

# Annual Report 2016/17



Keeping Tenders Clean



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# Corporate Statements

## VISION

To be the centre of excellence in public procurement and asset disposal by 2018.

## MISSION

PPADB exists to lead a devolved, efficient, cost effective and transparent public procurement and asset disposal system.

## UNIQUE SELLING PROPOSITION

Keeping Tenders Clean

## VALUES

### Integrity

Our activities shall be characterized by honesty, trustworthiness and shall be above reproach in accordance with internationally recognized standards of corporate governance.

### Transparency

We shall ensure at all times that the entire procurement and asset disposal system is transparent and meets the expectations of all our customers.

### Fairness

The Board shall treat all its customers in a fair, consistent and non-discriminatory manner.

### Service Excellence

The Board shall at all times serve its customers efficiently, effectively and with respect.

### Botho

Our business benefits from the respect for one another and for our stakeholders. We will exude dignity and respect for self and others.

## LETTER TO THE MINISTER



25<sup>th</sup> September 2017

Honourable O. K. Matambo  
Minister of Finance and Economic Development  
Private Bag 008  
GABORONE

Dear Sir,

In accordance with Section 60 (b) of the Public Procurement and Asset Disposal Act [CAP 42:08], I hereby submit the Annual Performance Report of the Public Procurement and Asset Disposal Board for the Financial Year ended 31st March 2017.

Thank you.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Bridget Poppy John', is written over a horizontal line.

Bridget Poppy John  
Executive Chairperson

## 2.0 EXECUTIVE CHAIRPERSON'S STATEMENT

“ I am pleased to present the 2016/17 Annual Report for the Public Procurement and Asset Disposal Board (PPADB). The Report provides a summary of the operations including the achievements and constraints experienced by the Board for the period April 2016 to March 2017. ”



Bridget Poppy John  
Executive Chairperson

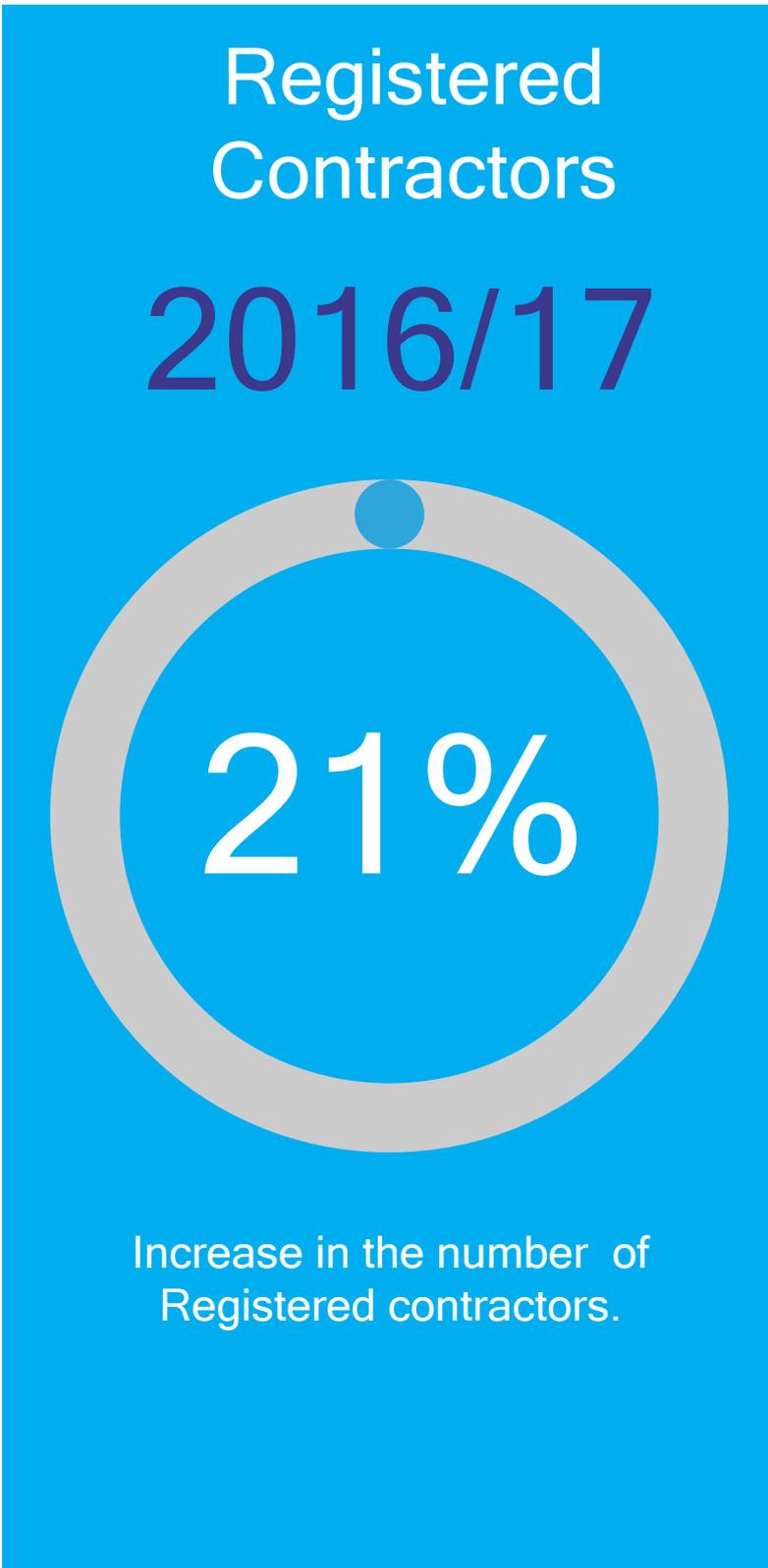
## 2.1 Performance Highlights

The Board is guided in its operations by the PPAD Act, Regulations and the 2013-2018 Strategic Plan, which is aimed at improving the efficiency and effectiveness of the public procurement system in Botswana to achieve best value. The Strategy focuses on devolution of authority to Procuring Entities for improved efficiency and to enable PPADB to transform into a regulatory authority by 2018 to enhance governance. This transformation is expected to reduce turnaround times and accountability in the public procurement system. In order to enhance efficient management of public procurement, the PPADB continues to build procurement capacity, monitor compliance, register and discipline contractors, provide advice and forge stakeholder cooperation. Adjudication and award of high value tenders is also an integral part of the PPADB business operations.

The major highlights of 2016/17 financial year included the implementation of the PPADB revised contractor registration codes and sub codes aimed at streamlining the registration requirements in line with emerging needs. This review resulted in the merging, removal and addition of codes, sub codes and grades to address the procurement needs and priorities of Government. Similar codes/sub codes were reconciled, and new codes/sub codes introduced to cater for additional works, supplies and services and more importantly to address gaps in the coding system and reduce requests for waivers from registration.

The Board further registered 3732 contractors during the reporting period, which increased the total number of registered contractors from 17932 to 21664. This shows an increase in the number of registered contractors by 21% during the 2016/17 financial year. The registered contractors per discipline were 10121 for Supplies, 6884 for Services and 9510 for Works. Furthermore, the Board reduced the turn-around time for normal contractor registration applications not requiring inspection from four (4) to two (2) weeks and for those requiring inspection from six (6) to four (4) weeks.

The Board also increased the scope of coverage of its published Price Reference Guide from nine (9) to eighteen (18) catalogues and updated the 2015/16 publications to reflect the prevailing market prices.



The number of registered contractors per discipline



The financial thresholds for Ministerial Tender Committees (MTCs) and District Administration Tender Committees (DATCs) were revised based on capacity and performance and became effective on the 1st May 2016. The thresholds for MTCs range from P25 million to P300 million, while those for DATCs range from P2 million to P10 million.

The Board held a National Stakeholder Consultative Conference under the theme "Transforming Public Procurement in Botswana." The key objective of the Conference was to reflect on the Botswana public procurement system and solicit stakeholder input on the proposed amendments to the Public Procurement and Asset Disposal Act aimed at improving the efficiency, accountability and value for money. This was the second Consultative Conference given the importance of the proposed amendments. The learnings from the Procurement Authorities of Kenya and Mauritius as well as input from stakeholders informed the final submissions to the Ministry of Finance and Economic Development for consideration in the drafting of the Bill.

The Board adjudicated on five hundred and seventy nine (579) submissions in the 2016/17 financial year, a ten percent (10%) increase when compared to the previous financial year when five hundred and twenty seven (527) submissions were considered. In terms of the value, the Board awarded tenders amounting to P6.003 billion compared to P3.91 billion in the 2015/16 financial year representing a 55% increase.

The MTCs and the DATCs adjudicated on a total of four thousand and seventy four (4074) and one thousand six hundred and sixty seven (1667) submissions during the 2016/17 financial year valued at P5.43 billion and P398 million respectively as opposed to five thousand three hundred and forty (5340) and one thousand nine hundred and thirty seven (1937) valued at P4.09 billion and P541 million for MTCs and DATCs respectively in the previous reporting period.

During the 2016/17 financial year, Special Procurement and Asset Disposal Committee (SPADC) considered a total of one hundred and sixty nine (169) requests valued at P1.187 billion compared to one hundred and nineteen (119) requests in 2015/16 valued at P5.33 billion.

The total value of procurement for PPADB and its Committees for the 2016/17 financial year amounted to P13.075 billion excluding micro procurement by Ministries. The value is slightly lower than that of

tenders awarded by PPADB and its Committees during the 2015/16 financial year which was P13.87 billion. The value of tenders awarded through micro procurement for the 2016/17 financial year amounted to P335 million, compared to P527 million in 2015/16.

The 2016/17 financial year ushered in the launch of the second phase of the Integrated Procurement Management System (IPMS) in July 2016 following a piloting stage. This phase included modules on ITT Creation and Vetting, Evaluation, Adjudication, E-Bidding, Report Writing, Dispute Resolution, Capacity Building and Asset Disposal. Online bidding roll-out commenced in August 2016 after the launch. The gradual roll-out of e-bidding is expected to take about three years.

The PPADB successfully underwent an ISO 9001:2008 re-certification audit by the Botswana Bureau of Standards (BOBS) in June 2016 prior to the expiry of its QMS Certification License in November 2016. The audit covered both the Gaborone and Francistown offices. BOBS confirmed through the audits that indeed PPADB continues to implement and maintain a QMS that ensures consistent quality service delivery and customer satisfaction hence PPADB was recertified under ISO 9001:2008. The Certification License expires in September 2018 upon the expected transitioning of all certified entities, including PPADB, to ISO 9001:2015. The Board in aligning itself to ISO Certification seeks to maintain consistency and to continually improve quality in its overall operations.

Public awareness building on the role and mandate of PPADB as well as on tender processes and procedures was intensified during the reporting period. An annual Public Relations and Education Plan was formulated and successfully implemented. Some of the activities included open days in Gaborone, Francistown, Gantsi and presentations at several Council meetings. The aim was to improve public understanding and address some of the negative perceptions associated with public procurement.

Overall corporate performance level in 2016/17 stood at 93% against a target of 80%, an increase of 2% from the previous year's performance of 91%. This demonstrates commitment by the organization to deliver on its mandate and performance targets.

## 2.2 Challenges

Inadequate staffing at DATCs Secretariats remains a concern to PPADB in the current reporting period as it continued to hamper the adjudication business of several DATCs. Procuring Entities are urged to beef up procurement capacity at all levels. Furthermore although most Procurement Units are fully functional, the slow uptake of the revised procurement scheme of service and structure undermines the proficiency and efficiency required in public procurement as well as the effective coordination of the procurement function within the Ministry. The failure to submit End of Activity Reports (EOARs) by Procuring Entities has hampered the performance monitoring of contractors in the implementation of Government projects as well as effectiveness of the Suspension and Delisting Committee to discipline non-performing contractors or unethical businesses as these are not being submitted for appropriate action. The Board therefore calls on Accounting Officers to ensure that their Ministries manage contracts well, and submit without fail, complete and accurate EOARs before the payment of the final certificate as per the requirement of the PPAD Act.

## 2.3 Acknowledgments

I wish to take this opportunity to acknowledge with appreciation the unwavering team spirit exuded by PPADB staff across all levels. The dedication and commitment to deliver timely quality service to our clientele despite operational and financial challenges has improved over time.

I thank Board members for their diligence and support to Management as well as for providing strategic guidance that has enabled PPADB to execute its mandate well. The continuing support to PPADB by the Ministry of Finance and Economic Development, and the rest of Government has enabled the Board to perform as expected. The cooperation of other stakeholders including contracting associations and oversight entities was impressive and we remain grateful. The role of the media in surfacing issues related to procurement and asset disposal is acknowledged.

Bridget Poppy John  
**Executive Chairperson**

## 3.0 BOARD OF DIRECTORS



**Executive Chairperson**  
Bridget P. John



**Executive Director Works**  
Elijah T. Motshedi



**Executive Director Services**  
Joyce M. Mokobi (Deceased)



**Executive Director Supplies**  
Kgakgamalo K. Ketshajwang



**Non-Executive Director Supplies**  
Taolo Sebonego



**Non-Executive Director Services**  
Gerald N. Thipe



**Non-Executive Director Works**  
Andrew Nkaro



**Board Secretary**  
Patience Motswagole

## 3.1 Corporate Governance

The Public Procurement and Asset Disposal Board (PPADB) consist of Board members who are appointed by the Minister of Finance and Economic Development. The Board has a membership of seven (7) made up of the Executive Chairperson, three (3) full time members (Executive Directors), and three (3) part-time members (Non-Executive Directors) drawn from different associations of contractors, professional bodies, and the private sector. The inclusion of non-executive members is intended to promote transparency and bring in industry knowledge to enhance the work of the Board and ensure relevance in addressing emerging issues in the national and international markets that have a bearing on the operations of the Board.

The Board members are responsible for providing the strategic guidance and to ensure that the PPADB successfully delivers on its mandate as highlighted in the PPAD Act. The Board continues to strive for the attainment of the highest corporate governance and legal compliance standards in its operations. The primary function and responsibility of the PPAD Board as per Section 37 (1) of the PPAD Act [CAP 42:08] is to adjudicate on bid recommendations from the Ministries and make awards accordingly. The Board is also responsible for the management of the contractors' registration system, the establishment of Tender Committees and the delegation of power to them, monitoring compliance with the Act, issuing standardized bidding packages, building capacity and advising stakeholders on matters of public procurement and asset disposal. The Board Adjudication meetings are held weekly and those of the Board Management which provides strategic direction for the organization are held quarterly.

## 3.2 Board Committees

### Board Management

The Board is referred to as the Board Management when considering matters specific to PPADB as an organization and not tender related business for Government's Procuring and Disposing Entities. The Board Management is responsible for approving all policies of the PPADB as well as the Strategic Plan of the organization. It also ensures that the monitoring and implementation of the Strategic Plan is done on a quarterly basis with a view to ensuring that the organization achieves its intended objectives. It considers and approves PPADB's tenders of value exceeding P5 million and appoints senior staff

members of managerial positions at Bands 5 and 6. Board Management approves organizational budget and any virements during the year for amounts in excess of P500,000.

Board Management comprise of the following;

- The Executive Chairperson (Chairperson)
- All Full Time- and Part-Time Board members
- The Board Secretary (Secretary)

Note: Two full time Board members and one part time member form a quorum.

### Board Changes

During the period under review, Mr. Andrew Nkaro was appointed Non-Executive Director Works on the 1st July 2016, replacing Mr. M. Ramabu who had resigned in the previous year.

### Committees of the Board

There are four (4) Committees of the Board specified below which provide support to the Board Management in carrying out its functions of providing guidance to the organization.

#### Board Tender Committee

The Committee adjudicates and awards tenders for the procurement of supplies and services and works of the value ranging from P3,000,001 to P5,000,000. The Committee comprised of the following:

Mr. T. Sebonego  
Part-time Director, Supplies (Chairperson)

Mr. K. K Ketshajwang  
Full-time Director Supplies

Mr. E. T. Motshedi  
Full-time Director, Works

Ms P. Motswagole  
Board Secretary (Legal Advisor)

Ms. P. Chengeta  
Chief Accountant (Secretary)

## Human Resources Committee

The Human Resources Committee (HRC) is a Committee of the Board whose mandate is to advise the Board on a wide range of human resource management policies and to ensure that the Board is adequately resourced with human capital to execute its mandate. The Committee provides direction on the interpretation and application of the General Conditions of Service which regulate relations between the PPADB and its employees. The Committee also provides advice on strategic human resource management issues such as organizational development, management development and succession planning. It is responsible for compliance and monitoring to ensure adherence to Corporate Governance Standards. The Committee is also responsible for making recommendations on the appointment of staff on Bands 5 and 6.

The Committee comprised of the following:

Mr. A. Nkaro  
Part-time Director, Works (Chairperson)

Mr. G. N. Thipe  
Part-time Director, Services

Mrs. J. M. Mokobi  
Full-Time Director, Services (Deceased)

Ms. K. Henry  
Human Resources Manager (Secretary)

## Finance and Audit Committee

The Finance and Audit Committee advises the Board on financial and audit matters. The responsibilities of the Committee include, among others, the continuous review of audit reports, financial and internal controls and the management of financial resources. The Committee also reviews accounting policies and recommends amendments in line with International Accounting Standards.

The Committee comprised of the following:

Mr. G. N. Thipe  
Part-time Director, Services (Chairperson)

Mr. T. Sebonego  
Part-time Director, Supplies

Mr. K. K. Ketshajwang  
Executive Director, Supplies

Ms. L. Tlale  
Management Accountant (Secretary)

### 3.3 Committees of the Board: Tender-related Functions

#### Special Procurement and Asset Disposal Committee (SPADC)

The Special Procurement and Asset Disposal Committee (SPADC) is established in terms of Section 63 of the PPAD Act to handle the procurement of highly sensitive works, supplies and services by the disciplined forces and other institutions in respect of which strict confidentiality and utmost secrecy may be required for a fixed duration. The Committee adjudicates on sensitive tenders from the Botswana Defence Force, Directorate on Intelligence and Security, Directorate on Corruption and Economic Crime, Prisons and the Botswana Police Service, among others. SPADC comprises of two (2) full-time members, one (1) part-time member, a senior member of the Public Service, and is chaired by the Executive Chairperson of the Board. The Committee meets once a week.

#### Ministerial Tender Committees (MTCs)

These Committees are established in terms of Section 61 of the PPAD Act. The Committees are appointed by the Board and comprise of officials from Ministries to carry out duties delegated to them by the Board. These include ITT vetting, and adjudication and award of tenders. During the period under review MTCs adjudicated on behalf of the Board, tenders falling within their thresholds ranging from P25 million and P300 million. The financial thresholds for Committees are reviewed every two years based on performance and capacity.

#### District Administration Tender Committees (DATCs)

Members of the Committees are appointed by the Board on the recommendation of the District Commissioners in the Districts and Deputy Commissioners in the Sub-Districts.

There are twenty eight (28) DATCs that exercise powers delegated to them by the Board. They comprise of officials based in the Districts, and adjudicate and award tenders ranging from P2 million to P10 million in value. A comprehensive assessment of all the committees was conducted to determine their capacity and performance. As a result, the Board adopted a non-uniform financial threshold across the Committees.

#### Suspension and Delisting Disciplinary Committee

This is a Committee of the Board established in line with Section 50 of the PPAD Act. The Disciplinary Committee may be directed by the Board with respect to any aspect of its operations. The Committee is concerned with disciplinary action based on non-performance and unethical behavior. When a complaint is lodged against a contractor with the Board, the latter forwards the complaint to the Disciplinary Committee for investigation. The investigations are conducted in reference to the requirements of the Code of Conduct for Contractors or the terms of the signed contract between Entities and the Contractor. Once the investigations are complete, the Disciplinary Committee submits recommendations to the Board for a decision. The decision may involve reprimanding the contractor, suspending the contractor for a specified period of time from participating in Government procurement and asset disposal or removing the concerned company from the PPADB register. The Committee comprises of two (2) members from the private sector, one (1) member from the Directorate on Corruption and Economic Crime and three (3) members from PPADB. The Office of the Board Secretary at PPADB serves as the Secretary to the Committee. Half the membership constitutes a quorum.

#### Independent Complaints Review Committee (ICRC)

This Committee is established in terms of Section 95 of the PPAD Act and is not a Committee of the Board. Members of the Independent Committee are appointed by the Minister of Finance and Economic Development and are drawn from commerce, industry, academia and professions relevant to the work of the Independent Committee. The Committee comprises of the Chairperson and four (4) members, all from the private sector. Its mandate entails reviewing complaints arising from decisions of the Board lodged by contractors in respect of the procurement and disposal process, the registration process, the disciplinary process, among others.

### 3.4 Other Committees

#### Advisory Committee on Public Procurement and Asset Disposal

This Committee is established in terms of Section 110 of the PPAD Act and it is not a Committee of the Board. Members of this Committee are appointed by the Minister of Finance and Economic Development from contractors' associations and professional bodies, Ministries, Public Oversight Agencies, entities charged with monitoring of public enterprise performance and the PPAD Board as outlined in Section 111 of the PPAD Act. The function of the Committee is to review the performance of the Board, its Committees, the procuring and disposal entities,

and the Independent Committee. The Advisory Committee is expected to propose improvements to the Act and the Regulations, improvements to the management of the public procurement and asset disposal system, and advice on the coordination of policies and practices of PPADB with those of other public entities, in addition to other functions. This Committee was not active during the period under review as membership of most Committee members had elapsed.



### 3.5 Executive Management Team



Executive Chairperson  
Bridget P. John



Executive Director Works  
Elijah T. Motshedi



Executive Director Services  
Joyce M. Mokobi (Deceased)



Executive Director Supplies  
Kgakgamalo K. Ketshajwang



General Manager Corporate Services  
Baitshepi Tebogo



Senior Manager: Strategy Research and Policy  
Julia Dithong



Information Technology Manager  
Oteng Raesima



Board Secretary  
Patience Motswagole

### 3.6 Management Team



**Divisional Manager Services**  
Tumelo Motsumi



**Divisional Manager Supplies**  
Lucas Kennekae



**Contractor Registration Unit Manager**  
William Moswetsi



**Internal Auditor**  
Ontiretse Diboko



**Divisional Manager Works**  
Augustine Tema



**From left to right:** Malebogo Pule (Senior Purchasing Officer), Lady Bothole (Capacity Building Coordinator), Lesego Tlale (Management Accountant), Tshepo Owen Katse (Senior Analyst QMS), Kelebantswe Henry (Human Resource Manager), Portia Chengeta (Chief Accountant)



**ICT Coordinator**  
Neo Mogwai



**Francistown Centre Coordinator**  
Uwo Marobela



**From Top left:** Tshepo Sayed (Strategy Manager), Lefoko Ramoathodi (Devolution and Compliance Coordinator) From bottom Left: Keneilwe Modise (Senior Legal Officer), Margaret Rapuleng (Senior Administration Officer)



**PR Manager**  
Ditapole Chibua -Tsheboeng

# 4.0 STRATEGIC PLAN IMPLEMENTATION



## 4.1 Customer Perspective

### Adjudication and Award of Tenders

#### Board Adjudication

During the 2016/17 financial year, the Board adjudicated on five hundred and seventy nine (579) submissions. This represents a ten percent (10%) increase when compared to the previous financial year when five hundred and twenty seven (527) submissions were adjudicated.

# 579

Adjudicated Submissions  
2016/17

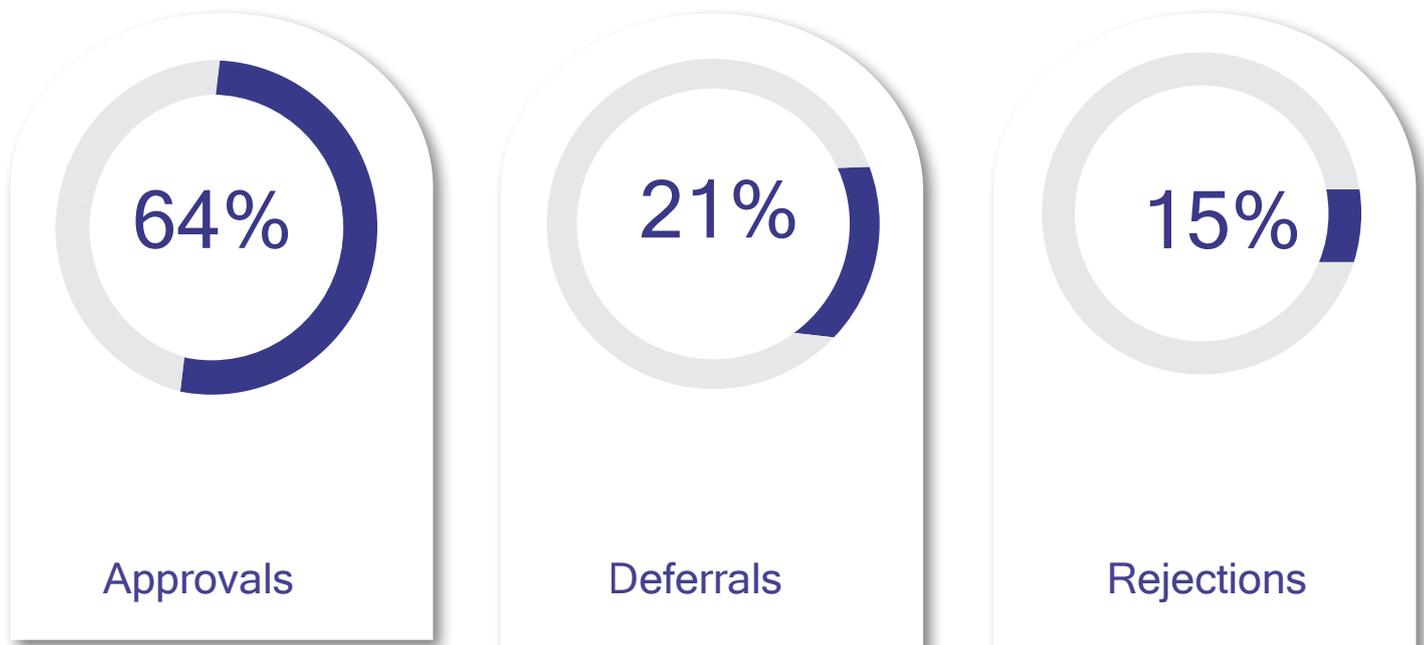


10%  
Increase

Table 1: Total submissions to the Board in 2016/17 financial year

	Services	Supplies	Works	Office of the Board Secretary	Total
Approvals	37	27	113	62	239
Deferrals	26	14	26	12	78
Rejections	16	12	20	7	55
Noted & Others	56	33	80	38	207
<b>Total</b>	<b>135</b>	<b>86</b>	<b>239</b>	<b>119</b>	<b>579</b>

Figure 1: Distribution of Board Adjudication decisions



## Analysis of Submissions

During the 2016/17 financial year, the Board received five hundred and seventy nine (579) submissions and only three hundred and seventy two (372) of those submissions required the Board to make adjudication decisions while the rest were for noting only. The Board approved two hundred and thirty nine (239) (64%), deferred its decision on seventy eight (78) (21%) and rejected fifty five (55) (15%) of the submitted requests. This represents a decrease in the approval rate from 71% during the previous financial year to 64% in the year under review. Deferrals decreased from 22% to 21%, while rejections increased from 7% to 15% when compared to the previous year. Most rejections (42.6%) were complaints related, followed by retroactive requests at 29.4%, while the rest were price adjustments requests and rejections due to non-adherence to procurement procedures by Procuring Entities.

During the 2016/17 financial year, PPADB approved tenders whose value exceeded financial thresholds of MTCs and considered retroactive requests of any value given that Committees have not been authorised to consider such requests. During the 2016/17 financial year, the Board awarded tenders from Ministries amounting to P6,003,083,620.91 which represents an increase of 53% when compared to previous year's value of P3,915,897,508.20. The value of tenders awarded through open competitive bidding amounted to P5,357,644,321.17, representing 92% of the value of tenders awarded by the Board during the year under review.

**Table 2: Total Awards made by PPADB per Ministry**

MINISTRY	TENDER AWARDS (BWP)
Ministry of Education and Skills Development	75,959,010.40
Ministry of Health	1,021,025,906.10
Ministry of Minerals, Energy and Water Resources	443,843,263.55
Ministry of Transport and Communications	3,521,622,070.83
Ministry of Local Government and Rural Development	1,469,852.16
Ministry of Infrastructure, Science and Technology	939,163,517.87
<b>TOTAL</b>	<b>6,003,083,620.91</b>

**Note:** The old names for Ministries were retained due to the fact that appropriation was not changed, hence the votes remained the same.

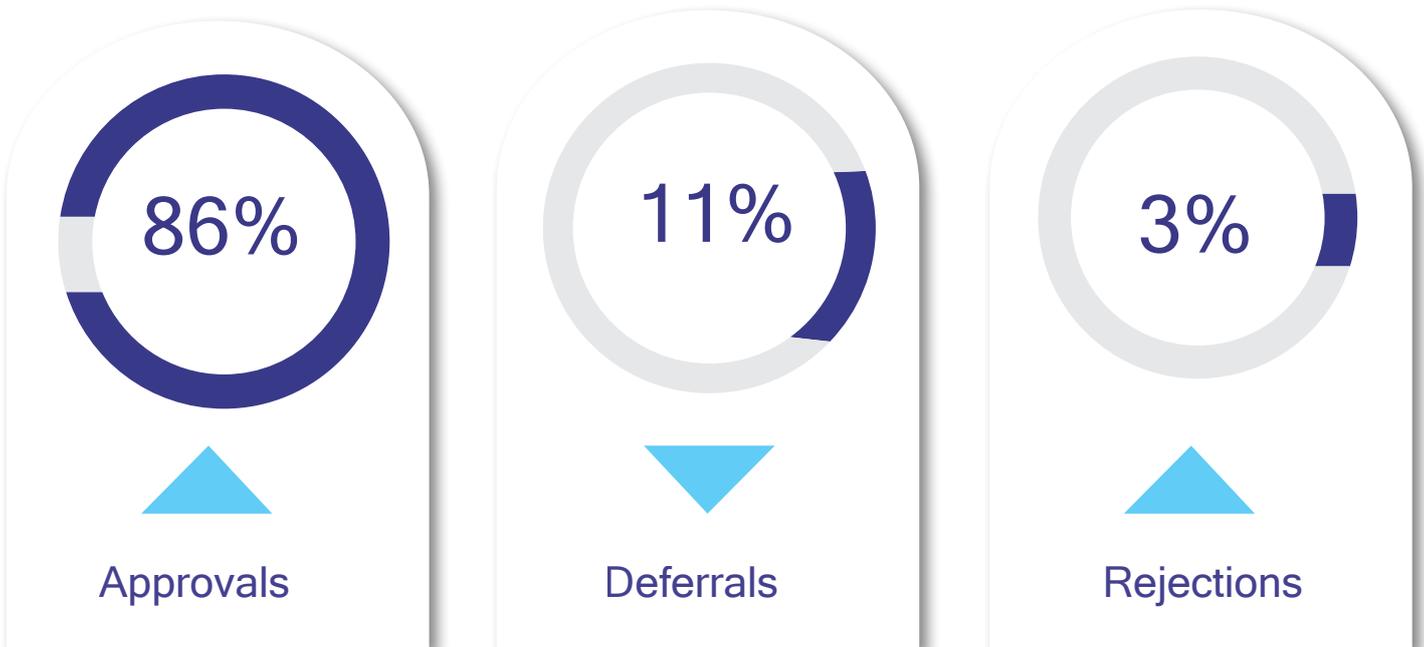
The Ministry of Transport and Communications had the highest value of awarded tenders at P3,521,622,070.83 followed by the Ministry of Health at P1,021,025,906.10. The Ministry of Local Government and Rural Development had the least value of awarded tenders which stood at P1,469,852.16. During the period under review the Board did not receive requests to award tenders from ten (10) Ministries namely; Ministry of Finance and Development Planning, Ministry of Trade and Industry, Ministry of Foreign Affairs and International Cooperation, Ministry of Agriculture, Ministry of Youth Sports and Culture, Ministry of Labour and Home Affairs, Ministry of Lands and Housing, Ministry of Environment Wildlife and Tourism, Ministry of Defence and Justice, and Ministry of State President. This demonstrates that during the period under review

these Ministries did not have projects that exceeded MTCs thresholds hence devolution of authority is bearing fruit.

## SPADC Adjudication

During the 2016/17 financial year, SPADC considered a total of one hundred and sixty nine (169) requests. This shows an increase of forty two percent (42%) in the number of requests when compared to the 2015/2016 financial year when the Committee considered one hundred and nineteen (119) requests from Procuring Entities. The distribution of the Committee's decisions on the requests is shown overleaf.

Figure 2: Distribution of decisions reached by SPADC during the 2016/17 financial year.



The Committee approved one hundred and twenty seven (127) (86%) of the submissions. The approval rate was higher than the previous year's approval rate of 80%. The Committee on the other hand deferred sixteen (16) (11%) of the submissions during the period under review which was lower than the 2015/16 financial year of twenty percent (20%). There were five (5) rejections during the period under review which is an increase when compared to the previous year's rejection rate of zero percent (0%). During the period under review, the Committee awarded tenders amounting to P1,187,296,052.62 which was significantly lower than the previous year's amount of P5,337,512,302.26.

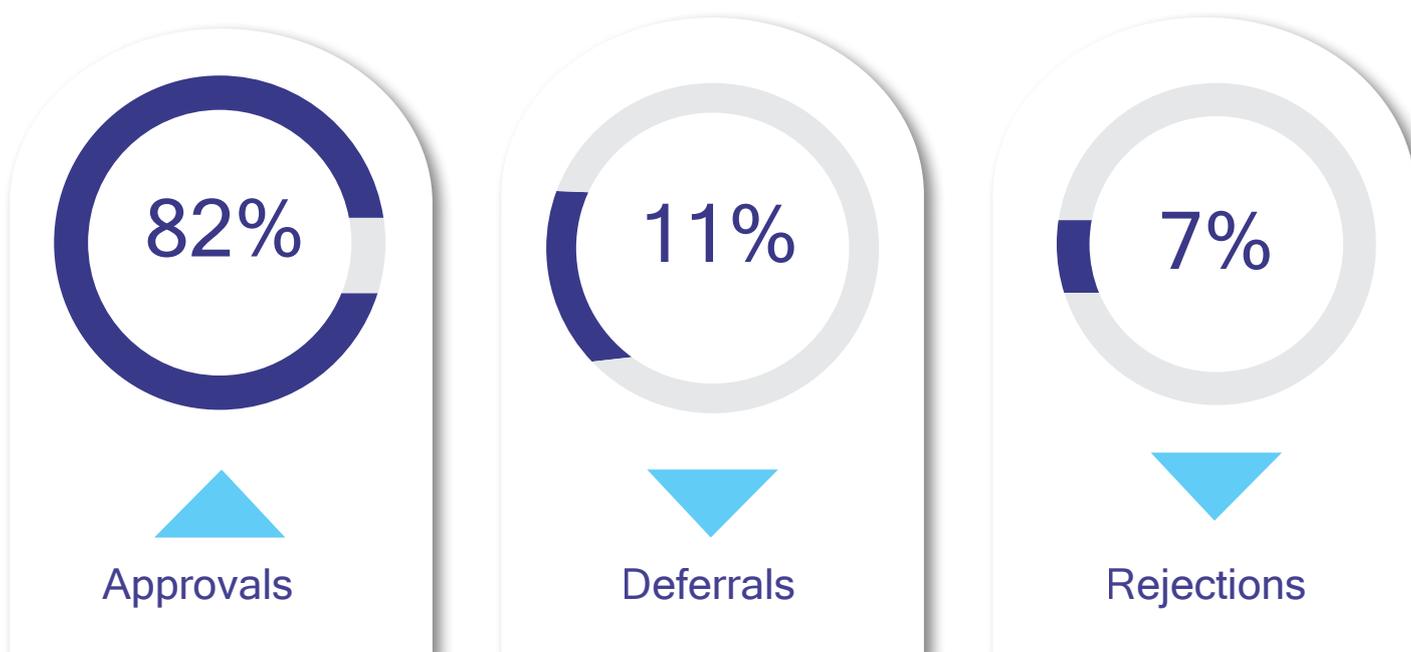
### Ministerial Tender Committees (MTCs) Adjudication

The Committees received four thousand and seventy four (4074) submissions compared to the previous year's number of five thousand three hundred and forty (5340) submissions. Of the total submissions, three thousand, three hundred and thirty three (3333) (82%) were approved, four hundred and fifty one (451) (11%) were deferred and two hundred and ninety (290) (7%) were rejected. The approval rate was slightly higher when compared to the previous year's approval rate of 80%.



Construction site for the Police Forensic Laboratory in Gaborone

Figure 3: The 2016/17 adjudication decisions by MTCs



During the period under review all MTCs submitted their adjudication statistics which included the value of tenders approved by the Committees and information on tenders awarded through micro procurement. The Ministerial Tender Committees awarded tenders amounting to P5,435,892,916.49 which was relatively higher when compared to the

previous period's P4,094,248,181.60 representing a difference in value of thirty three (33%) percent. Micro procurement amounted to P335,432,989.09 for the 2016/17 financial year which is lower than the previous year's amount of P527,307,558.30



Construction site for Police Staff Housing in Gaborone

Table 3: Tender awards made by different Ministerial Tender Committees

MINISTERIAL TENDER COMMITTEE	TENDER AWARDS (BWP)	MICRO-PROCUREMENT (BWP)
Ministry of Education and Skills Development	410,036,529.43	48,886,275.46
Ministry of State President	207,151,904.52	32,071,870.43
Ministry of Health	816,557,260.77	38,243,518.47
Ministry of Minerals, Energy and Water Resources	275,472,533.38	11,677,637.05
Ministry of Environment, Wildlife and Tourism	43,909,224.97	19,849,146.20
Ministry of Transport and Communications	747,062,562.71	14,008,713.27
Ministry of Defence, Justice and Security	1,044,530,518.59	23,981,570.40
Ministry of Trade and Industry	29,097,135.72	12,031,628.81
Ministry of Local Government and Rural Development	126,870,000.80	17,091,779.80
Ministry of Finance and Development Planning	93,530,145.14	4,958,567.50
Ministry of Agriculture	164,887,306.25	8,744,267.82
Ministry of Youth, Sports & Culture	90,238,817.29	20,427,538.81
Ministry of Infrastructure, Science and Technology	621,130,640.13	5,498,572.79
Ministry of Lands and Housing	324,999,523.00	56,913,256.53
Ministry of Labour and Home Affairs	75,602,403.24	2,074,467.62
Ministry of Foreign Affairs and International Cooperation	22,993,106.76	6,288,007.93
Central Medical Stores Adjudication Committee	341,823,303.79	12,686,170.20
<b>TOTAL</b>	<b>5,435,892,916.49</b>	<b>335,432,989.09</b>

**Note:** The old names for Ministries were retained due to the fact that appropriation was not changed and hence the votes remained the same.

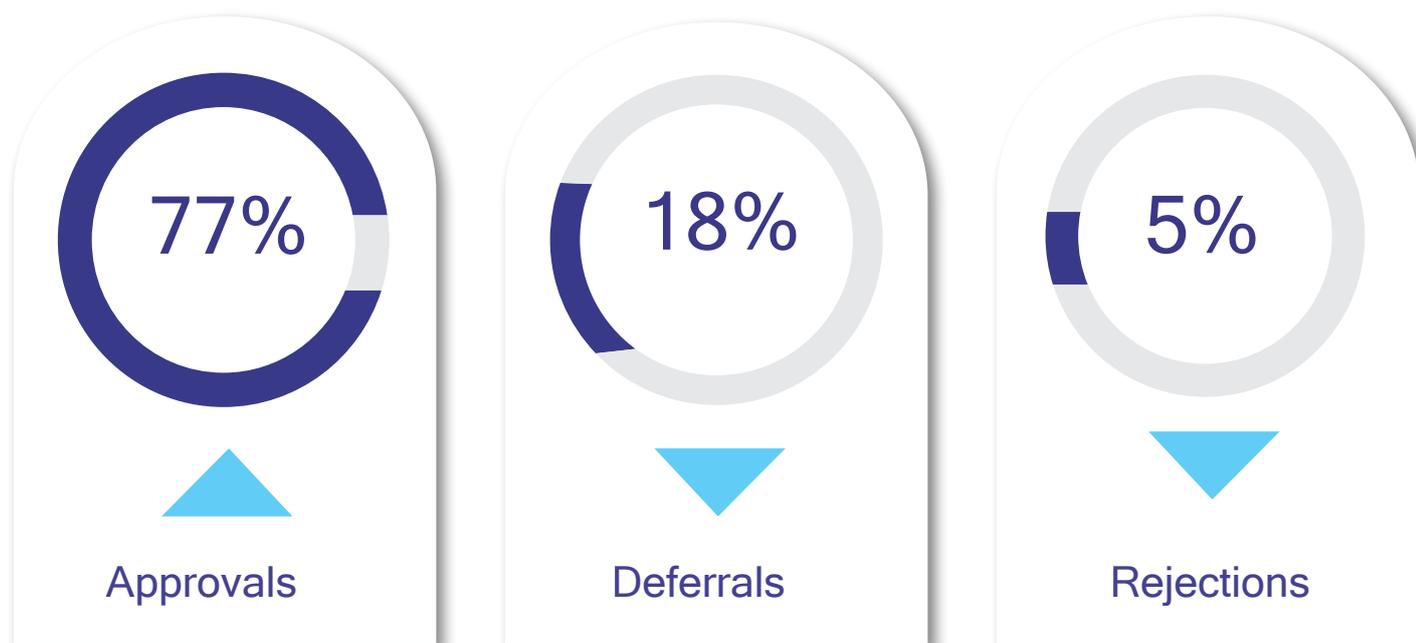
## District Administration Tender Committees (DATCs) Adjudication

The review of financial thresholds is informed by a comprehensive assessment of all Committees to determine their capacity and performance. Following the 2015/16 assessment, the Board adopted non-uniform financial thresholds for various DATCs. These thresholds became effective in the 2016/17 financial year. The variation of the thresholds is in view of the fact that the capacity, procurement requirements and performance varied across Committees.

Only twenty three (23) of the twenty eight (28) DATCs submitted their adjudication statistics and the value of awarded tenders, however, some DATCs provided incomplete information due to poor record keeping and inconsistent submission of the required information

most of which was attributable to absence of the Secretariat. A total of one thousand six hundred and sixty seven (1667) requests were submitted to the DATCs for adjudication. Out of the total submissions, the Committees approved one thousand two hundred and eighty three (1283) or 77% whilst a total of two hundred and ninety six (296) at 18% constituted the deferrals and eighty eight (88) at 5% were rejected. The approval rate (77%) was relatively higher than previous year's approval rate of 73%. The current deferral rates standing at 18% are slightly lower than the previous year's (19%) whereas the rejection rates (5%) was lower than the previous rate of 8%.

Figure 4: The 2016/17 adjudication decisions by DATCs



During the period under review, Departments under Central Government submitted requests to relevant DATCs amounting to P391,121,239.20 which was lower when compared to the previous year's total of P540,734,610.70. Furthermore, it is worth noting

that of the total number of submissions made to the DATCs for adjudication, a total of three hundred and thirteen (313) were open tenders amounting to P212,280,484.03.



Table 4: Tender awards made by District Administration Tender Committees for the 2016/17 financial year.

DISTRICT ADMINISTRATION	TOTAL VALUES FOR 2016/17
Lethakeng	3,298,137.88
Molepolole	27,829,924.09
Francistown	40,287,068.20
Kasane	14,552,319.36
Gaborone	20,329,649.01
Gantsi	3,670,986.66
Kanye	8,019,454.87
Tsabong	4,198,748.43
Serowe	104,448,532.30
Tutume	11,070,189.42
Palapye	Not submitted
Bobirwa	Not submitted
Selibe Phikwe	Not submitted
Lobatse	14,910,417.32
Jwaneng	7,292,834.16
Masunga	5,082,752.62
Mochudi	24,915,940.80
Lethakane	5,595,329.56
Maun	59,778,864.79
Ramotswa	8,779,989.45
Hukunsi	3,632,771.36
Tonota	482,303.59
Mahalapye	Not submitted
Goodhope	599,918.60
Mabutsane	16,909,403.56
Moshupa	Not submitted
Mogoditshane	2,313,538.89
Charleshill	3,122,164.28
<b>TOTAL</b>	<b>391,121,239.20</b>

**Note:** The DATCs that did not submit reports stated that they had no Secretariats and hence Adjudication meetings were not recorded. This is a matter of concern to the Board.

## Suspension and Delisting Disciplinary Committee

During the 2016/17 financial year, the Suspension and Delisting Disciplinary Committee handled eleven (11) cases, six (6) of which were carried forward from the 2015/16 financial year. Some cases are still under investigation, while others are pending contractors

to answer for the alleged breach. The Committee also embarked on the amendment of Guidelines for Suspension and Delisting of Contractors which were approved by the Board during the period under review.

## Independent Complaints Review Committee (ICRC)

During the 2016/17 financial year, the Committee received six (6) complaints. The ICRC dismissed four (4) complaints, one (1) was upheld in favour of the contractor while the other was directed to the Board for reconsideration based on the new information that was subsequently submitted by the PE. In the ultimate, the Board lifted its initial decision on the basis of new information received and the PE was able to proceed with project implementation.

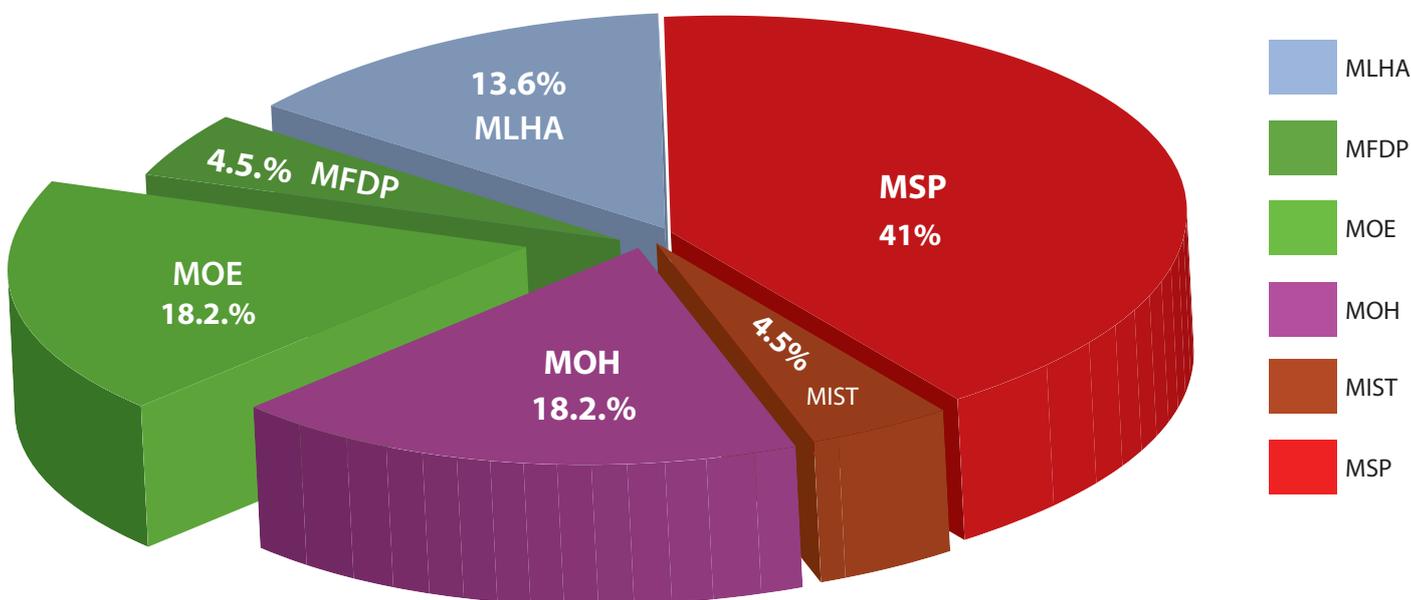
### Retroactive requests

A total of twenty two (22) retroactive requests were submitted to the Board during the 2016/17 financial year. This shows an increase in the number of retroactive requests by PEs from eleven (11) requests submitted during the 2015/16 financial year. The Board approved only two (2) requests. The Ministry of State President submitted the largest number of requests at nine (9), followed by the Ministry of Education and Skills Development, and Ministry of Health at four (4) each. The Ministry of

Finance and Economic Development and the Ministry of Infrastructure Transport and Communications submitted one (1) each, the Ministry of Labour and Home Affairs submitted three (3) requests. Eleven (11) Ministries did not submit any retroactive request during the 2016/17 financial year.

The total value of retroactive requests amounted to P12,185,085.65 which was significantly lower when compared to the previous year's value of P24,101,180.87. The Board approved retroactive requests amounting to P350,887.80 which represents approximately 3% of the total value for the retroactive requests. The approved requests satisfied the order that allows the Board to approve retroactive requests provided they were urgent and intended to save lives and protect the environment. Procuring Entities are urged to consistently plan their procurement and initiate it on time to avoid failure to follow procurement procedures.

Figure 5: Total percentage of retroactive requests during the 2016/17 financial year



## End of Activity Reports (EOARs)

During the 2016/17 financial year, the Board received ten (10) EOARs. These reports are necessary for the Board to analyse performance of contractors and take appropriate action where necessary. The reports were also necessary to inform the Board on future award decisions. Of all the EOARs received, a total average of 65% showed that the projects yielded value for money as they were completed on time, within cost and to the expected quality.

## Devolution of Authority

The PPADB 2013-2018 Strategic Plan intends to increase the speed of devolution with a view to enable PPADB to focus more on regulatory, oversight, compliance monitoring and standards setting powers.

The Public Procurement and Asset Disposal Act Chapter 42:08 of 2001 calls for significant devolution of authority over time to Committees of the Board, the aim being to improve overall operational efficiency in project implementation and therefore, service delivery to the nation. According to Section 65 of the PPAD Act, the Board is expected to review and increase the financial ceiling of both the MTCs and DATCs biennially. In May 2016, the Board increased the financial thresholds of some MTCs and DATCs based on their capacity and performance. The thresholds for MTCs range from P25 million to P300 million, while those of the DATCs range from P2 million to P10 million. The percentage of value devolved in the 2016/17 financial year was 48% against a target of 80%. This shows a decrease when compared to the previous year's value of 54%. It is explained by the award of few exceptionally high value projects by the Board such as road construction. Prior to the current financial year, the last review of thresholds was carried out in the 2013/14 financial year. The next review is scheduled for the 2018/19 financial year.

## Strengthening of Procurement Units

In an effort to continue to strengthen the Procurement Units and improve procurement outcomes, PPADB through the World Bank developed a proposed new structure and scheme of service for the procurement cadre, which Government accepted. Implementation by the Ministries aimed at enhancing procurement capacity is work in progress and needs to be expedited.

## Procurement and Disposal Plans

During the last quarter of 2016/17, all Ministries submitted their Procurement Plans for the financial year 2017/18. The Board continued to closely monitor the implementation of the plans to ensure that procurement and disposal were initiated on time to avoid "urgent" and retroactive requests. The Plans are published on the PPADB website.

## Capacity Building

In the 2016/17 financial year, PPADB conducted forty seven (47) capacity building workshops as follows; twenty two (22) (47%) were for Procuring Entities, including Procurement Unit staff, ten (10) (21%) for Parastatals, four (4) (8.5%) for Landboards, four (4) (8.5%) for MTCs and DATCs, six (6) (13%) for the bidding community and one (1) (2%) for the Media. The total number of participants trained during this period is one thousand, six hundred and eighty four (1684) which is relatively higher when compared to the previous year's total of one thousand five hundred and thirty nine (1539).

Figure 6: Number of Workshops Undertaken by the Board during the 2016/17 financial year



## Strategic Partnership

### Botswana Accountancy College

During the 2016/17 financial year four hundred and fifty five (455) students graduated from the BAC Certificate Programme in Public Sector Procurement and Tender Process Management.

In addition BAC developed a two (2) year Masters (MA) in Procurement and Logistics Management which will be launched in collaboration with PPADB during the 2017/18 financial year. This will go a long way in improving procurement capacity in the public sector.

## Public Confidence in the Public Procurement System

### Publicity

During the 2016/17 financial year, PPADB remained visible in the public domain, the mandate of the Board as well as its operations received greater public and media attention than ever before from the government and private media.

The assessment of media reports showed the following:

- 94.5% of the reports were positive against a target of 70%
- 5.5% of the reports were negative against a target of 30%.

The assessment of the media reports indicated that both positive and negative articles exceeded the set target of 70% and 30% by attaining 94.5% and 5.5% respectively. The 5.5% negative reports are a result of litigation related reports where PPADB is cited as a second respondent alongside Procuring Entities. PPADB continues to engage in targeted, robust educational and publicity programme to enhance awareness on the distinct roles and responsibilities of the Board, which are often confused with those of PEs and District Councils.

### Promoting Transparency

PPADB continues to promote transparency as one of the guiding principles adopted by the Board. This is upheld through the publication of the Board's adjudication decisions. During the year, the Board held forty eight (48) Board meetings. The Board adjudication decisions were published in the Daily News, the PPADB website as well as its Facebook page.



PPADB's Corporate Social Responsibility project being handed over to a beneficiary by Brigadier Tlhalerwa.

## Complaints

A total of one hundred and fifty three (153) complaints relating to adjudication and award of tenders were recorded during the 2016/17 financial year. The complaints related to central government, parastatals as well as Local Authorities Procurement and Asset Disposal (LAPAD) tenders. Out of the one hundred and fifty three (153), one hundred and thirty eight (138) were properly before the Board, and fifteen (15) were either District Councils or Parastatal complaints. Fifty (50) were resolved by the Board, while fifty three (53) were resolved by both MTCs and DATCs, six (6) were resolved by parastatals, nine (9) were referred to District Councils whilst six (6) were escalated to ICRC and two (2) to the High Court. The remaining twenty seven (27) were not resolved during the reporting period owing to delays in obtaining additional information from PEs, these were carried over to the next financial year.

### Litigation before the Courts

During the 2016/17 reporting period, PPADB was cited as a first respondent in nine (9) new cases involving tender adjudication decisions by the Board and its adjudication committees. Two (2) cases were withdrawn by the complainants, six (6) are ongoing, whilst PPADB lost one (1) case. A total of seven (7) cases were carried forward from the previous years, of these, four (4) were completed and ruled in favour of PPADB, two (2) were settled out of court and one (1) is ongoing.

The cases were initiated by bidders who lost tenders due to disqualification at compliance stage. The Board has since allowed bidders an opportunity at evaluation stage to submit compliance information within two (2) to five (5) days and this disposition is disclosed in the tender documents thus improving competition.

## Contractor Registration

The Board is required under Section 49 of the PPAD Act to manage all aspects of contractor registration system, inclusive of all decisions on application for registration, reclassification of registered firms and the discipline of contractors in breach of the Code of Conduct and the defaulting on the execution of awarded bids. The Board registers contractors in respect of Works, Services, Supplies and Consultancy. During the reporting period, the Board registered three thousand seven hundred and thirty two (3732) contractors, which increased the total

number of registered contractors from seventeen thousand nine hundred and thirty two (17932) to twenty one thousand six hundred and sixty four (21664). This shows an increase in the number of registered contractors by 21%. The registered contractors per discipline are 10121 for Supplies, 6884 for Services and 9510 for Works. The Board during this period reduced the turn-around time for applications not requiring inspection from 4 weeks to 2 weeks and for those requiring inspection from 6 weeks to 4 weeks. The table below shows contractor registration adjudication statistics.

### Contractor Registration Board decisions for 2016/17 financial year

CRU Board Decisions (Works, Services, Supplies)		
	Actual	Percentage (%)
Approvals	337439	82.2%
Deferrals	1543	0.4%
Rejections	71280	17.4%
<b>Total</b>	<b>410262</b>	<b>100%</b>

## Integrated Procurement Management System (IPMS)

PPADB continues to transact some of its services online; process optimization and efficiency were achieved in the 2016/17 financial year by reducing the contractor registration turn-around times and addressing gaps in the IPMS. In addition, PPADB launched electronic payments through IPMS in October 2016, which has seen a gradual reduction of customers queuing to pay for PPADB services. Short Message Service (SMS) and email alerts have also been enabled to ensure timely communication and response from customers, these included notifications for floating tenders, registration payments and tender opening results.

The second phase of IPMS which includes ITT Creation and Vetting, Evaluation, Adjudication, E-Bidding, Report writing, Dispute resolution, Capacity Building and Asset Disposal was launched on the 4th July, 2016. A pilot stage was embarked on prior to the launch with a few selected PEs issuing tenders online to confirm the functionality of the system. The roll-out of e-bidding continued in 2016/17 with the intention to fully adopt it by end of the 2018/19 financial year.

## 4.2 Internal Processes Perspective

### Implementation of Quality Management System (QMS)

PPADB successfully underwent an ISO 9001:2008 recertification audit by the Botswana Bureau of Standards (BOBS) in June 2016 prior to the expiry of its QMS Certification License in November 2016. The audit covered both the Gaborone and Francistown offices. BOBS confirmed through the audits that indeed PPADB continues to implement and maintain a QMS that ensures consistent quality service delivery and customer satisfaction and hence recertified under ISO 9001:2008. The Certification License expires in September 2018 upon the expected transitioning of all certified entities, including PPADB, to ISO 9001:2015.

During the year under review PPADB initiated a transition process from the ISO 9001:2008 to ISO 9001:2015 and it is expected that the process will conclude during the 2017/18 financial year. The QMS remains an important tool that helps PPADB foster a continual improvement culture as well as streamline internal processes to consistently and effectively deliver on its mandate.

### Strategic Plan Implementation

The 2016/17 financial year marked the fourth year of the implementation of the 2013-18 PPADB Strategic Plan. The organisation during the year under review reported on thirty (30) measures, twenty six (26) of which performed well translating to a performance level of 93% against a target of 80%. The targets that were not achieved included the value of procurement devolved; DATCs compliance; PE recommendations rejected by the Board. The Board will continue to strive for the achievement of all targets with the cooperation of key stakeholders.

### Corporate Governance

In order to fulfill its governance principles, the Board continues to subject the organisation to financial and operational audits; implement the corruption prevention plans and risk mitigations measures and undertake Board Evaluation. During the 2016/17, the Board conducted its third evaluation to assess its compliance to good governance standards. Overall, the Board performed well on all aspects demonstrating a strong commitment to good governance.

## 4.3 Learning and Growth Perspective

### Human Resource Transformation

#### Recruitment and Retention

As at end of March 2017, staff complement of PPADB was one hundred and sixteen (116) which comprised of four (4) Executive positions, thirty six (36) senior and middle management positions and seventy six (76) technical and support positions. During the period under review staff turnover was 1.4% against a target of 5%. Those who resigned cited growth opportunities and better rewards elsewhere.

#### Training and Development

During the 2016/17 financial year some Managers were enrolled for training in the Management Development Programme and Senior Management Development Programme. The Board also provided support for part-time training in undergraduate courses. Different officers were trained in some courses that included; Selection skills, Procurement and Tender Management process during the 2016/17 financial year.

The Board further continues to implement a 360 Degree assessment. The assessment involves a self-assessment, peer reviews, assessment by one's supervisor and assessment by the supervisee. The 360 Degree assessment is an appraisal that uses the collective observations and perceptions of people who work with the employee being assessed. The report is then used to identify skills gaps for each employee and training identified to fill gaps.

#### Employee Welfare

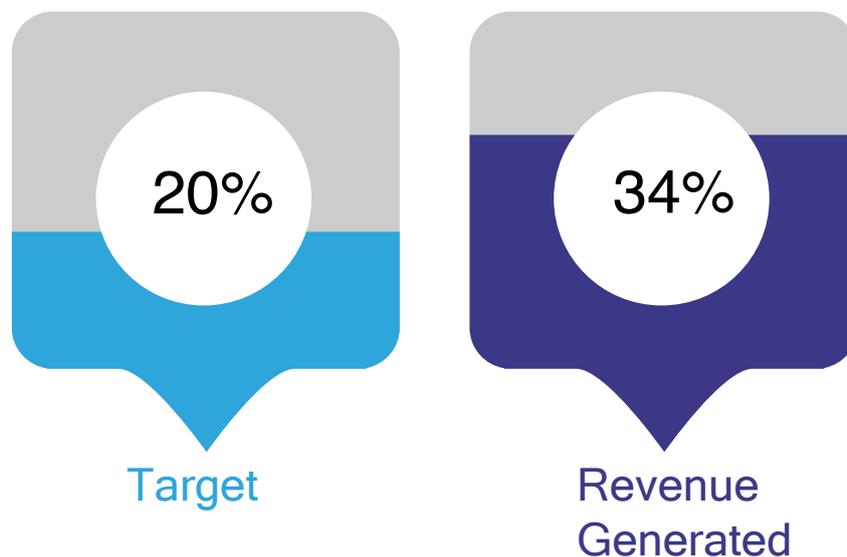
In order to improve the welfare of employees, promoting team work and enhance productivity of employees, the Board continues to implement a range of employee benefits and welfare services. The Board conducts the Health and Wellness Day as well as Team building sessions for staff. Staff satisfaction rate was 70% against a target of 60% during the reporting period.

## 4.4 Financial Perspective

### Revenue Generated

In the 2016/17 financial year, revenue generated through cost recovery initiatives amounted to 34% of the total grant against a target of 20%. A total amount of P16,931,503 was generated, P15,487,077 through registration of contractors; P877,650 through capacity building workshops and interest income amounted to P530,714. The revenue generated was however lower than the previous year's income of P19,678,169, owing largely to the reduction by 10.3%

in revenue generated through contractor registration from P17,266,246 to P15,487,077 as the demand for express contractor registration declined when turn-around time for normal registration improved from four (4) weeks to two (2) weeks. It is worth noting that despite the reduction, the target of P10,534,172 or 20% was by far surpassed.





# OUR STAFF



Gaborone Staff



Gaborone Staff



Francistown Staff

# 5.0 FINANCIAL STATEMENTS





## PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD GENERAL INFORMATION

31 March 2017

### BOARD OF DIRECTORS

B P John  
J Mokobi (Deceased 31 March 2017)  
E Motshedi  
K Ketshajwang  
T Sebonego  
G N Thipe  
A Nkaro (Appointed 1 July 2016)

### BOARD SECRETARY

Patience Motswagole

### NATURE OF BUSINESS

The Public Procurement and Asset Disposal Board ("PPADB") was established by Act of Parliament number Cap 42:08 of 2001. The primary mandate of PPADB is to adjudicate and award tenders for the Central Government and any other institutions specified under the Act for the delivery of works, services and supplies.

### REGISTERED OFFICE

Plot 8913  
Maakgadigau Way, Gaborone West Industrial site  
Private Bag 0058  
Gaborone

### AUDITORS

Deloitte & Touche

### BANKERS

Bank Gaborone Limited  
Barclays Bank of Botswana Limited  
First National Bank of Botswana Limited  
Stanbic Bank Botswana Limited  
Standard Chartered Bank of Botswana Limited

PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD  
FINANCIAL STATEMENTS  
31 March 2017

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Independent auditor's report.....	35-36
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Statement of changes in funds.....	39
Statement of cash flows.....	40
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## PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE FINANCIAL STATEMENTS

31 March 2017

### Directors' responsibility statement

The Directors are responsible for the preparation and fair presentation of the financial statements of Public Procurement and Asset Disposal Board ("PPADB"), comprising the statement of financial position as at 31 March 2017, and the statements of comprehensive income, changes in funds and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards ("IFRS").

The Directors are required by the Public Procurement and Asset Disposal Act, 2001, to maintain adequate accounting records and are responsible for the content and integrity of and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of PPADB as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with IFRS. The independent auditors are engaged to express an independent opinion on the financial statements and their unmodified opinion is presented on pages 35 to 36.

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with IFRS and in the manner required by the Public Procurement and Asset Disposal Act, 2001, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates. The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by PPADB and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout PPADB and all employees are required to maintain the highest ethical standards in ensuring PPADB's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in PPADB is on identifying, assessing, managing and monitoring all known forms of risk across PPADB. While operating risk cannot be fully eliminated, PPADB endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors have made an assessment of PPADB's ability to continue as a going concern and there is no reason to believe the organisation will not be a going concern in the year ahead.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

### Directors' approval of the financial statements

The financial statements set out on pages 37 to 54, which have been prepared on the going concern basis, were approved by the Board of Directors on 24 August 2017 and are signed on its behalf by:

EXECUTIVE CHAIRPERSON

NON-EXECUTIVE DIRECTOR



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BOARD OF DIRECTORS OF PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD

### Opinion

We have audited the financial statements of Public Procurement and Asset Disposal Board ("PPADB"), which comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of PPADB as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of PPADB in accordance with the requirements of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B), together with other ethical requirements that are relevant to our audit of the financial statements in Botswana, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

The Directors are responsible for the other information. The other information comprises the general information and the directors' responsibility statement and approval of the financial statements. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the Directors determine 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 PPADB'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 PPADB or to cease operations, or has no realistic alternative but to do so.



## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF THE BOARD OF DIRECTORS OF PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD

### Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We 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 our 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 PPADB's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the Directors' 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 PPADB's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause PPADB 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.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Deloitte + Touche*

Deloitte & Touche Gaborone  
Certified Auditors 24 August 2017  
Practicing Member: P Naik (19900296)



PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD  
STATEMENT OF COMPREHENSIVE INCOME  
For the year ended 31 March 2017

	<u>Notes</u>	<u>2017</u> P	<u>2016</u> P
<b>INCOME</b>			
Government subvention	1	56 978 323	41 557 565
Other income	2	16 400 788	18 775 195
Interest income	3	530 714	902 974
<b>Total income</b>		<u>73 909 825</u>	<u>61 235 734</u>
<b>EXPENDITURE</b>			
Administration expenses		(27 487 568)	(31 757 147)
Staff costs		<u>(46 963 094)</u>	<u>(43 966 392)</u>
<b>Total expenditure</b>		<u>(74 450 662)</u>	<u>(75 723 539)</u>
<b>Deficit for the year</b>	4	(540 837)	(14 487 805)
Other comprehensive income		-	-
<b>Total comprehensive deficit for the year</b>		<u>(540 837)</u>	<u>(14 487 805)</u>

# Deloitte.

## PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD STATEMENT OF FINANCIAL POSITION As at 31 March 2017

<b>ASSETS</b>	<b>Notes</b>	<b>2017</b> <b>P</b>	<b>2016</b> <b>P</b>
<b>Non-current assets</b>			
Plant and equipment	5	13 936 880	14 180 709
Intangible assets	6	22 533 515	-
		<u>36 470 395</u>	<u>14 180 709</u>
<b>Current assets</b>			
Trade and other receivables	7	2 962 243	3 957 000
Cash and cash equivalents	8	30 313 156	23 853 518
		<u>33 275 399</u>	<u>27 810 518</u>
<b>Total assets</b>		<u><u>69 745 794</u></u>	<u><u>41 991 227</u></u>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds and reserves</b>			
Accumulated surplus		<u>12 788 565</u>	<u>13 329 402</u>
<b>Non-current liabilities</b>			
Capital grants	9	<u>36 470 395</u>	<u>14 180 709</u>
<b>Current liabilities</b>			
Trade and other payables	10	12 586 917	14 481 116
Project funds	11	7 899 917	-
		<u>20 486 834</u>	<u>14 481 116</u>
<b>Total funds and liabilities</b>		<u><u>69 745 794</u></u>	<u><u>41 991 227</u></u>



PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD  
STATEMENT OF CHANGES IN FUNDS  
For the year ended 31 March 2017

	<b>Accumulated surplus P</b>
<b>Balance at 1 April 2015</b>	27 817 207
Total comprehensive deficit for the year	(14 487 805)
<b>Balance at 31 March 2016</b>	<u>13 329 402</u>
Total comprehensive deficit for the year	(540 837)
<b>Balance at 31 March 2017</b>	<u><u>12 788 565</u></u>



PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD  
STATEMENT OF CASH FLOWS  
For the year ended 31 March 2017

	<u>Notes</u>	<u>2017</u> P	<u>2016</u> P
<b>CASH FLOWS FROM/(TO) OPERATING ACTIVITIES</b>			
Deficit for the year		(540 837)	(14 487 805)
Adjustments for:			
- Interest received	3	(530 714)	(902 974)
- Depreciation of plant and equipment	5	3 440 014	2 642 893
- Amortisation of intangible assets	6	1 534 256	-
- Amortisation of capital grant	9	(4 974 270)	(2 642 893)
- Loss/(profit) on disposal of plant and equipment		7 690	(230 135)
Operating deficit before working capital changes		(1 063 861)	(15 620 914)
Decrease/(increase) in trade and other receivables		994 757	(1 924 598)
(Decrease)/increase in trade and other payables		(1 894 199)	4 217 774
Net cash used in operating activities		<u>(1 963 303)</u>	<u>(13 327 738)</u>
<b>CASH FLOWS (TO)/FROM INVESTING ACTIVITIES</b>			
Purchase of plant and equipment	5	(1 184 955)	(11 085 328)
Purchase of intangible assets	6	(4 581 935)	-
Proceeds on disposal of plant and equipment		-	333 117
Interest received		530 714	902 974
Net cash used in investing activities		<u>(5 236 176)</u>	<u>(9 849 237)</u>
<b>CASH FLOWS FROM/(TO) FINANCING ACTIVITIES</b>			
Capital grants received	9	5 766 890	11 085 328
Capital grants reversed on disposal of plant and equipment	9	(7 690)	(102 982)
Project funds received	11	13 000 000	-
Project funds used for expenditure	11	(5 100 083)	(2 974 368)
Net cash generated from financing activities		<u>13 659 117</u>	<u>8 007 978</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		6 459 638	(15 168 997)
<b>Cash and cash equivalents at beginning of year</b>		<u>23 853 518</u>	<u>39 022 515</u>
<b>Cash and cash equivalents at end of the year</b>	8	<u>30 313 156</u>	<u>23 853 518</u>

# PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES



31 March 2017

## GENERAL INFORMATION

The Public Procurement and Asset Disposal Board (“PPADB”) was established by an Act of Parliament Cap 42:08 of 2001. The primary mandate of PPADB is to adjudicate and award tenders for the Central Government and any other institutions specified under the Act for the delivery of works, services and supplies.

## BASIS OF PREPARATION

The financial statements of PPADB have been prepared in accordance with the International Financial Reporting Standards (“IFRS”). The financial statements have been prepared under the historical cost convention with the exception of certain assets and liabilities at fair value through profit or loss. Items included in these financial statements are measured

using the currency that best reflects the primary economic environment in which PPADB operates – the functional currency.

The financial statements are presented in Botswana Pula, which is the PPADB’s functional and presentation currency.

## NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the PPADB adopted the new and revised Standards and Interpretations of the International Accounting Standards Board (“the IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 April 2016.

### Standards and Interpretations adopted in the current year with no effect on the financial statements

The following revised standards have been adopted in the current period and have not affected the amounts reported in these financial statements.

<u>New/Revised International Financial Reporting Standards</u>	<u>Effective Date</u>
IAS 1 Presentation of Financial Statements (amendment) Disclosure Initiative	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
Agriculture: Bearer Plants (amendments to IAS 16 and IAS 41) amends IAS 16 Property, Plant, Equipment and IAS 41 Agriculture	1 January 2016
IFRS 11 (Amendment) Accounting for Acquisition of Interests in Joint Operations	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (amendment to IAS 16 and IAS 38) amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets	1 January 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IAS 28, IFRS 10 and IFRS 12) amends IAS 28 Investment in Associates and Joint Ventures, IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities	1 January 2016
IAS 27 (Amendment) Equity Method in Separate Financial Statements - amends IAS 27 Separate Financial Statements	1 January 2016
IASB improvements to IFRS 2012-2014 makes amendments to IFRS 5, 7, and 9; IAS 34)	1 January 2016



## PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

31 March 2017

### NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

#### New and revised Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and interpretations which are applicable to PPADB, were issued but were not yet effective:

New/Revised International Financial Reporting Standards	Effective Date
IFRS 7 Financial Instruments: Additional disclosure resulting from the introduction of the hedge accounting chapter in IFRS 9	1 January 2018
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 (New) Revenue from Contracts with Customers	1 January 2018
IFRS 16 (New) Leases	1 January 2019
IAS 7 Statement of Cash Flows: Amendment as a result of the disclosure initiative	1 January 2017
IAS 12 Income Taxes: Amendment regarding the recognition of deferred tax assets for unrealised losses	1 January 2017

The Directors have not yet assessed the potential impact of the adoption of the above new and revised standards and interpretations. This assessment will be performed as the standards become effective.

## SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted are set out below and are consistent, in all material respects, with those adopted in the previous year.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand and demand deposits, and other highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### GOVERNMENT GRANTS

Government grants comprise grants received from the Government of the Republic of Botswana ("Government"). Government grants are not recognised until there is reasonable assurance that PPADB will comply with conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that PPADB should purchase, construct or otherwise acquire non-current assets are recognised as capital grants in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of related assets.

Government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to PPADB with no future related costs are recognised in profit or loss in the period in which they become receivable.

### PROJECT FUNDS

Project funds received from the Government and other donors to finance specific projects are initially deferred and credited to the project funds account. Expenditure incurred on capital projects is capitalised and an equivalent amount is transferred to capital grants. Expenditure incurred on non-capital projects is transferred from the project funds account and included as subvention and simultaneously charged to the statement of comprehensive income.

# Deloitte.

## PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

31 March 2017

### PLANT AND EQUIPMENT

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to PPADB and the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire or construct an item of plant and equipment and costs incurred subsequently to add to the asset. If a replacement cost is recognised in the carrying amount of an item of plant and equipment, the carrying amount of the replaced part is derecognised.

Depreciation is charged so as to write off the depreciable value of the assets over their estimated useful lives down to their residual values, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

The following methods were used during the year to depreciate plant and equipment to estimated residual values:

Leasehold improvements	10 years
Furniture and fittings	5 - 10 years
Motor vehicles	4 - 8 years
Office equipment	5 years
Computer equipment	4 years
Cellphones	2 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within 'Other Income' in the statement of comprehensive income.

### INTANGIBLE ASSETS

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The following rates are used to amortise intangible assets to their estimated residual values:

Computer software	10 years
-------------------	----------

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.



## PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

31 March 2017

### REVENUE RECOGNITION

Interest from short-term deposits and investments is recognised on a time-proportion basis using the effective interest approach. Revenue from services is exclusive of Value Added Tax ("VAT") and discounts granted and is recognised in the statement of comprehensive income when the service has been rendered and the following conditions have been satisfied:

- a) The amount of revenue can be measured reliably;
- b) The stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- c) It is probable that the economic benefits associated with the transaction will flow to PPADB.

Revenue from fees charged for services is based on the stage of provision of service determined with reference to the services performed by the end of the year. When a receivable is impaired, PPADB reduces the carrying amount to its recoverable amount.

### EMPLOYEE RETIREMENT BENEFITS

PPADB's employees engaged on a pensionable basis are eligible to join a defined contribution scheme. A defined contribution scheme is a pension plan through which PPADB pays monthly contributions into trustee-administered funds. PPADB has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense when they are due. Employees working on a contract basis are entitled to gratuities at the end of their term of employment and are not members of the pension scheme.

Employee entitlements to annual leave, gratuities, bonuses, medical aid, housing benefits, kilometer allowances, telephone allowances, retention allowances and severance benefits are recognised when they accrue to employees and an accrual is made for the estimated liability as a result of services rendered by the employee up to the statement of financial position date. Provision is made in respect of these benefits on an annual basis and included in the operating results.

### FOREIGN CURRENCY TRANSLATIONS

In preparing the financial statements, transactions in currencies other than the PPADB's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.



## PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

31 March 2017

### TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from procuring entities for services performed by PPADB in the ordinary course of operation. If collection is expected in one year or less (or in the normal operating cycle of the operation if longer), they are classified as current assets. If not, they are presented as non-current assets. Other receivables include advances made to employees.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that PPADB will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowable account, and the amount of the loss is recognised in the statement of comprehensive income within 'administration expenses'. When a trade receivable is uncollectable, it is written off against the allowable account for trade receivables. Subsequent recoveries of the amounts previously written off are credited against 'administration expenses' in the statement of comprehensive income.

### IMPAIRMENT OF ASSETS

At the end of each reporting period PPADB reviews the carrying amount of its assets to determine whether there is any indication that those assets have suffered

an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, PPADB estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating-unit) is increased to the revised estimate of its recoverable amount. This is done so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the statement of comprehensive income.

### PROVISIONS

Provisions are recognised when PPADB has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations maybe small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.



## PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

31 March 2017

### TRADE PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The effective interest method is as described below under 'Financial Instruments'.

### LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of total comprehensive income on a straight-line basis over the period of the lease.

### BORROWINGS

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct transaction costs. Finance charges, including amortisation of direct transaction costs, are charged to the statement of comprehensive income using the effective interest rate method. Tranches of borrowings and overdrafts which mature on a regular basis are classified as current or non-current liabilities based on the maturity of the facility so long as the committed facility exceeds the drawn debt.

### FINANCIAL RISK MANAGEMENT

PPADB's activities expose it to various financial risks, which under the review period have been analysed, evaluated, accepted as tolerable; and hence no derivative instruments have been used to hedge the financial risks. PPADB's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on PPADB's financial performance.

PPADB's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. PPADB regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

### FINANCIAL INSTRUMENTS

PPADB classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the PPADB's statement of financial position when PPADB becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

# Deloitte.

## PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

31 March 2017

### FINANCIAL INSTRUMENTS (CONTINUED)

#### Financial assets

##### *Loans and receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### *Cash and cash equivalents*

Cash and cash equivalents are carried in the statement of financial position at amortised cost. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and funds on deposits.

##### *Impairment of financial assets*

'Loans and receivables' are assessed for indicator of impairment at each statement of financial date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For 'Loans and receivables' objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or
- it becoming probable that the consumer will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest. The effective interest method is as described below.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### *De-recognition of financial assets*

PPADB de-recognises a financial asset only when the contractual right to the cash flows from the asset expire; or it transfers the financial asset substantially all the risks and rewards of ownership of the asset to another entity.

If PPADB neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, PPADB recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If PPADB retains substantially all the risks and rewards of ownership of a transferred financial asset, PPADB continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.



PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)  
31 March 2017

## FINANCIAL INSTRUMENTS (CONTINUED)

### Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method (as described below), with interest expense recognised on an effective yield basis. PPADB's financial liabilities are classified as 'other financial liabilities'.

### De-recognition of financial liabilities

PPADB derecognises financial liabilities when, and only when, the PPADB's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying PPADB's accounting policies. These areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to PPADB's financial statements are disclosed.

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Key sources of estimation of uncertainty

The most significant estimates and assumptions made in the preparation of these financial statements are as follows:

- the calculation of bad debts provision;
- the assessment of impairments and the calculation of the recoverable amount of assets;
- the determination of useful lives and residual values of items of plant and equipment; and
- the calculation of any provision for guarantees, claims, litigation and other legal matters.



PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
31 March 2017

	<b>2017</b>	<b>2016</b>
	<b>P</b>	<b>P</b>
<b>1 GOVERNMENT SUBVENTION</b>		
Annual subvention received (Note 15)	52 670 860	50 000 000
Project funds for capital and operational expenditure (Note 11)	5 100 083	-
Funds used for capital expenditure	(5 766 890)	(11 085 328)
- Plant and equipment (Note 5)	(1 184 955)	(11 085 328)
- Intangible assets (Note 6)	(4 581 935)	-
	52 004 053	38 914 672
Add: Amortisation of capital grants (Note 9)	4 974 270	2 642 893
	<u>56 978 323</u>	<u>41 557 565</u>
<b>2 OTHER INCOME</b>		
Contractor registration - Standard	10 665 382	9 484 606
- Express	3 405 710	6 519 950
Capacity building	877 650	1 209 500
Sundry income	36 061	69 314
Certification fees	1 415 985	1 261 690
Profit on disposal of plant and equipment	-	230 135
	<u>16 400 788</u>	<u>18 775 195</u>
<b>3 INTEREST INCOME</b>		
Bank interest	<u>530 714</u>	<u>902 974</u>
<b>4 DEFICIT FOR THE YEAR</b>		
In addition to the amounts disclosed in Notes 1, 2 and 3 above, the deficit for the year is stated after taking into account the following:		
Auditor's remuneration		
- audit fees - Current year	272 000	147 485
- Prior year	80 000	14 042
- other services	59 000	-
Consulting fees	3 429 746	1 332 786
Depreciation of plant and equipment	3 440 014	2 642 893
Amortisation of intangible assets	1 534 256	-
Legal fees	2 201 124	1 584 516
Loss on disposal of plant and equipment	7 690	-
Directors' emoluments - Fees	387 600	304 500
Staff costs (as below)	46 963 094	43 966 392
- Directors' emoluments for managerial services	3 300 615	3 584 700
- Staff members	43 662 479	40 381 692
<u>Staff costs:</u>		
Salaries and wages	38 561 400	36 387 149
Gratuity and pension	5 146 487	4 833 721
Leave pay	1 420 320	1 378 175
Staff welfare	720 995	1 166 128
Training	1 113 892	201 219
Total	<u>46 963 094</u>	<u>43 966 392</u>

PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
31 March 2017

## 5 PLANT AND EQUIPMENT

<u>Cost</u>	<u>Leasehold improvements</u>		<u>Furniture &amp; fittings</u>		<u>Office equipment</u>		<u>Motor vehicles</u>		<u>Computers</u>		<u>Total</u>	
	P	P	P	P	P	P	P	P	P	P	P	
At 31 March 2015	1 838 998	2 831 965	2 437 047	3 689 483	3 617 235	14 414 728						
Additions	-	510 884	1 097 397	1 513 566	7 963 481	11 085 328						
Disposals	-	-	(67 748)	(672 808)	(24 569)	(765 125)						
At 31 March 2016	1 838 998	3 342 849	3 466 696	4 530 241	11 556 147	24 734 931						
Additions (Note 1)	-	142 591	319 310	-	723 054	1 184 955						
Transfers (Note 11)	-	-	2 018 920	-	-	2 018 920						
Disposals	-	-	(67 297)	-	-	(67 297)						
At 31 March 2017	1 838 998	3 485 440	5 737 629	4 530 241	12 279 201	27 871 509						
<u>Accumulated depreciation</u>												
At 31 March 2015	121 655	1 892 244	1 463 444	2 364 653	2 731 476	8 573 472						
Charge for the year	162 207	210 735	362 923	887 103	1 019 925	2 642 893						
Disposals	-	-	(45 483)	(605 527)	(11 133)	(662 143)						
At 31 March 2016	283 862	2 102 979	1 780 884	2 646 229	3 740 268	10 554 222						
Charge for the year	162 207	121 754	775 139	353 303	2 027 611	3 440 014						
Disposals	-	-	(59 607)	-	-	(59 607)						
At 31 March 2017	446 069	2 224 733	2 496 416	2 999 532	5 767 879	13 934 629						
<u>Carrying amount</u>												
At 31 March 2016	1 555 136	1 239 870	1 685 812	1 884 012	7 815 879	14 180 709						
At 31 March 2017	1 392 929	1 260 707	3 241 213	1 530 709	6 511 322	13 936 880						



PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
31 March 2017

	<u>2017</u>	<u>2016</u>
	P	P
<b>6 INTANGIBLE ASSETS</b>		
<b>Computer software:</b>		
<u>Cost</u>		
Balance at the beginning of the year	-	-
Additions	4 581 935	-
Transfers (Note 11)	19 485 836	-
Balance at the end of the year	<u>24 067 771</u>	<u>-</u>
<u>Accumulated amortisation</u>		
Balance at the beginning of the year	-	-
Charge for the year	1 534 256	-
Balance at the end of the year	<u>1 534 256</u>	<u>-</u>
Carrying amount at the end of the year	<u>22 533 515</u>	<u>-</u>
<b>7 TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	131 297	291 640
Other receivables - Guaranteed loans defaults	131 622	131 622
Allowance for doubtful debts	(144 362)	(332 912)
	<u>118 557</u>	<u>90 350</u>
Prepayments	197 188	209 939
Staff loans and advances	2 638 478	3 648 691
Deposits	8 020	8 020
	<u>2 962 243</u>	<u>3 957 000</u>
<b>Movement in the allowance for doubtful debts</b>		
Balance at the beginning of the year	332 912	332 912
Amounts written off as unrecoverable during the year	(188 550)	-
Balance at the end of the year	<u>144 362</u>	<u>332 912</u>
Trade receivables are provided for based on estimated irrecoverable amounts determined by reference to PPADB's past experience of collecting payments from each trade receivable. In determining the recoverability of trade receivables, the PPADB considers the change in the quality of the trade receivable from the date the credit was initially granted up to the reporting date. The Directors believe that there is no further impairment provision required.		
<b>8 CASH AND CASH EQUIVALENTS</b>		
Cash in hand	6 603	4 213
Bank balances	4 210 897	8 130 619
Short-term deposits	13 241 899	7 205 344
Stanbic Money Market Fund	12 853 757	8 513 342
	<u>30 313 156</u>	<u>23 853 518</u>



PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
31 March 2017

9 CAPITAL GRANTS	<u>2017</u> P	<u>2016</u> P
Balance at beginning of year	14 180 709	5 841 256
Capital grants received	5 766 890	11 085 328
- Funds used to purchase plant and equipment (Note 5)	1 184 955	11 085 328
- Funds used to purchase intangible assets (Note 6)	4 581 935	-
Integrated Procurement Management System ("IPMS") (Note 11)	21 504 756	-
- Plant and equipment (Note 5)	2 018 920	-
- Intangible assets (Note 6)	19 485 836	-
Amortisation of capital grants	(4 974 270)	(2 642 893)
Net book value of disposals of plant and equipment	(7 690)	(102 982)
Balance at end of year	<u>36 470 395</u>	<u>14 180 709</u>

The balance comprises grants received from the Government utilised for the acquisition of items of plant and equipment. The carrying amount of the capital grants is equivalent to the carrying amount of plant and equipment.

10 TRADE AND OTHER PAYABLES

Trade payables	2 254 364	2 775 159
Gratuity pay accruals	5 955 669	7 374 985
Leave pay accruals	3 920 377	2 776 602
Other payables	456 507	1 554 370
	<u>12 586 917</u>	<u>14 481 116</u>

11 PROJECT FUNDS

Integrated Procurement Management System ("IPMS"):

Balance at the beginning of the year	-	2 974 368
Funds received during the year	13 000 000	-
Capital and operational expenditure during the year (Note 1)	(5 100 083)	(2 974 368)
Balance at the end of the year	<u>7 899 917</u>	<u>-</u>

Comprising cumulative:

Funds received	22 087 281	9 087 281
Capital expenditure - IPMS	(11 365 648)	(7 791 486)
Capacity building workshops - IPMS	(1 295 795)	(1 295 795)
Operational expenditure - IPMS	(1 525 921)	-
	<u>7 899 917</u>	<u>-</u>

In the prior years, PPADB was managing the IPMS project on behalf of the Ministry of Finance and Economic Development ("MFED"). PPADB received and disbursed funds relating to the project as and when approved by MFED.

During the current year, MFED transferred the ownership of the project to PPADB at the carrying value as at 1 April 2016, refer to Notes 5, 6 and 9. The balance at the end of the year represents the unspent portion.

12 PENSION FUND

PPADB operates a defined contribution pension fund for its employees. It is funded by contributions from PPADB. Other than the normal contributions due in terms of the Rules of the Pension Fund, PPADB has no other obligations or commitments towards the fund members.



PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
31 March 2017

<b>13 FINANCIAL INSTRUMENTS</b>	<b>2017</b>	<b>2016</b>
	<b>P</b>	<b>P</b>
<b>13.1 Categories of financial instruments</b>		
<b>Financial assets</b>		
Loans and receivables (including bank balances and cash)	33 078 211	27 600 579
<b>Financial liabilities</b>		
Trade and other payables	2 710 871	4 329 529
Projects funds	7 899 917	-

**13.2 Capital risk management:**

There is no active capital risk management process in place primarily because PPADB is constituted under an Act of Parliament. Under this Act, the Government of Botswana provides grants for both capital and operational expenditure based on detailed budgets submitted by the Board of Directors.

The capital of PPADB comprises accumulated funds as disclosed in the statement of changes in funds.

**13.3 Interest rate risk:**

Financial instruments that are sensitive to interest rate risk are bank balances. PPADB invests excess cash resources in call accounts, short-term deposits and Money Market Funds, which earn interest.

A 0.5% increase in interest rates would result in a decrease in the deficit for the year of P151 533 (2016: P119 247), while a decrease in interest rates by a similar margin would result in an equal and opposite effect on the deficit for the year. 0.5% is considered the most likely movement in interest rates based on the past interest rate adjustments announced by the Bank of Botswana.

**13.4 Credit risk:**

PPADB does not engage in any material trading activities on credit. In this regard the credit risk associated with trade and other receivables is not considered to be material. PPADB holds bank accounts with reputable financial institutions.

**13.5 Liquidity risk management:**

PPADB's capital and operational expenditure is funded by the Government of Botswana in the form grants given in terms of the Public Procurement and Asset Disposal Act, 2001.

**14 TAXATION**

No provision for taxation is required as PPADB is exempt from taxation in terms of the Second Schedule of the Income Tax Act (Chapter 52:01).



PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
31 March 2017

<b>15 RELATED PARTY TRANSACTIONS</b>	<b><u>2017</u></b>	<b><u>2016</u></b>
	<b>P</b>	<b>P</b>
PPADB entered into the following transactions with related parties.		
<b>Funding received:</b>		
Annual subvention (Note 1)	52 670 860	50 000 000
Projects funds received for IPMS (Note 11)	<u>13 000 000</u>	<u>-</u>
<b>Expenditure:</b>		
Directors' emoluments	387 600	304 500
- Fees	3 300 615	3 584 700
- For managerial services	<u>3 300 615</u>	<u>3 584 700</u>

**16 CONTINGENT LIABILITIES**

Pending litigations

Legal action is being taken against PPADB for various claims for suspected unlawful awarding of tenders and claims by suppliers. In the event that the applicants are successful, the total amount of claims as at 31 March are:

Legal costs	-	50 000
Claims against PPADB	<u>-</u>	<u>5 000 000</u>
	<u>-</u>	<u>5 050 000</u>

PPADB management is confident of successfully defending the claims, hence no accrual has been made for them.

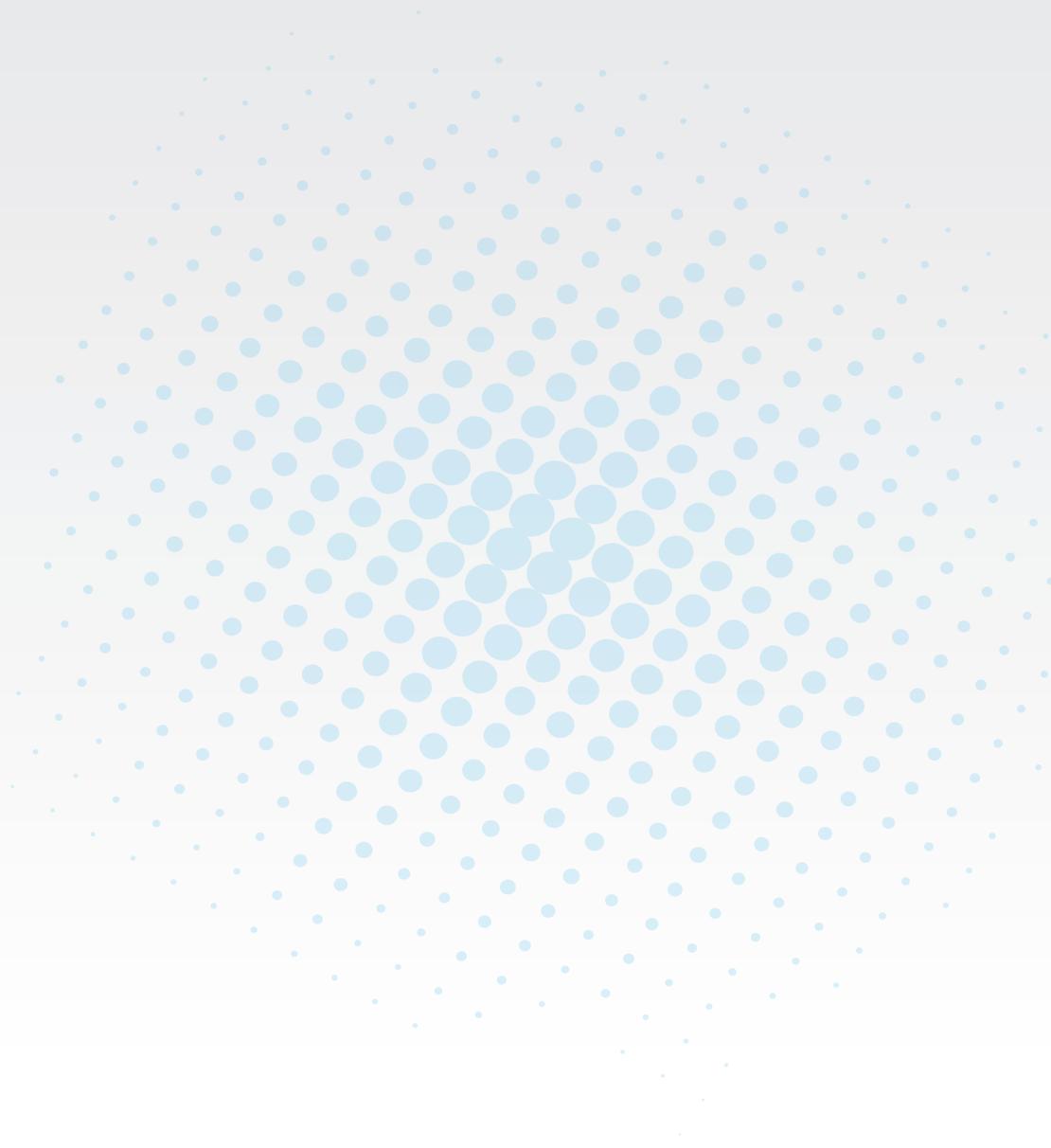
**17 EVENTS AFTER THE REPORTING PERIOD**

There have been no material events between the reporting date and the date of approval of these financial statements that may require adjustment or disclosure in the financial statements.









# Contacts

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