

31st March 2022

The Principal Secretary
Ministry of Finance
Government Complex
Maseru

**INTERNAL AUDIT REPORT ON COVID-19 RELATED EXPENDITURE
FOR THE APRIL – SEPTEMBER 2021/22**

Please find attached the Internal Audit report on Covid-19 related expenditure for the financial year 2020/21 – 21/22.

This report records findings and recommendations identified during the audit.

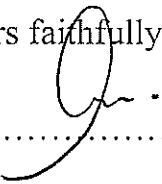
Pages 1 to 12 show executive summary, 13 to 27 detailed findings and recommendations, while conclusion and acknowledgments are covered in page 28.

After discussion of this report, management is expected to prepare and submit to the Internal Audit, management action plan using the template below in order to finalise the audit report;

CONDITION	RECOMMENDATION	MANAGEMENT RESPONSE	ACTION BY	DEADLINE	MANAGEMENT SIGNATURE

However, management did not submit the responses despite several follow-ups, giving assumption that they have accepted the risk by not responding.

Yours faithfully



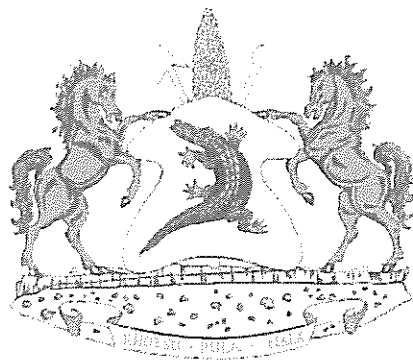
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M. Masia (Mrs)
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CC : PS Cabinet
 PS Health
 Auditor General
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MINISTRY OF FINANCE

The Kingdom of Lesotho



COVID-19 RELATED EXPENDITURE FOR PRIME MINISTER'S OFFICE & MINISTRY OF HEALTH

**INTERNAL AUDIT DRAFT REPORT ON COVID-19
RELATED EXPENDITURE FOR THE PERIOD –
APRIL - SEPTEMBER 2021/22**

March 2022

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List of abbreviations

CAO	Chief Accounting Officer
COVID-19	Corona Virus Disease
DA	District Administrator
DMA	Disaster Management Authority
GoL	Government of Lesotho
IAs	Internal Auditors
IMF	International Monetary Fund
LDF	Lesotho Defence Force
LMPS	Lesotho Mounted Police Services
LNCC	Lesotho National Convention Centre
MoF	Ministry of Finance
MoH	Ministry of Health
NACOSEC	National Covid-19 Secretariat
NMDS	National Manpower Development Secretariat
PMO	Prime Minister's Office
PPEs	Personal Protective Equipment
PS	Principal Secretary
WHO	World Health Organisation



List of Annexes and Appendices

Annexes	Description
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Annex 2	Copy of invoice for Oratile Construction
Annex 3	Copy of pictures for Maseru Park Home

Appendices	Description
Appendix 1	Table of cost incurred in different levels of constructed park homes.
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Appendix 4	Table of students paid duplicate amount of stipend allowances.
Appendix 5	Table of unverified students paid stipends allowances.



SECTION A

1.0 Executive summary

1.1 Introduction

Internal Audit conducted an internal audit engagement on Covid-19 related expenditure pursuant to commitment the Government of Lesotho (GoL) made with regards to financial assistance from International Monetary Fund (IMF) to address the Balance of Payment financing gap arising from the economic impact and mitigation efforts to Covid-19 pandemic.

The approval of IMF Support required some commitment on the side of the GoL in order to restore macroeconomic sustainability. These include among others:

- Macroeconomic stability.
- Enhance governance and transparency in the use of public funds.
- To support health sector to contain the pandemic.
- To support livelihoods of the population and economy.

1.2 Background

GoL declared a State of Emergency on COVID-19 after the World Health Organization (WHO) declaration of COVID-19 as a pandemic in March 2020. GoL established Inter-Ministerial Committee of Ministers to lead national response activities chaired by the Minister of Communications, Science and Technology.

Subsequently, National Emergency Command Centre (NECC) was established to serve as a strategic command and coordination mechanism for all relevant ministries, and other stakeholders in implementing National Response Strategy.

NECC operated from Lesotho National Convention Centre (LNCC) for a period of six (6) months.



The Ministry of Health (MoH) lead the implementation of the National Response on COVID-19 in close collaboration with the WHO and other relevant stakeholders.

Portfolio committees were also established nation-wide.

Functions of NECC were decentralised to the districts under the responsibilities of the District Administrators (DAs).

In July 2020, NECC was terminated and National COVID-19 Secretariat (NACOSEC) established to spearhead the fight against the pandemic.

Over **200** temporary health workers were engaged and deployed in all districts to assist in protection and containment of the disease from April 2020 to date.

Hotels and Guest Houses were also identified and engaged with assistance of DA offices to be used as Quarantine Facilities in each district.

Cabinet advised the MDAs to use single sourcing and limited tendering method in acquisition of goods and services in accordance with Public Procurement Regulations in order to respond quickly to the pandemic.

The overall budget allocated for this pandemic was **M698, 085, 352 .22**.

Major Budgetary activities were PPEs, medical equipment, quarantine facilities, recruitment and payment of health workers.

DMA opened COVID-19 Official Bank Account “**62848753415**” with (First National Bank) FNB on the 31 March 2020.

A total amount of **M503, 514, 064.00** had already been released in six (6) different warrants for the financial year 2020/21 and the total expenditure amounted to **M471, 933, 936.45**. The closing bank balance was **M31, 580,127.55**.



For the current financial year (April to September), there were two (2) disbursements released as follows:

- | | | |
|--------------------|----------------|------------------------|
| • 1st disbursement | : 07 May 2021 | M100 million |
| • 2nd disbursement | : 29 June 2020 | M94, 571 907.00 |

The overall total amount released therefore increased to **M698, 085, 971.00**. The total expenditure amounted to **M658, 014, 967.62**, while the closing bank balance was **M40, 071, 003.38** as at 30th September 2021.

1.3 Objective

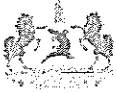
An objective of the engagement was to provide reasonable assurance on expenditure related to Covid-19 activities regarding:

- efficiency, effectiveness and economic acquisition of goods and services,
- compliance with policies, procedures, financial laws, and contracts in undertaking of Covid-19 activities,
- reliability and integrity of information,
- safeguarding of goods and services provided.

1.4 Audit scope

The scope of the audit covers expenditure for 1st and 2nd quarters of the financial year 2021/2022.

Some of the activities that needed thoroughly review in the previous financial year are also covered.



1.5 Methodology

- **Meetings** were held with the following officers:
 - Procurement and Finance Officers for both ministries.
- **Documents** reviewed included:
 - Waybills,
 - Bank statement,
 - Cash book and vote book,
 - Payment vouchers,
 - Suppliers' invoices,
 - Contracts,
 - Delivery notes,
 - Purchase orders,
 - Minutes of Tender Panels.
- **Site visits** were conducted at Maseru Boarder for Maseru Park Homes.

1.6 Risk rating definition

- **High** – A major weakness that requires an immediate attention of management to allocate resources to implement necessary control (s) or action.
- **Medium** – This is an important matter considered necessary to avoid exposure to significant risk.
- **Low** – A minor issue that need to be addressed to enhance control environment or better value for money.



1.7 Limitation

- As indicated in the previous report, some of the information concerning goods and services claimed to have been provided to NECC and still owed was not available for review by IAs, as a result, proper acquisition, validity of such and amounts involved could not be assured. For instance, some advertisers engaged for spreading covid-19 message.
In addition, information on (Lesotho National Convention Centre) LNCC rentals did not come into IAs' review as well.
- There is still discrepancy about nature of bank statement in which some of the transactions do not reflect names of beneficiaries, making it difficult to trace such transactions.
- Risk allowances for professional health workers is still under review and issues relating to them will be included in next report.
However, over **M111, 000, 000.00** was spent on risk allowances until the ending of September 2021
- Verification of medical and other equipment provided is underway and will be concluded in the next report as well.
- A detailed report on relief fund of **M4, 000, 000.00** allocated to twelve thousand (**12, 000**) Basotho citizens staying in South Africa was covered by the IA in the Ministry of Social Development.



2.0 Summary of finding/observations

Ref. No.	Description of internal audit findings/observations	Rating
2.1	<p>Delay in construction of park homes: Park homes were not completed on agreed time. It took 4 - 8 months (December 2020 - April 2021) for constructors to complete the park homes excluding Monontsá which was not yet constructed since only a foundation was erected. 2 months extensions were also exceeded after 90 days (from date of signature August 2020) of agreement (s) with no other action by MoH.</p> <p>However, even though the park homes were eventually completed, IA several site visits to Maseru Park Home revealed that some quantity items agreed were not performed such as installation of bugler proofs, fire extinguisher e.t.c</p> <p>Recommendation</p> <ul style="list-style-type: none"> Both parties should stick to their contract agreements and failure should be justified or appropriate action taken against breach, "penalty charged in terms of the contract". Monitoring of progress should be conducted effectively. 	H
2.2	<p>Uneconomic acquisition of goods and services: Prices charged on some goods and services were significantly exaggerated, overstated or inflated. The issue was previously discussed in the preliminary meetings and reporting with staff and the management. The issue has occurred on;</p> <ul style="list-style-type: none"> Partitioning and painting of 2 offices allocated to NACOSEC with a costed of M99 900.00. The costs also included painting for 4 rooms in which through a side visit did not convince the IA team that the painting was performed. Constructed park homes were also charged ridiculous prices with a cost of M9, 807, 459.59. Several side visits conducted on Maseru Park Home revealed that some works included in the bill of quantities were not performed such as; foundation just stooped on the pavement, metal works (burglars), no fire extinguishers, 	H



Ref. No.	Description of internal audit findings/observations	Rating
	<p>On the other hand, some of the works performed looks unsatisfactory such as; cracks already formed, air conditioning not working well, fine and slippery door stoops injuring people and ineffective water pumping system.</p> <p>In our meeting during the side visit with Real Estate officers and Contractor, the Contractor promised to fix all the works that were not performed, but that did not do.</p> <p>Though some of the works performed were not satisfactory, payment (s) have already been processed.</p> <p>This was as a result of; purchases from middleman, lack of research for market prices, side visits not conducted e.t.c</p> <p>Recommendation</p> <ul style="list-style-type: none"> • GoL must avoid purchases from middlemen during crisis or state of emergency. • Procurement Unit must conduct market research for current market prices. • GoL through MoF must establish approved standard price list. • Variations must be effected and approved to exclude costs for works not performed. <p>Necessity and appropriateness of some activities on covid-19 remain unconvincing:</p> <p>Necessity and appropriateness of some goods and services acquired to form part of Covid-19 expenditure, still remains unconvincing considering the magnitude of their contribution to the pandemic.</p> <p>For instance;</p>	
2.3	<p>Jet fuel for LDF:</p> <p>Purchase of Jet fuel for LDF has formed part of Covid-19 expenditure costing an amount of M2 323 955.00 on bulk of litres for Aviation fuel.</p> <p>There were no records indicating consumption of fuel on trips undertaken for Covid-19 purposes.</p> <p>Recommendation</p> <p>Records indicating consumption of Jet fuel for trips related to Covid-19 measures must be provided in order show transparency in the use of fuel.</p>	H



Ref. No.	Description of internal audit findings/observations	Rating
2.4	<p>Newly registered businesses awarded contracts:</p> <p>A practice to engage or award contracts to the newly registered suppliers under covid-19 seem to be a tendency as was previously indicated. Most of these suppliers have registered between January and April 2021.</p> <p>It is possible that this is caused by; nepotism in selection of suppliers, single sourcing method of purchase among others encourage the practice.</p> <p>Recommendation</p> <ul style="list-style-type: none">• Procurement must maintain and work with updated Supplier Master File that has documented reputable suppliers.• Transparent evaluation on pricing, experience, cost and timeframe should be carefully considered.	H
2.5	<p>Award of big tenders to suppliers of foodstuff</p> <p>A practice to award big tenders to certain suppliers of variety of foodstuff (milk, peanuts, tinned fish, tinned beef, phuzamandla) for feeding Security Services Officers has not stopped.</p> <p>This continued to happen on goods valued between M2 - M5 million.</p> <p>Recommendations</p> <ul style="list-style-type: none">• Engagement performed through transparent evaluations on reputable and potential suppliers for the PMO.• Big tenders on food staff divided into categories/lots to a number of potential suppliers in line with tender procedures.	H
2.6	<p>Duplicate payments of stipend allowances to Basotho students studying in China and other development partner funded countries</p> <p>Six (6) out of 279 Basotho students studying in China and other development partner funded countries received double the amounts of allowances. (M17, 010.27 twice) resulting to duplication of M102, 061.62.</p> <p>Recommendation</p> <ul style="list-style-type: none">• Examination of payments need to be strengthened.• Lost funds must be recovered from recovered from the beneficiaries using all possible means.	H



Ref. No.	Description of internal audit findings/observations	Rating
2.7	<p>Inappropriate payment of stipend allowances to International Students after completion of the course and already at home.</p> <p>Some students were paid stipend allowances between August 2020 and March 2021 while their employment in the GoL took place between December 2020 and June 2021. This indicates that they were paid after completion of their studies and already within the country preparing for employment.</p> <p>Recommendation MOFIR and NMDS must work together to exchange and update information regarding International Students.</p>	H
2.8	<p>Inappropriate payment of stipend allowance to 9 unverifiable students on NMDS and MoFIR students' database during Covid-19.</p> <p>An amount of M153, 092.43 was inappropriately paid to 9 unverifiable "students" who do not appear either on NMDS nor MoFIR students' database.</p> <p>This due to lack of properly documented and updated information on International Students and/or intentional misappropriation of funds, resulting a loss of M153, 092.43.</p> <p>Recommendation</p> <ul style="list-style-type: none">• International Students must be properly documented by both entities "MOFIR and NMDS)" in concurrently.• Unverified students need to be confirmed by both MoFIR and NMDS.	H
2.9	<p>Inadequate information regarding distribution and location of goods received by PMO:</p> <p>There was inadequate information regarding distribution, location and safeguarding of some goods purchased by PMO/ministry, other ministries/stakeholders as a result of amongst others; lack of maintenance of records, goods that were received by entities rather than PMO were not recorded at PMO records.</p> <p>Goods purchased may be misplaced, misused, misappropriated or lost unnoticed.</p>	H



Ref. No.	Description of internal audit findings/observations	Rating
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Recommendation

All goods and assets purchased under Covid-19 fund by the PMO for the ministry, its departments, other ministries or stakeholders including NACOSEC, DMA, MoH e.t.c must be recorded on the PMO ledger books in order to bring them into account and track their whereabouts.



3.0 Report rating forming audit opinion

Report rating Description	Report rating Description
Unsatisfactory	<p>The controls surrounding Covid-19 initiative are unsatisfactory with regards to; safeguarding of assets, compliance with rules and regulations, accomplishment of intended objectives, reliability of information and effective, efficient and economic acquisition of resources for the best interest of the GoL.</p> <p>This is likely to have a material financial impact on the GoL and requires immediate management attention.</p>
Weak	<p>The controls surrounding Covid-19 initiative are mostly weak to guarantee safeguarding of assets, compliance with rules and regulations, accomplishment of intended objectives, reliability of information and effective, efficient and economic acquisition of resources for the best interest of the Government of Lesotho.</p> <p>Although some controls are operating, a number of significant issues have been identified that may have significant impact on the initiative.</p>
Adequate	<p>The controls are most acceptable to safeguard assets, comply with rules and regulations, accomplish intended objectives, rely on information and acquire resource in the most effective, efficient and economic manner.</p> <p>Although some controls are operating effectively, there are some medium risks that have been identified that have an immaterial impact on the initiative.</p>
Good	<p>The controls surrounding the Covid-19 initiative are mostly acceptable to safeguard assets, comply with rules and regulations, accomplish intended objectives, rely on information and acquire resource in the most effective, efficient and economic manner. Although there are some risks that were identified and had low impact on the initiative.</p>

3.1 Overall report

Weak	<p>The controls surrounding Covid-19 initiative are mostly weak to guarantee safeguarding of assets, compliance with rules and regulations, accomplishment of intended objectives, reliability of information and effective, efficient and economic acquisition of resources for the best interest of the GoL.</p> <p>Although some controls are operating, a number of significant issues have been identified that may have significant impact on the initiative.</p>
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4.0 Follow-up tracking

The implementation of Covid-19 initiative recommendations will be tracked on a regular basis and reports provided.

Area	Fully Implementation	Partially implemented	Not yet implemented	Discontinued
Requisitioning				
Selection				
Purchasing				
Delivering				
Invoicing				
Paying				
Recording				
Issuing				
Existence & safeguarding				

- _ out of _ recommendations were fully implemented representing %
- _ out of _ recommendations were partially implemented representing %
- _ out of _ recommendations were not implemented representing %
- _ out of _ recommendations were discontinued representing %



5.0 Detailed observations/findings:

5.1 Delay in construction of park homes

Standard

Clause 7.1 “**Execution of works**” of contract agreement (May 2020) between MoH and Contractor for park homes indicates that the contractor shall commence the works on the commencement date and shall proceed expeditiously and without delay and shall complete the works within the time for completion.

Appendix, clause 1.1.9 indicates time for completion as 90 days. Signed: - 17th – 19th August 2020.

Annex 1 attached.

Condition

As indicated in the previous report, it took (four) 4 to 8 (eight) months (between December 2020 to April 2021) for constructed park homes to be completed. The completed park homes exclude Monontsá which was not yet constructed since only a foundation was erected.

The time agreed to complete the park homes was **90 days** from the date of signing of the contracts (17th – 19th August to November 2020).

Extension period of **1 to 2 months** granted was also exceeded with no other action by MoH.

However, even though the park homes were eventually completed, some of the quantity items agreed as part of construction work were not performed as indicated in **paragraph 5.3** below.

Cause

- Delay in delivery of park home materials from major suppliers of the Constructors as indicated in letters of extensions.
- Border restrictions as well affected their work progress.
- There was a possibility of lack of funds on the side of the suppliers to complete the work on time or lack of expertise to construct the park homes.



Effect

- Contracts breached with no action.
- Park homes end up not serving the intended purpose within planned time.
- Possibility of payment of non-existing park homes “Monontsá”.
- Some of the Park homes may become white elephants.

Risk rating

High

Recommendation

- Contractors should stick to their contract agreement (s), failure should be justified, and appropriate action taken against breach.
- Monitoring of progress should be effective at all times by Real Estates officers of the MoH.
- Terms of the contract must be enforced especially sub-clause 7.4 that stipulated penalty charges of M500.00 per day up to a maximum of 10% of contract price on failure to complete construction on time.

5.2 Uneconomic acquisition of goods and services

Standard

Regulation 19 (2) (c) of Treasury Regulations 2014 specifies that before approving a proposal to spend money, an Authorising Officer shall ensure that the proposal; will make efficient and effective use of public money.

Condition

Some goods and services are still acquired in an uneconomic manner, because prices charged appears to be significantly exaggerated, overstated or inflated. The issue was discussed previously in the preliminary meetings, draft and final reporting with staff and also the management.

This issue was observed on;



-
- Partitioning and painting of two (2) offices allocated to NACOSEC at MoH performed by Oratile Construction with the cost of **M99 900.00**. The charge seemed ridiculous as one office was divided with one panel to make two (2) offices for HR Manager and Deputy CEO for NACOSEC. The other workings were two (2) panels created to make office on the kitchen space which was used to accommodate cleaning staff.

These charges included painting for 4 rooms as indicated in the invoice in which through a side visit did not convince the IA team that the painting was performed.

Annex 2 attached.

- Constructed park homes were also identified by IA Team as some of the goods and services that were charged ridiculous prices. The original budget for each park home was estimated at **M250, 000** totalling **M1, 500, 000** for the **6 park homes** as indicated in the previous report. However, the actual total costs became **M9, 807, 459.59**. Charges in each level of construction as per bill of quantities were expensive as indicated in **appendix 1** attached...

Furthermore, several side visits conducted at Maseru Boarder Post on Maseru Park Home revealed that some works included in the bill of quantities **were not performed though they formed part of expensive charges.**

- foundation just stooped on the pavement,
- no metal works are fixed such as burglar doors and windows,
- no fire extinguishers,

On the other hand, some of the works performed looks **unsatisfactory** such as;

- Cracks already formed on the surfaces e.t.c.
 - Air conditioning not fully functional,
 - According to Heath Workers at the Park Homes, door stoops are very fine and slippery. This injured some people coming for services.
-



- Water pumping system was not effective due to dysfunctional motor and water pipe exposed on the pathway and was already damaged by then.

Annex 3 attached.

In our meeting during the side visit with both the Real Estate officers and Contractor, the Contractor promised to fix all the works that were not performed, but that was not fulfilled.

Even though some of the works were not performed or not satisfactory, **payment (s) have already been processed** is indicated in **Appendix 2...**

Cause

- Purchases from middleman instead of relevant suppliers.
- Lack of research and comparison of market prices by procurement unit (s).
- No side visits were conducted by conducted in order to make precise quotations according to Real Estate Office.
- No variations from Real Estate Office were observed before forwarding the invoices to Accounts for payments.

Effect

Loss of funds allocated for other Covid-19 related activities.

Risk rating

High

Recommendation

- During times of crisis or state of emergency, GoL must be encouraged to avoid purchases from middlemen instead of the main and relevant supplier (s).



-
- Procurement Unit must conduct market research to be familiar with the current market prices while it is the responsibility of GoL through Ministry of Finance (MoF) to establish and approve standard price list for goods and services to control inflation of prices in all forms.
 - Inspection of construction work should be performed by Inspection Team formed with different relevant offices within the ministry led by Real Estate office.
 - Variations must be effected to exclude costs for works that were not performed. A variation report should be produced and approved.
 - Contractors paid on work not fully performed must be recalled to fix the unfinished work.

5.3 Necessity and appropriateness of some activities on covid-19 remain unconvincing

Condition

Necessity and appropriateness of some goods and services acquired to form part of Covid-19 expenditure, still remains questionable considering the magnitude of their contribution to the pandemic. For instance;

Jet fuel for LDF:

Purchase of Jet fuel for LDF has formed part of Covid-19 expenditure whereby an amount of **M2, 323, 955.00** was spent on thousands of bulk of litres for Aviation Fuel.

Therefore, there were **no records** to proof that the purchased fuel was used for Covid-19 activities.

Cause

No records indicating consumption of fuel on trips undertaken for Covid-19 purposes.



Effect

Budget for Covid-19 is significantly affected.

Risk Rating

Low

Recommendation

Records indicating usage/consumption of Jet fuel for trips related to Covid-19 measures must be provided in order show transparency in the use of fuel.

5.4 Newly registered businesses awarded contracts

Standard

Regulation 22 (4) of Treasury Regulations 2014 indicates that a Finance Officer shall take account of the past performance of a supplier when awarding a new Government contract.

Regulation 17 (1) of Procurement Regulations 2007 specifies that the tenderer's technical capacity and expertise shall be determined subject to any of the following indicators depending on the nature, specifics, quality and quantity of the works, goods or services....

(b) details of contracts of a similar nature carried out over the last 5 years with their costs, timeframe, location and the purchaser with their cost, timeframe, location and the purchaser with a reference or references of satisfactory completion.

Condition

A practice to engage or award contracts to the newly registered suppliers to provide goods and services under covid-19 seem to be a tendency as was indicated and discussed in the previous reports.

Appendix 3 attached....



Cause

- Possibility for nepotism in selection of suppliers.
- Method of purchase “single sourcing” for emergencies allows for direct or sole sourcing purchase.

Effect

- Possibility for partial deliveries due to lack of capacity and lack of expertise.
- Quality maybe compromised as well some unreputable suppliers.
- Wrong goods and services may be provided, or not provided at all because the supplier’s reputation was not yet known for both Ministries.

Risk rating

High

Recommendation

- Procurement must maintain and work with updated Supplier Master File that documented reputable suppliers which are well known to the Mistry.
- Transparent evaluation on pricing, experience, cost and timeframe should be carefully considered on **reputable suppliers** irrespective of type of tender selection process.

5.5 Award of big tenders to suppliers of foodstuff

Condition

The situation of awarding big tenders to certain suppliers to provide foodstuff for feeding security services became a common practice in acquisition of such within Covid-19 activities.

This practice encourages inequitable distribution of income within the community using public funds. **Table 1** below refers;

**Table 1 – Suppliers of foodstuff awarded of big tenders**

No.	Name of Supplier	Goods/service	Amount (M)
1.	H & M Store	Dry Ration (Milk and salted Peanuts) for 4 weeks while on Covid-19 Duties.	2, 067, 010.00
2.	Bikeboy General Dealer	Dry Ration (Tinned Fish, Tinned Beef) for LMPS and LDF.	5, 029, 065.00
3.	Katleho General Dealer	Dry Ration (Bags of Phuzamandla) for LDF and LMPS.	3, 604, 600.00

Furthermore, all these suppliers are newly registered as indicated in paragraph 5.5 above.

Cause

Method of purchase “single sourcing” for emergencies allows for direct or sole sourcing purchase, there became easily abused.

Effect

- Single sourcing method of tendering can easily be abused.
- Unfair distribution of income.
- Possibility for short supply or partial deliveries due to lack of capacity by other suppliers.
- Possibility for nepotism.

Risk rating

High

Recommendations

- Engagement of suppliers of goods and services should be transparent to give equal opportunity and fair distributed to reputable and potential suppliers in the similar categories.



- Big tenders with variety of foodstuff could be divided into categories/lots to a number of potential suppliers in consideration of tender procedures to promote fair distribution in the process.
- The used tender procedures of single sourcing and limited tendering needs to be reviewed as Covid-19 may not be an emergency anymore.

5.6 Duplicate payments of stipend allowances to Basotho students studying in China and other development partner funded countries

Standard

Savingram dated 29th may 2020 from PS Development Planning to PS Cabinet titled “Request for Student Grants Funds”, indicated that pursuant to Government directive, 239 Basotho Students who are and have been in China and other Donor funded countries throughout lockdown be assisted with M4, 065, 454.53 for April, May and June 2020.

Regulation 24 (7) (c) of Treasury Regulations 2014 states that before certifying a payment voucher for allowances, an Examining Officer shall ensure that the payment; has not already been paid by Government.

Condition

An amount of **M4 745 865,33** was paid as stipend allowances to **279** Basotho students studying in China and other development partner funded countries. Each student received **M17, 010.27**.

However, six (6) of these students received double the amount of their allowances mostly in July and September 2020 resulting to a duplicate pay of the same amount “**M17, 010.27**” for each of them.

As a result, an amount of **M102, 061.62** was overspent to these students.

Appendix 4 attached...



Cause

Inadequate examination of payments.

Effect

Loss of funds amounting to **M102, 061.62**.

Risk Rating

High

Recommendation

- Examination of payments need to be strengthened.
- Lost funds must be recovered from the beneficiaries using all possible means.

5.7 Inappropriate payment of stipend allowances to International Students after completion of the course and already at home.

Standard

As stated in paragraph 5.7 above, “savingsgram”.

Condition

Some students were paid stipend allowances between **August 2020 and March 2021** while their employment in the GoL took place between **December 2020 and June 2021**.

This indicates that they were paid after completion of their studies and already within the country preparing for employment as shown in **table 2** below.



Table 2 – Students paid stipends allowances while already in the country and employed.

No.	Name of Student	Country of Study	Date of payment	Stipend paid (M)	Ministry engaged	Date employed
1.	Liteboho Mokete	China	March 2021	17, 010.27	02 - Health	01 Jun 2021
2.	Mantsali Imelda Mofobatha	China	March 2021	17, 010.27	02 - Health	01 Apr 2021
3.	Teboho Nkuatsana	China	August 2020	17, 010.27	02 - Health	01 Apr 2021
4.	Thapelo Justice Ralikonyana	China	August 2020	17, 010.27	02 - Health	01 Dec 2020
5.	Motsepu David Rathipe	China	August 2020	17, 010.27	02 - Health	08 Jan 2018
6.	Teboho Daniel Molapo	China	August 2020	17, 010.27	07- Justice	01 Nov 2011
7.	Matsepiso Claurina Lebitsa	China	August 2020	17, 010.27	07- Justice	04 Jan 2011
8.	Matete Mahao	China	August 2020	17, 010.27	42 – Local Government	01 Jan 2003
Total				136, 082.16		

Furthermore, it is also possible that for those paid in the current financial year, included some who already completed their courses, returned home and working in some other organisations.

Cause

- Unverified international students lists.
- Stipend allowance appeared as arrears to former students who were previously studying in China and other development partner funded countries during 2020/21 though they were already within the country.

Effect

Loss of funds.



Risk rating

High

Recommendation

MoFIR and NMDS must work together to exchange and update information regarding studies of International Students.

5.8 Inappropriate payment of stipend allowance to nine (9) unverifiable students on NMDS and MoFIR students' database during Covid-19.

Standard

As stated in paragraph 5.7 above, "savingram".

Regulation 24 (9) (iii) of Treasury Regulations 2014 states that before approving a payment voucher, an Authorising Officer shall ensure that the payment; is lawful and in accordance with Government objectives.

Condition

An amount of **M153, 092.43** was inappropriately paid to **nine (9)** unverified "students" who do not appear either on NMDS nor MoFIR students' database. A list of their submission is also not traceable. **Appendix 5** attached...

Cause

- Lack of properly documented International Students.
- Database not well updated and readily available at all times from both entities "MoFIR and NMDS".
- Possibility for intentional misappropriation of funds by addition of invalid beneficiaries.



Effect

Loss of funds amounting to M153, 092.43.

Risk rating

High

Recommendation

- International Students must be properly documented by both entities “MoFIR and NMDS” concurrently.
- Unverified international students need to be confirmed by both entities.

5.9 Inadequate information regarding distribution and location of goods received by PMO

Condition

There is lack of information regarding distribution, location and safeguarding of some goods purchased by PMO for the ministry, MoH or other ministries/stakeholders.

Cause

- Most of goods purchased were not recorded and distributed with the waybills, ledgers or distribution lists.
- According to Procurement office, some goods were received by other ministries/stakeholders rather than PMO therefore not recorded at PMO.

Effect

Goods purchased for covid-19 response may be misplaced, misused, misappropriated or lost unnoticed.



Risk Rating

High

Recommendation

All goods and assets purchased under Covid-19 fund by the PMO for the ministry/departments, other ministries or stakeholders including NACOSEC, DMA, MoH e.t.c must be recorded on the PMO ledger books, in order to bring them into account and track their whereabouts of such goods.

SECTION C

6.0 Conclusion

Based on the findings and recommendations outlined in this report, the following actions must be considered to address IA concerns on covid – 19 activities;

Goods and services must be acquired economically. This has not happened in construction of park homes and partitioning work at MoH.

Inspection of construction work must be strengthened in a manner that is performed by a Team of officials from different departments within MoH and prepare variation reports to be approved by COA before processing of payments.

Goods and services must be acquired from compliant, reputable and experienced suppliers in accordance with updated database.

Assets purchased for Covid – 19 activities by either PMO or MoF must be adequately registered in those Ministries' records before distributed to end users.

Furthermore, goods and services are still being procured as emergency, through single sourcing methods of procurement which to some extent creates an abuse on acquisition of goods and services.



Internal auditors' advice that the recommendations be given a considerable priority for better improvement of internal control system for the successful implementation of response to covid-19 pandemic in Lesotho.

7.0 Acknowledgements

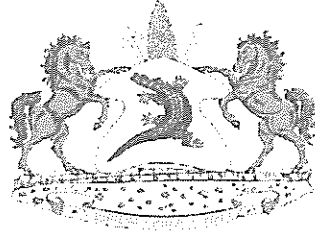
The Internal Audit highly appreciates the cooperation offered by staff members in the audited areas who have assisted in successful completion of the exercises.

Prepare by :

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List of Annexes and Appendices

Covid-19 Related Expenditure

Appendices

Appendix 1

Table of cost incurred in different levels of constructed park homes.

Construction level/ categories	Park home				
	Maseru	Peka	Monontsa	Sani	Ramatseliso
Preliminaries	45,000	55,000	60,000	106,500	96,900
Excavation and Foundation	127,205	126,620	62,827	76,459	366,910
Prefabricated Structure	26,775	26,250	472,500	294,000	26,250
Roofing	143,500	147,000	57,400	37,100	94,500
Electrification	40,000	40,000	40,000	40,000	40,000
Floor coverings	13,545	13,158	32,895	23,220	15093
Pvc ceiling	31,200	87,100	27,560	23,400	36,400
Lock set	8,400 (1,200 x 7)	7,700 (1,100 x 7)	9,800 (1,400 x 7)	5,530 (7,90 x 7)	4,200 (600 x 7)
Fire extinguisher	3,000 (1500 x 2)	3,000 (1500 x 2)	96 (48 x 2)	9,000 (4500 x 2)	7,000 (3500 x 2)
Air conditioning	108,000 (3 x 36,000)	111,000 (37,000 x 3)	60,000 (20,000 x 3)	42,000 (3 x 14,000)	75000 (25,000 x 3)
Internal divisions	48,000	48,000	180,000	20,000	14,000
External works	140,000	140,000	112,000	80,000	33,800
Aluminium and metal works	97, 800	99. 800	16, 500	25, 960	18, 000

Appendix 2

Table of Paid Contractors

Constructor	Park Home	Amount (M)	Invoice Amount (M)	Paid Amount (M)	Variation Amount (M)	Remarks
Eagle Construction	Sani Pass : Office Accommodation	1 191 185.02	1 036 391.48	1 139 394.38		
		1 179 996.42	977 222.70	-		
M & R Mining and Civil Construction	Caledonspoort	912 587.45	910 933.40	871 327.60		
Triple K Building & Construction	Maseru	1 358 026.95		1 203 344.83		Some items were not constructed: <ul style="list-style-type: none"> • foundation just stooped on the pavement, • no metal works e.g. burglar gates and windows, • no fire extinguishers e.t.c. Cracks have already developed.
Artic Group of Companies	Peka	1 451 746.77	-	-	-	
Maseru Shine Construction	Ramatséliso	1 570 534.00	-	-	-	

Appendix 3

Table of newly registered businesses awarded contracts

No.	Supplier	Date of registration	Date of service	Description of goods & services provided	Amount (M)
1.	Ruth Medical Supplies	23/10/2020	11/02/2020	Medical equipment: 30 x Pin Index Oxygen regulators. 50 x Bull Nose Regulators for LDF.	107 700.00
2.	H & M	01/04/2021	19/04/2021	Provision of Dry Ration (Milk and salted Peanuts) for 4 weeks while on Covid-19 Duties.	2 067 010.00
3.	Bikeboy General Dealer	05/01/2021	19/04/2021	LMPS and LDF Dry ration (Tinned Fish, Tinned Beef)	5 029 065.00
4.	Flair Medical Equipment	11/02/2021	26/03/2021	Oxygen Accessories as follows; <ul style="list-style-type: none"> • 1 000 x Oxygen mask - Adults, • 120 x Oxygen flow spitter, • 1 000 x Oxygen Nusal Canula and • 1 000 x mask Reseivors bags. 	905 500.00
5.	Elitepath Pty Ltd	11/02/2021	26/03/2021	Testing, Phlebotomy service and consumables (Swabs, Ziploc Bags, to transport collected samples and PPE	234 650.00
6.	Katleho General Dealer	13/04/2021	19/04/2021	Provision of Dry Ration (Bags of Phuzamandla) for LDF and LMPS while on Covid-19 duties	3 604 600.00
7.	Gift for Life Pharmaceuticals Supplies	08/03/2021	31/03/2021	100 Units of oxygen Pressure regulators	1 600 000.00

Appendix 4

Table of students paid duplicate amount of stipend allowances

No.	Name of Student	Country of Study	Date of payment	Bank	Stipend Paid (M)	Duplicate Amount Paid (M)	Remarks
1.	Lineo Moiloa	Cuba	Jul 20	NetBank Lesotho	17, 020.27		
		Cuba	Sept 20	NetBank Lesotho		17, 020.27	
2.	Moorosi Teboho Jocinta	Algeria	Jul 20	Standard Lesotho Bank	17, 020.27		
		Algeria	Sept 20	Standard Lesotho Bank		17, 020.27	
3.	Kheola Lerato Patricia	Cuba	Jul 20	Standard Lesotho Bank	17, 020.27		
		Cuba	Sept 20	Standard Lesotho Bank		17, 020.27	
4.	Seine Liteboho Donnielle	Algeria	Jul 20	Standard Lesotho Bank	17, 020.27		
		Algeria	Sept 20	Standard Lesotho Bank		17, 020.27	
5.	Kheola Joseph Lebona	Cuba	Jul 20	Standard Lesotho Bank	17, 020.27		
		Algeria	Sept 20	Standard Lesotho Bank		17, 020.27	
6.	Nyabela Mosa Chantel	Cuba	Jul 20	Standard Lesotho Bank	17, 020.27		
		Cuba	Sept 20	Standard Lesotho Bank		17, 020.27	
Total Duplicate Amount						102, 061.62	

Table 2 of unverified students paid stipends allowances

No.	Name Of Student	Country of Study	Date of payment	Stipend paid (M)
1.	Ntsinga Paballo Maxwell		July 2020	17, 010.27
2.	Teboho Nkuatsana		August 2020	17, 010.27
3.	Nthabeleng Patricia Mafisa		March 2021	17, 010.27
4.	Lerato Makhatsane		April 2021	17, 010.27
5.	Tebello Nthako		April 2021	17, 010.27
6.	Tsepo Benjamin Mahloane		April 2021	17, 010.27
7.	Keketso D. Rabale		April 2021	17, 010.27
8.	Lefela M. Josiel Lehana		April 2021	17, 010.27
9.	Mosili Ellen Kikine		April 2021	17, 010.27
Total				153, 092.43

Annexes

AGREEMENT

THIS AGREEMENT together with the documents annexed and/or named herein called "the Agreement" made this ^{19th}~~15th~~ day of August in the year 2020, between the **Ministry of Health** (hereinafter called the "the Employer") whose address is **Ministry of Health Headquarters, Constitution Road, P.O. Box 514, Maseru 100 - Lesotho** of the one part and Masera Suleme (hereinafter called "the Contractor") whose address is P.O. Box 7500, of the other part.

Witnesses that:

1. WHEREAS the Employer is desirous that Construction Services be performed for the COVID 19 Point of Entry Parkhouse (hereinafter called "the WORKS") for the Ministry of Health.

AND WHEREAS the Employer has accepted the Tender of the Contractor for the performance of such Works in the Sum defined in the Bill of Quantities.

NOW THEREFORE it is hereby agreed and declared by and between the parties hereto as follows:

1. The Employer hereby appoints the Contractor and the Contractor accepts the appointment to carry out the Works.
2. The following documents shall be deemed to form and be read and construed as part of the Agreement and shall have the order of precedence as defined below.
 - The Letter of Acceptance
 - The Contractor's tender
 - Priced Bill of Quantities
 - The Conditions of Contract
 - The Specifications
 - Any other documents forming part of the Contract
3. The Contractor hereby covenants with the Employer to perform the Works in conformity in all respect with the provisions of the Agreement and with all reasonable skill, care and diligence.
4. The Employer hereby covenants to pay the Contractor in the amounts at the times and in the manner prescribed by the Agreement.
5. By signing this Agreement each signatory warrants that he is duly authorized to do so.

IN WITNESS whereof this Agreement has been accepted by the Parties hereto and signed by their representatives on the date first written above. Whereof the parties hereto have set their hands and seals (if any) in the presence of the subscribing witnesses:

Conditions of Contract

General Provisions

- 1.1
Definitions
- In the Contract as defined below the words and expressions defined shall have the following meanings assigned to them except where the context requires otherwise:
- The Contract**
- 1.1.1 "**Contract**" means the signed Agreement and the other documents listed/referred to therein and in the Appendix.
- 1.1.2 "**Specification**" means the document as listed in the Appendix, including Employer's requirements in respect of design to be carried out by the Contractor, if any, and any Variation to such document.
- 1.1.3 "**Drawings**" means the Contractor's drawings of the Works as listed in the Appendix, and any Variation to such drawings.
- Persons**
- 1.1.4 "**Employer**" means the person named in the Agreement and the legal successors in title to this person, but not (except with the consent of the Contractor) any assignee.
- 1.1.5 "**Contractor**" means the person named in the Agreement and the legal successors in title to this person, but not (except with the consent of the Employer) any assignee.
- 1.1.6 "**Party**" means either the Employer or the Contractor.
- Dates, Times and Periods**
- 1.1.7 "**Commencement Date**" means the date 14 days after the date the Agreement comes into effect or any other date agreed between the Parties.
- 1.1.8 "**Day**" means a calendar day.
- 1.1.9 "**Time for Completion**" means the time for completing the Works as stated in the Appendix (or as extended under Sub-Clause 7.3), calculated from the Commencement Date.

remedy any defects.

Time for Completion

7.1

Execution of the Works

The Contractor shall commence the Works on the Commencement Date and shall proceed expeditiously and without delay and shall complete the Works within the Time for Completion.

7.2

Programme

Within the time stated in the Appendix, the Contractor shall submit to the Employer a programme for the Works in the form stated in the Appendix.

7.3

Extension of Time

Subject to Sub-Clause 10.3, the Contractor shall be entitled to an extension to the Time for Completion if he is or will be delayed by any of the Employer's Liabilities.

On receipt of an application from the Contractor, the Employer shall consider all supporting details provided by the Contractor and shall extend the Time for Completion as appropriate.

7.4

Late Completion

If the Contractor fails to complete the Works within the Time for Completion, the Contractor's only liability to the Employer for such failure shall be to pay the amount stated in the Appendix for each day for which he fails to complete the Works.

Taking-Over

8.1

Completion

The Contractor may notify the Employer when he considers that the Works are complete.

APPENDIX

This Appendix forms part of the Contract.

Item	Sub-Clause	Data
Documents forming the Contract listed in the order of priority	1.1.1	
Document		Document Identification
(a) The Letter of Acceptance		
(b) The Agreement and Conditions of Contract		
(c) The Specification		
(e) The Contractor's Tender (including Bills of Quantities.)		
Time for Completion	1.1.9	{To be agreed with the Contractor} 90 days
Law of the Contract	1.4	Law of the Kingdom of Lesotho
Language	1.5	English
Provision of Site	2.1	minimum 2 Days after signing of Contract
Authorized person	3.1	
Name and address of Employer's representative	3.2	
Performance security :		
Amount	4.4	N/A
Form	4.4	N/A
Requirements for Contractor's design	5.1	N/A
Programme:		
Time for submission	7.2	Within 7 days of

		the Commencement Date.
Form of programme	7.2	Bar Chart
Amount payable due to failure to complete	7.4	<u>500</u> per day up to a maximum of 10% of the Contract Price.
Period for notifying defects	9.1 & 11.7	<u>90</u> days calculated from the date stated in the Taking Over Certificate under Sub-Clause 8.2
Variation procedure:		
Day-works rates:	10.2	[Rates to be agreed with the Contractor]
Valuation of the Works:		
Lump Sum Price	11.1	<u> </u> which shall be paid on the basis of the invoices submitted by the Contractor until Contract completion, pursuant Clause 11.
Advance Payment	11.3	N/A
Percentage of value of Materials on Site	11.4	N/A

bu

An 2

An 3



