Records accompanying Financial Statements

7.2.3 Warrants to Other Spending Units

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

The outstanding advances balance of M177 million in the financial statements included M20,418,927; which was not cleared by Other Spending Units listed on Table 7.2.3. I reported this outstanding figure of M20,418,927 in 2015/16 Audit Report but the balance remained the same at the end of 2016/17 which shows that no efforts were taken to follow-up or trace the outstanding balances.

The supporting documents I could get during my audit of financial statements of 2015/16 were on Stay away Relief Fund and Financial Intelligence Unit. My follow-up during the current audit revealed that the amounts of M5,379,879.70 and M3,324,194.90 for Lesotho

National Development Corporation and Econet/Telecom Lesotho respectively are not advances but repayments of on-lent loans made in 2012. Therefore the figure of M20,418,927 could not be relied upon moreover there is a low likelihood that entities listed on Table 7.2.3 below could have been granted advances.

Table 7.2.3 – Outstanding Advances

Entity	Amount
Lesotho Housing and Land Development	895 112
Stay Away Relief Fund	3,000,000
LNDC	5,379 988
WASCO	3,453 057
ECONET	3,324 195
FNB	2,151
NedBank	2,884
STD Lesotho Bank	23,978
Engen (PTY) Ltd	380,794
Financial Intelligence Unit (FIU)	3,956,768
Total	20,418,927

Source: Records accompanying Financial Statements

CHAPTER 8: FISCAL LIABILITIES

8.1 PUBLIC DEBT

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

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

Public debt is categorised into external and domestic debt.

8.2 EXTERNAL DEBT

8.2.1 Inconsistency of balances

The closing external debt stock at 31 March 2016 stood at M12.703 billion but the financial statements reflect opening stock of M12.205 billion on 1 April 2016 resulting into a difference of M498 million as shown on Table 8.2.1. This difference already brings doubt to reliability of the financial statements.

Table 8.2.1 - Prior closing balances vs opening balances

Category	Balance at 31 March 2016	Balance at 1 April 2016	Over/(under) statement
	(M'000)	(M'000)	(M'000)
Bilateral	1, 134, 707	1, 504, 429	(369, 722)
Multilateral	10, 648,666	9, 783, 785	864, 881
Export Credit	919,625	916, 414	3,211
Other financial Institution	640	640	-
Total	12, 703, 638	12, 205, 268	498, 370

Source: Financial statements for the years ended 31 March 2016 and 31 March 2017

8.2.2 External Debt status

Table 8.2.2 below shows opening and closing debt stock, new borrowings and disbursements, and debt servicing. As I have already indicated, the opening stock of M12,205 billion cannot be

relied upon as it differs significantly with a closing balance of the previous year and therefore the closing balance of M12.974 billion remains doubtful.

Debt servicing amounted to M646 million, which consisted of loan repayments of M435 million and interest payments of M211 million. New borrowings amounted to M1.204 billion under multilateral donors but the total amount disbursed was M590 million as I had earlier indicated.

Table 8.2.2 – External Debt Status

Category	Opening Balance (M'000)	New Borrowings (M'000)	Disbursement (M'000)	Repayment (M'000)	Interest paid (M'000)	Closing Balance (M'000)
A	B	C	D	E	F	G (B+D-E)
Bilateral	1,504,429	-	-	70,198	24,190	1,434,231
Multilateral	9,783,785	1,204,044	590,226	343,098	177,790	10,030,942
Export Credit	916,413	-	-	22,046	9,072	894,367
Other Financial Institutions	640	-	-	130	72	510
Total	12,205,267	1,204,044	590,226	435,472	211,124	12,973,839

Source: Financial Statements and Debt records

Even though a simple arithmetic shows a closing stock of M12.974 billion, Debt records show the closing stock of M11.022 billion analysed down as follows:

Category	Amount (M'000)
Bilateral	905,469
Multilateral	9,407,243
Export Credit	708,268
Financial Institutions	535
Total	11,021,515

It should be noted that information on Table 8.2.2 above, from column A to F was taken from debt records and financial statements, so the reasons for differences on the closing stock could not be established. This brings doubt on the accuracy of the opening stock.

8.3 DOMESTIC DEBT

Domestic debt comprises Treasury Bills and Treasury Bonds issued by the Central Bank of Lesotho (CBL). The CBL undertakes money

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

As per financial statements for the year under review, the opening balance for domestic debt was M1,274,767,900 and the Government made new issues of Treasury Bills and Treasury Bonds to the amount of M1,076,411,975. The principal repayments and interest payments were M997,452,675 and 95,963,682 respectively. The closing balance at 31 March 2017 was M1,353,727,200. Table 8.3 bears details.

Table 8.3 – Treasury Bills and Treasury Bonds

Category	Opening balance	New issues	Repayments	Interest	Closing balance
A	B	C	D	E	F (B+C-D)
Treasury Bills	592,580,900	1,004,411,975	997,452,675	41,220,227	599,540,200
Treasury Bonds	682,187,000	72,000,000	-	54,743,455	754,187,000
Total	1,274,767,900	1,076,411,975	997,452,675	95,963,682	1,353,727,200

Source: Consolidated Financial Statements

Audit Concerns:

- The closing balance of M1,353,727,200 is overstated by M3,090,800 in the Notes to the financial statements as they reflect the amount of M1,356,818,000. The figure stated in the Statement of Cash Receipts and Payments is M106 million indicating that the financial statements are immensely understated by M1.248 billion.
- In March 2017, the Minister of Finance directed the Accountant-General to transfer an amount of M50,000,000 from Treasury Bills and Bonds Account to the Consolidated Fund, then from Consolidated Fund to Recurrent Account. The funds were to pay for civil pensions for the months of February and March 2017. The Accountant-General instructed CBL to transfer funds as

directed. Transfer of funds from Treasury Bills and Bonds Blocked account was found to be irregular as the funds were not for mopping up or injecting liquidity or even for development projects.

8.4 OTHER LIABILITIES

8.4.1 Pension Liabilities

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

Audit Concern:

I indicated in my last audit report that the last valuation carried out revealed that the Fund had a shortfall of M2.046 billion as at 31 March 2011. That liability was not funded and therefore fell as a charge on the Consolidated Fund. Subsequent valuation reports raise doubt on the Fund's ability to meet future benefits when due and payable. The actuarial valuation reports indicated an underfunding of M5.56 billion as at 31 March 2014 and of M5.89 billion as at 31 March 2016. This calls for Government to consider reducing this liability so that future benefits of employees can be secured.

8.4.2 Contingent Liabilities

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

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

Owned Enterprises (SOEs), such enterprises bear the interest costs on their loans.

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

Table 8.4.2a – Contingent Liabilities for SOE, public officials and businesses

Start Year	Beneficiary	Lender	Exposure at 31 March 2017	Exposure at 31 March 2016
	WASCO (PTY) LTD	Nedbank	20,000,000	20,000,000
2016	Maseru E Textile	Standard Lesotho Bank	15,528,000	18,228,000
2014	CGM	Standard Lesotho Bank	24,000,000	68,355,000
2014	Presitex Industry PTY	Standard Lesotho Bank	18,000,000	61,650,000
2014	Eclat Evergood Textiles	Standard Lesotho Bank	55,642,000	
2015	PS and Statutory Positions	Standard Lesotho Bank	7,474,845	
2014	TZICC	Standard Lesotho Bank	60,494,500	
2015	MPs of 9 th Parliament	Nedbank	54,315,971	

Source: Consolidated Financial Statements

The contingent liabilities also comprise pending litigation claims for compensation and potential liabilities from Public-Private Partnerships (PPP). Potential compensation payable extracted from individual Spending Units reports are listed on Table 8.4.2b below:

Table 8.4.2b- Potential Compensation Claims

Spending Unit	Exposure at 31 March 2016	Exposure 31 March 2017
Health	324,286	172,456
Education & Training	0	772,599
Finance	13,451,556	29,633,066
Communications	14,456,960	24,527,350
Public Works	12,220,969	22,052,824
Local Government	0	50,512
Police and Public Safety	2,941,565	2,941,565
Total Compensation Claims	43,395,336	80,150,373

Source: Consolidated Financial Statements

Audit Concerns:

During financial year 2016/17, the Government incurred costs on the following contingent liabilities:

- Compensation claim of M33 million against Swissborough Diamond Mine (SDM) for cancelled mine contract. The amount of M8 million related to costs and M25 million lodged as security pending final award by the Singapore Williams Tribunal. The issue was on the mining leases issued to SDM, which started as far back as 1990. SDM claimed a compensation award of M3 billion from the Government of Lesotho.
- Payment of M89,735,000 to Standard Lesotho Bank on behalf of TZICC and CGM which defaulted in servicing their loans.
- A total amount of M783,299 which included a refund of M591,488 was paid to two Members of the National Assembly who had settled their loans before dissolution of 8th Parliament and an amount of M166,765 paid to a commercial bank to settle a guaranteed loan of a former Principal Secretary. The amount of M25,046 was interest payment in respect of Members of Parliament for the month of March 2017 but paid in April 2017.

The Government has not developed a strategy on how it would recover such money should any of the borrowers be in default. Moreover, there are no regulations to protect the Government from being deprived in the process. Consequently, for the past two years the Government has suffered and lost millions of Maloti because of being a guarantor.

During the financial year 2015/2016 the Government cleared guaranteed loans amounting to M32,229,285 for Members of 8th Parliament. The Government again cleared outstanding guaranteed loans which stood at M61,790,816 as of 31 March 2017, for Members of 9th Parliament.

8.5 TRUST FUNDS

According to Section 24 of the PFMA Act 2011, amounts held in trust should be separately identified and accounted for. It is further stated that money held in trust or on behalf of a person other than Government is a liability of Government. If conditions to allow issue

of money held in trust have been fulfilled, the money shall be paid to the person or entity entitled to it. Interest should not be paid on money held in trust. Money held in trust, which remains unclaimed after a period of five years, should be treated as revenue of the Consolidated Fund. If any person or entity subsequently proves to the satisfaction of the Minister, a claim to such an amount shall be a charge on the Consolidated Fund and be paid to that person or entity. Examples of moneys held in trust are, Guardian Fund, Workmen's Compensation Trust Fund, Loan Bursary Fund, retention fees, etc.

8.5.1 Financial Position of moneys held in trust

The un-reconciled bank closing balance of Trust Funds account in March 2016 was M1,053,894,540 and in March 2017 was M336,513,886 resulting into a cash decrease of M717,380,654.

I have brought up the issue of non-reconciliation several times in my previous audit reports and it has not been attended to. As a result of non-reconciliation, I could not verify the balances of various trustees. Even the ministries were unable to provide a record of how much they had in the trust monies account as they did not have relevant information. Lack of bank reconciliation with the ministries records could lead to misappropriation of trust monies.

The closing cash balance of M5,873,154,000 reported in the financial statements included M336,513,886 of Trust Monies account. The issue of not disclosing separately the closing balance of trust monies account was raised in the previous audit report but still continued. Trust monies balance should be excluded from the closing cash balance of the Government since it belongs to third parties. Only trust monies, which have not been claimed for a period of five years, could be included as funds of the Government.

8.5.2 Irregular transfer of money from Trust Funds to the Consolidated Fund

In March 2017, under the directive of the Minister of Finance and the Principal Secretary for Finance, the Accountant-General instructed the Central Bank of Lesotho to transfer an amount of

M450,000,000.00 from the Trust Monies Account into the Consolidated Fund for funding of the following activities:

Activity	Amount
General Elections 2017	247,389,280
Bidvest Contract Termination	107,713,780
Shortage on teachers' salaries	16,220,135
Shortage on Foreign Service staff salaries	7,000,000
Design for the Beef Production Project	16,700,000
Procurement of Cyber Security Equipment	28,400,000
Total	423,423,195

The directive further stipulated that the funds should be transferred from the Consolidated Fund to the Recurrent Expenditure Account.

Audit Concerns:

- The Minister's directive was contrary to the requirements of the Constitution and of the PFMA Act 2011. Transfer of funds from the Trust Monies Account to the Consolidated Fund should only be made if the moneys held in trust remained unclaimed after a period of five years. There was no evidence that the moneys remained unclaimed for that stipulated period.
- Furthermore, the Constitution requires that the Appropriation Act should approve the issue from the Consolidated Fund to meet expenditure under separate votes for a head of expenditure. It was against the requirements of the Constitution for the Minister to instruct a withdrawal from the Consolidated Fund to the Recurrent Expenditure Account without the Appropriation Act and moreover, expenditure was not even to be incurred on the Consolidated Fund Standing Service.
- It was further noted that the Trust Monies Fund Account included funds to the amount of M615,371,565.41 of the Loan Bursary Fund administered by the National Manpower Development Secretariat (NMDS). It was agreed by the Director NMDS and the Accountant-General that these funds should be transferred to interest bearing Loan Bursary Fund account at a commercial bank to ensure sustainability of the Fund and less dependence on the Consolidated Fund. In April 2017, the Accountant-General informed the Principal Secretary for Development Planning that he had transferred an amount of M165,371,656.41 to NMDS account

held with the Lesotho Postbank leaving a balance of M450,000,000 which was used to meet other government commitments.

At the time of my reporting, I had not yet established whether the Government had settled its liability of M450,000,000 to NMDS.

8.5.3 Transfer of funds to Sub-Accountancies

In March 2017, Treasury made a request to Central Bank of Lesotho to transfer funds amounting to M14,905,131.49 from Trust Monies Account to Post Bank for eight Sub-Accountancies listed on Table 8.5.3 below. However, it was noted that total funds transferred amounted to M15,768,570.75. That was as a result of a transfer made twice to Berea Sub-accountancy with an amount of M1,802,154.02. Therefore, Trust Monies account was understated by M1,802,154.02, and at the time of the audit this issue was not yet resolved.

Table 8.5.3- Funds transferred to the Sub-Accountancies

Date	REF Number	Payee	Amount
24/03/2017	000966	Quthing	529,990.35
24/03/2017	000967	Qacha's Nek	355,131.18
24/03/2017	000968	Mokhotlong	1,058,457.96
24/03/2017	000969	Mohale's Hoek	1,098,430.67
24/03/2017	000970	Mafeteng	3,078,017.05
24/03/2017	000971	Leribe	5,271,748.55
24/03/2017	000972	Butha-Buthe	772,486.95
24/03/2017	000973	Berea	1,802,154.02
24/03/2017	000974	Berea	1,802,154.02
Total			15,768,570.75

Source: Bank Statements

CHAPTER 9: LOSSES AND ACCIDENTS

9.1 STATEMENT OF LOSSES AND ACCIDENTS

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

Summary Statement of Losses and Accidents submitted to my office showed that losses and accidents amounted to M26,532,000 as indicated on Table 9.1a below.

Table 9.1a – Summary of Losses and Accidents

Item	Amount
Irrecoverable Revenue and debts	845,000
Irrecoverable overpayment of salaries, Pensions etc.	850,000
Irrecoverable overpayment to suppliers	-
Losses of Stores	170,000
Losses of Cash	23,671,000
Assets Written off	-
Motor Vehicle Accidents	996,000
Gifts of Assets	-
Total	26,532,000

Source: Consolidated Financial Statements

I further established that losses of cash totalling M23,671,000 include outstanding advances to the amount of M22,844,000. The outstanding advances comprise of tour advances, advances to Sub-Accountancies and advances to Other Spending Units. I have repeatedly reported about unretired imprests and these losses are an effect of non-compliance to the regulations. The issue of unsettled advances continues to raise a serious concern regarding accountability of public funds.

The outstanding amount of M22,844,000 is analysed down as follows:

Ministry	Amount
Finance	21,206,000
PM's Office	923,000
Public Works	448,000
National Assembly	173,000
Mining	94,000
Total	22,844,000

It was also noted that irrecoverable overpayment of salaries amounting to M850,000.00 was overpaid to two employees in the Ministry of Health from April 2015 to March 2017.

Table 9.1b shows a detailed breakdown of irrecoverable amounts, losses of cash and stores and vehicle accidents by ministry.

Table 9.1b - Statement of Losses of cash, stores and vehicle accidents

Ministry	Irrecoverable revenue and debts	Irrecoverable overpayment of salaries	Losses of cash	Losses of stores	Vehicle Accidents
			Amount	Amount	
Health		850,000	-	13,000	-
Education	30,000		34,000	-	148,000
Finance			21,206,000	-	-
Trade			124,000	-	-
Planning			23,000	-	-
Home Affairs			223,000	-	-
PM's Office			923,000	-	-
Communications			104,000	-	-
Public Works			448,000	110,000	65,000
Energy			10,000	-	-
Labour			-	1,000	-
Tourism			-	-	151,000
PSC			-	-	4,000
National Assembly			173,000	-	-
Senate			9,000	19,000	-
Ombudsman			54,000	-	-
IEC			-	27,000	-
Gender			127,000	-	-
Public Service			62,000	-	-
Judiciary	32,000		48,000	-	-
Social Development			-	-	604,000
Mining			94,000	-	6,000
Small Business			9,000	-	18,000
Principal payments	783,000		-	-	-
Total	845,000	850,000	23,671,000	170,000	996,000

Source: Consolidated Financial Statements

Treasury Regulations, 2014 require that any incident of loss, shortage, theft or other irregularity be reported immediately to the Chief Accounting Officer. They further require that the Loss Report should be prepared and submitted to the Principal Secretary for Finance with a copy to the Accountant-General and the Auditor-General.

My office did not receive copies of Loss Reports of cash in the financial year 2016/17 and therefore, I cannot confirm the accuracy of cash loss amounting to M827,000 (total cash losses of M23,671,000 less outstanding advances of M22,844,000).

9.1 OMISSION OF LOSSES OF STORES AND VEHICLE ACCIDENTS

There were omissions of losses of stores and vehicle accidents in the financial statements. I have established from copies of Loss Reports and Accident reports received by my office that thirteen (13) losses of stores amounting to M82,847.00 and thirty-nine (39) vehicle accidents totalling M70,941.00 were not taken into account by Treasury. Table 9.2 shows the ministries that reported losses of stores and vehicle accidents during the year.

Table 9.2 - Losses of stores omitted by Treasury

Ministry	Stores		Vehicle Accidents	
	No	Amount	No	Amount
Agriculture	8	15,403.00		
Education		-	8	6,844.00
PM's Office		-	15	10,700.00
Law			2	20,000.00
Public Works	1	-		
Labour	2	800.00	10	-
Senate		-	1	19,510.00
Local Government	1	1,822.00		-
Gender		-	1	13,887.00
Public Service			2	-
Judiciary	1	64,822.00		
Total	13	82,847.00	39	70,941.00

Source: Loss Reports

PART 3

APPROPRIATION ACCOUNTS

CHAPTER 10: FINANCES OF THE GOVERNMENT OF LESOTHO

10.1 GOVERNMENT FINANCIAL SYSTEM

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

10.2 CONSOLIDATED FUND

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

10.3 WITHDRAWAL FROM THE CONSOLIDATED FUND

Issues from the Consolidated Fund maybe divided into the following categories:

10.3.1 Supply Services/Appropriated Expenditure

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

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

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

10.3.2 Consolidated Fund Standing Services

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

Charged expenditure can be categorised into the following:

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

10.4 APPROPRIATION ACCOUNTS

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

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

At the end of each financial year, each head of expenditure is required to prepare an account, known as the appropriation account, for each voted service administered by it. The statutory requirement is for the appropriation account to provide details of the outturn for the year against the amount provided by Parliament, based on the cash amounts of payments and receipts. The prior-year outturn is also shown for comparison purposes.

In the financial statements of the spending units for the year ended 31 March 2017, the Chief Accounting Officers had accounted for total recurrent expenditure of M9.8 billion, development expenditure of M4 billion, recurrent revenue of M12.7 billion and grants amounting to M1.2 billion as detailed on Table 10.4.

Table 10.4 – Accountability of Spending Units

Ministry	Recurrent Expenditure	Development Expenditure	Recurrent Revenue	Donor Grants
M'000	M'000	M'000	M'000	M'000
Agriculture	167,436	215,540	19,741	12,630
Health	1,711,361	132,135	18,329	67,859
Education	2,226,599	135,995	6,785	101,087
Finance	934,164	557,493	11,136,992	313,915
Trade	38,775	50,867	9,793	40,005
Dev. Planning	601,526	116,742	114	4,771
Justice	210,445	27,942	273	-
Home Affairs	177,519	163,337	40,549	4,614
PM's Office	145,097	-	-	8,324
Communications	113,965	146,481	6,584	3,080
Law	113,975	-	11,416	-
Foreign	327,727	-	-	-
Public Works	149,290	803,823	22,340	146,171
Forestry	51,314	128,830	89	-
Energy	26,137	347,418	207,164	6,298
Labour	44,990	-	5,982	-
Tourism	77,842	59,217	4,805	3,783
Auditor-General	26,642	-	571	-
Majesty's Office	5,287	26,445	-	-
PSC	7,100	-	-	-
Defence	593,755	6,100	3,357	-
National Assembly	74,870	-	-	-
Senate	17,716	-	-	-

Ombudsman	6,677	-	-	-
IEC	116,559	-	-	-
Local Government	441,766	325,149	2,488	33,150
Gender	79,356	18,204	889	1,451
Public Service	35,983	-	8,077	614
Judiciary	101,662	9,993	3,983	-
Soc. Development	185,448	40,494	-	39,178
DCEO	22,054	-	460	-
Mining	23,568	2,077	374,975	-
Police	616,104	28,286	30,906	-
Small Business	206,828	8,946	358	-
Water Affairs	131,576	630,934	786,094	422,938
Total	9,811,115	3,982,448	12,703,114	1,209,868

Source: Ministries' financial statements

11.1 BUDGET PROPOSALS

The budget theme for financial year 2016/17 was “**Managing Public Finances in challenging Economic Times (Seeking Self-sufficiency and governing with Practicality)**”.

The budget proposal for 2016/17 projected total revenue of M15.474 billion, of which Government revenue was M13.371 billion. Southern African Customs Union (SACU) amounted to M4.594 billion, domestic taxes M6.251 billion, whilst non-tax revenue accounted M2.528 billion. Donor grants and loans accounted for the difference between the total revenue and government’s contribution.

In an effort to mobilise domestic revenue, the Minister of Finance proposed the following sources of revenue:

- Introduction of personalised number plates, which would cost more than ordinary number plates
- Revision of the cost of registering vehicles, obtaining drivers’ licences and other payments made in the Ministry of Public Works
- Revision of the various fees and fines by at least the inflation rate, and rates to be automatically increased annually by inflation rate.
- Increase of oil levy by 2%
- Exploring modalities of increasing the Border toll fee paid by local and foreign registered vehicles

The total expenditure estimates of M17.424 billion was proposed. The total recurrent expenditure estimates (including statutory expenditure and administration account) accounted for M11.496 billion whilst capital expenditure was M5.928 billion.

11.2 BUDGET PRIORITIES FOR 2016/17

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

- Increasing economic growth towards a sustainable level of between 5 and 7% per annum, and creating 10,000 jobs per year on average;
- Reducing food insecurity by increasing production at an average of 16 Hectares per year;
- Reducing child mortality by $\frac{2}{3}$ and maternal mortality by $\frac{3}{4}$ by 2017/18;
- Reducing the incidence of HIV by 25% by 2016/17 and increasing coverage for anti-retroviral treatment (ART) by 80%.

11.3 PROPOSED ALLOCATIONS PER SECTOR

The budget for 2016/17 considered the priorities per sector listed on Table 11.3 and achievements are reported under responsible ministry in the section of Spending Units Accounts of this report. Some achievements were extracted from Ministries' Performance Reports.

Table 11.3 – Budget priorities per sector

Responsible Ministry	Activity
Economic Sector	
Agriculture	<ul style="list-style-type: none"> • Continued commitment to subsidising agriculture
Small Business	<ul style="list-style-type: none"> • Revision of the Cooperatives Societies Act
Tourism	<ul style="list-style-type: none"> • Development of the National Tourism Master Plan and Tourism Strategy • Drafting of Tourism Levy Regulations • Construction of a National Museum and Art Gallery • Designing and installing exhibitions at Sehlabathebe Museum and Environmental Centre
Mining	<ul style="list-style-type: none"> • Geochemical Mapping • Construction of a Geoscience Laboratory • Establishment of a diamond centre • Introduction of beneficiation in the diamond industry
- Finance - Dev. Planning - Public Service	<ul style="list-style-type: none"> • Joint implementation of Public Sector Modernisation Project
	<ul style="list-style-type: none"> • Tobacco and Alcohol Taxation Policy
Finance	<ul style="list-style-type: none"> • Drafting of Pensions Bill 2016
Public Works	<ul style="list-style-type: none"> • Design, supervision and maintenance of public assets • Improvement of urban and rural road

	<p>infrastructure</p> <ul style="list-style-type: none"> • Improvement of Moshoeshoe I International Airport by: <ul style="list-style-type: none"> - Extending the runway to handle larger aircraft - Constructing a new VIP terminal building - Renovating the existing terminal building - Installing navigation aids - Improving the quality of service at the airport
Local Government	<ul style="list-style-type: none"> • Intensification of decentralisation reform initiatives • Upgrading and/or construction of urban and rural roads • Construction of local government infrastructure
Environment	<ul style="list-style-type: none"> • Piloting of an E-waste collection system
Energy and Meteorology	<ul style="list-style-type: none"> • Development of climate change policy • Monitoring weather and implementing measures to control the use and importation of ozone depleting substances
Water	<ul style="list-style-type: none"> • Undertaking of a detailed design of the remaining components of the lowlands water supply project
Social Sector	
All Ministries/Departments	<ul style="list-style-type: none"> • Commitment of 2% of operational budget towards HIV and AIDS related activities
Health	<ul style="list-style-type: none"> • Improving coordination and procurement of ARVs
Social Development	<ul style="list-style-type: none"> • Training of people in the communities regarding income-generating projects and to provide start-up capital
Gender, Youth, Sports and Recreation	<ul style="list-style-type: none"> • Equipping youth with entrepreneurship skills • Reopening of `Matheko Vocational Training Centre • Financing of the "Social Compact" programme • Studying of options to establishing a National Youth Service programme to complement the existing Volunteer scheme
Education and Training	<ul style="list-style-type: none"> • Strengthening and decentralisation of school inspections • Continuation of construction and renovation of school infrastructure • Funding the school feeding programme • Procuring free primary education teaching

	<ul style="list-style-type: none"> and learning materials • Localizing senior secondary education and revamping technical and vocational training
Development Planning	<ul style="list-style-type: none"> • Undertaking of a comprehensive reform NMDS • Formal assessment and evaluation of the implementation of the NSDP 2012/13-2016/17 • Development of the second NSDP
Communications, Science and Technology	<ul style="list-style-type: none"> • Developing and selling content to the national broadcaster • Expansion of the Wide Area Network
Governance, rule of law and security	
Law, National Assembly, Senate, Defence	<ul style="list-style-type: none"> • Begin constitutional, parliamentary and security reforms
Home Affairs	<ul style="list-style-type: none"> • Registration of both people and livestock • Acquisition of mobile registration units • 50th Independence anniversary celebrations

Source – Budget Speech for 2016/17

11.4 BUDGET APPROVAL

Parliament approved total expenditure of M16,944,383,051; which would be financed by the Government Revenues of M12,969,283,151; Donor Grants of M1,169,497,163 and External Loans of M933,578,531 resulting into a budget deficit of M1,872,024,206.

Sources	Amount	Total Amount
Government Revenues	12,969,283,151	
Donor Grants	1,169,497,163	
Donor Loans	933,578,531	15,072,358,845
Less:		
To be financed by Appropriation		
Recurrent Expenditure	9,656,846,320	
Development Expenditure – LG	2,690,137,300	
Development Expenditure – Grants	1,169,497,163	
Development Expenditure – Loans	933,578,531	
Administration Account	100,000,000	14,550,059,314
To be charged on the Consolidated Fund		
Charged/Statutory Expenditure	2,394,323,737	2,394,323,737
Anticipated surplus/(deficit)		(1,872,024,206)

CHAPTER 12: BUDGET EXECUTION ON REVENUE FOR FINANCIAL YEAR 2016/17

12.1 GOVERNMENT RESOURCES

The Government Notice No.6 of 2016, Statement of Objects and Reasons of the Appropriation (2016/2017) shows that the government resources were estimated to be M12,969,283,000 consisting of recurrent receipts of M12,808,225,000 and miscellaneous capital receipts of M161,058,000. The financial statements reflect actual total receipts of M12,712,193,000 resulting into budget execution of 98%. The recurrent receipts amounted to M12,711,612,000 and miscellaneous capital receipts totalled M581,000.

12.1.1 RECURRENT REVENUE

The comparison of budgeted recurrent revenues as detailed in the Estimates Book with actual revenue reflected in the consolidated financial statements reflected on Table 12.1.1 below revealed the following:

- The budget for 2016/17 was M12,808,225,000 while actual revenue was M12,712,193,000 resulting in an under-collection of M96,033,000 or 1%.
- The significant over-collections were noted under the ministries of Development Planning, Home Affairs, Law, Public Works, Energy, Labour, Tourism, Auditor-General, Defence, Gender, Judiciary and Police as collections ranged from 120 to 2106 per cent.
- The significant over-collection of M10,932,662 or 2006% under the Ministry of Law, is materially misstated as the amount includes M10,666,234 being receipts derived from trading activities of the Government Printer.
- Ministries of Social Development and of Foreign Affairs recorded a budget execution of zero while the Ministry of Forestry, Prime Minister's Office and DCEO had collections though there was no revenue budgeted for these votes.

- I could not determine as to why there was no budget under the Ministry of Forestry as the ministry has guesthouses that are still operational. The amount of M80,125 was mainly derived from accommodation fees in Leribe, Mafeteng and Qacha's nek and from sale of tender documents.
- It was further established that the amount of M8,324,385 under the Prime Minister's office were donor grants not recurrent revenue as stated. The PM's Office correctly disclosed donor grants in their financial statements. The amount of M460,000 under DCEO was miscellaneous capital receipts resulting from proceeds of forfeitures of both movables and immovable property/assets. The assets were publicly auctioned or sold as per the court orders.
- Ministries of Education and of Agriculture had unsatisfactory budget execution of 47% and 51% respectively. Reasons for shortfall of revenue could not be established.

Table 12.1.1 – Budget Execution on Recurrent Revenue

Ministry	Budget	Actual	Variance	Collection %
A	B	C	D (B-C)	E (C/B%)
Agriculture	38,598,813	19,741,145	18,857,668	51
Health	21,420,163	18,328,540	3,091,623	86
Education	14,358,461	6,784,635	7,573,826	47
Finance	11,261,398,289	11,136,991,466	124,406,823	99
Trade	13,944,610	9,792,581	4,152,029	70
Planning	37,000	113,661	-76,661	307
Justice	369,380	273,137	96,243	74
Home Affairs	23,116,000	40,549,147	-17,433,147	175
Prime Minister's Office	-	8,324,385	-8,324,385	-
Communications	7,439,100	6,584,232	854,868	89
Law	544,985	11,477,647	-10,932,662	2,106
Foreign Affairs	430,000	-	430,000	-
Public Works	15,498,113	22,340,219	-6,842,106	144
Forestry	-	89,125	-89,125	-
Energy	167,680,000	207,163,942	-39,483,942	124
Labour	3,871,500	5,982,199	-2,110,699	155
Tourism	3,410,915	4,804,688	-1,393,773	141
Auditor-General	351,000	571,755	-220,755	163
Defence	1,614,660	3,356,637	-1,741,977	208
Local Government	1,794,215	2,487,830	-693,615	139

Gender	48,000	888,729	-840,729	1,852
Public Service	8,402,000	8,076,522	325,478	96
Judiciary	3,150,047	4,005,732	-855,685	127
Social Development	262,000	-	262,000	-
DCEO	-	459,612	-459,612	-
Mining	443,073,955	374,975,328	68,098,627	85
Police	3,847,620	31,577,063	-27,729,443	821
Small Business	476,600	358,158	118,442	75
Water	773,087,883	786,094,478	-13,006,595	102
Total	12,808,225,309	12,712,192,593	96,032,716	99

Source: Book of Estimates and Consolidated Financial Statements

12.1.2 MISCELLANEOUS CAPITAL RECEIPTS

The total receipts of M581,000 were derived from disposal of financial and non-financial assets which was very far below anticipated revenue of M161,058,000. Disposal of fixed assets amounted to M560,000 comprised of M460,000 from DCEO on disposal of confiscated and forfeited movables and immovable property/assets whereas the amounts of M30,000 and M70,000 were from the Ministry of Finance and of Planning respectively.

Audit Concern:

The amount of M560,000 was wrongly classified as recurrent revenue, mainly because the Government Chart of Accounts does not cater for miscellaneous capital receipts. This calls for revision of the current Chart of Accounts to facilitate proper accountability of receipts.

12.2 DONOR GRANTS

Comparison of grants received with grants paid

The comparison of total grants received with payments made therefrom shows an unspent balance of M 547,873,100. The overall spending capacity was low at 55% as indicated on Table 12.2 below.

Table 12.2 - Grants received Vs. Grants paid

Ministry	Grants received per Ministries' Financial Statements	Grants paid Per Ministries' Financial Statements	Variance	Execution (%)
A	B	C	D (B-C)	E (C/B)
Agriculture	12,630,000	1,279,112	11,350,888	10
Health	67,859,229	60,804,510	7,054,719	90
Education	101,087,149	101,252,004	-164,855	100
Finance	313,914,893	229,677,430	84,237,463	73
Trade	40,005,367	37,385,527	2,619,840	93
Dev. Planning	4,770,594	2,289,035	2,481,559	48
Home Affairs	4,614,281	0	4,614,281	0
Prime Ministers	8,324,385	0	8,324,385	0
Communications	3,079,718	3,079,718	0	100
Public Works	146,170,758	145,762,696	408,062	100
Energy	6,297,886	5,528,834	769,052	88
Tourism	3,782,632	2,208,565	1,574,067	58
Local Government	33,149,644	33,149,644	0	100
Gender	1,450,962	1,819,877	-368,915	125
Public Service	614,480	0	614,480	0
Social Development	39,177,771	35,583,344	3,594,427	91
Water	422,938,398	2,174,751	420,763,647	1
Total	1,209,868,147	661,995,047	547,873,100	55

Source – Ministries' Financial Statements

12.3 DONOR LOANS

The total amount of loan received per debt section was M 590,226,165 and payments made amount to M562,933,301 resulting in an unspent balance of M 27,292,864 as shown on Table 12.3. Even though there was a satisfactory overall spending capacity of 95%, some ministries did not incur expenditure at all, while others had spent below 50% of the disbursements. There were also Ministries with spending capacity of more than 100%.

I found it very unfortunate for Ministries to request for the money and not spend it, especially the fact that Government had to pay interest on these unspent funds, which could have been avoided by requesting only when need arose.

Table 12.3 – Loans disbursed Vs. Payments

Ministry	Loan Disbursement	Payments	Variance	Execution (%)
A	B	C	D (B-C)	E (C/B)
Agriculture	54,836,123	89,898,190	-35,062,067	164
Health	83,443,262	0	83,443,262	0
Education	58,853,793	27,462,859	31,390,934	47
Finance	10,575,379	5,076,582	5,498,797	48
Trade	33,665,790	0	33,665,790	0
Communications	1,155,060	2,730,724	-1,575,664	236
Public Works	3,051,432	4,407,064	-1,355,632	144
Energy	13,535,585	12,394,150	1,141,435	92
Soc. Development	21,682,092	0	21,682,092	0
Water Affairs	309,427,649	420,963,732	-111,536,083	136
Total	590,226,165	562,933,301	27,292,864	95

Source: Debt Records and Consolidated Financial Statements

CHAPTER 13: BUDGET EXECUTION ON EXPENDITURE FOR FINANCIAL YEAR 2016/17

13.1 RECURRENT EXPENDITURE – VOTED HEADS

13.1.1 Comparison of Appropriation Act and Book of Estimates

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

In the previous reports, I reported several times on the differences between the amounts specified in the Appropriation Acts and the head totals in the Books of Estimates. Once again there were differences noted for financial year 2016/17. Amounts specified in the Appropriation Act totalled M9,656,848,916 and head totals in the Book of Estimates was M9,798,892,447 resulting into a difference of M142,043,531 as indicated on Table 13.1.1.

Overwhelming variances were noted under the ministries of Development Planning, Home Affairs, Forestry and Small Business Development. The variances bring doubt on the correctness of the Book of Estimates.

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

Table 13.1.1 – Comparison of Appropriated Amounts with Book of Estimates

Ministry	Appropriation	Estimates	(Over)/Under Appropriation	Variance (%)
A	B	C	D (B-C)	E (D/B)
Agriculture	177,883,370	184,107,945	(6,224,575)	-3
Health	1,755,493,710	1,767,058,870	(11,565,160)	-1
Education	2,236,923,841	2,240,025,507	(3,101,666)	0
Finance	484,058,766	493,946,462	(9,887,696)	-2
Trade	43,034,840	41,304,997	1,729,843	4
Dev. Planning	798,323,180	617,813,172	180,510,008	23
Justice	215,608,800	222,057,156	(6,448,356)	-3
Home Affairs	149,465,745	114,253,081	35,212,664	24
PM's Office	133,292,070	135,512,809	(2,220,739)	-2
Communications	120,970,680	122,816,895	(1,846,215)	-2
Law	75,525,850	76,202,358	(676,508)	-1
Foreign	351,637,157	357,911,568	(6,274,411)	-2
Public Works	156,637,157	160,615,883	(3,978,726)	-3
Forestry	56,695,090	5,729,353	50,965,737	90
Energy	34,380,460	30,466,120	3,914,340	11
Labour	48,544,765	45,365,628	3,179,137	7
Tourism	86,874,570	80,638,503	6,236,067	7
Auditor-General	28,862,282	31,799,591	(2,937,309)	-10
His Majesty's Office	7,177,835	7,406,768	(228,933)	-3
PSC	7,905,830	8,073,775	(167,945)	-2
Defence	589,738,258	627,149,624	(37,411,366)	-6
National Assembly	81,741,640	82,815,743	(1,074,103)	-1
Senate	19,480,120	19,598,746	(118,626)	-1
Ombudsman	7,675,920	6,834,808	841,112	11
IEC	237,489,050	238,155,601	(666,551)	0
Local Government	471,143,900	435,219,126	35,924,774	8
Gender	83,514,870	84,540,492	(1,025,622)	-1
Public Service	35,342,900	36,185,424	(842,524)	-2
Judiciary	100,524,130	103,386,404	(2,862,274)	-3
Social Development	194,257,960	211,257,678	(16,999,718)	-9
DCEO	23,109,500	23,544,416	(434,916)	-2
Mining	29,218,210	29,736,344	(518,134)	-2
Police	608,436,620	627,545,401	(19,108,781)	-3
Small Business	62,762,050	393,354,964	(330,592,914)	-527
Water Affairs	143,117,790	136,461,235	6,656,555	5
TOTAL	9,656,848,916	9,798,892,447	(142,043,531)	-1

Source: Appropriation (2015/2016) Act and Book of Budget Estimates

13.1.2 Budget Execution

The budget execution on voted heads was determined by comparing amounts in the Appropriation Act with the actual expenditure per IFMIS ledger. The total amount appropriated was M9,656,848,916 and the total expenditure was M8,985,794,986 resulting into overall budget execution of 93% as indicated on Table 13.1.2 below. However, Ministries of Finance, Law, IEC and Small Business Development recorded a very high budget execution of 193%, 138%, 146% and 357% respectively.

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

Table 13.1.2 - Budget Execution 2016/17

Ministry	Appropriation	Actual Expenditure	(Over)/ Under	Budget Exec. (%)
A	B	C	D(B-C)	E(C/B%)
Agriculture	177,883,370	159,158,238	18,725,132	89
Health	1,755,493,710	864,502,434	890,991,276	49
Education & Training	2,236,923,841	2,230,895,788	6,028,053	100
Finance	484,058,766	934,177,854	(450,119,088)	193
Trade	43,034,840	38,793,781	4,241,059	90
Development Planning	798,323,180	601,583,078	196,740,102	75
Justice	215,608,800	210,444,548	5,164,252	98
Home Affairs	149,465,745	159,891,344	(10,425,599)	107
Prime Minister's	133,292,070	116,290,488	17,001,582	87
Communications	120,970,680	113,962,007	7,008,673	94
Law	75,525,850	104,282,711	(28,756,861)	138
Foreign	351,637,157	325,124,791	26,512,366	92
Public Works	156,637,157	148,159,950	8,477,207	95
Forestry	56,695,090	4,595,943	52,099,147	8
Energy	34,380,460	26,136,698	8,243,762	76
Labour	48,544,765	45,281,096	3,263,669	93
Tourism	86,874,570	78,452,671	8,421,899	90
Auditor-General's Office	28,862,282	26,360,988	2,501,294	91
His Majesty's Office	7,177,835	5,317,382	1,860,453	74
Public Service Comm.	7,905,830	7,099,820	806,010	90

Defence	589,738,258	593,631,301	(3,893,043)	101
National Assembly	81,741,640	75,722,208	6,019,432	93
Senate	19,480,120	17,716,006	1,764,114	91
Ombudsman	7,675,920	6,677,356	998,564	87
IEC	237,489,050	347,455,995	(109,966,945)	146
Local Government	471,143,900	388,980,381	82,163,519	83
Gender	83,514,870	79,058,879	4,455,991	95
Public Service	35,342,900	35,023,957	318,943	99
Judiciary	100,524,130	101,662,364	(1,138,234)	101
Social Development	194,257,960	145,822,157	48,435,803	75
DCEO	23,109,500	22,004,631	1,104,869	95
Mining	29,218,210	25,478,097	3,740,113	87
Police	608,436,620	590,381,396	18,055,224	97
Small Business Dev.	62,762,050	224,055,523	(161,293,473)	357
Water Affairs	143,117,790	131,613,124	11,504,666	92
TOTAL	9,656,848,916	8,985,794,986	701,769,662	93

Source: Appropriation (2016/2017) Act and IFMIS Ledger

13.1.3 Authority to spend public funds

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

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

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

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

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

13.1.4 Detailed Statement of Expenditure

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

Table 13.1.4 – Detailed Statement of Expenditure

Expenditure Item	Revised Approved Funds	Actual expenditure	(Over)/under Expenditure	Exec. (%)
A	B	C	D (B-C)	E (C/B)
COMPENSATION OF EMPLOYEES				
Salaries - Established	4,378,272,907	4,439,815,689	(61,542,782)	101
Salaries - New	3,242,165	2,376,750	865,415	73
Wages - Established	80,932,041	77,341,046	3,590,995	96
Wages - New	8,455,345	8,524,406	-69,061	101
Allowances	255,679,095	242,846,279	12,832,816	95
Doctors' Housing	4,459,120	4,458,317	803	100
School and medical fees	40,383,712	37,278,510	3,105,202	92
Gratuities	14,446,000	14,294,286	151,714	99
Total	4,785,870,385	4,826,935,283	(41,064,898)	101
TRAVEL & TRANSPORT				
Vehicle Maint. & Repairs	49,609,116	36,528,105	13,081,011	74
Fuel & Lubricants	57,612,049	62,768,247	(5,156,198)	109
Standing Charges	1,272,482	-	1,272,482	-
Short-Term Hire	373,068,744	408,552,873	(35,484,129)	110
Private Hire	45,000	75,500	(30,500)	168
Motor Mileage	457,503	655,976	(198,473)	143
Fares – Local	2,319,718	3,763,763	(1,444,045)	162
Subsistence – Local	91,897,613	86,613,210	5,284,403	94
Freight Charges	16,167,308	14,486,498	1,680,810	90
Equine hire	80,058	57,680	22,378	72
Fares – International	57,194,012	63,218,728	(6,024,716)	111
Subsistence - International	93,177,045	97,485,316	(4,308,271)	105
Total	742,900,648	774,205,896	(31,305,248)	104
OPERATING EXPENSES				
Power	79,449,597	86,061,417	(6,611,820)	108
Communications	62,221,302	63,991,849	(1,770,547)	103
Printing	66,106,673	13,798,226	52,308,447	21

Stationery	33,749,802	78,443,006	(44,693,204)	232
Maint. of public assets	74,063,480	37,607,516	36,455,964	51
Food, Fodder and Beverages	78,997,890	124,775,620	(45,777,730)	158
Purchases & production of materials	254,962,828	244,375,038	10,587,790	96
Minor Works	22,586,865	26,332,803	(3,745,938)	117
Drugs	311,777,026	309,180,005	2,597,021	99
Dressings	9,680,701	8,479,275	1,201,426	88
Vaccines	9,119,000	4,262,604	4,856,396	47
Dips and Anthelmintic	587,716	613,491	(25,775)	104
Official Entertainment	13,689,621	12,884,966	804,655	94
Official Gifts	156,990	105,808	51,182	67
Training Costs	810,688	748,258	62,430	92
Software Licences	3,352,159	2,193,587	1,158,572	65
Consultancies	11,363,238	9,359,169	2,004,069	82
Ammunition	-603,330	200,538	(803,868)	-33
Books and Publications	7,612,693	9,649,187	(2,036,494)	127
Membership Subscription	12,004,747	12,388,175	(383,428)	103
Water supply	22,059,349	20,898,299	1,161,050	95
Sewerage and sanitation	1,837,433	3,166,966	(1,329,533)	172
Rent & lease of buildings	150,319,158	161,249,340	(10,930,182)	107
Purchase of Health Services	778,595,692	3,574,465	775,021,227	0
Bank Charges	1,390,400	1,393,587	(3,187)	100
Witness Expenses	947,412	845,596	101,816	89
Legal Compensation	-50,000	35,000	(85,000)	-70
Total	2,006,789,127	1,236,613,789	770,175,338	62
TRANSFERS				
Subsidies				
To Public Corporations				
Non Financial Public Corporation	407,409,255	415,132,416	(7,723,161)	102
Financial Public Corporation	-1,283,981	-	(1,283,981)	-
To Private Enterprises				
Non Financial Private Enterprises	17,648,240	17,227,515	420,725	98
Financial Private Enterprises	-	-	-	-
Total Subsidies	423,773,515	432,359,931	(8,586,416)	102
Grants				
Current				
To Central Government	338,623,163	338,623,163	-	100
To Extra Budgetary Units	509,740,879	526,835,965	(17,095,086)	103
To Local Government	-	-	-	-
Total Grants	848,364,042	865,459,128	(17,095,086)	102
Social Benefits				
School Feeding Programme	158,333,085	177,291,384	(18,958,299)	112
Famine Relief	-	-	-	-
Compensation	2,947,994	3,577,165	(629,171)	121
Safety Net	47,000,000	40,753,411	6,246,589	87

Public Assistance in Kind	3,725,921	1,983,591	1,742,330	53
Public Assistance in Cash	66,766,785	40,985,107	25,781,678	61
Transfer to institutional caring	-25,589,133	2,626,402	(28,215,535)	-10
Total Social Benefits	253,184,651	267,217,061	(14,032,410)	106
Total Transfers	1,525,322,208	1,565,036,120	(39,713,912)	103
OTHER EXPENSES				
Rent and Lease of Land	64,800	64,800	-	100
Student Grants -NMDS	496,562,280	496,562,280	-	100
Maseru City Council- Govt. Housing	-	-	-	-
Motor Vehicle Assurance	17,164,496	20,728,920	(3,564,424)	121
Non-Life Insurance Premium	20,095,952	20,095,951	1	100
Misc. other expenses	77,600	-	77,600	-
Total Other Expenses	533,965,128	537,451,952	(3,486,824)	101
LOSSES				
Cash losses	-33,366	6,698	(40,064)	-20
Exchange rate - Foreign Banks	79,011	-	79,011	-
Exchange rate - Foreign Loans	-	-	-	-
Total Losses	45,645	6,698	38,947	15
ACQUISITION OF NON FINANCIAL ASSETS				
Machinery and Equipment	-	-	-	-
Vehicles, Cycles & Equines	16,614,183	16,189,627	424,556	97
Office Equipment	9,139,384	9,966,155	(826,771)	109
Office/Res. Furniture	6,780,709	6,153,337	627,372	91
Non-Office Equipment	38,998,888	8,296,781	30,702,107	21
Fixed Assets	-	-	-	-
Non-residential Buildings	-	2,500,000	(2,500,000)	-
Other Structures	-	2,439,347	-2,439,347	-
Total Non-Financial Assets	71,533,163	45,545,248	25,987,915	64
GRAND TOTAL	9,666,426,304	8,985,794,986	680,631,318	93

Source: IFMIS Ledger

13.1.5 Budget with negative figures

Table 13.1.4 above shows four items of expenditure with a negative budget totalling M27,509,810. These items are as follows:

Ammunition	603,330
Transfer to financial public corporations	1,283,981
Transfer to institutional caring	25,589,133
Cash losses	33,366

It was established that under Transfer to financial public corporations, there was no budget but there was a withdrawal of M1,283,981. As for other three items, withdrawals/virements made were more than the released funds.

It was further noted that under five (5) Cost Centres in the Ministry of Finance, fourteen (14) items of expenditure in the Book of Estimates and IFMIS ledger had negative budget figures to the total of M14,671,412 as indicated on Table 13.1.5 below. The reasons for recording the budget with negative figures could not be established. The negative figures had some effect on released funds.

Table 13.1.5 – Budget with negative figures

Cost Centre	General Admin	Treasury	Budget	Macro Economics	Administration	Total Budget
Description						
Compensation of Employees						
Salaries –Established			(37,498)		(2,256,888)	(2,294,386)
Wages – Established		(1,214,591)				(1,214,591)
Total		(1,214,591)	(37,498)		(2,256,888)	
Travel & Transport						
Fuel & lubricants	(493,174)					(493,174.39)
Motor Mileage		(4,500)				(4,500)
Fares International		(116,500)	(30,600)	(95,014)	(125,521)	(367,634)
Total	(493,174)	(121,000)	(30,600)	(95,014)	(125,521)	(865,309)
Operating Costs						
Power	(949,222)	(20,000)				(969,222)
Communications		(284,600)	(69,700)	(61,893)	(159,111)	(575,304)
Printing		(1,031,000)			(30,250)	(1,061,250)
Stationery	(200,025)	(355,531)	(22,274)			(577,830)
Purchase of Materials					(842,699)	(842,699)
Minor Works	(1,891,126)				(735,060)	(2,626,186)
Official Entertainment	(143,094)					(143,094)
Official Gifts	(10,000)					(10,000)
Software Licenses	(2,420,000)					(2,420,000)
Consultancies	(673,720)					(673,720)
Books & Publications	(52,821)					(52,821)
Rent & lease of Building					(345,000)	(354,000)
Total	(6,340,007)	(1,691,131)	(91,874)	(61,893)	(2,112,120)	(10,297,126)
Grand TOTAL	(6,833,182)	(3,026,722)	(160,072)	(156,907)	(4,494,529)	(14,671,412)

Source: IFMIS ledger and Estimates Book

13.2 GOVERNMENT FLEET MANAGEMENT

13.2.1 Fleet Management Costs

In my 2015/16 Audit Report, I reported on a significant increase of 60% in costs compared to when the Government had a fleet management contract with AVIS Fleet Services in 2014/15 and BIDVEST Fleet Services in 2015/16. The Government continued with the fleet services of BIDVEST on short term hire and there was once again significant increase of 56% from previous year figure of

M261,833,030 to M408,552,875 in 2016/17 as indicated on Table 13.2.1.

In August 2016, the Government contracted BIDVEST Company to provide fleet management services for a period of 48 months. However, in October 2016, the Government directed all ministries to return 75% of the vehicles in their possession. Around 381 vehicles were returned and if ministries had not returned those vehicles, the cost would have been by far more than M408,552,875.

Table 13.2.1 – Payments to Fleet Suppliers

Ministry	2014/15 (AVIS)	2015/16 (BIDVEST)	2016/17 (BIDVEST)
Agriculture	6,099,000	6,894,256	225,816
Health	1,763,854	2,895,637	-
Education	3,367,254	2,179,019	4,176,822
Finance	93,965,949	211,252,131	397,506,050
Trade	3,452,472	1,000,728	-
Planning	3,304,798	2,902,670	1,267,096
Justice	1,262,349	1,025,586	-
Home Affairs	3,312,668	4,265,223	-
PM's Office	4,360,000	4,720,040	2,750,280
Communications	2,471,067	3,479,740	-
Law	938,019	588,622	123,129
Foreign	-	-	400,489
Works	1,634,000	1,451,390	334,223
Forestry	1,348,195	95,930	-
Energy	1,436,191	1,041,188	37,724
Labour	2,447,377	1,224,939	-
Tourism	1,980,968	1,240,674	-
Auditor-General	329,790	183,843	-
His Majesty's	474,790	320,968	-
PSC	866,391	535,349	-
Defence	193,774	237,630	382,196
Nat. Assembly	374,447	835,505	25,511
Senate	635,303	660,064	22,000
Ombudsman	265,264	210,560	-
IEC	2,062,848	1,117,291	-
Loc. Government	6,777,140	4,455,641	1,100
Gender	2,601,676	1,767,380	31,000
Public Service	755,928	616,238	-

Judiciary	440,000	254,387	1,111,000
Social Dev.	931,125	798,928	36,300
DCEO	254,480	641,396	-
Mining	-	-	75,222
Police	13,923,952	2,940,077	9,917
Small Business	-	-	-
Water Affairs	-	-	37,000
Total	164,031,069	261,833,030	408,552,875
Increase (%)		60	56

Source: IFMIS Ledger

13.2.2 Effect of returned vehicles

One of the responsibilities of the government is to provide resources to Ministries for them to carry out their activities efficiently and effectively. As I had already indicated, in October 2016, the Government directed all ministries to return 75% of the vehicles in their possession, thus leaving some entities with limited number of vehicles, others without vehicles at all while others had enough to run their daily errands. The allocation criterion was not very clear resulting in government operations at both central and district levels being dearly compromised.

The return of vehicles also affected the services of the drivers who either had to alternate their duties according to weekly, fortnightly or monthly schedules, or come to work but idling and/or not come to work at all yet they were being paid full monthly salaries thus contravening Section 46 of Public Service Regulations 2008 which states that a Public Officer shall be paid for the services rendered.

The cost incurred by the government for paying 35 drivers who were not on duty for a period of six months (from October 2016 to March, 2017) amounted to M806,190. One hundred and ninety three (193) drivers who were idling and those who alternated the duties according to schedules were also a cost to the government.

Table 13.2.2 reflects status of government fleet and drivers from October 2016 to March 2017.

Table 13.2.2 – Status from October 2016 to March 2017

Ministry	Total positions of drivers established	Number of drivers on duty in 2016/17	Number of drivers off duty in 2016/17	Cost of drivers off duty in 2016/17	Drivers who were idling	Number of Vehicles returned	Number of Vehicles since Oct. 2016	Remarks
Agriculture	79	31	Nil	-	48	-	31	Drivers both at headquarters and in districts alternate their duties according to schedules
Health	69	69	Nil	-	-	64	68	Upon return of Bidvest vehicles, Ministry repaired some of its vehicles which were donated therefore drivers were not affected
Education	70	63	7	161, 238	26	79	37	At headquarters and districts, drivers shared vehicles; about 26 were idling while 7 were off duty.
Finance	30	30	Nil	-	-	17	17	Vehicles were returned to Bidvest when replacements were available. There was no gap in service delivery
Trade	10	10	Nil	-	-	-	13	Not affected by the change
Development Planning	23	18	Nil	-	5	-	19	At statistics there were 13 drivers sharing 8 vehicles, scheduled weekly while in other departments drivers were not affected.
Justice	7	5	2	46,068	-	-	5	Drivers from Legal Aid and Probation were on weekly schedule
Home Affairs	11	11	Nil	-	-	-	19	The ministry hired temporary drivers
Prime Minister's Office	22	20	Nil	-	2	-	17	At DMA 3 drivers alternate weekly with one vehicle. 3 drivers from FMU were transferred to administration
Communications	32	14	Nil	-	18	24	10	18 drivers came to work but were idling
Law	8	7	1	23,034	-	-	2	Drivers operated on weekly schedule
Foreign Affairs	6	6	Nil	-	-	-	4	Did not return vehicles due to their nature of work of transporting visitors (Diplomats)
Public Works	30	16	Nil	-	14	-	16	At headquarters 27 drivers shared 13 vehicles on weekly schedule, while others were on duty others were idling
Forestry	33	5	Nil	-	28	61	5	Drivers were scheduled duties on weekly and monthly basis.
Energy	8	3	Nil	-	5	-	5	Out of 5 vehicles, 2 were allocated to management. Therefore, there were three vehicles to 8 drivers and that resulted in other drivers idling while others were on

								duty.
Labour	15	8	Nil	-	7	17	8	Drivers were scheduled weekly for 8 vehicles
Tourism	14	14	Nil	-	-	14	18	Not affected by change as they received 10 vehicles with x registration number
Auditor- General	2	-	2	46,068	-	3	0	All vehicles were returned
His Majesty's Office	6	6	Nil	-	-	-	9	Not affected by change, drivers were always on duty
PSC	2	1	Nil	-	1	-	1	Drivers alternate trips
Defence	-	-	-	-	-	-	-	Never had BIDVEST vehicles
National Assembly	9	9	Nil	-	-	3	9	Not affected by change
Senate	4	2	Nil	-	-	3	2	1 driver was on suspension and there was one vacant position
Ombudsman	3	3	Nil	-	-	-	3	Not affected by change since they did not return all vehicles
Independent Electoral Commission	15	15	Nil	-	15	18	0	Drivers reported to duty but were idling as they had no vehicles
Local Government	58	41	17	391,578	-	-	41	Some drivers did not come to work anymore while in other offices they alternated weekly
Gender	21	6	Nil	-	15	24	9	10 drivers at headquarters shared 6 vehicles since 3 vehicles were allocated to management, 11 drivers in the districts were idling
Public Service	4	4	Nil	-	-	-	6	When vehicles were returned drivers were not affected since 3 vehicles were left. The ministry also bought 3 vehicles during 2017/18 financial year for LIPAM
Judiciary	10	4	6	138,204		18	4	Drivers alternated their duties as scheduled
Social Development	17	17	Nil	-	-	-	26	Each district had 2 drivers to 1 vehicle. Some of their vehicles were borrowed Ministry of Gender
DCEO	3	3	Nil	-	-	7	3	Not affected by change
Mining	8	5	-	-	3	6	5	Drivers alternated their duties as scheduled
Police	4	1		-	3	17	4	One vehicle was serving the ministry hence drivers are idling since the other 3 vehicles were allocated to management
Small Business	9	6	Nil	-	3	6	6	3 drivers from the districts were transferred to headquarters
Water Affairs	14	14	Nil	-	-	-	23	Had 23 vehicles which were more than the drivers

			35	806,190	193	381		
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Source: Submissions by ministries

13.3 EXTRA BUDGETARY REQUIREMENTS

In November, 2016 Cabinet approved additional revenue in the amount of M682,840,391, which has not been appropriated, to meet unforeseen expenditures arisen during the course of the financial year and to clear the budgetary shortfall, which rose due to the following unplanned expenditure:

- Food subsidy
- 50th Anniversary Expenses
- Lesotho Agricultural Development Bank staff terminal benefits
- Christian Health Association of Lesotho
- Lesotho Millennium Development Authority
- Lesotho Revenue Authority

The approval further indicated that the amount of M30,000,000.00 was required to replenish the Contingencies Fund.

I could not ascertain under which law Cabinet could approve additional revenue, which has not been appropriated, to be used for meeting unforeseen expenditures arisen during the year as only Parliament has such authority to appropriate revenue in terms of the Constitution of Lesotho.

13.4 DEVELOPMENT EXPENDITURE

13.4.1 Budget Execution

Development/Capital Expenditure relates to those expenses that are incurred on developmental activities with the aim to improve on the infrastructure of the country and the livelihood of the citizens. Government of Lesotho and Development Partners fund development expenditure by way of grants and loans.

To determine the budget execution on the capital projects, the budget amounts in the Estimates Book were compared with the total actual expenditure per Consolidated Financial Statements. The budget amounts comprised of M2.699 billion relating to Government of Lesotho funding and donor funding of M1.119 billion and M1.064 billion as grants and loans respectively, which in total amounted to M4.881 billion. In 2016/17 financial year, Cabinet further approved budget reallocations of M18.222 million resulting in a total budget of M4.863 billion. The total expenditure per Consolidated Financial

Statements was M3.906 billion and as a result there was a total under-spending of M957.184 million which translates to 20% below the approved budget, which therefore implies that there has been an overall budget execution of 80% whereby the individual ministries budget execution was in the range of 44% and 100%. The Accountant-General reported that 66% of the capital expenditure budget was accounted for by five spending units, namely Public Works, Water, Local Government, Finance and Energy, while my audit on the other hand showed 69% which is not very different from what has been reported by the Accountant-General. The Accountant-General further reported that budget execution for the above-mentioned ministries ranged from 89% for Local Government to 45% for Energy, to which I have also obtained almost same results where it was in the range of 90% for the Ministry of Local Government to 44% for the Ministry of Energy.

Even though there has been an overall budget execution of 80%, excess expenditure was observed on seven ministries as illustrated on Table 13.4.1 below, where the actual expenditures exceeded the approved budget by percentages ranging between 3% and 38%. At the time of audit, no action had been taken by the relevant authorities to regularise these excess expenditures. It is worth mentioning that for His Majesty's Office and Ministry of Mining the amounts for reallocations were more than the approved budget figures thus resulting in a negative total budget.

Table 13.4.1 – Budget Execution

Ministry	Appropriated Amount (GOL funds, Grants and Loans)	Reallocation	Revised Budget	Actual Expenditure per Consolidated Financial Statements	Variance (Over)/under	Budg. Exec. (%)
A	B	C	D (B+C)	E	F (D-E)	G (E/D)
Agriculture	226,461,509	-2,482,462	223,979,047	215,540,000	8,439,047	96
Health	193,575,999	22,590,115	216,166,114	129,592,000	86,574,114	60
Education	127,240,000	-2,067,385	125,172,615	146,888,000	-21,715,385	117
Finance	629,071,256	110,976,749	740,048,005	557,493,000	182,555,005	75
Trade	96,853,477	-17,234,927	79,618,550	88,253,000	-8,634,450	111
Planning	86,417,355	-1,641,600	84,775,755	116,742,000	-31,966,245	138
Justice	50,000,000	-28,624,932	21,375,068	27,942,000	-6,566,932	131
Home Affairs	145,000,000	20,743,518	165,743,518	163,337,000	2,406,518	99
Communications	222,816,742	-15,542,719	207,274,023	123,255,000	84,019,023	59
Law	0	1,011,030	1,011,030	1,011,000	30	100

Works	1,068,700,000	56,131,756	1,124,831,756	806,823,000	318,008,756	72
Forestry	130,000,000	-5,000,000	125,000,000	128,830,000	-3,830,000	103
Energy	347,418,212	4,500,000	351,918,212	155,007,000	196,911,212	44
Tourism	63,721,275	7,286,792	71,008,067	59,217,000	11,791,067	83
Majesty's Office	20,000,000	-26,500,000	-6,500,000	26,445,000	-32,945,000	-407
Defence	34,500,000	-28,293,974	6,206,026	6,100,000	106,026	98
Local Gov.	366,300,000	-4,029,158	362,270,842	325,149,000	37,121,842	90
Gender	21,349,850	-4,181,887	17,167,963	17,820,000	-652,037	104
Judiciary	10,000,000	0	10,000,000	9,993,000	7,000	100
Social Dev.	41,000,000	-88,827	40,911,173	40,494,000	417,173	99
Mining	9,900,000	-14,087,840	-4,187,840	1,994,000	-6,181,840	-48
Police	30,000,000	0	30,000,000	28,286,000	1,714,000	94
Small Business	74,100,000	-61,600,000	12,500,000	17,228,000	-4,728,000	138
Water Affairs	886,909,392	-30,086,323	856,823,069	712,490,000	144,333,069	83
TOTAL	4,881,335,067	-18,222,074	4,863,112,993	3,905,929,000	957,183,993	80

Source: Approved Estimates, Cabinet approvals on reallocations and consolidated financial statements

13.4.2 Reallocation of Development Expenditure

The Minister responsible for Finance is allowed by law to approve a reallocation/ transfer of annual appropriation exceeding 10% to or from allocations for capital projects subject to any donor conditions and with prior approval of Cabinet. In 2016/17 financial year, Cabinet approved three reallocations of the approved capital budget to the amounts of M143,927,063, M81,212,659 and M144,477,079 on 13 December 2016, 27 February 2017 and 29 March 2017 respectively.

I have noted with great concern that, in the majority of projects from which the funds were released, the main reason cited was low performance in such projects hence there were still balances, which were reallocated. This could be an indication of poor budgeting on the part of implementing ministries whereby they could have budgeted for projects, which were not yet at the appropriate stage for implementation, or it could mean that there is a lot of laxity by all the relevant stakeholders, which ultimately result in poor performance or even non-performance on the development projects.

It is worth mentioning that development projects are essential for sustainable economic growth of the country, as well as for the welfare of the public at large, as has been stated in the National Strategic Development Plan 2012/13 – 2016/17 in which development of key infrastructure was one of the strategic goals for the Plan. It is therefore very crucial that there is a concerted effort by all relevant

stakeholders to ensure timely implementation of these projects such that they are able to add value to the livelihood of the citizens.

According to the law, transfer of annual appropriation can be made to or from allocations for capital projects. It was observed that of the reallocations approved by Cabinet was a total amount of M119,477,079 reallocated to the Ministry of Finance, for payments of pension funds shortage and Bidvest contract termination in the amounts of M70,000,000 and M49,477,079 respectively. I regard these as misallocations even though such expenditures may have been due to exigencies of the Government and as such, the purposes for which the moneys were appropriated by Parliament, might have been compromised.

13.5 ADVANCES FROM THE CONTINGENCIES FUND

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

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

The Contingencies Fund was allocated an amount of M100 million for the financial year 2016/17 and the Government further replenished the fund by M30 million. Advances from the fund totalled M123,829,183 as indicated on Table 13.5 and the reasons thereof.

Table 13.5 - Advances from the Contingencies Fund

Ministry	Amount	Reason for Advance
Finance	36,742,515	Payment of short term hire to Bidvest Bank Limited
	458,420	Transfer to the Contributory Pension Fund being the assumed interest rate of 6% on the Government and member contribution, being the interest that would have been generated from terminal benefits of Lieutenant-General Kennedy Tlali Kamoli if he retired in May 2021
	531,816	Outstanding commitments in the Department of Treasury
Home Affairs	498,483	Payment of suppliers who were engaged during the official funeral of the late Honourable Ntsukunyane Mphanya.
	2,630,880	Printing of driver's licenses for clearing the backlog.
	5,620,052	Part-payment of the already committed procurement of 150,000 blank passport booklets.
	13,149,213	Procurement of blank passports booklets etc.
Prime Minister's Office	5,321,427	Establishment of the Reforms Secretariat
Communications	1,780,785	Satellite bandwidth to provide radio and television transmission
Public Works	8,798,000	Clearing the backlog in the production and issuance of SADC compliant driver's licences
Tourism	1,723,920	Top-up to part-payment made to a contractor for construction of National Museum and a Project's Structural Engineer Aurecon outstanding debt
Defence	4,190,213	Terminal benefits for Commander of Lesotho Defence Force, Lieutenant General Kennedy Tlali Kamoli
Public Service	1,383,590	Procurement of Land Cruiser, desktop and printer; and for repairs of utility vehicle and renovation of guardhouse for the Honourable Minister
Judiciary	648,485	Payment of allowances to the former President of the Court of Appeal of Lesotho, Justice Michael Ramodibedi during the period of his suspension
	1,953,238	Payment of LEC and WASCO bills for 2016/17.
Small Business	34,398,146	Implementation of subsidy on maize meal, sugar beans and split peas.
	4,000,000	Top-up subvention for Basotho Enterprises Development Corporation, Lesotho Opportunities Industrialization Centre and Lesotho Cooperative College.

Total	123,829,183
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Audit Concerns:

- Replenishment of the Contingencies Fund by M30 million was irregular as supplementary estimates were not presented to and approved by Parliament to regularise the replenishment.
- The actual amounts spent from the advances from the Contingencies Fund could not be established and also I could not determine whether advances were genuinely required to meet unforeseen expenditure as spending units and Treasury had not maintained separate records for such advances.
- The Contingencies Warrants were treated as release warrants from approved budget and that contravened constitutional requirements, as the additional funds on the voted heads of expenditure were not appropriated by Parliament.
- The total advances of M123,829,183 remain outstanding as supplementary estimates for 2016/17 have not been presented to Parliament and approved. Total outstanding advances from the Contingencies Fund since 2009/10 add up to M1,048,694,130 broken down as follows:

Financial Year	Outstanding Amount
2009/10	153,438,670
2010/11	99,592,440
2011/12	71,358,522
2012/13	261,185,924
2013/14	154,682,214
2014/15	88,315,769
2015/16	96,291,408
2016/17	<u>123,829,183</u>
Total	<u>1,048,694,130</u>

PART 4

ACCOUNTABILITY OF SPENDING UNITS

CHAPTER 14: ACCOUNTABILITY OF SPENDING UNITS

14.1 SPENDING UNITS

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

14.1.1 Financial Administration of a Spending Unit

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

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

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

14.1.2 Accountability of a Spending Unit

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

CHAPTER 15: MINISTRY OF AGRICULTURE AND FOOD SECURITY

15.1 RECURRENT REVENUE

The recurrent revenue budget for the Ministry of Agriculture and Food Security was M38,707,109 while actual revenue collected was M19,741,145 resulting into under collection of M18,965,964 or 49 per cent. Management responded that a reason for under collection was that most of the inputs (fertilizers and seeds) were not sold to the individual farmers but were rather allocated to the government blocks hence the Ministry did not accomplish the target on revenue collection.

15.2 SMALLHOLDER AGRICULTURAL DEVELOPMENT PROJECT

The Smallholder Agricultural Development Project targets smallholder farmers and farmer groups that need support to improve their operations and sources of livelihoods, and have the basic resources and motivation required in successfully improving agricultural productivity and diversifying into market-oriented agriculture.

15.2.1 Loss of Project Funds – M195,000

It was discovered that during the financial year 2016/17, funds disbursed to Moroe Nursery of Mafeteng and Farmers Pride of Butha-Buthe (both CGP Grants recipients' -7th Round) amounting to M95,000.00 and M100,000,00 respectively were allegedly invested by both grants recipients, into the pyramid scheme called MMM which then collapsed.

The two cases were reported to the Police by the Project Manager who in turn was advised to negotiate with perpetrators on repayment of misappropriated funds. However, at the time of audit in September 2017, a loss report was not yet submitted to the Principal Secretary for Finance regarding the loss.

Management was advised to ensure that donor funds are strictly used for intended purpose and also to improve internal controls for good management of such funds. It was recommended that Grants recipients should pay back the moneys invested in the collapsed

pyramid scheme and to report the loss to the Ministry of Finance as required by law.

15.2.2 Unaccounted stock of cement

The audit of SADP Project revealed that four hundred and eighty (480) bags of cement costing M38,402.50 were bought with the intention of constructing a storage tank at Hleoheng Sub-centre in the Leribe District. The delivery note indicated that cement was delivered on 11 November 2016 to the Ministry of Forestry, Leribe as an implementing agency.

It was further established that construction of the tank had not taken place as of October 2017. There was no cement kept in store and the records did not indicate whether cement was issued to other Sub-centres. The Procurement Officer at the Ministry of Forestry could not account for the cement and the loss was not reported to the Principal Secretary for Finance as requested by law.

Management was advised to investigate the matter further and take appropriate action.

15.3 DEPARTMENT OF LIVESTOCK SERVICES

The DLS within the Ministry of Agriculture and Food Security (MoAFS) is charged with the responsibility of developing a conducive policy framework, technical support for improved livestock production and provision of specialised livestock husbandry services. The main objective of DLS is to address the national objective of poverty alleviation, food security, income-generation and agricultural diversification.

DLS was failing to meet these objectives as the number of Basotho living below poverty line was increasing. OAG therefore decided to undertake an audit to assess measures used by the Department to help livestock farmers increase productivity in livestock and livestock products.

The following anomalies were identified:

15.3.1 Increasing Productivity

The DLS facilitates for farmers to achieve self-reliance and increased income for livestock producers through animal husbandry and veterinary services while protecting and regenerating the underlying natural environment and resource base. However, DLS has failed to assist farmers to increase productivity and achieve self-reliance. This is evidenced by the following shortcomings:

a) Breeding of Stock

DLS has two hatcheries for poultry and fish, which were both established in early 1970s to produce high quality breed from the hatcheries and sell it to farmers in all districts at a subsidised price, with the sole purpose of increasing productivity. It was found out that for the years under review, the breeding stock at DLS no longer met farmers' demands. DLS attributed unavailability of breeding stock to lack of funds to the extent that it was forced to dispose off breeding for chickens and dairy goats because of shortage of feeds. However, scrutiny of the budget and other plans reflected that DLS did not plan or budget for these activities and instead, they facilitated procurement of breeding stock for farmers.

In the Mokhotlong District, the audit team discovered that there were piggery and merino sheep breeding centres under District Agricultural Officer (DAO), which were still operational with the stock of eighty (80) sheep and thirteen (13) pigs kept to be available for farmers from all the districts. Further investigations revealed that the stock could not even serve the entire Mokhotlong District. However, during the course of audit, the team learned that piggery-breeding structures were refurbished and there were about fifteen (15) pigs available at Lesotho Agricultural College's (LAC's) structures. On the other hand, during inspections of hatcheries in Maseru, the team learned that out of nineteen (19) structures for poultry parenting and keeping, seventeen (17) structures were dilapidated while two had been renovated. There was no breeding stock kept in any of the hatcheries.

Lack of breeding stock can hinder farmers from becoming commercial as they might incur more expenses whilst

procuring breeding stock at high prices from the Republic of South Africa (RSA) and other individual farmers within the country as opposed to buying breeding stock from DLS at a subsidised price.

b) Transportation of Breeding Stock

In order to meet the demand and supply of breeding stock to farmers, DLS facilitates importation of breeding stock from RSA farms. Prior to 2010, DLS provided appropriate transport to farmers for delivery of breeding stock from the selected RSA farms to their respective farms.

However, the team learned that DLS did not have vehicles suitable for livestock transportation anymore. Farmers had to use their own vehicles or hire vehicles for transportation of their animals. As a result, farmers incurred expenses when using their own or hired vehicles to transport breeding stock from RSA farms; as opposed to when DLS used to provide them with suitable trucks. Interviews also revealed that some of the animals died along the way due to inappropriate vehicles that farmers used to transport them.

It was recommended that DLS should secure adequate resources so as to renovate breeding structures for parenting and keeping of breeding stock and should also ensure its availability to farmers as and when needed. DLS was also encouraged to liaise with farmers for approval of suitable conveyers so that all the time, animals get transported with appropriate vehicles to ensure their safety.

c) Animal Health and Productivity

Animal Health Division (AHD) uses the Drugs Store at DLS to store veterinary drugs and vaccines to ensure their steady availability to farmers for prevention of diseases and curing animals. The Department also keeps semen obtained from cattle from other countries in cold storage for farmers to use for artificial insemination. Farmers were supposed to buy these at a subsidized price. However, it was established that DLS could not continue procuring drugs and vaccines as well as semen for farmers due to lack of funds.

The team was informed that the Department used to acquire funds for procurement of breeding stock from the Cattle Revolving Fund and from the Department's annual budget. The team further established that the Cattle Revolving Fund could not be traced within IFMIS. According to DLS this situation had prevailed since the inception of IFMIS in 2009 and therefore DLS could not access funds from the fund. The Department's annual budget could not meet all the planned activities without additional funds from the Revolving Fund.

Furthermore, it was found out that farmers in Mokhotlong decided to enhance their knowledge on Artificial Insemination (AI) through international training hence they were doing artificial insemination on their livestock. Farmers from other districts visited Mokhotlong farmers to learn how to do AI on their own as well. The team established that in all the districts visited, farmers did AI on their own without the assistance of Livestock Officers.

Unavailability of drugs at DLS and DAO resulted in farmers buying from individual clinics without subsidy. On the other hand, this affected productivity as Livestock farming became expensive and not every farmer could afford to buy medicines for their animals or import semen from other countries.

It was recommended that DLS should secure adequate funds to procure necessary drugs and vaccines for curing and preventing diseases and semen for artificial insemination. Farmers should access these necessities at a subsidised price.

15.3.2 Technical Backstopping of District Officers

DLS is charged with the responsibility of providing technical backstopping to staff from the districts and producer associations, when expertise is needed during training of farmers in order to equip farmers with knowledge and skills on livestock management. DAO makes a request for backstopping, which should be channelled through the Department of Field Services (DFS) to the DLS. It was however discovered that DLS planned to provide sixty (60) technical backups for staff from the districts on small stock activities, breeding site selection, two sheep studs as well as twenty meetings

with national associations. Instead, DLS offered only six out of the sixty planned district training interventions.

It was also found out that DLS was invited when drawing a training schedule that would be followed when conducting training. However, it was established that DLS rarely attended to the invitations or followed the schedule made by DAO for backstopping due to lack of funds and transport.

It was recommended that the Director DLS should, in liaison with Director DFS, draw plans to ensure that necessary resources are available for implementation and technical backstopping to District Livestock Officers.

15.3.3 Reporting Status of Animal Diseases

In accordance with the World Organization for Animal Health, which develops standards for international trade in animals and animal products; the DLS has to carry out continuous active surveillances, so as to control and manage movement of livestock and livestock products within and outside the country. This is done to prevent the introduction and spread of diseases such as Foot and Mouth Disease (FMD), Tuberculosis (TB) and Brucellosis. DLS has to report the status of the above-mentioned diseases in the country to Office International des Epizooties (OIE)¹. Non-complying countries were banned from exporting meat and other animal products to other countries. In the case of Lesotho, it would be exportation of wool and Mohair.

Every year, the Department collects two thousand (2000) cattle blood samples from ten districts for FMD testing, in order to comply with World Organization for Animal Health requirements. The samples are stored in the National Laboratory at DLS where basic tests are carried out. Before submission to OIE, two hundred (200) being 10% of the samples are submitted to Botswana National Veterinary Laboratory (BNVL) and Onderstepoort Veterinary Laboratory Institution for validation test. The sum of eighty thousand Maloti (M80,000.00) would be paid for the service. However, the team learned that the DLS sometimes delayed to submit its reports to OIE due to the following reasons:

¹ This is the Office of the World Organisation for Animal Health

- Delays to get samples due to the strategy they used for taking samples from ten (10) cattle in one district, of which, some districts were not easily accessible. It was also found out through documents review that for the financial year 2013/14, DLS did not visit districts to liaise with Veterinary Doctors to carry out surveillances instead they relied on samples collected and submitted by District Veterinary Doctors. That could result in submitting reports to OIE, which were not truly representative of the country; as Officers may get samples from nearby areas or those that were easily accessible.
- For other years, samples got rotten in the dysfunctional cold room due to power cuts caused by non-payment of electricity as it happened in September 2015 whereby 2000 samples got rotted in the cold room.
- Lesotho still owed Botswana money that was supposed to be paid for re-testing in the financial year 2014/15 hence the delay to submit samples for subsequent years. However, the team could not verify whether eighty thousand Maloti (M80,000.00) for testing services was budgeted for in the financial years 2012/2013 to 2015/16 as the amount did not appear in the budget estimates.

Failure to comply with laid-out terms of submission could have a negative impact on international relations. Lesotho would be banned from trading wool and mohair with other countries, in particular, China. Farmers would lose their income and the Country's GDP would thus be negatively affected.

It was recommended that DLS Management should ensure the availability of laboratory services through approval of the Ministry's budget as it is crucial for the Department to comply with international standards to enable the country to participate in international trade in animals and their products, thus boosting Lesotho's GDP and ensuring that farmers do not lose their income.

15.3.4 Control of Disease Outbreaks

a) Vaccination

One of DLS responsibilities is to conduct countrywide annual vaccination and dipping campaigns to curb diseases such as anthrax and rabies that hamper improved and appropriate livestock

production and productivity. It was however discovered that campaigns were not done as per plan due to lack of funds. The Department vaccinated animals where there were outbreaks only, as opposed to the good practice of vaccinating to prevent diseases. For example, in 2014/15 the Department had planned to procure 600,000 doses of Blanthrax vaccine and 60,000 doses of Rabbits vaccines but failed due to lack of funds. However, due to the Anthrax outbreaks in the four districts of Berea, Maseru, Mafeteng and Mohale's hoek, the Department requested funds from the Contingency fund and managed to procure 300,000 doses of Blanthrax and 52,000 doses of Rabies vaccine only. This practice could result in widespread of diseases and reduction in livestock production.

b) Curative Diseases

DLS offers curative services on reported cases of disease outbreaks. They visit the affected areas and offer treatment to animals and advice and support to communities on the measures to be taken to stop the outbreak from spreading further and to prevent people from being infected. However, the team found out that several times there were out-breaks and DLS did not have adequate funds to offer curative services. They would be allowed to request for funds from the contingency fund and attendance to outbreaks would thus be delayed whilst still awaiting approval for release of funds. That could lead to prevalence of animal diseases, as they could be widespread.

It was recommended that DLS should budget for curative services and should ensure that services on the prevention and control of diseases are carried out as efficient and effective as possible.

15.3.5 Disease Surveillance

DLS has to carry out countrywide passive and active surveillance to monitor the state of notifiable diseases and prevent the introduction of FMD and spread of TB and Brucellosis. However, the department failed to carry out those surveillances to the expected level due to lack of funds. It was established that 90% of the budget was for salaries and running costs. For instance, in the financial year 2013/14, the plan was to carry out surveillances and issue out 12 monthly reports showing levels of diseases discovered or their prevalence. It was revealed that only one report was issued on FMD surveillance whilst the rest of the proposed programmes were not

achieved. The team further learned that vaccination campaigns for zoonotic diseases were not carried out annually. However, in the financial year 2015/16, there were disease outbreaks and DLS had no resources such as reagents, vaccines and transport to respond to those outbreaks. FAO development partners chipped in and supplied vaccines. It was then that DLS could manage to carry out vaccination campaigns. The Annual Report 2014/15 states that lack of official transport led to dependency on farmers' transport.

DLS had stopped vaccinating animals for prevention, instead vaccination was carried out only when there were outbreaks. In most cases, vaccination covered only 30% of the affected districts. This had a negative impact as the diseases continued to spread, animals died and the quality of the produce was also affected. Also, prevalence of diseases such as anthrax could affect the economy of the country as the country could be banned from exporting wool.

It was recommended that DLS should secure adequate resources on time to carry out surveillances and vaccinating for prevention instead of attending to outbreaks only.

15.3.6 Coordination

For any organisation to achieve its goals, there should be proper monitoring and coordination of activities. The team found out that activities of the Department had been decentralized following the Unified Extension System (UES)². UES ensured that all Departments within the Ministry of Agriculture in the districts were answerable to the DAO. Districts drew their own budgets, which included salaries of all District Officers. However, through interviews with DAOs and District Animal Production Officers (DAPOs) the team learned that there was no coordination of efforts between DLS and DAO. District Livestock Officers reported to DAO not to Director DLS. A consolidated report of all Agricultural Departments within each district was sent by DAOs to the Department of Field Services (DFS) at headquarters in Maseru. There was no liaison between DLS and DFS with regard to activities carried out at district level. DLS did not get any report either from DAOs or District Livestock Officers. It was further established that it was only Veterinary Doctors who

² UES is the Agricultural Policy and capacity building programme meant to ensure National and House- hold food security and accessibility.

submitted separate reports on technical matters, directly to DLS; the format of which differed from the one given to DAO.

As a result, DLS had neither control nor influence on the activities carried out at district level; unless when DLS officers were invited to backstop. The frequency of invitations had also diminished as district officers argued that they were fully equipped to handle their activities without the help of officers from the headquarters. Livestock production was thus deteriorating within the entire country, as opposed to the envisaged increase in livestock production. This is further disclosed in the Strategic Plan for the Ministry of Agriculture and Food Security 2014-17, P.24 that:

“there seems to be a culture of complacency as projects and plans are not monitored; there is limited follow-up on initiated projects hence failure of most projects which may otherwise contribute to a change in the livelihoods of Basotho as most projects are meant to assist people in rural areas to improve agricultural production.”

Director DLS in liaison with Director DFS are advised to ensure that all District Livestock Officers report all administrative issues to DAO and are given opportunity to directly contact Director DLS on technical issues to enable coordination of Livestock Services at district level.

15.3.7 Staff Utilisation

As a good practice, every organization is manned in such a way that activities are clearly stipulated and that duties are properly segregated. The organogram in every institution shows the structure and a pattern of interaction in a Bureaucracy. However, the team found out that the organogram did not show clearly how positions within DLS structure related. The Director heads the Department of Livestock; while the Staff Compliment reflected five other Directors in different sections who were on the same grade as the Director DLS although they were answerable to her. The staff compliment also showed a vacant position of a Director-General in the same grade as six other Directors although the position was not reflected on the organogram. The team could not establish whether it could be the same position that the Director DLS was holding.

It was established that the organogram did not show clearly how 178 established positions were accommodated in the structure. The team also learned that 110 positions were filled whilst 68 were vacant. It therefore raised a concern as to what they were actually doing when all activities were decentralised. This resulted in laxity as officers at the Headquarters could only offer backstopping activities to the districts when need arose therefore depicting a loss of funds to the Government for paying salaries to people who are not performing any functions.

It was recommended that DLS should re-visit the staff compliment and organogram to ensure clear allocation of duties to all staff members and to ensure that all staff members perform their duties as expected. Job descriptions should also be reviewed.

16.1 BUDGET PRIORITIES

- a) Strengthening and decentralisation of school inspections.
- b) Continuation of construction and renovation of school infrastructure.
- c) Funding the school-feeding programme.
- d) Procuring free primary education teaching and learning materials.
- e) Localising senior secondary education and revamping technical and vocational training.

The ministry has reported the following in regard to the priorities for the financial year 2016/17:

- Inspections were conducted in 780 of the 800 primary schools that were planned. The remaining schools could not be inspected due to transport challenges. An expenditure of M528,281.57 was incurred out of a budget of M800,000. Inspections were also conducted in all 340 secondary schools that were planned for.
- Fifteen classrooms were built and furnished in five schools in the Leribe district.
- All monthly wages for caterers and cooks were processed and paid.
- Books for grade 6 were purchased and delivered.

CHAPTER 17: MINISTRY OF FINANCE

17.1 DIVIDENDS FROM FINANCIAL PUBLIC CORPORATIONS

The budget for dividends from financial public corporations for 2016/17 was M139,042,227 while actual revenue received was M32,240,653, which was 23% of the budget execution. The financial public corporations that paid dividends totalling M32,240,653 in 2016/17 are as follows:

Date paid	Corporation	Amount paid
24 May 2016	AON Lesotho	384,714
13 June 2016	Standard Lesotho Bank	24,125,000
02 August 2016	Maluti Mountain Brewery	2,049,323
16 November 2016	Maluti Mountain Brewery	1,026,816
29 June 2016	LNGIC	2,721,200
29 August 2016	LNGIC	476,600
15 December 2016	LNGIG	1,457,000
Total		32,240,653

17.2 MANAGEMENT OF IFMIS

In the previous financial year audit report, an issue of Inadequate IT controls was raised over the IFMIS that adversely affect quality, validity, completeness and accuracy of information processed.

17.2.1 Inadequate controls

The following are some of the specified lack of controls:

a) Obsolete Anti-virus

The government Ministries, Departments and Agencies (MDAs) are using centralised anti-virus called McAfee hosted through the Ministry of Communications, Science and Technology, with the goal of cutting costs. However, there has been a delay and failure to renew the McAfee antivirus, resulting in some machines being highly vulnerable to virus, malware, spyware, worms, etc. and therefore contaminate the network. This could lead to slowing down of the network and contamination of IFMIS reports.

b) Inappropriate Access Privileges

The audit disclosed that one Operations Supervisor and seven Assistant Application Support officers were granted access in the production environment. This means they were involved in processing of some transactions that were meant to be end-users-level's functions in the MDAs. If the control of segregation of duties is not observed, there will be no barrier preventing fraud that may be perpetrated by an individual or occurrence of unintentional errors.

c) Unstructured data Centre cabling

During the audit, it was observed that the cabling in the IFMIS data centre was set without following the standards and best practices. The situation could lead to disruption in production because cables would be twisted thus causing transmission troubles. Furthermore, a problem with excessive and unstructured cabling results in overheating of equipment, as the wires block the airflow and ventilation of the centre, causing too much heat, which can eventually lead to slow-downs and even equipment failure.

17.2.2 Inadequate Capacity in the IFMIS

I raised a concern in the Audit Report for 2013/14 about the inadequate involvement of Treasury in the initial stage of design, configuration and implementation phases, and adequate skills transfer to the core IFMIS team. There was dependence on the integrator on implementation matters.

I have further established that the organisational structure for IFMIS team appeared to be flat and not facilitating opportunity for growth hence a high staff turnover. The established positions for IFMIS team consists of one IFMIS Senior Application Support Officer and twenty-four (24) Assistant Application Support Officers of which ten were vacant. This situation further compromises some internal controls such as segregation of duties as all Assistant Application Support officers have same job descriptions.

If the issue of organisational structure is not addressed, there will always be dependence on the integrator.

CHAPTER 18: MINISTRY OF HOME AFFAIRS

18.1 RECURRENT REVENUE

Budget for the Ministry of Home Affairs was M23,116,000 while actual revenue collected as per Ministry's records was M40,549,147 while IFMIS records reflected M39,976,727 as actual revenue collected under the Ministry of Home Affairs.

Management responded that there was over collection on passport services because of the Lesotho Special Permits (LSP) whereby many people applied for passports in order for them to get work permits to work in the Republic of South Africa.

Citizenship was granted to one hundred and forty-seven (147) people in 2016/17 and this was a biggest number of granted citizenships in a year than in the previous years hence the increase in revenue collection. Lots of permits were also granted to clear the backlog from previous years.

18.2 CELEBRATION OF 50TH ANNIVERSARY OF LESOTHO'S INDEPENDENCE

The Government decided that the independence celebration which was due on 4th October 2016 be a very grand occasion as it marked the 50th year of Lesotho's independence. This celebration necessitated a good number of costly arrangements for catering, structural improvements on the celebration grounds and beautification of Maseru the capital in which the celebration was going to take place.

I have the following concerns in regard to this celebration:

- a) Since this was a planned occasion, I had expected to be provided with a plan indicating activities to be carried out and expenditure thereon. However, there was no plan nor a Cabinet Memorandum provided for audit and therefore I could not ascertain whether activities carried out were compliant to the intentions of Cabinet.
- b) The government incurred recurrent expenditure of M1,332,584 on catering services and other items. The amount of M900,000

incurred on catering services for 3,000 people could not be verified as there were no controls in place, such as issuance of coupons, to validate the number of people fed.

- c) The Ministry of Home Affairs also requested sponsorship from other people with goodwill to finance this celebration. People responded positively to an appeal for donations. All moneys from sponsors were deposited into a bank account called "Sethabathaba" which was opened with the Lesotho Post Bank. Examination of bank statements and payment vouchers for the period January 2015 to January 2018 revealed that total deposits into the account amounted to M6,073,594 while expenditure amounted to M5,432,086 broken down as follows:

Meals/catering costs	2,621,430
Transport	230,998
Accommodation	408,550
Other Expenses	1,969,743
Cash withdrawals	181,500
Bank charges	19,865
Total	5,432,086

- d) The Ministry of Home Affairs issued Instruction Letters bearing purpose of withdrawal to the bank for cash withdrawals to the amount of M181,500.00 reflected on Table 19.2. I was not provided with evidence that the money was actually received by bona fide beneficiaries or used for items actually received.

Table 19.2 – Cash Withdrawals

Date	Amount withdrawn	Charges to withdrawal	Total	Reasons for withdrawal
30/09/2016	10,000.00	120.00	10,120.00	Per diem in respect of 25 Chinese delegation for honour of 50 th Jubilee.
03/10/2016	100,000.00	1,000.00	101,000.00	- 4 performers at M15,000 per group - M14,600.00 for traditional attire to be used by performers - M24,400.00 for Purchases of cable ties, illuminating wires, rip cord, strip connectors, metal starters and nitto pvc.
16/11/2016	5,000.00	60.00	5,060.00	Gifts for 10 members of

				Spitfire team.
07/02/2017	18,500.00	222.00	18,722.00	Payment of subsistence allowance to 15 casual labourers engaged to do manual work on Independence torch lighting, Independence day, Armistice and spitfire unveiling.
16/03/2017	8,000.00	96.00	8,096.00	Instruction letters to the bank not available for audit.
27/06/2017	15,000.00	180.00	15,180.00	
28/07/2017	5,000.00	60.00	5,060.00	
12/09/2017	20,000.00	240.00	20,240.00	
Total	181,500.00	1,978.00	173,478.00	

Source: Records of the Ministry of Home Affairs

18.3 OFFICIAL BURIAL OF A FORMER MINISTER

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

My audit established that an advance of M498,483.00 from the Contingencies Fund was granted to the Ministry of Home Affairs in April 2016 for an official funeral of a former minister, Honourable Ntsukunyane Mphanya. Examination of the records of the Ministry of Home Affairs further revealed the following:

- There was no Cabinet Memorandum for an official burial of this particular minister and also government does not have a policy on official funerals. In the absence of such documents, I could not determine whether expenditure incurred was within parameters of the law.
- Catering costs amounted to M427,852.90 for 4,662 people which is 86% of the advance amount. This high cost could have been avoided if the option of catering services was weighed against the option of buying food for the bereaved family. For argument sake, if five to ten cows were bought for the family at M10,000 each, then the cost of meat would range from M50,000 to M100,000; and groceries and vegetables at around M80,000 to M100,000, so Government would have spent a maximum of M200,000 only.

These anomalies calls for government to come up with a policy on key activities to be covered for state and official funerals from public funds.

18.4 NON COMPLIANCE TO THE REGULATIONS ON CATERING SERVICES

The audit established that the Ministry of Home Affairs did not comply with laws governing catering services and management of public funds.

Caterers were engaged without catering licences from the Ministry of Tourism. Section 15 (1) of the Accommodation, Catering and Tourism Enterprise Act of 1997 specifies that no person shall operate an accommodation, a catering or tourism enterprise unless the person has obtained a valid licence from the Board. Copies of licenses attached to the payment vouchers were manufacturing/traders licences from the Ministry of Trade and Industry. For example:

- Two caterers were engaged to provide services at a total amount of M20,460.00 for a burial of a former minister.
- Seven suppliers were engaged to provide catering services totalling M45,530.00 for 50th Independence celebrations.

It was further discovered that invoices were raised before purchase orders could be issued to the suppliers. The dates on invoices were earlier than dates reflected on purchase orders. This violation of Government procurement procedure raises a doubt as to whether payments were made for services actually rendered.

- Invoices totalling M402,000.00 for the burial of Honourable Mphanya were raised before purchase orders could be issued to the suppliers .
- As for 50th independence celebration, invoices to the amount of M916,370.40 were raised before purchase orders were issued to the suppliers.

CHAPTER 19: MINISTRY OF COMMUNICATIONS, SCIENCE AND TECHNOLOGY

19.1 ULTIMATE RADIO BROADCASTING WITH EXPIRED LICENCE

Section 16(1) of the Lesotho Communication Authority (Administrative) Rules, 2016 states that the Authority shall cancel an assignment of numbers where the assignee fails to pay prescribed fees and fails to comply with directives of the Authority.

I have noted that Ultimate Radio has failed to renew its licence and as a result, not complied with the rules of the Lesotho Communication Authority (LCA). Its licence expired on the 14 May 2016. Since the expiry of the licence, Ultimate Radio has been operating without a licence. I also noted that the assignee was given an opportunity to make representations as required by the rules but the assignee never responded.

I advised LCA to impose rigorous action on the expired licence of Ultimate Radio. The Authority wrote letters to Lesotho National Broadcasting Services (LNBS) but even after escalating the matter to the Board of Directors, which requested the assistance of two previous Ministers to intervene, LNBS did not regularise the matter. In September 2017, Ultimate Radio Station still owed fees and operated without a licence.

CHAPTER 20: MINISTRY LAW AND CONSTITUTIONAL AFFAIRS

20.1 RECURRENT REVENUE

The consolidated financial statements reflect recurrent revenue of M11,477,647 under the Ministry of Law and Constitutional Affairs. Included in that amount are receipts amounting to M10,666,234 derived from trading activities of the Government Printer. The receipts from trading activities should have not been included under recurrent revenue as such monies are ploughed back to the trading account and the year-end balances are carried forward to the next financial year for business operation.

The recurrent revenue of the ministry was therefore overstated by M10,666,234.

20.2 DEPARTMENT OF ADMINISTRATION

a) Irregular Payment of Accommodation

Members of Parliament Salaries (Amendment of Schedule) Regulations, 2016 provides in Schedule 2 Category B that in the absence of a fully furnished government house, Ministers, Speaker of the National Assembly and President of the Senate are entitled to a tax-free housing allowance of M5, 000.

Contrary to the regulation, the Minister was accommodated at Avani Lesotho hotel from 11 March 2017 to 1 June 2017 and a payment of M383,304.53 was made to the hotel for his accommodation, meals and soft drinks. It is understandable that the minister can stay in a hotel for some few days while preparations are being made for a government house but there is no provision in the law that the minister can stay in a hotel. Moreover, the Minister drew a tax-free **expense** allowance of M5,000 per month while his meals and drinks were paid by the government.

If the Members of Parliament Salaries (Amendment of Schedule) Regulations, 2016 were complied with in the absence of a fully furnished government house, the government would have paid M15,000 and saved M368,304.53 for that period of 3 months. A tax-free expense

allowance of M5,000.00 per month would have not been paid as long as the Minister was staying in a hotel and the Government was paying for his lodging and accommodation.

It is evident that the law should be amended to cater for a short stay in a hotel, maybe for a period not exceeding 14 days, if the minister is unable to move into suitable accommodation upon appointment.

20.3 REGISTRAR-GENERAL

20.3.1 Revenue not realised in Registrar-General's books of accounts

Lesotho is a member of the World Intellectual Property Organisation (WIPO) and according to the Madrid Agreement on International Registration of Marks, Protocols and Regulations, WIPO has to transfer Lesotho share yearly.

For 2015/16 financial year, Lesotho's share was CHF100,371.34 (Swiss Francs) of which an amount of CHF1,424 was retained for payment of Lesotho's subscription leaving a balance of CHF98,947.34 equivalent of M1,220,248.28). In 2016/17 financial year, Lesotho's share was CHF122,746.41 and a subscription fee of CHF1,424 was retained resulting into a balance of CHF121,322.14 equivalent to M1,867,467.33.

Both amounts were received and credited into Government Revenue Account. However, that total amount of M3,087,715.61 was not brought into account in the books of the Registrar-General and thus understating revenue of the ministry. It appears that the Registrar-General did not make a follow-up with WIPO to inquire about Lesotho's share and hence the money received by the Central Bank of Lesotho was not brought to account.

Management was advised to make regular follow-ups with WIPO and Treasury to ensure all monies are brought to account in the books of the Registrar-General.

20.4 CIVIL SECTION

20.4.1 Wasteful Expenditure

The Civil Section and Human Rights occupied Unit 3 at Sun Gardens sub-leased by Jose Investment Property Pty Ltd in August 2014. The Sub-lessor was requested to install the blinds in all offices at its expense of M84,679.00 and would be refunded by the Ministry of Law and Constitutional Affairs.

The Ministry refunded the Sub-lessor M42,339.50 leaving a balance of M42,339.50 which remained outstanding until the Ministry of Law was taken to court (case number CCT/0251/15) for failing to pay the balance. In April 2016, the court ruled that the ministry should pay Sub-lessor litigation costs amounting to M8,962.65 and interest of M15,665.62 calculated at the rate of 18.5% per annum. The ministry eventually paid the Sub-lessor a total amount of M66,967.77 due to negligence and the amount of M24,628.27 (litigation costs and interest payment) is fruitless expenditure.

It was recommended that Management should take disciplinary action against officers who caused government to incur fruitless expenditure and also to ensure that a loss report is submitted to the Principal Secretary for Finance for the loss.

20.4.2 Costs incurred by the Ministry of Law on Swissborough Diamond Mines Vs Lesotho Government

I have already stated under Liabilities Section that there is contingent liability for Compensation claim of M33 million against Swissborough Diamond Mine for cancelled mine contract. The case started as far back as 1990 during the Military Government and it is still going on. At stake is a claim against the Government of Lesotho in the amount of M3 billion as compensation award. From time to time the Ministry of Law requests special funding from the Ministry of Finance to settle professional bills and/or make other necessary payments in relation to the litigation, as its budget cannot conceivably finance a case of this nature, which according to management, it is an extremely expensive litigation. For instance, in 2015/16 expenditure incurred on legal costs, international subsistence allowance and taxes amounted to M24,003,044 and expenditure in 2016/17 was M15,633,713. The government has also

lodged an amount of M25 million as security pending final award by the Singapore Williams Tribunal.

The case has been tracking for a long time and continues to cost government a lot of money. The expenses incurred on this litigation for the past 28 years could be closer to claimed compensation award. The government should, maybe, consider out of court settlement to save taxpayers money if Singapore Williams Tribunal rules unfavourably.

20.5 GOVERNMENT PRINTING

20.5.1 Non-preparation of Financial Statements

Sections 12 and 13 of the Government Printing and Stationery Trading Account Regulations 2011, require the Government Printer to maintain proper books of accounts as directed by the Accountant-General and submit the financial statements to the Auditor-General for audit at the end of the financial year, not later than the 30th June of the following financial year.

The Department of Government Printing failed to prepare financial statements and submit them for audit as required by the regulations. One of the possible contributing factors is that the Department did not maintain the books of accounts such as cashbooks, journals, subsidiary/general ledgers etc.

Non-maintenance of books of accounts and non-preparation of financial statements compromise proper accountability of public funds and the quality of information used by management for decision-making.

Management was therefore advised to see to it that proper books of accounts are maintained and the financial statements are prepared at the end of every financial year and submitted for audit according to the regulations quoted above.

20.5.2 Unaccounted for Revenue

All revenue collected must be paid directly into the bank account and be brought to account in the Treasury General Ledger, without any deduction whatsoever. It is also a control requirement that all receipts and debit voucher cash sales issued to the customers for all

sales made by the Department must be recorded in the register kept by the security personnel at the gate. The amounts recorded in the security personnel register and those reflected on the copy receipts and debit voucher cash sales duplicate must therefore reconcile.

Scrutiny of records revealed the following anomalies:

- The register maintained by the security personnel at the gate showed a total amount of M96,838.80 while the copy receipts reflected M31,757.00, resulting into a variance of M65,081.80 that was not brought to account.
- Copy of receipt number D568910 dated 27 January 2014, issued to Police Training College showed an amount of M28,479.00 whereas actual amount received was M88,478.90. That resulted into a variance of M60,000.00 which was not accounted for.
- Management had already acted upon this matter where disciplinary hearings were held against the four (4) officers involved, and they were dismissed. Their salaries were stopped per Casualty Returns, effective from 1 October 2014 however, three of these officers were irregularly paid salaries totalling M10,181.00 for the month of October 2014 and that increased the loss to the Government to a total of M70,181.00.
- At the time of audit in February 2017, the embezzled amount of M60,000.00 was not yet recovered. Management responded that the embezzled funds could not be recovered because the officers were already dismissed. The expectation was that all the monies would be recovered from their terminal benefits but that was not the case; as they had not signed claim forms to enable Government recover its monies from their terminal benefits due from the Pension Fund.
- Loss reports were not prepared and submitted to the Principal Secretary for Finance with a copy to Accountant-General and Auditor-General, as required by Section 85 (5) of the Treasury Regulations 2014.

Management was encouraged to undertake regular surprise checks and reconciliations of all documents used for revenue collection to minimise the occurrence of fraudulent activities.

20.5.3 Non preparation of Returns of arrears of revenue

Treasury Regulations 2014 Section 51(2) (d) require Accounting Officers who are responsible for the collection of revenue to render, within one month of the end of the financial year, a return showing all amounts which remained uncollected at the end of the previous financial year, excluding bills raised in March. Section 51(3) further indicates that the returns of arrears of revenue should be rendered to the Principal Secretary for Finance with a copy to the Accountant-General and to the Auditor-General.

It was observed that there were credit sales to some Government Ministries amounting to M1,029,138.68, M3,209,762.10 and M22,355,460.21 for financial years 2013/14, 2014/15 and 2015/16 respectively. However, the returns were not prepared showing all amounts, which remained uncollected at the end of the financial years.

A recommendation was made that management should prepare returns showing uncollected revenues at year-end, and that follow-ups are made to recover those revenues outstanding to avoid loss of revenue and non-accountability of public funds.

20.5.4 Amounts owing by the Government Printer

The Government Printer has made an arrangement that ministries and departments should pay for the goods before they could be supplied. This arrangement was contrary to Treasury Regulations 2014, Section 24(5) (a) which requires that payments should be made for goods actually received or services actually rendered as also stipulated in a Government Contract.

It was found out that some ministries had paid the Government Printer for goods not actually supplied. At the time of audit, the amounts of goods not supplied to ministries for the years 2013/14, 2014/15 and 2015/16 were M206,078, M356,980.18 and M508,698.78, respectively. Moreover, there was no report showing the goods owing to ministries.

The Government Printer was advised to abide by the Treasury Regulations as paying for goods not yet received can promote

corrupt practices. The officers may collect such goods for their own benefit and may never reach the respective Ministries/Departments.

20.5.5 Non-payment of delivered goods

The Specification of goods or services for tender, detailing features and quality of products or services required is one of the most integral parts of the procurement process. It should be comprehensive, definitive and unambiguous, and should not specify the brand names as this might compromise the competition, but should be made to a possible extent generic. Therefore, on delivery of goods ordered, the officer receiving goods must ensure that the goods meet the specification before they can be paid for.

Tenders were invited for the supply of materials, paper and stationery on 21 January, 2015 per tender notice No. 1 2015/16. Included in Group B, category 12 to 15 of this tender was a supply of "Ball Point Pens Transparent – Lesotho Government Blue/Black Ink". Tenders were evaluated against the specified requirements of which one supplier, D2 Graphics was recommended by an Evaluation Team as the most qualifying bidder for the supply of pens and approved by the Tender Panel per minutes dated 15 April 2015.

It was upon this approval that an Order numbered LPO 00744 was issued to D2 Graphics to supply 80 000 pens costing M191,200.00. Upon delivery, the Marketing Officer and the Procurement officer agreed that the pens were delivered as per specification and were promptly signed for by both officials on 26 August 2015. However, the supplier was not yet paid the amount of M192,200.00 due in January 2017 on the basis that the pens did not meet the specifications which was the issue never raised on acceptance of delivery. It was further established that the pens were eventually sold out to Government ministries and departments.

I could not establish why the supplier was not paid as the pens had been sold to ministries and departments. I therefore made a recommendation that the amount owing to the supplier should be paid accordingly to avoid unnecessary costs in case the supplier could take legal action against the Government on this matter.

20.5.6 Irregular withdrawal of Dependents Allowance

An officer on study leave is entitled to full salary for the first six months of the study leave, and subsequently to draw dependants allowance at the rate of 50% of the salary for the rest of the study period. On completion of the studies, the officer should serve the Government of Lesotho for a certain period depending on the length of the study leave, failing which the concerned officer shall pay forthwith the outstanding amount of the loan, which should be the officer's gross salary multiplied by the bonding period not served plus interest at the rate to be determined.

The following anomalies were observed in relation to study leave granted to one officer per MPS/P/51259 dated 28 July 2009, to pursue Honours in International Business with Limkokwing University of Creative Technology for four years, effective from July 2009 to June 2013:

- The officer completed his studies within three years, in July 2012, but did not report to work after completion of his studies and on 8 August 2013 he tendered his resignation. It was further noticed that this officer continued to draw the dependants allowance totalling M11,472.00 for a period of 12 months from August 2012 to July 2013, in which case the officer had fraudulently received public funds while he was neither at work nor studying.
- According to the Bonding Agreement, the officer was to serve the Lesotho Government for a minimum period of five years upon completion of his studies, but the officer resigned prior to the expiration of the bonding agreement. Management failed to disclose to Public Service Commission (PSC) that the officer was still under bonding agreement on submission of resignation documents. The PSC therefore accepted the resignation in its 7597th Meeting on 5 September 2013, despite the fact that the officer's bonding agreement period had not yet expired and was therefore liable to pay a total amount of M49,275.00 which is M39,420 plus 5% interest per annum for 5 years.
- The amount of M49,275.00 was never recovered, even though in his resignation letter, the officer pledged to pay the amount owing in monthly instalment of M400.00 effective from October 2013.

Management should have complied with Section 97 of the Public Service Regulations on the "**Bonding Agreement**". More especially with Section 97(5), which requires that if the officer deserts the public service and cannot be traced, the guarantor should be liable to pay the money owed to the Government or forfeit the guarantee. Section 97(8) further states that legal action should be instituted against an officer and or a guarantor who fails to comply with this regulation.

20.5.7 Vacant key positions

The number of established positions of staff of the Department of Government Printing was 136 of which forty-nine (49) positions remained vacant for a period of over three years. These vacant positions included the top managerial or key positions such as Deputy Government Printer, Senior Plant Superintendent, Plant Superintendent, Administration Officer and Controller of Stores. It was further learned from management that there was a time when Government Printing was earmarked for privatisation and an instruction was made not to fill vacant positions. Privatisation never went ahead and many positions remained unfunded.

Management was advised to see to it that the vacant positions are filled in order to enhance the performance and efficiency of the Department.

CHAPTER 21: MINISTRY OF PUBLIC WORKS AND TRANSPORT

21.1 BUDGET PRIORITIES

21.1.1 Introduction of personalised number plates

One of the proposed domestic revenue sources was introduction of personalised number plates by the Ministry of the Public Works and Transport, which would of course cost more than ordinary number plates, and that the Ministry would also revise the cost of registering vehicles, obtaining drivers licences and other payments made in the ministry.

The audit found out that the Ministry had not introduced personalised number plates in 2016/17 and the fees for all services were not increased.

Management responded that the introduction of personalised number plates has been approved by Parliament. The implementation or issuance of these number plates was waiting to be programmed in the National Traffic Information System of Lesotho (E- NATIS).

21.2 ROADS DIRECTORATE

21.2.1 Construction of Likalaneng-Thaba-Tseka Road

The Ministry of Works and Transport awarded a contract to Lesotho Consolidated Civil Contractors (LCCC) in 2006 for upgrading of Likalaneng to Thaba-Tseka (27 kilometers) road from gravel to bitumen (Lot 3) at a price of M158,221,987.00. The road was designed by WSP from UK and the project was financed by BADEA. The construction was completed in July 2010 with the delay period of 2½ years; the defects liability expired in June 2011. The supervision consultants were the Consortium of SM Consulting (Lesotho) as the lead firm, BKS of South Africa and PACE of Kuwait (SM-BKS-PACE JV) at a price of M3,937,129.00.

It was noted that in January 2011 prior to expiry of the defects liability some of the sections of the roads were eroded and damaged by the floods around the village of Rasephooko. To establish the causes of damage that occurred, the Ministry engaged the forensic

expert – Consulting Engineering Centre (CEC) in September 2014 to carry out the investigation and to make recommendations on the type of remedial measures to be instituted in order to minimize or preclude future occurrence of failures of a similar nature. In addition, to provide preliminary cost estimates for the reconstruction of the damaged section of the road of 2.5km long.

The forensic expert reported that some of the documents requested were not available in spite of several requests made and as a result could not confirm whether the original designs were changed through the review design process. The documents, which were not made available were as follows:

- a) Design Review Report prepared by SM Consulting Engineers on the original design (Designed by WSP UK)
- b) The As-Built drawings and the As-Built survey data.
- c) The Draft Final Construction Report
- d) Final Completion Report

In addition, Quality Assurance tests revealed that specifications of designs were not fully complied with, finished road level varied with what was shown on the construction design and the variations were made to some of drainage structures during construction stage. The forensic expert concluded that since the Likalaneng-Thaba-Tseka road is part of the Trans Maloti Highway, which connects Maseru with the seaport in Durban South Africa, should have been classified as a Class A Road. However, the road design made by WSP was based on Class B Road criterion and accordingly the flood return was based on 1:20 years instead of 1:50 years dedicated for Class A Roads. The report emphasised that the supervision consultant (SM-BKS-PACE JV) who was responsible for design review did not address the issue of road class.

Amongst other things, the expert proposed a new route for the road, that the road be raised by 1 metre, installation of gabions etc. He further recommended a full assessment of the whole road, as there were doubts about the carrying capacity as there were signs of deterioration and distress along the road.

Analysis of this contract showed that originally, the construction of this road should have cost M162,159,116.00. However, due to the sub-standard works, there were additional costs of Forensic and

Remedial works amounting to M83,123,154.00 which was fifty-one per cent (51%) above the planned amount, resulting in a total cost of M245,282,270.00 as shown on Table 21.2.1.

Table 21.2.1 - Analysis of funds spent on Likalaneng – Thaba-Tseka Road

Contractor	Nature of work	Amount
Lesotho Consolidated Civil Contractors	Construction of road	158,221,987
SM, BKS and PACE	Supervision	3,937,129
		162,159,116
Forensic Expert	Forensic services	1,687,307
China Geo-Engineering Corporation	Remedial works	76,801,063
SM	Supervision	4,634,784
		83,123,154
Grand Total		245,282,270

Source: Ministry of Works and Transport records

There seemed to be no action taken by the Ministry on the contractor in regard to the fact that the road was damaged in January 2011 during the defect liability period which expired in June 2011. The contractor had to return to the site to remedy the defects.

There was no concrete evidence that SM Consulting Joint Venture properly supervised the road project as they failed to produce the four crucial documents requested by the forensic expert. Furthermore, it could not be ascertained as to how Roads Directorate engaged SM Consulting per Waiver granted on the 24 January 2018 to supervise the remedial works despite the fact that it was the lead supervisor of the Joint Venture of this road whose workmanship was not to the required engineering standards as revealed in the forensic expert report. Therefore, it appears doubtful that value for money would be achieved on the remedial works.

22.1 INTEGRATED WATERSHED MANAGEMENT PROJECT

Integrated Watershed Management Project (Poverty Alleviation Project) started in 1997 under the Ministry of Agriculture and Food Security towards development of 80 constituencies and later it was transferred to the Ministry of Forestry and Land Reclamation. The government currently funds the project with M100 million annually.

The objectives of the project are the following:

- Planting fruit trees and forests
- Preventing soil erosion and building dams
- Engaging soil conservation practices
- Poverty reduction (creating jobs for unemployed citizens)
- Construction of stone lines on denuded slopes / range lands
- Construction of diversions above arable land and directing water flows
- Gully shaping and building of structures
- Tree planting for fuel, wood and stabilization of gullies
- Ponds construction and grass sodding
- Grass seeding on denuded rangelands
- Construction of water storage tanks

The project is not a standalone and has no Project Implementation Unit (PMU), rather it is technically and financially fully administered by the Ministry's staff except for the positions of Senior Accountant, Field Officers and Accountants who are employed on contractual basis and paid from the project's fund.

22.1.1 Irregular payment of staff on contracts

Officers employed on contract should be paid their salaries pursuant to the contract agreement and such salaries should stop immediately when the contracts expire. The project did not adhere to this requirement as stated below:

- a) Five (5) officers were paid a total amount of M155,346.00 for a period of three months after expiry of contract terms and before renewal of their contracts.

- b) Three officers worked for the Project without contracts for the financial year 2013/14 and part of 2014/15 and were therefore irregularly paid salaries to the tune of M412,362.00.

Management was advised to adhere to policies relating to engagement of employees to avoid project funds being paid to ghost employees.

22.1.2 Irregularities in accounting for unclaimed wages

The Project Casual labourers are paid after every 20 working days. If there are labourers who are not present to collect their wages on a payday then such wages are unclaimed. The project officer should prepare a report reflecting how much was paid and unpaid. Such monies should be recorded in the relevant books of accounts and unclaimed wages be deposited intact in the appropriate bank account.

The audit revealed inadequate controls over management of unclaimed wages, which could lead to misuse of funds as indicated by the following irregularities:

- a) Amounts deposited were less than unclaimed wages recorded in the books of accounts. Sometimes unclaimed wages deposited were more than the ones recorded in the returns reports. For instance, Unclaimed wages not deposited totalled M127,438.80 for financial years 2012/13 to 2014/15 and excess deposits amounted to M 394,531.00 for financial years 2013/14 and 2014/15.
- b) There were no deposit slips for unclaimed wages totalling M822,722.60 for the years 2012/13 to 2014/15 and as such it could not be established whether the amounts were duly deposited to the bank.
- c) Deposit slips amounting to M382,235.30 were not supported by return reports and completeness of unclaimed wages deposited could not be validated.

It was recommended that Management should observe all controls that are meant to safeguard Public funds and adhere to all necessary safety requirements. Management responded that the

service providers have been engaged and expected to submit a report on paid and unclaimed wages. Once the report has been submitted, the police would be requested to make thorough investigations of under-deposited unclaimed wages.

22.1.3 Non-reconciliation of bank account

Bank reconciliation is an accounting tool that creates a direct link between the banks records and those of an entity by explaining the differences that may arise between the two records and bring them to the same figure. The entity normally maintains a cashbook to record daily receipts and payments and also for monitoring and analysing cash movement.

The audit discovered that the cashbook was poorly maintained and that contributed largely to non-reconciliation of bank accounts.

- Receipts amounting to M38,954,122.00 were omitted in the cashbook though deposited in the bank.
- Payments totalling M750,206.70 were not recorded in the cashbook.
- RIEs totalling M25,606,255.00 were recorded at the amount of M25,636,548.00 in the cashbook in 2014/15.
- Payment vouchers amounting to M204,595.36 were recorded at the amount of M243,059.77 in the cashbook.

It was further established that the Project Administrator did not prepare a bank reconciliation statements for the three years, 2012/13 to 2014/15. The closing cash balance per bank statement was M10,743,651.00 and per cashbook was M83,304,228 thus leaving a variance of M71,560,577.00.

Management was advised to ensure that the cashbook as a prime document is properly maintained and bank reconciliation performed on a monthly basis to rectify unexplained differences.

22.1.3 Cheques drawn before payment vouchers

Accounting practice outlines that cheques will only be drawn after payment vouchers are prepared as a reflection that the payment process has been completed. On the contrary, there were instances where cheques totalling M454,360.52 were drawn before payment vouchers were processed.

Management was advised to ensure that cheques are drawn based on the payment vouchers to avoid instances of fraud.

22.1.4 Diverted Expenditure of the project

The purpose of the budget is to give notification that constitutes sufficient authority for the project to incur expenditure on authorised items hence the budget should be strictly adhered to.

Examination of records revealed that the project incurred expenditure on goods and services for the ministry instead of the project as indicated below:

- Machinery and Equipment for the department of Forestry to the amount of M224,373.80 and M227,421.00 during 2013/14 and 2014/15 respectively.
- Vehicle rentals amounting to M 64,700.00 and M68, 970.00 in the financial years 2012/13 and 2014/15 respectively.
- Goods to the value of M1,441,766.60 for the Department of Range, Department of Forestry and for the Department of Soil Conservation for machinery.
- Ministry's expenditure to the tune of M4,483,520.37 for vehicle rental and M1,098,524.63 for fuel was charged under project account.

It was recommended that Management should ensure that expenditure is incurred for the Project purposes and not misuse Project's bank account for other activities of the Ministry.

22.1.5 Double payments for training

The normal procedure of the Project was conduct training once every year for Storekeepers, Foremen and Secretaries. These people are chosen from all the catchment areas that form a constituency.

Scrutiny and examination of payment vouchers revealed that training was conducted twice in a year for some constituencies in the Leribe District. The amount paid for training was M216,471.75, however correctness and validity of this amount could not be

verified as attendance lists were not attached to the payment vouchers.

Management was advised to adhere to set procedures and ensure that all supporting documents are attached to payment vouchers for validating amounts paid.

CHAPTER 23: MINISTRY OF TOURISM, ENVIRONMENT AND CULTURE

23.1 BUDGET PRIORITIES

- a) Development of the National Tourism Master Plan and Tourism Strategy
- b) Drafting of Tourism Levy Regulations
- c) Construction of a National Museum and Art Gallery
- d) Designing and installing exhibitions at Sehlabathebe Museum and Environmental Centre
- e) Piloting of an E-waste collection system

ACHIEVEMENTS:

The Ministry reported the following achievements:

- a) The National Tourism Master Plan is being implemented under the Economic Diversification Support Project (EDSP) through the support of African Development Bank (AfDB). AfDB Consultants have been engaged to develop the National Tourism Master Plan and the inception report has been submitted. Master Plan will be completed by August 2018.

The Tourism Strategy for the Maloti Drakensberg Park is an initiative between Lesotho and the Republic of South Africa as a result of the agreement between the two countries, through the support of UNESCO and African World Heritage Fund. Stakeholder's consultative meetings have been completed. Incorporation of the stakeholder's comments and inputs are underway. Draft for the strategy is available.

- b) The Draft Tourism Levy Regulations are developed. The Ministry of Finance is currently reviewing the draft regulations.
- c) The National Museum and Art Gallery construction is on going and it is anticipated that the construction will be completed in September 2018.
- d) The renovation of the old lodge in which exhibition will be installed is under renovation. Exhibition material and installation will take place in the first two weeks of February 2018.

CHAPTER 24: MINISTRY OF LOCAL GOVERNMENT AND CHIEFTAINSHIP AFFAIRS

24.1 BUDGET PRIORITIES

To improve service delivery and good governance at grassroots level through:

- Intensifying the decentralisation reform initiatives by conducting local government elections.
- Upgrading and/or construction of urban roads, construction of rural roads and local government infrastructure which includes the construction of Pitso houses, council and Principal Chiefs offices among others.

24.2 ACHIEVEMENTS ON CAPITAL PROJECTS

24.2.1 Budget Execution on Capital Projects

The approved budget for the Ministry of Local Government and Chieftainship Affairs was M398 million and M394 million was released for capital projects funded by both Government of Lesotho and donor funds. The actual expenditure for all the projects amounted to M325 million which was an overall performance of 82%. I have noted that most of the projects spent above 80% with the exception of Local Government Infrastructure, Development of Rural Community Roads and Solid Waste Management for Urban Councils, which spent 60%, 73% and 76% respectively. Table 24.2.1 show the details of an individual project.

Table 24.2.1 – Budget Execution on Capital Projects

Project	Donor	Budget	Released Funds	Actual Expenditure	Budget Exec. %
Development Fund for Councils	GOL	21,000,000	20,905,142	16,890,904	81
Urban Roads upgrading	GOL	100,000,000	99,903,382	99,903,376	100
Solid Waste Management (Land Fill)	GOL	3,000,000	2,974,070	2,974,070	100
Local Government Infrastructure	GOL	6,000,000	6,000,000	3,577,075	60
Principal Chiefs Offices	GOL	4,200,000	2,572,829	2,570,270	100
Solid Waste Management (MCC)	GOL	3,150,000	3,057,107	2,826,525	92
Development of Rural Community Roads	GOL	200,000,000	200,000,000	145,615,205	73
Construction of Pitso Houses	GOL	500,000	243,348	243,348	100
Design of Urban Roads	GOL	3,150,000	2,678,429	2,538,662	95
Construction of Bus Terminals	GOL	1,050,000	452,409	452,409	100

Solid Waste Management for Urban Councils	GOL	19,000,000	18,999,993	14,407,461	76
Local Government Infrastructure	KWF	31,706,680	31,706,680	31,706,680	100
Local Government Programme	UNDP	5,250,000	5,250,000	1,442,964	100
Total		398,006,680	394,743,389	325,148,949	82

Source: Records supporting Financial Statements

24.2.2 Performance on Development Fund for Councils

A total amount of M20 million was released for development of community councils for the ten district councils in respect of water systems maintenance, construction of footbridges and fencing of graveyards depending on the individual council's needs. Low performance was noted in the Maseru district council and no progress was recorded in Qacha's Nek and Berea district councils while over-expenditure was noted in Leribe and Thaba-Tseka district councils. Table 24.2.2 bears the details.

Table 24.2.2 - Performance on Development Fund for Councils

Council	Budget	Actual	Performance (%)	Remarks
Maseru	3,080,000	766,093	25	Work in progress in six community councils
Berea	2,520,000	0	0	No progress
Qacha' Nek	1,120,000	0	0	No progress
Leribe	3,628,796	4,204,822	116	
Thaba-Tseka	1,680,000	3,327,824	198	

Source: Financial statements of District Councils

24.2.3 Urban Roads Upgrading

a) Lefikeng to Kofi Annan via Ha Seoli and Tsoapo-Le-Bolila Road

Section 38 of the Public Procurement Regulations of 2007 prohibits amendments in the procurement contracts if the amendments change the contractual conditions relating to the content of the tender, except where it is necessary due to unforeseeable circumstances.

Maseru City Council (MCC) signed a contract amount of M90,546,893.89 with the Lesotho Consolidated Civil Contractors (Pty) LTD (LCCC) for upgrading of Lefikeng via Ha Seoli and Tsoapo-Le-Bolila to Kofi Annan Road, Maseru in September 2015. I have noted that the Tender Board approved

the variation amount of M3,663,065.76 for Lefikeng via Ha Seoli and Tsoapo-Le-Bolila to Kofi Annan Road (inclusive of rehabilitation of Palace Road and Pita Road). In September 2016, MCC and HHO Consulting Engineers also signed an Addendum for supervision services for upgrading of Lefikeng to Kofi Annan via Ha Seoli and Tsoapo-Le-Bolila which increased the original contract amount of M3,339,000.00 to M5,533,532.00. This amount included detailed designs for Pita Road and Palace Road in the amount of M350,000.00 and M250,000.00 exclusive of Value Added Tax respectively.

The inclusion of Pita Road and Palace Road as part of variations under Lefikeng to Kofi Annan via Ha Seoli violates Section 8 (1) of the Procurement Regulations, 2007 as there seems to be no concern as to the degree of competition that can be secured and the roads are not linked.

b) Matala Phase 1, Matala to Leqele Bus Stop Roads

The records indicated that Upgrading of Matala Phase 1, Matala to Leqele Bus Stop Roads were contracted to Big Bravo Construction at a contract sum of M119,753,216.23 in April 2013. The Big Bravo Construction subsequently subcontracted Lesotho Consolidated Civil Contractors (LCCC) and no explanation has been provided for sub-contracting and the contract agreement between MCC and Big Bravo Construction has not been made available.

It has been established that the contract sum was revised. The Minutes of Tender Board Meeting held on 27 October 2016 indicated approval of two Variation Orders for additional work in the amount of M18,188,278.25 resulting in total revised/new contract amount of M137,941,494.47. The increase represents 15 per cent of the initial contract which is in accordance with Section 36 of Public Procurement Regulations of 2007 which states that: *"Additional cost of works should not exceed 15 per cent of the value of the initial contract and the comparison threshold price, and it was considered by the Procurement Unit that repeating the competitive tender process would not result in better proposals for the additional works procured"*.

A cause for concern being some of the reasons for variation in respect of estimated additional works. For instance, a considerable change of price for Subsurface Flow Nets, whose unit price per square meter increased from M15.00 (DN1 and DN2 faced out due to delay in construction) to M121.00 (DN3). Others such as drainage structures, intersections, retaining structures, access road ought to have been identified during the design of the road.

24.2.4 Development of Rural Community Roads

a) Budget Execution on Rural Roads

A total amount of M200 million was released for the development of Community Rural Roads for the financial year 2016/17 which was distributed amongst the ten district councils as indicated on Table 24.2.4a below. An overall budget execution of 73 per cent was noted for all district councils. However, Qacha's Nek District Council showed an exceptionally very low budget execution of 5 per cent while Leribe District Council exceeded the budget by 6 per cent.

Table 24.2.4a- Budget Execution on Rural Roads

Council	Budget	Actual	Budget execution (%)
Maseru	20,000,000	13,881,924	69
Berea	20,000,000	11,708,786	59
Leribe	20,000,000	21,171,548	106
Botha-Bothe	20,000,000	18,821,929	94
Mafeteng	20,000,000	19,809,544	99
Mohales' Hoek	20,000,000	17,801,231	89
Quthing	20,000,000	13,101,579	66
Qacha' Nek	20,000,000	971,500	5
Thaba-Tseka	20,000,000	18,652,285	93
Mokhotlong	20,000,000	9,694,879	48
Total	200,000,000	145,615,205	73

Source: Financial statements of District Councils

Although some of the district councils showed high budget execution, unsatisfactory performance was noted on implementation of some of the projects as indicated on Table 24.2.4a and there was no progress made on some of the budgeted roads. Furthermore, there was inadequate

information showing the details such as the budgeted length of the road in kilometres and the actual amount spent on individual projects in Mohale's Hoek, Quthing and Qacha's Nek District Councils.

b) Performance of Councils on Rural Roads

As in the previous year, the council's records revealed that expenditure spent for development of community rural roads does not match with the actual distance covered on some of the roads. In addition, no progress has been made on the number of roads mainly in the Berea District Council. Furthermore, an insignificant expenditure was incurred on the development of community roads in Qacha's Nek District Council. Table 24.2.4b provides detailed information regarding individual road per district council.

Table 24.2.4b - Performance of Councils on Rural Roads

District council	Funding			Distance			Remarks
	Budget	Actual spent	Budget Execution	Planned	Actual	Achievement	
	(M)	(M)	(%)	KM	KM	(%)	
Maseru							
Seng-Setala	13,724,890	12,360,475	90	87			28000m3 blasting complete
Matsieng-Nkesi	2,547,044	2,733,333	107	21	7.4	35	9.8km of formation 10 drifts complete
Berea							
Masupha Sec.-Pitso House Vented ford	1,236,000	0	0	0	0	0	No Progress
Rapopo-Sebalabala (drifts & bridge)	140,000	0	0	0	0	0	No progress
Khalahali	730,000	0	0	6.5	0	0	No progress
Masemakeng-Zenon	709,864	0	0	7	0	0	No progress
Masemakeng-Mohlakolane	175,000			15			30m drift and two standard drifts done
Shemane-Makoatlane	688,296	0	0	3.8	0	0	No progress
Mokhenene-Ntaja Primary		0	0	7.8	0	0	No progress
Souru-Mathebekoane	1,250,715	0	0	7.1	0	0	No progress
Mabekenyane-Mosiuoa	1,507,243	0	0	5.7	0	0	No progress
Leribe							
Mpharane-Mokatakoti	4,247,610	0	0	19.5	0	0	No progress
Botha-Bothe							
Lebatla-Bokoro	1,871,374	1,136,455		4	1.5	36	
Makeneng-Masere	4,782,396	4,621,928	61	10.5			Formation and blasting complete, structures in progress
Rats'ele-Ha Balimo	3,830,650	3,818,620	99	18.5	6	32	
Mafeteng							
Ts'anatalana network	12.177,952			39.2	7	18	7km formation and blasting complete
Thaba-Tseka							
Ponts'eng-Bobete	10,000,000			40	5	13	24km formation
Cheche-Sengunyane	7,000,000			8	10	125	23km formation
Mokhotlong							
Ha Lebopo-Leapola	8,419,935	6,296,248	75	29			7.6km formation
Malingoaneng-Matsoku	3,203,388	1,002,587	31	32	0	0	60% bridge complete
Tlokoeng-Lets'eng	3,735,747	0	0	54	0	0	No progress
Qacha's Nek							
Bloumane - Mosaqane	2,325,371	39,770	2,285,600				400m line side drain

Thifa – Rooijan	1,623,439	0	1,623,439				
Thube – Sekokoaneng	5,302,029	318,163	4,983,866				Mini bridges constructed
Mats'elahabeli-Keiting	3,140,136	35,793	3,104,343				54 cubic metres and gabion and 3 culverts constructed
Ramokakatlala – Tebellong	6,109,023	577,773	5,531,250				3km gravelled, 100 cubic metres gabion and 12 culverts constructed

Source: Financial statements of the Ministry of Local Government and financial statements of District Councils

24.2.5 Construction of Botha-Bothe Pitso House

In 2007, Shelile Construction was engaged by Building Design Services (BDS) of the Ministry of Public Works and Transport to construct a Pitso House in Botha-Bothe on behalf of the Ministry of Local Government and Chieftainship at a contract amount of M847,586.00. In June 2015 the contractor lodged a complaint with the Ombudsman requesting settlement of the outstanding claim in the amount of M69,556.07 for the services rendered.

The Ombudsman recommended that BDS department of the Ministry of the Public Works and Transport and the complainant work out the outstanding amount including the late payment charges and forward the claim to the Ministry of Local Government for payment. In August 2016, Shelile Construction was paid an amount of M192,002.40 including interest. This indicates that the delay in payment of the contractor resulted in government incurring fruitless and wasteful expenditure of M122,446.33.

24.3 DIFFERENCES BETWEEN RECORDS

The financial statements submitted by the Treasury showed the cumulative amount, which did not tally with the amount spent on the development projects reflected by the records of individual district councils. This resulted in variances of M121,697.00 on Rural roads, M2,483,155.00 on Solid waste and M743,201.00 under Development Fund for councils. Table 24.3 shows the detail.

Table 24.3 - Differences between Treasury/Ministry of Local Government and Council's records

Council	Cumulative spending per Treasury/ Ministry	Cumulative spending per Councils' records	Variance	Cumulative spending per Treasury/ Ministry	Cumulative spending per Councils' records	Variance	Cumulative spending per Treasury/ Ministry	Cumulative spending per Councils' records	Variance
	Rural Roads			Solid Waste			Development Fund for Councils		
	M	M	M	M	M	M	M	M	M
Qacha's Nek	971,500	0	971,500	66,649	103,404	(36,755)	0	0	
Quthing	13,101,579	13,691,901	(590,322)	1,288,419	973,278	315,141	1,671,629	1,449,024	222,605
Mohale's Hoek	17,801,231	17,946,792	(145,561)	1,456,330	1,456,331	0	2,676,881	2,329,958	346,923
Mafeteng	19,809,544	19,518,580	290,964	1,719,795	1,562,092	157,703	2,274,990	2,154,510	120,480
Maseru	13,881,924	18,101,771	(4,219,847)	1,712,717	1,732,280	(19,563)	766,093	2,568,601	(1,802,508)
Berea	11,708,786	13,827,357	(2,118,571)	870,555	1,249,129	(378,574)	0	1,919,820	(1,919,820)
Leribe	21,171,548	20,521,447	650,101	3,392,959	3,226,714	166,245	4,204,882	5,952,556	(1,747,674)
Botha-Bothe	18,821,929	16,274,856	2,547,073	1,470,230	1,470,231	0	1,138,775	1,138,775	0
Mokhotlong	9,694,879	21,289,333	(11,594,454)	821,326	1,709,865	(888,539)	829,830	1,366,070	(536,240)
Thaba-Tseka	18,652,285	18,631,760	20,525	1,608,479	1,667,696	(59,217)	3,327,824	3,220,945	106,879
Total	145,615,205	159,803,797	(14,188,592)	14,407,459	15,151,020	(743,561)	16,890,904	22,100,259	(5,209,355)

Source: Financial statements of the Ministry of Local Government and financial statements of District Council.

24.4 BANK BALANCES AT 31 MARCH 2017

The Standard Lesotho Bank balance of M1.107 billion in the financial statements included a bank balance of M69,553,791.00 for the Ministry of Local Government. It was noted that the ministry recorded the balance per bank confirmations instead of the balances per ministry's records. The bank balances per records for all districts excluding Qacha's Nek District Council amounted to M58,545,732.84 resulting in an overstatement of M11,008,058.78. Table 24.4 bears the details.

Table 24.4 - Local Government bank balances

Bank/Account title	Balance per Financial statements	Balance per Council's records	Variance
Leribe DC Capital Projects	3,397,981	1,899,998	1,497,983
Leribe Decentralisation	754,615	680,317	74,298
Thaba-Tseka DC Capital Projects	1,125,748	1,125,748	-
Thaba-Tseka Decentralisation	1,945,001	1,945,001	-
Mafeteng Local Council	2,358,953	2,212,694	146,259
Mafeteng DC	1,686,709	660,156	1,026,553
Mohales' Hoek Capital Projects	6,645,218	3,080,027	3,565,191
Mohales' Hoek Decentralisation	3,888,849	3,663,045	225,804
Botha-Bothe DC Capital Projects	1,491,227	1,626,764	-135,537
Botha-Bothe Decentralisation	1,714,092	1,714,092	-
Local Gov't Service Commission	557,904	557,904	-
Mokhotlong DC Capital Projects	2,237,517	2,237,517	-
Mokhotlong Decentralisation	1,873,839	1,873,839	-
Quthing DC Capital Projects	12,574,481	8,493,603	4,080,878
Quthing Decentralisation	2,441,734	1,846,380	595,354
Berea Decentralisation	2,278,609	2,345,492	-66,883
Berea Capital Projects	12,542,176	12,542,176	-
Maseru Decentralisation	956,184	957,207	-1,023
Maseru Capital Projects	9,016,367	9,017,184	-817
Pula-Maliboho	66,588	66,588	-
Total	69,553,792	58,545,733	11,008,059

Source: Local Government Financial statements and records of the District Councils

On the other hand, the Lesotho Post Bank balance of M480 million included an amount of M1,623,208 and M1,792,541 in favour of Decentralisation and Capital Projects bank accounts respectively for Qacha's Nek District Council. These amounts could not be verified as the records were not available.

CHAPTER 25: MINISTRY OF GENDER, YOUTH, SPORTS AND RECREATION

25.1 BUDGET PRIORITIES

- a) Equipping youth with entrepreneurship skills
- b) Reopening of `Matheko Vocational Training Centre
- c) Financing of the "Social Compact" programme
- d) Studying of options to establishing a National Youth Service Programme to compliment the existing volunteer scheme

ACHIEVEMENTS

The Ministry reported the following achievements:

- a) Youth to be equipped with entrepreneurship skills were identified in Qacha's Nek, Quthing, Mokhotlong and Leribe and awarded equipment to start businesses. Twenty-nine (29) sewing machines were distributed to Johane Garments for equipping staff with entrepreneurship skills.
- b) Youth has been identified in Qacha's Nek, Quthing, Mohale's Hoek, Mafeteng, Leribe and Mokhotlong and will be equipped with entrepreneurship skills and awarded equipment to start businesses
- c) `Matheko Vocational Training Centre was reopened and sixty-four (64) students were enrolled in 2016 and forty (40) in 2017. Courses offered were bricklaying, carpentry, joinery, sewing and others.

25.2 RECURRENT REVENUE

Budget for the Ministry of Gender, Youth, Sports and Recreation was M48,000 and actual revenue as per IFMIS records was M55,460. Consolidated Financial Statements and Ministry's record reflected revenue as M888,729, and there is a difference of M833,269 between IFMIS records and the Consolidated Financial Statements Figure and Ministry's figure.

It was observed that the difference of M833,269 was made up of grants and donations from local and international organisations. The

amount of M365, 000 was from Lesotho National Olympic Committee, the amount of M25, 000 was from Lets'eng Diamond Mine, while M443,269 was received as grants from UNDP.

Grants and donations are for specific purposes and therefore should be deposited into a special account and payments be made therefrom. It appears that ministries receiving grants and donations are not provided with guidance on the accountability of such funds. Therefore, there is a need for Treasury to provide guidelines.

CHAPTER 26: MINISTRY OF PUBLIC SERVICE

26.1 BUDGET PRIORITIES

A Joint implementation of Public Sector Modernisation Project (PSMP) by the Ministry of the Public Service, Ministry of Finance and Ministry of Development Planning.

ACHIEVEMENTS

PSMP support is provided to strengthen the public Sector Investment Committee (PSIC) at the strategic level.

- A public sector investment expert was recruited and has undertaken diagnostic work to review the mandate and capabilities of PSIC; and drawn the capacity enhancement plan.
- The first phase of the diagnostic work was completed in August 2017, and training for all PSIC members was conducted in September 2017.
- A Rapid Results Initiative (RRI) led by the Ministry of the Public Service was launched in May 2017 focusing on registering national ID numbers for public officers and civil pensioners in human resource management database and Resource link.
- All ministries are undertaking the data cleaning exercise.
- The procurement for recruitment of a HR firm for the biometric census is in the final stage.

26.2 RECURRENT REVENUE

26.2.1 Tuition and Registration Fees

Budget for the Ministry of Public Service was M8,402,000 and the actual revenue as per IFMIS ledger was M6,305,341, while the actual per Consolidated Financial Statements and Ministry's accounts was M8,076,522 resulting in a difference of M1,771,181.

Management responded that the amount of M1,771,181 was money collected by LIPAM as tuition fees and registration fees for long term training programmes. These fees are deposited into a private bank account at the commercial bank and do not go through the government system.

The purpose of the private bank account was to facilitate the programmes administration namely; the payment of part-time lecturers, administrative staff, accreditation fees, venue rentals, preparation for graduations and any other cash flows relating to the self-financing programmes.

26.2.2 Revenue on Residential Properties

The Ministry of the Public Service is responsible for collecting revenue on all government residential properties. The budget for 2016/17 was M3,924,000 and collection amounted to M6,003,315 resulting into over-collection of M2,079,315 or 52%.

In the past two financial years, rent from Government Residential Properties had also exceeded the budget as shown below and management responded that it was attributable to collection of arrears on rent from government residential properties.

Financial year	Budget Amount	Actual	Budget Execution (%)
2014/15	1,575,000	4,961,012	315
2015/16	3,045,897	5,635,302	185
2016/17	3,924,000	6,003,315	152

It was understandable that over-collections could be resultant of arrears but if they keep occurring, it is an indication that the budget is not prepared based on the number of government residential houses and rent thereon.

I raised a concern previously that the Ministry of Public Service did not prepare a return showing all amounts of rent, which remained uncollected at the end of the previous year contrary to requirements of Treasury Regulations, 2014.

26.3 INADEQUATE CONTROLS IN HUMAN RESOURCE LINK SYSTEM

The Human Resource Link system processes Government Employee's benefits as well as processing of deductions for third parties, such as insurance companies and money lending institutions. MDA's human resource staff make requests to Ministry of Public Service for release of vacant positions. After approval of the position, Human Resource personnel start the recruitment process which include capturing of all relevant information for the

employees and processing of monthly salaries. Observation revealed that, individual human resource personnel has been granted rights to perform all steps in capturing of information into the system as well as processing of monthly salaries, without being authorised and checked. There is a high likelihood of fraud through creation and paying of ghost employees even paying genuine employee wrong salaries in terms of grades and notches. Furthermore, there is a high possibility of errors, which may lead to loss of funds as well as adverse impact on information integrity, confidentiality and accuracy in the system.

Custodians of the system should put in place monitoring procedures to ensure that the initial plan and objectives are being achieved. In addition, the system should have built-in controls that do not allow a single officer to update information on his or her own without high level approval.

CHAPTER 27: MINISTRY OF POLICE AND PUBLIC SAFETY

27.1 RECURRENT REVENUE

According to IFMIS records, an amount of M5,841,529 was collected under the Ministry of Police and Public Safety, but the consolidated accounts reflected revenue to the amount of M31,577,063 and resulting in a difference of M25,735,534.

It was further established that the amount of M25,735,534 was transferred from the Recurrent Expenditure in 2015/16 to a newly opened bank account authorised by the Accountant-General at the First National Bank. These funds were to cater for suppliers that were late to deliver goods as tenders were awarded late and therefore deadlines would not be met before closure of the financial year.

The transfer of funds from recurrent expenditure to this bank account contravened Section 31 (a to c) of the Treasury Regulations, 2014. The regulation requires that as long as the Government continues to operate on cash basis of accounting any payments of public money approved but not paid within a financial year shall be cancelled and that all votes shall lapse at the end of the financial year and that a budget shall be provided for in the following financial year to clear the payables.

The Accountant-General as the custodian of the Treasury Regulations and is required to uphold the regulations. His authorisation to open a bank account on behalf of the Lesotho Mounted Police Service was irregular as he facilitated violation of Section 31 of the Treasury Regulations 2014.

27.2 LESOTHO MOUNTED POLICE SERVICE

27.2.1 Engagement of Korean Pathologists

The Ministry of Public Service engaged two doctors from Korea on contract expatriate terms as pathologists at the Lesotho Mounted Police Service (LMPS) with effect from 1 September 2014, for a period of three (3) years.

a) Absence of original educational certificates

It is a legal requirement that every consultant or expert awarded a service should produce original certificates to the authoritative body before signing the terms of engagement. It was noted with concern that the two Pathologists did not produce original certificates upon arrival in Lesotho. In response to the audit query raised in respect of engagement of these services, it was explained that at one stage when the police demanded their original certificates, they submitted the documents endorsed with Korean Embassy stamp, and the police suspected the documents to be fraudulent. In December 2014, The Korean Embassy intervened and requested that those Pathologists be allowed to travel to Korea for holiday so that they could bring their certificates but they never returned.

The engagement of the two pathologists by the Ministry of the Public Service was doubtful and there was no explanation given as to why the contracts were signed without confirming the certificates.

Management was advised to make thorough investigations about the engagement of consultancy services to ensure that all requirements are met before they can sign any contract in future and also to uphold the credibility of police service.

b) Absence of Performance Reports

The audit established that there were no performance reports indicating, among other things details of corpses attended, and the results of the pathological services upon which the performance indicator and the level of achievement in respect of the pathologist would be rated. Therefore, it could not be ascertained whether the Pathologists had actually been performing the work in accordance with terms of their contracts.

It was further noted that there were already two local pathologists engaged by LMPS; one was engaged on contractual terms for one year effective from May 2014, while the other one was contracted for two years from July 2014,

prior to engagement of the Korean Pathologists. The terms of payments for both doctors were that they would be paid M800.00 per autopsy and M5,000.00 per exhumation while preparations were still underway to substantially fill the two vacant positions of pathologists in Grade G. All the pathologists were bound by the terms of agreement to provide the report and expert evidence/testimony.

The records showed that during the same period of engagement of Korean pathologists, from September to December 2014, one of the local pathologists continued to provide pathological services on 37 corpses while there was no indication that the expatriate doctors had done any job till December 2014.

Management was advised to see to it that monthly reports are prepared by the supervisor about the performance of officers engaged on contractual basis so as to determine whether they are able to perform to the required standards and have the competency to perform the assigned job.

c) Salary overpayment - M75,012.00

The Pathologists were to draw salary at Grade G at a rate of M150,024.00 per annum increasing to M178,488.00 per year by annual increments subject to their performance. They were also entitled to 24 days annual leave.

Furthermore, the two Korean expatriate doctors were granted permission by the Director Human Resource (acting) to travel to the People's Republic of Korea for Christmas holidays on 11 December 2014. At that time, each had earned six (6) days of annual leave. These doctors never reported to work from December 2014 to March 2015 and that was regarded as an unauthorised leave as per legal opinion provided by the Principal Advisor on 19th March 2015. However, they were paid full monthly salary of M12,502.00 up to March 2015, contrary to Section 49 (1) of Public Service Regulations of 2008 which states:

"If an officer absents himself or herself from duty without permission, the principle of no work no pay shall apply without prejudice to any disciplinary action which may be undertaken under Disciplinary Code."

That resulted into a total overpayment of M75,012.00 (M37, 506.00 per doctor). At the time of audit in July 2016, the doctors' contracts had not been terminated.

It was therefore recommended that the contracts of the expatriate doctors should be officially terminated and management to enforce controls in place to avoid over/under payments as they might lead to excess of salary votes.

d) Irregular payments for flight tickets

According to the contract between the Government of Lesotho and the Korean pathologists, transport costs on engagement and termination on the contracts, were to be incurred by the Government.

On the contrary, LMPS provided return tickets to the amount of M18,700.00 for the Korean doctors while travelling to Hong Kong for holidays in December 2014 yet they were only entitled to transport benefit upon engagement and termination of their contracts. Therefore, payment of M18,700.00 for purchase of air tickets was irregular.

Examining officers and Authorising officers were encouraged to adhere to the Treasury Regulations in ensuring that the payments are for services performed as agreed in a Government contract and are lawful and in accordance with Government objectives.

27.2.2 Irregularities in Procurement of Goods and Services

a) Payments for goods not received

Section 23 (1) of the Treasury Regulations 2014 states that, following receipt of goods or services, the receiving officer shall verify that the supplier has performed the services or delivered the goods in accordance with approved purchase order or signed contract. Section 24(5)(a) of the same regulations further stipulates that, before certifying a payment voucher for an amount payable under Government contract, an examination officer shall ensure that the payment is for goods actually received or services performed as agreed in a Government contract.

As against these requirements, the following anomalies were noted:

- In 2015/2016 financial year, LMPS contracted one supplier to supply 1500 cases of beef and 1500 cases of canned fish at the amounts of M524,520.00 and M364,560.00 respectively. Comparison of the delivery note with related payment voucher and stores register showed that payments amounting to M236, 034.00 and M1,215.20 were made for only 675 cases of beef and 5 cases of canned fish, but those items were not actually delivered.
- Another supplier was also contracted to supply 2,860 (143*20L) litres concentrated drink at the amount of M105,507.00 of which 2,800 litres (140*20L) were received per record leaving a balance of 60 litres (3*20L) amounting to M7,360.00 not delivered, but a full payment was made as though a full consignment was received.

Signing the delivery note for goods not actually received, may lead to loss of public funds as such items might end up not being delivered especially because the supplier was fully paid and an organisation agreed to have received all the items. Officers might also take advantage of poor controls and that could lead to misuse and or misappropriation of Government resources.

It was advised that, a follow up should be made and the items that were not delivered should be collected from the respective suppliers. Accounts section was also advised to scrutinise accounting records to verify that payments are effected for goods actually received and services actually rendered.

b) Payment of doubtful invoices

Procurement procedures require that, for payment of goods and services, all supporting documents such as requisitions, purchase orders, invoices, delivery notes should tally in all respects, and properly initialled by the relevant authorities. That was however not the practice at LMPS in that;

- Goods requested and ordered on 27 January 2016 did not tally with the related Invoice raised on 15 March 2016. An amount of M74,517.36 was paid for that invoice raised for goods not ordered.
- The signature that appeared on another invoice issued for the stationery supplied to LMPS was similar to that of the Procurement Officer at Police Headquarters (LMPS).
- The stationery is purchased from Government Printing and if the Government Printing runs out of stock, a “source of approval” is given to the Department in need of goods to purchase elsewhere. There was no authority given to LMPS to purchase from the private company and that posed some doubt as to why the stationery for LMPS was purchased from a private company without source of approval.

Management was encouraged to ensure that all supporting documents are thoroughly scrutinised to ensure that goods received do tally with the order to avoid the risk of fraud and misappropriation where officers might collude with suppliers or use illegitimate documents to effect payments. Invoices must be signed by the supplier to avoid the risk of conflict of interest where unregistered suppliers might supply goods/services or the company might be owned by an officer in the Department, failing which, they should not be passed for payment. If the Department is in need of goods that might not be available at Government Printing at a particular point in time, management should seek source of approval from the Government Printing to buy from another supplier.

c) Irregularities in awarding of contract

The Lesotho Mounted Police Service invited tenders for the supply of a DNA Profiling System during the financial year 2014/15. The invitation to tender stipulated the mandatory requirements for the companies to qualify to the next stage of the tender process. It was noted that five (5) companies were evaluated against the mandatory requirements of which one company was recommended by the Evaluation

Team as the most qualified bidder with 100% score and approved by the Tender Panel.

The following issues were however noted;

- The contract amounting to M3,757,486.00 was not awarded to the approved supplier but it was instead irregularly awarded to another supplier which ranked third with a score of 86.4%. The auditors noted that there was no evidence that the recommended tenderer declined the offer of which the Department would then be expected to award the second most favourable tenderer, or in the absence of such a tenderer, seek permission from Public Procurement Advisory Division (PPAD) to adopt direct contracting method of procurement as stipulated by Public Procurement Regulation 30(4) of 2007.
- It was further noted that the machine for DNA Profiling System was supplied on 26 March 2015, but was not yet installed and not in use at the time of audit in June 2016. The LMPS continued to outsource the services, which were to be gained from the acquired machine, resulting in uneconomic extra cost to the Government.

Engagement of an unqualified tenderer against the winning tenderer without the annulment of the invitation to contract could lead to loss of public funds if the winner could take legal action against the Department. The unused machine might end up being obsolete without benefiting the office, hence a loss to the Government.

Management was advised to see to it that procurement procedures and processes as stipulated in Public Procurement Regulations 2007 are strictly adhered to in order to avoid legal costs in a case the winner is treated unfairly. Management was also encouraged to consider value for money to ensure that public resources (Financial and Human Resources and Property) are used and managed economically, efficiently and effectively to achieve the national goals and objectives.

28.1 PARTIAL CREDIT GUARANTEE FUND

Background Information

The Partial Credit Guarantee Fund (PCGF) is the initiative of the Government of Lesotho to improve and facilitate access to finances by Basotho owned Micro Small Medium Enterprises (MSMEs) that are credit worthy but do not have adequate collateral to obtain loans from the four participating Lenders/Banks. The Government established the Fund to issue partial guarantees on loans received by such Basotho enterprises from the four local Lenders (i.e. Nedbank, Standard Lesotho Bank, First National Bank and Lesotho Postbank) in order to share the risks of non-payment of the loans with the banks. The Government of Lesotho allocated the M50 Million in 2011 to fund the partial guarantees on loans.

The Lenders (Banks) have agreed to facilitate the extension of credit to working in cooperation with the Government of Lesotho. The Lenders have also agreed to assume and share part of the risk of non-repayment of up to 50% for the already existing enterprises (both Short-term and Medium to Long-term). As for the start-up enterprises and member-based financial institutions, it was agreed that the Government would assume 70% and 60% risk of non-repayment, respectively.

The Fund was operated by the Ministry of Finance but has since been transferred to the Ministry of Small Business Development, Cooperatives and Marketing (SBDCM) following the Cabinet Decision of 6 December 2016. The facility's operations and accountability of the Fund now rests with the SBDCM since April 2017.

The examination of records of the Partial Credit Guarantee Fund revealed the following irregularities:

28.1.1 Irregular Establishment of the Fund

It is a legal requirement that there should be a legal notice establishing all Funds. Partial Credit Guarantee Fund is no exception

to this requirement. However, it was observed that the Fund was established without a legal notice/regulations and therefore there was no legal mandate for the Fund to operate.

It was recommended that proper procedures should be followed to legalise the Fund for ease of Fund administration. In the absence of the regulations, there is no reference as to how the funds should be managed, administered and reported thereon. There would be no legal weapon to rely on in case of litigation.

28.1.2 Unauthorised bank accounts of the Fund

Section 77 of the Treasury Regulations 77 of 2014 allows the Accountant-General to approve requests for the opening of an official bank account and, if approved, to provide instructions on operating the account, including among others confirmation of a minimum of two signatories required to operate the account and any special requirements or conditions necessary for maintenance and operation of the account.

- It was established that an operational bank account for the Fund has never been formally opened; instead, the Fund inherited the Standard Lesotho Bank account, which was previously operated by the Rural Financial Intermediation Programme (RUFIP) under Entrepreneurship Support Programme.
- The audit discovered that M50 Million (guarantee amount) was initially invested with African Alliance in March 2011. From March 2011 to March 2016 the invested amount earned the total interest to the tune of M9,470,967.69, and such interest was duly remitted to the GOL Consolidated Fund bank account held with the Central Bank of Lesotho. It was further observed that, in December 2016, the guarantee amount, together with accumulated interest of M2,046,838.96 was transferred from African Alliance to Lesotho Postbank without authority of the Accountant-General.

Fund Management was advised to approach relevant authorities to regularise the operations of bank accounts so that these bank accounts could be included in a register of official bank accounts. Operation of bank accounts without following applicable procedures exposes public funds to mismanagement and non-accountability.

28.1.3 Non-Submission of Application fees and Guarantee fees to the Fund

The Memorandum of Understanding (MOU) requires that applicants to the Fund should be charged a once-off upfront application and Guarantee fees in order to cover the administrative cost of processing the application form. Guarantee fees are once-off non-refundable amounts (calculated as a percentage of the total guaranteed amount) for the entire loan term paid in advance by the beneficiaries of the guarantee to the Fund in return for the coverage of the risk of default. It is the lenders' responsibility to collect these fees and submit them to the Fund.

On the contrary, it was observed that application fees to the tune of M835,595.31 were charged on the beneficiaries of the guarantee as reflected on their respective application forms but such fees were never remitted to the Fund as agreed in the MOU, hence a loss of revenue due to the Fund.

It was further observed that one hundred and ninety-eight (198) applicants were not charged guarantee fees, only eight (8) were charged a total amount of M10,688.56 which was not remitted to the Fund.

It was recommended that management should comply with terms and conditions of the signed MOU and that further investigations on the application and guarantee fees charged but not remitted to the Fund be undertaken.

28.1.4 Irregular Advance Payment of Gratuity

The Executive Director- PCGF entered into an employment contract with the Ministry of Finance for a period of three years (3) commencing on 15 September 2014 and expiring on 30 September 2017.

It was established that the Principal Secretary for the Ministry of Finance approved advance payment of gratuity of the Executive Director seven (7) months before expiry of contract. The Executive Director was irregularly paid an advance gratuity amounting to M470,196.00 in February 2017 before expiry of his contract.

It is important to note that if any public officer, upon termination of his/her contract, appears to have been overpaid during his/her contract period, such an overpayment is made good from his/her terminal benefits. Without such gratuity, the Government may not be able to recover the losses.

PART 5

ACCOUNTS OF STATUTORY BODIES

29.1 STATUTORY BODY

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

29.1.1 Accounts of a Statutory Body

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

29.1.2 Audit of the records and accounts of a Statutory Body

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

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

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

29.1.3 Commissioned Audits

Under Section 24 of the Audit Act 2016, the Auditor-General may authorise a practising member of a professional accountancy body, recognised by the Laws of Lesotho, to examine or audit books of accounts of any authority or body, which the Auditor-General may be required to examine and audit. However, audit decisions remain those of the Auditor-General.

29.2 AUDIT CONCLUSIONS ON THE FINANCIAL STATEMENTS OF THE STATUTORY BODIES

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

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

29.2.1 Unqualified Audit Opinion

I have issued unqualified or clean audit opinion where financial statements of a statutory body for a particular year did not contain material errors. Table 29.2.1 shows a list of statutory bodies with clean audit opinion and the last financial statements submitted for audit.

Table 29.2.1 – financial statements with unqualified audit opinion

Organisation	Last audited financial statements	Remarks
Authorities and Corporations		
Land Administration Authority	31 March 2017	
Lesotho Communications Authority	31 March 2017	
Lesotho Electricity and Water Authority	31 March 2017	
Lesotho Revenue Authority	31 March 2017	
Basotho Enterprise Development Corporation	31 March 2014	Audit for financial year 2014/15 at fieldwork stage in March 2018
Lesotho National Development Corporation	31 March 2017	

Companies		
Maluti Mountain Brewery	31 Dec. 2016	
OK Bazaars (Lesotho) (Proprietary) Limited	30 June 2017	
Sun International of Lesotho	31 Dec. 2016	
LEC Communications (PTY) LTD	31 March 2017	
Other Statutory Bodies		
Baylor College of Medicine Children's Foundation- Lesotho	30 June 2016	
Directorate of Dispute Prevention and Resolution	31 March 2016	
Council on Higher Education	31 March 2017	
Lesotho National Dairy Board	31 March 2015	
Petroleum Fund	31 March 2017	
Development Projects		
Smallholder Agricultural Development Project	31 March 2017	
Wool and Mohair	31 March 2017	
Health Sector Reform Programme	31 March 2017	
Lesotho Education Quality for Equality	31 March 2017	
Lesotho Millennium Development Agency	31 March 2017	
Global Fund	31 March 2017	
Private Sector Competiveness Economic Diversification	31 March 2017	
E-Government Infrastructure	31 March 2017	
National Biosafety Framework	31 March 2016	
Metolong Authority	31 March 2017	
Lesotho Lowlands Rural Supply and Sanitation	31 March 2017	
Maseru Waste Water	31 March 2016	

Source: Reports of the Auditor-General

29.2.2 Qualified Audit Opinion

A qualified audit opinion was issued on the financial statements with material or fundamental uncertainties or disagreements. The financial statements with "except for" had material uncertainties or disagreements. Disclaimer of opinion was on the accounts with fundamental uncertainties and where there was a fundamental disagreement, an adverse opinion was issued.

The statutory bodies with qualified audit opinion on the financial statements and reasons for qualification thereon are presented in the following paragraphs.

COMPANIES

a) Lesotho Electricity Company – 31 March 2017

My audit opinion was **qualified** on the financial statements of the Lesotho Electricity Company for the year ended 31 March 2017 due to the following:

- Included in trade and other payables was an amount of M10.6 million that had been classified as sundry accruals. I was unable to obtain sufficient appropriate audit evidence to substantiate this accruals balance. Consequently, I was unable to determine whether any adjustments were required to the financial statements arising from sundry accruals. Trade and other payables could therefore be misstated.
- During the year, the company capitalised M88 million of Lesotho Electricity Supply Project assets apparently received as a grant. I was not provided with satisfactory documentation that transferred ownership of these assets. Accordingly, I could not independently confirm that the company was the rightful owner of the assets.

I also drew attention to Note 16 of the financial statements, which indicated that the company did not consolidate the financial statements of its subsidiary "LEC Communications (Pty) Ltd." The International Financial Reporting Standards and the Lesotho Companies Act require subsidiaries to be consolidated. The effects of failure to consolidate have not been determined. My opinion was not modified in respect of this matter.

b) Loti Brick (Propriety) Limited – 31 March 2016

The financial statements of Loti Brick (Propriety) Limited for the year ended 31 March 2016 did not present fairly the financial position of the Company, its financial performance and its cash flows.

The reasons for **Adverse Opinion** were the following:

- The company disclosure policy did not meet the requirements of the International Accounting Standards (IAS) No.16 in that, it did not fully disclose the movement of non-current assets such as cost/revaluation, additions, disposals, accumulated depreciation and charge for the year. It only showed the carrying amount, revaluation surplus/deficit and the valuation net book values.
- The General Ledger and the Trial Balance reflected a credit balance of M12,844,443.84 under the Assembly Cost account which could not be traced to the financial statements. No clear explanation was provided in this regard.
- The Sales amount of M31,237,175.00 in the financial statements differed from Sales Report amount of M30,748,606.00 resulting in an unexplained difference of M488,569.00. In addition, Other Income amount of M1,257,643.00 in the financial statements differed from the sales report amount of M1,590,158.00 and the general ledger amount of M1,185,886.00. As a result, it was difficult to ascertain the accurate amount to have been included in the financial statements in the absence of reconciliation of these amounts.
- The depreciation charge for the year amounting to M14,673,747.00 disclosed in the detailed Income Statement had not been taken into account in the Statement of Financial Position as required by the IAS 16. In addition, property, plant and equipment amount in the financial statements included a residual value of M1,424,363.31 for assets that did not exist. As a result, property, plant and equipment were not fairly presented in the financial statements.
- The Debtors Age analysis used to prepare the financial statements showed an amount of M1,957,643.76 while the amount generated by integrated system - SAGE was M1,842,136.32 resulting in a difference of M115,507.44. It was explained that the system allowed the users to make changes even after the cut-off date.

OTHER STATUTORY BODIES

a) National University Of Lesotho – 30 June 2015

I did not express an opinion on the financial statements of the National University of Lesotho for the year ended 30 June 2015. The reasons for **Disclaimer of Opinion** were the following:

- The university had a property business that owed an amount of M15,501,273 as at year end. An agreement between the university and property business was not made available for scrutiny. In addition, the university had an investment portfolio totalling M109,847,357 as at year end. Management had not provided the agreements between the university and banks holding investments, as a result, verification of the terms and conditions enshrined in the agreements had not been performed.
- There was a difference of M64,541,519 between the Trade and Other Receivables list and the financial statements that management could not explain.
- The fixed assets register balance differed with annual financial statements by M133,762,110 and no clear explanation was provided by management.

b) Lesotho Opportunities Industrialisation Centre – 31 March 2015

There was a **Disclaimer of Opinion** on the financial statements of the Lesotho Opportunities Industrialisation Centre (the Centre) for the three years ended 31 March 2015. I did not express an opinion on the financial statements of the Centre because of the following:

- There were no supporting documents for expenses to the amounts of M775,220.77, M1,975,107.21 and M2,432,414.08 for the years 2013, 2014 and 2015 respectively.
- Fixed assets amounts of M306,001.93, M115,019.00 and M476,753.18 for the years 2013, 2014 and 2015 respectively were not supported by a fixed asset register and neither was a list of fixed assets provided.

- There was a difference of M175,813.03 between the payroll schedule and the payroll amount in the financial statements in the year ended 31 March 2015.

c) National Drug Service Organisation – 31 March 2017

i) Opinion

There was a **Disclaimer of Opinion** on the financial statements of the Lesotho Drug Service Organisation (NDSO) for the year ended 31 March 2017.

I did not express an opinion on the financial statements of NDSO because of the following:

- The Organisation uses straight-line method of depreciating its fixed assets when the tax laws prescribe that a reducing balance method be adopted. Due to this, there is bound to be deferred tax in the annual financial statements. However, management had failed to compute and incorporate the said deferred tax.
- The Organisation revenue recognition policy did not meet the requirements of the International Accounting Standards No. 18 in that it was recognised immediately goods leave the premises of the Organisation, still being insured and transported by the Organisation. The standards prescribe that income should not be recognised when the Organisation continues to have managerial involvement and risk should have been transferred to the buyer. In this case, by insuring them, it is obvious that the risk is still with the Organisation.
- The Organisation has a suspense account in the Trade and Other Payables amounting to M13,604,549 the basis of which management could not explicitly state.

ii) Absence of ownership documents for residential buildings

The value of property, plant and equipment of M22 million reflected in the financial statements for the year ended 31 March 2017 included an amount of M18 million representing

land and buildings. The lease documents confirming that the organisation owns land where residential buildings are situated were not made available for verification. Management confirmed that the land does not have a lease. I advised that arrangement should be made with the Land Administration Authority to obtain lease for this land and management stated that the process was initiated.

d) Road Fund – 31 March 2017

I issued a qualified opinion on the financial statements of the Road Fund (the Fund) for the year ended 31 March 2017. My reasons for qualification were that the three significant components of the Fund's revenue, the Road Maintenance Levy, Tollgate Fees and the Road User Fees reported at M74,734,162, M50,008,419 and M17,663,712 consisted of income collected by Oil Companies, Lesotho Revenue Authority, the Department of Traffic and Sub-Accountancy Offices on behalf of the Fund respectively. I was unable to obtain sufficient appropriate audit evidence about the amount of income in respect of these components and amounts owing by the respective collection agencies because of limited access to their records. Consequently, I was unable to determine whether any adjustments to these amounts were necessary.

Another point of concern, which did not necessarily form a basis for my opinion, was that the road maintenance works that were budgeted for the Ministry of Local Government and Chieftainship (MoLG) consisted of 32 projects, which were never implemented. The budget of these works was M59,874,467. This amount reallocated to and used for payment of the MoLG debts on the upgrading of the roads. At the end of the financial year, the Fund was still committed to the MoLG debt of M9,061,533. This commitment had been rolled over to the next year as budget for the year under review could not provide for amounts in excess of M59,874,467.

29.3 AUDITS IN PROGRESS

Audits of statutory bodies and projects listed on Table 29.3 were still in progress at the time of finalising this report on the audit of consolidated financial statements for the year ended 31 March 2017.

Table 29.3 - Audits in progress in March 2018

Statutory Body/Project	Last audited financial statements		Financial statements under audit in March 2018	
	Year	Opinion	Year(s)	Remarks
Enhanced Integrated Framework	31 Dec. 2015	Unqualified	31 Dec. 2016	Awaiting approval of accounts
Water and Sewerage Company	31 March 2016	Adverse	31 March 2017	On-going
Examination Council of Lesotho	31 March 2014	Qualified	Two years ended 31 March 2016	On-going
Lesotho Nursing Council	31 March 2013	Qualified	31 March 2014	On-going
Roads Directorate	31 March 2014	Qualified	31 March 2015	Still no Board to approve the financial statements

Source: Records and reports of the Auditor-General

29.4 NON-SUBMISSION OF FINANCIAL STATEMENTS

In my previous report I raised a concern about non-accountability of some institutions by not submitting financial statements for audit. These institutions receive subventions from Government every year yet they fail to account for such funds. The status remains the same as reported previously and those institutions are listed hereunder:

Institution	Last Audited Accounts	Opinion
Lerotholi Polytechnic	31 March 2008	Qualified
Lesotho College of Education	31 March 2009	Disclaimer
Lesotho Postal Services	31 March 2008	Disclaimer

PART 6

CORPORATE ISSUES OF THE OFFICE OF THE AUDITOR-GENERAL

CHAPTER 30: CORPORATE ISSUES OF THE OFFICE OF THE AUDITOR-GENERAL

30.1 INTRODUCTION

The Legal Frameworks that established the Office of the Auditor General (OAG) are the Constitution of Lesotho, Section 117 and the Audit Act, 2016. These legal frameworks mandate the Auditor-General to audit and report on the public accounts of the Government of Lesotho, and all accounts relating to the Consolidated Fund of Lesotho, and public stores for the purpose of providing an overall opinion on the accounts. The Office of the Auditor-General (OAG) provides information on stewardship of public funds to Parliament for holding government to account for the way these public funds are spent. OAG accomplishes its mandate by undertaking audits to ascertain whether or not:

- a) The public accounts of Lesotho present fairly the finances of the Government and the individual public bodies to which they refer.
- b) The financial transactions of the Government and public bodies comply with relevant legislation, the authority of Parliament and regulations issued by any relevant competent body.
- c) The financial affairs of the Government and public bodies have been managed with due regard to probity, and that their statutory and ethical duties to Parliament and the public have been met in an open and even-handed manner.
- d) Government ministries, departments and statutory bodies carry out activities with due regard to economy, efficiency and effectiveness.

30.2 OAG BUSINESS MODEL

The OAG has adopted the audit quality management system, which premise from the notion that quality products and services are derived from all resources, processes and procedures. We have a quality management system embedded in our audit processes to ensure that we continually improve performance and address the needs of all our stakeholders.

OAG has developed policies aimed at promoting sound leadership and direction of the activities reinforced through practices such as the management development programme. Our model also focuses on optimal utilisation of our human resources to stimulate and yield high quality audit results. Through this approach, OAG also endeavours to strengthen relations with clients and stakeholders so as to encourage a positive audit impact on our work. Quality control measures are not only instituted on the audit process but throughout its operations to continually sustain performance.

30.3 STRATEGIC DIRECTION

OAG mission is to promote sustainable public accountability and transparency, by providing professional auditing services to all stakeholders. This mission anchors OAG strategic direction towards achieving OAG's mandate. Our strategic direction is translated into five pillars that constitute the OAG strategic focus areas as follows:

- Enhancing OAG independence.
- Implementing International Auditing Standards and best practice to ensure quality functional audit and support activities.
- Contributing to the overall enhancement of accountability and financial management.
- Developing the capacity, professionalism and motivation of OAG staff.
- Enhancing the quality and impact of audit reports.

Our strategy coupled with improved work methods that target high-risk areas enable the office to continue providing credible information on accountability to Parliament, thus promoting improved public service delivery.

30.4 STRATEGIC AND OPERATIONAL PLANNING

The OAG five-year Strategy (2013/14-2017/18) guides OAG strategic and operational activities. The Audit areas are selected considering the risk-based approach, which target resources to the high-risk audit areas with high value for money. The strategy also focuses on development activities to ensure that OAG strengthens its institutional and technical capacity enabling the office to tackle critical accountability weaknesses in audited entities.

OAG considers having competent human resource high in its priorities; hence, the office provides capacity building to promote competence and professionalism of staff to fulfil its mandate.

The OAG performance as reflected in the previous chapters demonstrates efforts undertaken to support government in promoting accountability, thus contributing to the achievement of national priorities.

30.5 ORGANISATION OF WORK

In order to achieve the strategic goals and mission, the OAG work is organised into Audit and Support functions. The audit work is the core business in OAG and focuses on Financial, Compliance and Performance Audits as part of its obligatory mandate.

a) Audit Function

In executing these audits, the office is guided by the International Standards of Supreme Audit Institutions (ISSAIs). Other related standards which may be applicable, are also considered to ensure the quality of audits. Performing audits in accordance with standards, provides a reasonable assurance that appropriate methodology and best international practices, relevant audit tools, techniques and adequate staff are consistently used throughout the entire audit process to ensure quality work. Any changes in standards are taken into account and adopted to keep abreast with developments and best practice in auditing.

The use of standards coupled with workforce management, application of appropriate internal controls and risk management ensures the achievement of the set objectives, hence the envisaged quality of products and services.

b) Support and Development activities

In promoting high quality auditing there are development activities including the production of audit manuals and other guidance material. There are also support functions to ensure that there is conformity to relevant standards and uniformity of practice and application of ethical requirements throughout the office, thereby strengthening public trust and confidence in public

sector auditing. Other support is in providing accounting, human resources, procurement, legal and administration services which are also vitally important in achieving high quality of work. Support from these functions enabled the conduct of the audits carried out in the financial year under audit.

30.6 OAG PRODUCTS AND SERVICES

OAG considers the quality of its products and services high in its priorities and through the use of ISSAIs ensures that performance meets the expected quality standards. OAG also participates in a management and leadership development programme supported by the African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E) to enhance strategic leadership and inculcate a culture of quality in its leadership. This approach has seen the office improving its performance and producing quality audit results. Through audit quality management, the office has improved its products and services.

OAG requires client and stakeholder support to achieve its core business and it's of paramount importance that audited bodies disclose the necessary information for audit to aid the quality of our products and services. This does not only give confidence and trust in OAG products and services, but also puts the office in a good footing for value addition in public administration, thus improving the lives of the citizens.

30.7 STAKEHOLDER INTERACTION

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

During the financial year 2016/17, apart from the normal interaction during the audit process, OAG had some encounters through radio and television programmes as well as newspapers. This gave the office a platform to share its role and performance and the impact made to government programmes and to the lives of the citizens.

30.7.1 Interaction with Public Accounts Committee

The Public Accounts Committee (PAC) is the primary audience of the Auditor-General, and it is vital that a cordial relationship is maintained between the two. While the PAC depends on high quality audit reporting to be effective, the Auditor-General in turn requires an effective PAC to ensure that departments take audit outcomes seriously.

OAG close interaction with the PAC is recognised during the briefing of PAC on the audit report, which is followed by the PAC hearings with Chief Accounting Officers responding to issues raised in the Auditor-General's reports. Enhanced collaboration is required to ensure that PAC recommendations are addressed by the audited entities, and a report on progress made in implementing recommendations is produced. Follow-up is of vital importance for the audit impact to be realised in the audited entities.

OAG strives to improve understanding of the audit reports through communicating the audit approach, findings and recommendations to make it easier for PAC members to engage with Chief Accounting Officers. The use of Supreme Audit Institution (SAI) / Public Accounts Committee (PAC) Communication Toolkit³ will help strengthen OAG and PAC relationship.

30.8 HUMAN RESOURCES MANAGEMENT

30.8.1 Staffing levels

During the year OAG Human Resource vacancy stood at 23 as indicated on Table 30.9.1 below, constituting 14% of the OAG staff complement with 1% being support staff. This constrains the OAG capacity to audit all the Ministries, Departments and Agencies due for audit annually. Increasing the number of auditors will strengthen OAG human resource capacity and increase the audit coverage.

³ SAI/PAC Communication Toolkit is a guideline for managing SAI and PAC relations

Table 30.9.1 - OAG staff position in 2016/17

Staffing categories	Established positions	Filled Positions	Variance
Financial auditors	108	89	19
Performance auditors	19	16	3
Corporate staff	34	33	1
Total	161	138	23

30.8.2 Capacity Development

Although qualified staff is recruited into positions, OAG always strives to reinforce staff qualifications with relevant training to improve staff competencies and good performance. Staff gets the opportunity to partake in short and long term training.

In the year under audit, staff participated in short term training locally and internationally. OAG participates in regional and international organisations to which it is affiliated such as INTOSAI⁴ Development Initiative and AFROSAI-E.

Staff is also encouraged to engage in long term training to obtain academic or professional qualifications, in accounting, auditing and other social science fields provided by local and regional institutions of higher learning.

30.8.3 Training events for staff during 2016/17

OAG held training events with the aim of enhancing auditors' skill in order to produce quality audits. These training interventions equipped staff with both technical and managerial knowledge and skills, in delivery of tasks efficiently though there is need for improvement. Auditors also got to know the current developments in the auditing and related profession to enhance the theoretical and practical skills; and to ensure that they remain relevant in a changing audit environment. This has ensured that OAG responds to the diverse needs, emerging issues and greater demand for public accountability through the

⁴ International Organisation of Supreme Audit Institutions (INTOSAI) is an umbrella organisation for the external government audit community that provides an institutionalised framework for Supreme Audit Institutions to promote development and transfer of knowledge, improve government auditing worldwide and to enhance professional capacities.

provision of quality audit products and services that enhance accountability and value for money.

30.9 KNOWLEDGE AND EXPERIENCE SHARING

As a member of the International Organisation of Supreme Audit Institutions (INTOSAI), the African Organisation of Supreme Audit Institutions (AFROSAI), the African Organisation of English – Speaking Supreme Audit Institutions (AFROSAI-E) and the Commonwealth Auditors-General, the OAG participates as a member in various knowledge-sharing activities organised by these organisations. In Particular, AFROSAI-E actively assists its member Supreme Audit Institutions (SAIs) to build staff capacity, work skills and techniques through training programmes that include conferences, seminars and workshops.

As a member of various working groups, the Office took part in the following capacity building events.

- OAG participated in AFROSAI Regional Working Group on Environmental Audits (RWGEA) Conference that was held in Abuja, Nigeria in October, 2016, the topic or theme for the conference was on “increasing the quality and impact of environmental Audits”
- AG attended the INTOSAI Working Group on Environmental Audits (WGEA) General Assembly in Indonesia in November 2016.
- As a member of INTOSAI Working Group on Fight Against Corruption and Money Laundering, OAG took part in the groups meeting to discuss the latest developments and achievements undertaken by the group members. This meeting was held in Malaysia from 14-16 September 2016.
- OAG also participated in AFROSAI-E Governing Board meeting held in Nigeria. The meeting focused on achievements of AFROSAI-E as a regional group and SAIs had the opportunity to display their achievements and successes.
- OAG took part in AFROSAI-E management leadership programme where managers are supported in leadership and management

capacities with the aim of helping them leading SAIs and in the implementation of ISSAIs.

