



GOVERNMENT OF LESOTHO

**AUDIT REPORT
ON THE
ANNUAL FINANCIAL STATEMENTS
OF**

**PUBLIC FINANCIAL MANAGEMENT REFORM AND
PUBLIC SECTOR MODERNISATION PROJECT –
MINISTRY OF FINANCE FOR THE YEAR ENDED 31 MARCH 2020**

AUDITOR GENERAL
P.O. BOX 502
MASERU 100
LESOTHO

**GOVERNMENT OF LESOTHO
MINISTRY OF FINANCE
PUBLIC FINANCIAL MANAGEMENT REFORM PROJECT
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020**

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1.PROJECT INFORMATION

1.1.Name and registered office

Name: The project's official name is the Public Financial Management Reform Project and Public Sector Modernisation Project.

Objective: The key objective of the project is to support the implementation of both civil service and public financial management reforms.

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Government Complex
Maseru
Lesotho

Contacts: Tsolo Maoeng (Mr.)
Project Coordinator
Monitoring & Evaluation, & Quality Control
Tel: (+266) 28324748 /28328974
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1.2.Project information

Project Start Date:	The PSM project started date May 2016, PFMR project started in April 2014
Project End Date:	The project end date is November 2021
Project Manager:	Mr Tsolo Maoeng

1.3. Project Overview

Department of the project	The project is under the supervision of the Government of Lesotho, Ministry of Finance, Planning Unit.
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<p>Project background and strategic goals</p>	<p>The Public Financial Management (PFMR) Secretariat was set up within the Ministry of Finance under the Planning Unit to support the coordination and reform across a wide range of the stakeholders/components and ensure that harmony amongst different components is maintained. Underpinning the reform priorities adopted by government in the Public Financial Management information, budget execution and financial accountability, the Government of Lesotho is supported by the African Development Bank (ADB), World Bank (WB), and European Union. To improve the quality and timeliness of public financial management, the EU drew the Reform Action Plan (PFMRAP) (2012-2017/18) to implement the Public Financial Management Reforms across eight (8) Components with leaders nominated for each department and agency involved in the reform project. The PFMR Secretariat support these two key projects:</p> <p>A.Public Sector Modernisation Project (PSM) _ USD 10m</p> <p>This is a World Bank funded project which was approved in May 2016/17 and involves four components: i) Strategic Planning and Fiscal Management; ii) Strengthening the Human Resources Management; iii) Improving Statistical Capacity and iv) Strategic Implementation Support. For purposes of these Financial Statements, the project is treated as component 9 following the order of the components 1-8 under the PFM Reform Project.</p> <p>B.The Public Financial Management Reform Project (PFM)</p> <p>The PFM Reform process is supported by three Development Partners as follows:</p> <p>1.The World Bank - USD 5.5m which covers:</p> <ul style="list-style-type: none"> -Component 5 - Accounting and Fiscal Reporting fully compliant with the regulatory framework and accounting standards. The PFM World Bank support was concluded in June 2019. <p>2.The African Development Bank - USD 3.8m which covers:</p> <ul style="list-style-type: none"> -Component 4 - The internal control Framework is strengthened to ensure operational efficiency and effectiveness. -Component 6 - Public Procurement aligns with International best practice in
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	<p>efficiency and transparency.</p> <p>-Component 7 - External Audit and Parliamentary oversight and scrutiny activities are compliant with INTOSAI standards and best practices.</p> <p>-Component 8 - Governance and institutional Management of PFM Reforms improved to facilitate ownership, monitoring and evaluation of progress.</p>
	<p>3.The European Union</p> <p>The support from EU was in the form of Financial and Technical Assistance managed by the EU, and covered the following components, EU support was concluded in June 2018:</p> <p>-Component 1- PFM Regulatory Framework updated to underpin PFM Reforms.</p> <p>-Component 2 - Transparency and effectiveness of policy orientation of the budget assured.</p> <p>-Component 3 - Cash flow forecasts a major determinant of internal debt and financial investment. The support arrangement under this component involves direct funding of the IMF Technical Assistance by the EU.</p> <p>-Component 8 - Governance and institutional management of PFM Reforms improved to facilitate ownership, monitoring and evaluation of progress.</p>
Current situation that the project was formed to manage	<p>The project was formed to support the coordination across a wide range of stakeholders to ensure that harmony is maintained in the following areas:</p> <p>(i)Public Sector Modernisation Project (PSM); and</p> <p>(ii)The Public Financial Management Reform Project (PFM)</p>
Project duration	<p>The PSM project started on 25 May 2016 and is expected to be completed in November 2021. The PFM project was started in May 2014 and is expected to be completed in November 2021</p>

1.4.Bankers

The following are the bankers for the current financial year:

1. Central Bank of Lesotho
2. Standard Bank of Lesotho
- 3.First National Bank Lesotho

1.5. Auditors

The project is audited by the Office of the Auditor General

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1.6.Funding summary

The Project is multi funded, below is the summary of key funders for both projects:

- Public Sector Modernisation; and
- Public Financial Management Reform

The Public Financial Management Reform Secretariat (PFMRS) maintains accounts in respect of funding provided by donors: ADB, IDA and EU).

Source of funds	Donor Commitment
	<i>Donor currency</i>
(i) Grant	
Grant from The African Development Bank	US\$ 3.8 Million
Funds from The World Bank (IFMS)	US\$ 5,5 Million
Funds from The World Bank (PSMP)	US\$ 10 Million
Funds from The European Union	Note 1
(ii) Counterpart funds	
Government of Lesotho	Note 2

Note 1: The European Union support was in the form of Financial and Technical Assistance managed by the EU.

Note 2: The Government of Lesotho commitment is in the form of Institutional Support including payment of project related salaries and related costs, and taxation to the government authorities.

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2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The Director for the Planning Unit in the Ministry of Finance and the Project Coordinator for the PFMR Secretariat are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on March 31, 2020. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Director for the Planning Unit in the Ministry of Finance and the Project Coordinator for the PFMR Secretariat accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Director for the Planning Unit in the Ministry of Finance and the Project Coordinator for the PFMR Secretariat are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended 31st March, 2020 , and of the Project's financial position as at that date. Director for the Planning Unit in the Ministry of Finance and the Project Coordinator for the PFMR Secretariat further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

Director for the Planning Unit in the Ministry of Finance and the Project Coordinator for the PFMR Secretariat confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Director for the Planning Unit in the Ministry of Finance and the Project Coordinator for the PFMR Secretariat on _____ 2020 and signed by them.



**PROJECT COORDINATOR (a.i)
MINISTRY OF FINANCE**



**DIRECTOR-PLANNING UNIT
MINISTRY OF FINANCE**



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

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Opinion

JEO & Associates, under section 24 (1) of the Audit Act have audited the financial statements of Public Financial Management Reform and Public Sector Modernisation Project ("Project") set out on pages 11 to 27, which comprise the statement of Cash Receipts and Payments as at 31 March 2020, and other related statements for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial performance and cash flows of the Project for the year ended 31 March 2020, in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISA). My responsibilities under those standards are further described in the Auditor's Responsibilities for independent of the Organisation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to audit of the financial statements in Lesotho, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the

There were no key matters identified during the course of audit.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the 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 is not a guarantee that an audit conducted in accordance with ISA 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 ISA, I exercise professional judgment and maintain professional skepticism 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 control.

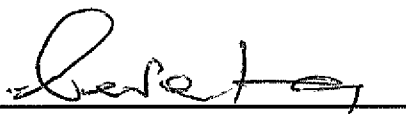
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the

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



MONICA M. BESETSA (MS)
ACTING AUDITOR-GENERAL

OFFICE OF THE AUDITOR-GENERAL
AUDITOR GENERAL
DATE: 29 SEP 2020
P.O. BOX 502
MASERU 100, LESOTHO

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4.STATEMENT OF CASH RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 31 MARCH 2020

	Note	2020 LSL	2019 LSL	Cumulative LSL
RECEIPTS				
Transfer from Government of Lesotho	8.2	6 064 401	7 786 621	23 608 922
Proceeds from domestic and foreign grants	8.3	64 275 858	64 600 771	195 337 534
Miscellaneous receipts	8.4	51 984	7 146	59 130
Total receipts		70 392 243	72 394 538	219 005 586
PAYMENTS				
Compensation of employees	8.5	6 477 287	8 673 740	35 291 340
Purchase of goods	8.6	9 581 048	13 513 831	35 345 153
Purchase of services	8.7	58 145 972	41 302 342	136 346 343
Payment for other operating costs	8.8	1 794 798	1 267 432	8 785 094
Payment for works	8.9	-	352 735	842 735
Transfers to funder	8.10	1 323 380	2 067 826	3 224 007
TOTAL PAYMENTS		77 322 484	67 177 906	219 834 672
Foreign gains/losses	8.11	1 765 659	398 724	
INCREASE/(DECREASE) IN CASH		(5 164 583)	5 615 357	
Cash Balance at beginning of the year		10 562 543	4 947 186	
Increase/(decrease) in cash during the year		(5 164 583)	5 615 357	
Cash at end of the year	8.12	<u>5 397 960</u>	<u>10 562 543</u>	

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.

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4.STATEMENT OF FINANCIAL ASSETS AND LIABILITIES AS AT 31ST MARCH 2020

	Note	2020 LSL	2019 LSL
Cash and cash equivalents b/fwd		10 562 543	4 947 186
Total Receipts		70 392 243	72 394 538
Total Payments		(77 322 484)	(67 177 906)
Foreign Exchange Difference		1 765 659	398 724
NET FINANCIAL POSITION		5 397 960	10 562 543
	Note	2020 LSL	2019 LSL
REPRESENTED BY:			
Bank Balances	8.12	5 397 960	10 562 543
TOTAL FINANCIAL ASSETS		5 397 960	10 562 543

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6.STATEMENT OF CASHFLOW FOR THE PERIOD 31ST MARCH 2020

	2020	2019
	LSL	LSL
CASHFLOW FROM OPERATING ACTIVITIES		
Receipts for operating income		
Transfer from Government of Lesotho	6 064 401	7 786 621
Proceeds from domestic and foreign grants	64 275 858	64 600 771
Miscellaneous receipts	51 984	7 146
Payments for operating expenses		
Compensation of employees	6 477 287	8 673 740
Purchase of services	58 145 972	41 302 342
Payment for other operating costs	1 794 798	1 267 432
Payment for works	-	352 735
Transfers to funder	1 323 380	2 067 826
Net cash flow from operating activities	2 650 807	18 730 464
CASHFLOW FROM INVESTING ACTIVITIES		
Acquisition of Assets	9 581 048	13 513 831
Net cash flows from Investing Activities	9 581 048	13 513 831
CASHFLOW FROM BORROWING ACTIVITIES		
Foreign gains/losses	1 765 659	398 724
Net cash flow from financing activities	1 765 659	398 724
NET INCREASE IN CASH AND CASH EQUIVALENT	(5 164 583)	5 615 357
Cash and cash equivalent at BEGINNING of the year	10 562 543	4 947 186
Cash and cash equivalent at END of the year	5 397 960	10 562 543

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7.STATEMENT OF COMPARATIVE EXPENDITURE BUDGET AND ACTUAL AMOUNTS

Budget per Component	Approved Budget	Actual Expenditure	Budget Utilisation Variance	% of Utilisation Variance to Budget
Component 4	3 647 584	2 172 227	(1 475 357)	-40%
Component 5	32 128 948	26 288 584	(5 840 364)	-18%
Component 6	6 741 720	3 972 789	(2 768 931)	-41%
Component 7	4 451 820	1 463 996	(2 987 824)	-67%
Component 8	10 650 935	7 815 193	(2 835 742)	-27%
Component 9	39 243 988	34 286 315	(4 957 672)	-13%
Total	96 864 994	75 999 105	(20 865 890)	-22%
Transferred to funder	1 323 380	1 323 380	-	
	98 188 374	77 322 484	(20 865 890)	-21%
Cost per nature	Approved Budget	Actual Expenditure	Budget Utilisation Variance	% of Utilisation Variance to Budget
Purchase of goods	17 957 558	9 581 048	(8 376 510)	-47%
Purchase of services	68 016 980	58 145 972	(9 871 009)	-15%
Payment for other operating costs	2 221 269	1 794 798	(426 471)	-19%
Compensation of employees	8 669 187	6 477 287	(2 191 900)	-25%
	96 864 994	75 999 105	(20 865 890)	-22%
Transferred to funder	1 323 380	1 323 380		
	98 188 374	77 322 484	(20 865 890)	-21%

Note: The period of the Approved Budget for all donors is from 1st April 2019 to 31st March 2020 and the budget is classified in accordance with the expenditure components and categories.

The significant budget utilisation/performance differences in the last column are explained in **Annexure 1**.

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8. NOTES TO THE FINANCIAL STATEMENTS

The principal accounting policies adopted in the preparation of these financial statements are set out below:

8.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) - Cash Basis. The standard provides that when an entity adopts cash basis IPSAS for the first time, the reporting entity is provided with a transitional provision of up to two years' period from the effective date of adoption, to adopt all its accounting policies. The Secretariat adopted the cash basis IPSAS on 1st April 2017.

The financial statements are presented in Lesotho Loti, which is the functional and reporting currency of the Project and all values are rounded to the nearest one Maloti. In order to satisfy the reporting requirements of the donors some transaction may be reported in foreign currencies. The accounting policies adopted have been consistently applied to all of the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid out by the Project.

i. Recognition of income and expenses

The Project recognises all income from the various sources when the event occurs and the related cash has actually been received by the Project. In addition, the Project recognises all expenses when the event occurs and the related cash has actually been paid out by the Project.

ii. In-kind donations

In-kind donations are contributions made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value of in-kind donations can be reliably determined, the Project includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the donation is not recorded.

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iii. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the Central Bank of Lesotho and at various commercial banks at the end of the financial year/period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which had not been surrendered or accounted for at the end of the financial year/period.

iv. Banking arrangements

The Accountant-General authorizes the opening and use of a Designated Account (as part of the GOL Development Fund), denominated in United States Dollars (US\$) and Euro, at the Central Bank of Lesotho (CBL) to receive the funds from IDA and AD, respectively. Local project expenditures are paid from a designated commercial bank account. Foreign currency project expenditures are paid directly from the Designated Account at the CBL.

Funds flow arrangements

Upon effectiveness of the financing agreement and submission of a withdrawal application, the Bank disburses an initial amount not exceeding US\$ 200,000 based on the work plan for three months. Subsequent disbursements are made on the basis of withdrawal applications and Statements of Expenditures.

Other Project Disbursement methods

Direct Payments

- a) The Direct Payment disbursement method, involves direct payments from the loan/grant account on behalf of the Project to the suppliers of goods and services that have a value above a set threshold; and
- b) The Reimbursement disbursement method, whereby the government/donor makes payments for eligible expenditures and submits withdrawal application for reimbursement.

Third party payments

A schedule of Direct payments/ Payments by Third Parties made under the different financing agencies has been provided as **ANNEXURE 3** and have been denoted functional currency, classified in their respective components and categories. The amounts classified as direct payments have also been treated as receipts from the donors who made such payments.

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v. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year/period arising from contracted goods or services during the year/period or in past years/periods. As pending bills do not involve the payment of cash in the reporting period, they are simply disclosed as an Annex to the financial statements. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

vi. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The period of the approved budget for all donors is from 1st April 2019 to 31st March 2020 and the budget is classified in accordance with the expenditure components and categories. A high-level assessment of the Project's actual performance against the comparable budget for the financial year under review has been included in an annexure to these financial statements.

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vii. Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Lesotho Maloti. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

The rate used for conversion of Maloti to dollars or euros during the year, is that which was prevailing on the date when the dollar or euro amount was transferred from the Special Account at the Central Bank of Lesotho (CBL), to the Maloti account, and for reporting purposes that rate is used until that batch of funds is exhausted.

Foreign Direct Payments/ Payments by Third parties on behalf of the project were translated using the spot exchange rate. i.e. the rate reported as value date by the donor.

The Employee compensation payments made by The Government of Lesotho were translated at the rate ruling on the day the payment was made. In cases where the rate for 25th was not provided by the CBL, the rate closest to the 25th was used.

The foreign denominated bank balances at year-end were translated at the closing rate provided by the Central Bank of Lesotho. The exchange rate as at 31/03/2020, (being the last working day in March 2020) was USD 1: LSL17.9989 and the closing rate for the Euro was EUR 1: LSL19.8016. Gains and losses on exchange are dealt with in the Cash Receipts and Payment Statement.

viii. Comparative figures

Where necessary comparative figures for the previous financial year/period have been amended or reconfigured to conform to the required changes in financial statement presentation.

ix. Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended March 31, 2020.

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8.2 RECEIPTS FROM GOVERNMENT OF LESOTHO

These represent counterpart funding and other receipts from government as follows:

	2020 LSL	2019 LSL	Cumulative to-date
Government of Lesotho - Ministry of Finance	2 835 433	4 963 800	17 557 133
Grants received as direct payment	3 228 969	2 822 821	6 051 789
Total	6 064 401	7 786 621	23 608 922

8.3 PROCEEDS FROM DOMESTIC AND FOREIGN GRANTS

During the 12 months to 31 March 2020 we received grants from donors as detailed in the table below:

Name of Donor	Amount received in donor currency	Grants received in cash	Received as direct payments*	Total in LSL		
	EUR/USD	LSL	LSL	2020 LSL	2019 LSL	Cumulative to-date
Grants Received from Multilateral Donors						
Grant from The African Development Bank	-	-	8 322 669	8 322 669	10 761 584	38 863 982
Funds from The World Bank (IFMS)	482 075	8 457 592	14 966 491	23 424 082	25 529 413	61 656 064
Funds from The World Bank(PSMP)	2 217 582	32 529 107	-	32 529 107	28 309 774	89 587 193
Funds from The European Union				-	-	5 230 295
Total				64 275 858	64 600 771	195 337 534

* The direct payment grants represent payments for goods and services done directly by the donor on behalf of the project.

8.4 MISCELLANEOUS RECEIPTS

	2020 LSL	2019 LSL	Cumulative LSL
311-106 Unused Funds - PSMP	-	1 263	1 263
311-109 Refunds/Reimbursables	-	518	518
311-110 Unused Funds – PFM	-	5 365	5 365
311-111 Miscellaneous receipts	51 984	-	51 984
Total	51 984	7 146	59 130

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8.5 COMPENSATION OF EMPLOYEES

	2020	2019	Cumulative
	LSL	LSL	
Employee compensation	6 477 287	8 673 740	35 291 340
	6 477 287	8 673 740	35 291 340

8.6 PURCHASE OF GOODS

	2020	2019	Cumulative
	LSL	LSL	to-date
Computer Equipment	4 485 383	12 428 720	18 155 509
Office Equipment	5 095 665	480 944	10 142 158
Motor Vehicles	-	604 166	7 047 486
	9 581 048	13 513 831	35 345 153

8.7 PURCHASE OF SERVICES

	2020	2019	Cumulative
	LSL	LSL	to date
Consulting and related services	48 253 932	24 608 148	101 851 910
Software licensing related services	-	9 444 909	9 444 909
Training and related services	9 892 040	6 689 487	24 093 502
Other professional services, risk , and other	-	559 798	956 023
	58 145 972	41 302 342	136 346 343

8.8 PAYMENT FOR OTHER OPERATING COSTS

	2020	2019	Cumulative
	LSL	LSL	to-date
Rental - Vehicles for hire and fuel	-	-	3 377 908
Payment of other operating costs	1 794 798	1 267 432	5 407 186
	1 794 798	1 267 432	8 785 094

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8.9 PAYMENT FOR WORKS

	2020	2019	Cumulative
	LSL	LSL	to-date
Demolish/Construction of Fire proofing wall	-	-	490 000
Upgrade of cooling system and other costs	-	352 735	352 735
	<u>-</u>	<u>352 735</u>	<u>842 735</u>

8.10 TRANSFER TO FUNDER

During the 12 months period to 31 March 2020, we transferred funds to funding entities as shown below:

	2020	2019	Cumulative
	LSL	LSL	to date
	LSL	LSL	LSL
Transfers to the Funder - European Union	455 380	1 546 723	2 002 103
Transfers to the Funder – Government of Lesotho	700 801	521 103	1 221 904
Transfers to the Funder - World Bank	167 198	-	167 198
TOTAL	<u>1 323 380</u>	<u>2 067 826</u>	<u>3 224 007</u>

8.11 FOREIGN EXCHANGE GAIN/LOSSES

	2020	2019
	LSL	LSL
Exchange rate losses/gains (net)	1 765 659	398 724
	<u>1 765 659</u>	<u>398 724</u>

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8.12 CASH AND CASH EQUIVALENTS

	2020	2019
	LSL	LSL
Bank Accounts		
Foreign Currency Accounts		
PFMRS Special Account (EUR) – ADB. A/C No.:100008-EUR-9405-02	1 962 507	4 171 070
PFMRS Special Account (USD) – IDA. A/C No.:100008-USD-9405-12	-	227 746
PSMP Special Account(USD)-IDA A/C No.:100008-USD-9405-26	2 370 671	2 695 176
Total Foreign Currency balances	4 333 178	7 093 992
Local Currency Accounts		
PFMRS Local Account (LSL) - ADB. A/C No.:0140075458301	176 770	1 451 966
PFMRS Local Account (LSL) – IDA. A/C No.:0140075458201	-	41 620
PFMRS Local Account Lesotho Govt. A/C No.:0140091509901	29 162	685 862
PSMP Local Account(LSL)-IDA A/C No.:62676074869	858 850	831 360
EU Local Account(LSL)-IDA - A/C No: 62619724455	-	457 743
Total local currency balances	1 064 782	3 468 551
Total Bank Account Balances	5 397 960	10 562 543

The Foreign Currency Bank Accounts are translated at the following closing rates at year end:

Exchange Rate :LSL/USD = 17,9989 (2019:14,5694)

Exchange Rate :LSL/EUR = 19,8016 (2019:16,3641)

9. PENDING BILLS

	2020	2019
	LSL	LSL
Unpresented payments – Annexure 2		
Local	505 878	2 862 165
	USD	
Special Account	109 472	-

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ANNEXURE 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL EXPENDITURE

Budget per Component	Approved Budget	Actual Expenditure	Budget Utilisation Variance	% of Utilisation Variance to Budget
Component 4	3 647 584	2 172 227	(1 475 357)	-40%
Component 5	32 128 948	26 288 584	(5 840 364)	-18%
Component 6	6 741 720	3 972 789	(2 768 931)	-41%
Component 7	4 451 820	1 463 996	(2 987 824)	-67%
Component 8	10 650 935	7 815 193	(2 835 742)	-27%
Component 9	39 243 988	34 286 315	(4 957 672)	-13%
	96 864 994	75 999 105	(20 865 890)	-22%
Transferred to funder	1 323 380	1 323 380		
Total	98 188 374	77 322 484	(20 865 890)	-21%
Cost per nature	Approved Budget	Actual Expenditure	Budget Utilisation Variance	% of Utilisation Variance to Budget
Purchase of goods	17 957 558	9 581 048	(8 376 510)	-47%
Purchase of services	68 016 980	58 145 972	(9 871 009)	-15%
Payment of other operating costs	2 221 269	1 794 798	(426 471)	-19%
Compensation of employees	8 669 187	6 477 287	(2 191 900)	-25%
	96 864 994	75 999 105	(20 865 890)	-22%
Transferred to funder	1 323 380	1 323 380		
Total	98 188 374	77 322 484	(20 865 890)	-21%

BUDGET VARIANCES

Major variances were mainly due to the following: (i) significant delays in the commencement of the entire project implementation process from inception which resulted in ambitious plans in later years in order to meet the targets; (ii) significant delays in execution of activity plans with most activities lagging behind schedule due to prioritization preferences of beneficiaries; (iii) postponement of other projects and planned study tours due to instability in the targeted countries which were later affected by travel restrictions towards the end of the financial year under review.

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ANNEXURE 2 - DETAILS OF UNPRESENTED PAYMENTS

Account	Bank Account	2020	2019
Local Account		LSL	LSL
AfDB	111-101 AfDB LSL-0140075458301	1 597	
PSM	111-106 IDA LSL-62676074869	26 066	
GOL	111-108 GoL LSL-0140091509901	478 215	2 862 165
		505 878	2 862 165
Special Account		USD	
PSM	111-107 IDA USD-100008-USD-9405-26	109 472	-
		109 472	-

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ANNEXURE 3 – SUMMARY OF DIRECT PAYMENTS

	2020	2019
Government of Lesotho	LSL	LSL
Component 8		
Operating Costs	-	-
Employee Costs	3 228 969	2 822 821
Total	3 228 969	2 822 821
African Development Bank	USD	USD
Component 4		
Services	124 819	16 123
Component 6		
Services	198 044	177 371
Component 7		
Goods	36 522	74 944
Services	36 593	-
Component 8		
Services	168 200	-
Total	564 178	268 438
The World Bank	USD	USD
Component 5		
Goods	164 300	-
Services	878 117	1 273 458
Component 9		
Goods	-	508 839
Total	1 042 417	1 782 297

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ANNEXURE 4 – SUMMARY OF SPECIAL ACCOUNT ACTIVITIES

CURRENCY OF SPECIAL ACCOUNT	EURO		USD		USD	
	ADB		PFMR		PSMP	
	2020	2019	2020	2019	2020	2019
ADVANCE TO SPECIAL ACCOUNT						
AfDB Funds	347 847	347 847				
IDA Funds-IFMIS			199 995	199 995		
IDA Funds- PSMP					999 995	999 995
	347 847	347 847	199 995	199 995	999 995	999 995
Add: REPLENISHMENTS(Cumulative)						
ADB	925 641	925 641				
IDA-PFMR			1 851 268	1 369 193		
IDA-PSMP					4 497 388	2 279 807
Sub-total (b)	925 641	925 641	1 851 268	1 369 193	4 497 388	2 279 807
TRANSFERS TO LOCAL CURRENCY ACCOUNTS						
ADB	803 668	743 668				
IDA-PFMR			994 234	631 222		
IDA-PSMP					2 091 047	1 552 047
Sub-total (c)	803 668	743 668	994 234	631 222	2 091 047	1 552 047
Less : OTHER PAYMENTS						
Other payments	370 398	274 827	1 054 634	920 473	3 270 826	1 540 493
Bank charges	314	102	2 395	1 861	3 798	2 273
Sub-total (d)	370 712	274 929	1 057 029	922 334	3 274 624	1 542 766
Net Designated Account	99 109	254 892	-	15 632	131 712	184 989

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ANNEXURE 5 – SUMMARY OF REFUNDS

Account	Bank Account	2020	2019
		LSL	LSL
PSM	111-106 IDA LSL	72 184	-
		<u>72 184</u>	<u>-</u>

Summary of amounts receivable from suppliers that were inaccurately paid.