

2019-2020



Keeping Tenders Clean

ANNUAL REPORT





2019 —
2020

ANNUAL
REPORT



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OUR VISION

To be the centre of excellence in public procurement and asset disposal by 2022.

MISSION

To lead a devolved, inclusive, efficient 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.



Keeping Tenders Clean

14th December 2020

Honourable T. Matsheka
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 2020.

Thank you.

Yours faithfully,

A handwritten signature in black ink, which appears to read 'E. Motshedi', is written over a horizontal line.

Elijah T. Motshedi
Executive Chairperson



"It is my pleasure to present the 2019/20 Annual Report for the Public Procurement and Asset Disposal Board (PPADB). The Report provides a summary of the operations including the achievements and challenges encountered during the reporting period."

Elijah T. Motshedi
Executive Chairperson

3.1 PERFORMANCE HIGHLIGHTS

3.1.1 Strategic Plan Implementation

The four-year Strategic Plan covering the period 2018/19 to 2021/22 commenced its implementation during the 2018/19 financial year. The overall intent of the Strategy, is to maintain an efficient, transparent, fair and accountable public procurement system that inspires public confidence, and promotes ease of doing business whilst driving socio-economic development. During the four-year period, PPADB will improve value for money, efficiency and transparency in the procurement system and promote fair and equitable treatment of bidders.

The organisation will also track and address perceived or real corruption to increase public confidence in the procurement system.

The need to pay closer attention to key leverage areas, including; compliance to sustainable public procurement regulations; use of open domestic bidding as the default method of procurement; successful completion of projects within time, scope, budget and quality to ensure value for money procurement, is of paramount importance for the Board during the four-year period.

3.1.2 Financial Year 2019/20 Performance

Quality Management System

During the period under review, PPADB continued to maintain its Quality Management System (QMS) to achieve enhanced stakeholder satisfaction and gain competitive advantage. The QMS is a business tool used to ensure conformity with applicable customer and stakeholder requirements as well as to achieve desired levels of consistency in the services offered by the Board. The QMS was audited four (4) times during the 2019/20 financial year, twice by PPADB Internal Auditors and the Botswana Bureau of Standards (BOBS) External Auditors respectively. In the period under review, PPADB is delighted to have recorded zero non-conformities from external audits which is a demonstration of a fully integrated, robust and effective system, however the organisation remains committed to continually enhance the conformance by implementing the identified areas of improvement. The three-year BOBS certification is expected to lapse in August 2020.

Compliance Monitoring

During the reporting period, the Board undertook compliance audits for Ministerial Tender Committees (MTCs) and District Administration Tender Committees (DATCs). As was the case in the previous financial year, the compliance audits were not used to increase thresholds of Board Committees. The last review of thresholds effected on 1st June 2018. In line with Section 65(1) which dictates that the review of thresholds shall be implemented biennially, the next review of thresholds is due in the 2020/21 financial year.

Adjudication of Tenders for Central Government

During the 2019/20 financial year, the Board adjudicated on seven hundred and twenty-six (726) submissions.

The figure represents a fourteen percent (14%) increase, against six hundred and thirty-nine (639) submissions of the previous financial year.

In terms of value, the Board awarded tenders amounting to P1.692 billion compared to P3.918 billion in the previous financial year.

MTCs adjudicated on a total number of six thousand one hundred and two (6102) submissions amounting to P5.912 billion, compared to four thousand two hundred and twenty-nine (4229) submissions during the previous financial year amounting to P5.726 billion.

The DATCs adjudicated on a total number of five hundred and sixty-eight (568) submissions amounting to P218.6 million as opposed to the previous financial year's one thousand three hundred and fourteen (1314) submissions totalling P529.8 million.

The Special Procurement and Asset Disposal Committee (SPADC) adjudicated on a total of one hundred (100) requests amounting to P350.4 million compared to a total of ninety-three (93) requests in the 2018/19 financial year, amounting to a total of P464.2 million. This represents a five percent (5%) increase in the number of submissions received by the Committee during the period under review.

The total value of procurement for PPADB and its Committees for the 2019/20 financial year amounted to P8.17 billion, excluding micro procurement by Ministries, lower than the 2018/19 financial year figure of P10.64 billion.

The value of tenders awarded through micro procurement for the 2019/20 financial year amounted to P460.7 million, which is higher than the P399.9 million recorded in the 2018/19 financial year.

Contractor Registration

During the financial year under review, the Board approved nineteen thousand and sixty-five (19 065) contractor registration applications, compared to sixteen thousand one hundred and eleven (16 111) in the previous year. Out of the total number of registered contractors, four thousand three hundred and ninety-one (4 391) were for Services; six thousand seven hundred and eighty (6 780) for Supplies; and seven thousand eight hundred and ninety-four (7 894) for Works. This represents an overall cumulative percentage of twenty-three percent (23%) Services; thirty-six percent (36%) Supplies; and forty-one percent (41%) Works.

Revenue generated through contractor registration during the reporting period increased by eleven percent (11%) from P12,845,627.00 in the previous year to P14,271,691.00 in the 2019/20 financial year. This represents 19% of the Government subvention allocated to PPADB.

3.1 PERFORMANCE HIGHLIGHTS (continued)

Capacity Building

A total of sixty-seven (67) capacity building workshops were conducted by PPADB during the 2019/20 financial year. The workshops targeted MTCs and DATCs, Procuring Entities (PEs), Parastatals, the Bidding Community, Media and other stakeholders from the private sector. A total number of one thousand seven hundred and fifty-six (1756) participants were trained during the year compared to one thousand seven hundred and eighty-six (1786) in the previous financial year.

3.1.3 Challenges and Interventions

The main challenge in relation to significant devolution of authority to Committees of the Board is inadequate resources for the procurement function in some PEs to support the work of the Committees and facilitate procurement and project implementation at Ministries. In addition, poor record keeping and inconsistent submission of the required information continues to be a challenge for some DATCs. Engagements with relevant parties to address this concern are ongoing.

Despite PPADB providing guidance on the Procurement Unit (PU) Structure and the Procurement Scheme of Service, professionalization of the procurement cadre is progressing slowly and PUs continue to be under-resourced. The desire is to have procurement handled by qualified personnel with the necessary skills and knowledge. The Board continues to engage accounting officers to ensure they continuously review their organisational structures and appropriately resource the procurement function commensurate with the value and complexity of their procurement needs. This is aimed at ensuring improved service delivery. The Board has also proposed inclusion of provision for regulation of procurement personnel in the proposed review of the PPAD Act to further address this concern.

While significant progress is made with online procurement, lack of capacity, facilities, resources, and low system uptake by PEs continue to undermine the efforts made thus far. However, PPADB continues to carry out capacity building, handholding and readiness assessments of the Ministries to increase uptake and use of online tendering. This will ultimately improve efficiencies of the procurement system in Government.

Complaints resolution remains a challenge primarily due to delays in sourcing tender documents from PEs. In order to address the challenge, PPADB continues to audit entities to ensure compliance to records management procedures. The Board also proposed inclusion of some provisions in the proposed review of the PPAD Act to improve the process of complaints review as it significantly contributes to delays in project implementation and service delivery.

Failure to submit End of Activity Reports (EOARs) by PEs has hampered the performance monitoring of contractors in the implementation of Government projects as well as effectiveness of the Suspension and Delisting Committee. The Committee is challenged to discipline non-performance or unethical business conduct by Contractors, as EOARs are hardly submitted for appropriate action. PPADB continues to pursue entities to adhere to the PPAD Act.

In addition, the Board during this financial year started assessments of parastatals to ensure compliance with the PPAD Act. Five (5) parastatals were audited out of the planned six (6). PPADB could not audit more parastatals as desired due to capacity constraints. However, the Board plans to increase monitoring of parastatals procurement in the coming financial year. The Board will review its capacity to ensure it is adequately resourced to execute its mandate.



3.2 ACKNOWLEDGEMENTS

I would like to appreciate Members of the Board and PPADB staff for their continuous hard work, ensuring that the Board is well positioned to attain the objectives of the 2018-2022 Strategic Plan.

Further, I would like to thank Accounting Officers, Committees of the Board, Procuring Entities, the Bidding Community, and other stakeholders for the support rendered during the 2019/20 financial year.

I am also grateful to the Ministry of Finance and Economic Development (MFED) for the continued support offered during the year under review to enable the Board to perform its mandate.



Elijah T. Motshedi





Elijah T. Motshedi | Executive Chairperson



Kgakgamalo K. Ketshajwang
Executive Director Supplies



Tumelo Motsumi
Executive Director Services



Augustine Tema
Ag. Executive Director Works



Taolo Sebonego
Non-Executive Director-Supplies



Gerald N. Thipe
Non-Executive Director-Services



Andrew Nkaro
Non-Executive Director-Works

4.1 CORPORATE GOVERNANCE

The PPADB consists 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). The part-time members are 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.

Board members are responsible for providing strategic guidance and ensuring that 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 contractor registration system, the establishment of Committees of the Board and devolution of authority to them, monitoring compliance to the Act, issuing standardized bidding packages, supporting procurement capacity building and advising stakeholders on matters of public procurement and asset disposal, and oversee public procurement in central government. The scheduled Board adjudication meetings are held weekly. The board may need as and when required to attend to emergency procurement.

When considering operational issues that are not tender-related business, the Board is referred to as Board Management. The Board Management provides strategic direction for the organization and its meetings are held quarterly. The Board Management is responsible for approving and monitoring implementation of all policies of the PPADB as well as the Strategic Plan of the organization. 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. The Committee also approves the organizational budget and any virements during the year for amounts in excess of P500 000.

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

Board Changes

The substantive Executive Chairperson was appointed during the period under review.



4.1 CORPORATE GOVERNANCE (continued)

4.1.1 Board Committees

There are three (3) Board Committees 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, services and works of values ranging from P3, 000 001 to P5, 000,000. The Committee comprised of the following:

Mr. T. Sebonego	Non-Executive Director, Supplies (Chairperson)
Mr. K. K. Ketshajwang	Executive Director-Supplies
Mr. A.T. Tema	Executive Director, Works (Acting)
Ms. P. Motswagole	Board Secretary
Ms. P. Chengeta	Chief Accountant (Secretary)

Human Resources Committee

The Human Resources Committee (HRC) is mandated 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 comprised of the following:

Mr. A. Nkaro	Non-Executive Director, Works (Chairperson)
Mr. G.N Thipe	Non-Executive Director, Services
Ms. T. Motsumi	Executive Director, Services
Mr. B. Tebogo	General Manager- Corporate Services
Ms. J. Dithlong	Senior Manager, Strategy, Research and Policy
Ms. B. Matlho	Human Resources Manager (Secretary)

Finance and Risk Audit Committee

The Finance and Risk Audit Committee advises the Board on financial and risk 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 and strategic risk identification, mitigation and implementation. 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	Non-Executive Director, Services (Chairperson)
Mr. T. Sebonego	Non Executive Director, Supplies
Mr. K. K. Ketshajwang	Executive Director-Supplies
Ms. L. Tlale	Management Accountant (Secretary)

4.1.2 Committees of the Board: Tender-related Functions

Special Procurement and Asset Disposal Committee (SPADC)

The SPADC is established in terms of Section 63 of the PPAD Act to handle 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. The Committee adjudicates on sensitive tenders from the Botswana Defence Force (BDF), Directorate of Intelligence and Security (DIS), Directorate on Corruption and Economic Crime (DCEC), Botswana Prison Service (BPS) and the Botswana Police Service (BPS), Independent Electoral Commission (IEC), among others. SPADC comprises of two (2) Executive members, one (1) Non-Executive member, a senior member of the Public Service, and the Executive Chairperson of the Board who chairs the committee. The Committee convenes for a scheduled meeting once a week or as required to attend to urgent procurement once a week.

Ministerial Tender Committees (MTCs)

These Committees are established by the board in terms of Section 61 of the PPAD Act. The Committees comprise of officials from Ministries who carry out duties delegated to them by the Board. There are twenty (20) MTCs, including two special Committees being Administration of Justice and Central Medical Stores Adjudication Committees. The delegated financial threshold varies across MTCs, with the lowest threshold being P50, 000,000 and the highest being P600, 000,000.

District Administration Tender Committees (DATCs)

There are thirty (30) DATCs that exercise powers delegated to them by the Board. Members of the Committees are appointed by the Board upon recommendation by the District Commissioners in the Districts and Deputy District Commissioners in the Sub Districts. The financial thresholds for the period under review ranged from P2, 000, 000 to P20, 000, 000.

Suspension and Delisting Committee

The modus operandi of the Committee is legislated by the Public Procurement and Asset Disposal Suspension and Delisting of Contractors Regulations of 2009 and the Contractors Code of Conduct of 2013. The Committee is mandated to investigate issues of non-performance, non-compliance and breaches of contract, and thereafter make recommendations to the Board on appropriate action to be taken. The final decision may involve reprimanding, suspending or delisting (removing from the PPADB Register) a Contractor from participating in government procurement and asset disposal for a specified period of time.

The Committee comprises of two (2) members from the private sector, one (1) member from the (DCEC) and the three PPADB Divisional Managers (Supplies, Services and Works). The Senior Legal Officer at PPADB serves as the Secretary to the Committee. Half the membership constitutes a quorum.

4.1.3 Other Committees

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. ICRC members are appointed by the Minister of Finance and Economic Development and are professionals drawn from, amongst others, commerce, industry and academia. The Committee comprises the Chairperson and four (4) members. Its mandate entails reviewing complaints arising from decisions of the Board lodged by contractors, the public or other stakeholders in respect of the procurement and disposal processes.

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 ICRC. The Committee is expected to propose improvements to the Act and Regulations; improvements to the management of the public procurement and asset disposal system; and advise 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. There is a proposed provision in the review of the PPAD Act aimed at improving performance of this committee.







Elijah T. Motshedi | Executive Chairperson



Kgakgamalo K. Ketshajwang
Executive Director Supplies



Tumelo Motsumi
Executive Director Services



Augustine Tema
Ag. Executive Director-Works



Julia Ditlhong
Senior Manager:
Strategy, Research & Policy



Patience Motswagole
Board Secretary



Oteng Raesima
Information & Communication
Technology Manager



Baitshapi Tebogo
General Manager
Corporate Services

5.1 MANAGEMENT TEAM



Augustine Tema
Divisional Manager Works



Lucas Kennekae
Divisional Manager Supplies



Lady Botlhole
Divisional Manager Services



William Moswetsi
Contractor Registration Unit
Manager



Ontiretse Diboko
Internal Audit Manager



Charles Keikotlhae
Public Relations & Education
Manager



Boingotlo Matlho
Human Resources Manager



Masego Oageng
Strategy Manager



Portia Chengeta
Chief Accountant



Lesego Tlale
Management Accountant



Uwo Marobela
Francistown Center
Coordinator



Tshepo Owen Katse
Senior Analyst QMS



Lefoko Ramoatlhodi
Devolution & Compliance
Coordinator



Keneilwe Modise
Senior Legal Officer



Opelo Tibone
Senior Legal Officer



Lisani Nzhuzha
Capacity Building
Coordinator



Neo Mogwai
ICT Coordinator



Kemosadi Phambuka
Senior Administration Officer



Malebogo Pule
Senior Purchasing Officer

6.0 STRATEGIC PLAN IMPLEMENTATION

Adjudication and Award of Tenders

Board Adjudication

During the 2019/20 financial year, the Board adjudicated on seven hundred and twenty-six (726) submissions. The figure represents a fourteen percent (14%) increase, against six hundred and thirty-nine (639) submissions of the previous financial year.

Table 1: Total submissions to the Board

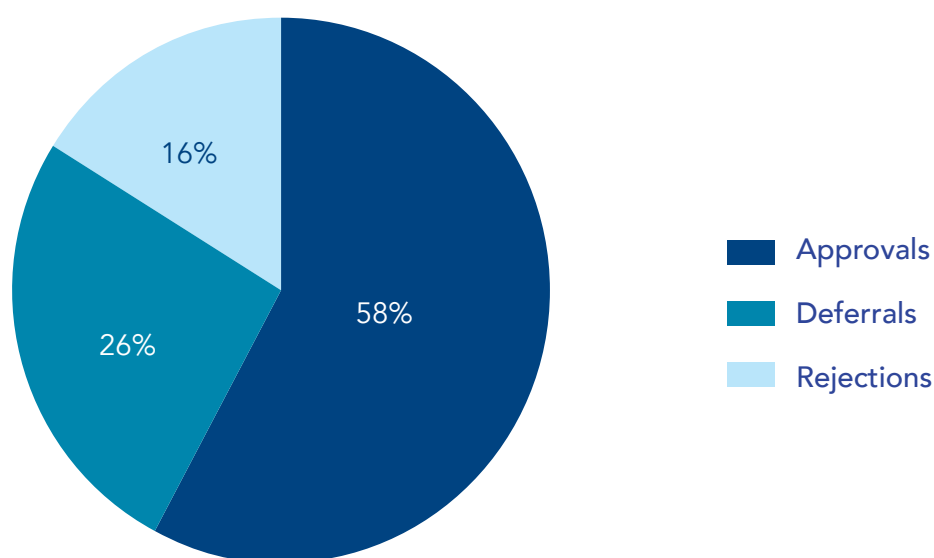
	Services	Supplies	Works	OBS ¹	Total
Approvals	24	28	38	119	209
Deferrals ²	23	33	25	14	95
Rejections	19	13	26	1	59
Sub Total	66	74	89	134	363
Noted & others ³	136	74	147	6	363
TOTAL	202	148	236	140	726

1 Office of the Board Secretary.

2 The number of submissions where the Board deferred its decision is not a reflection of the number of projects where the Board did not take final decision at all, but rather it represents the total number of submissions to which the Board deferred its decisions pending additional information or clarifications which would facilitate a final decision being taken on the request, during the weekly Board meetings. A total of five hundred and sixty-eight (568) requests were submitted to the DATCs of which twelve (12) were for noting purposes only. Out of the total five hundred and fifty-six (556) submissions for adjudication, the Committees approved four hundred and seventeen (417) submissions representing seventy-five percent (75%). Deferrals stood at one hundred and twelve (112) or twenty percent (20%) of the total submissions. There were twenty-seven (27) rejections or five percent (5%) of the total submissions. The seventy-five percent (75%) approval rate indicates a slight decrease compared to the previous year's approval rate of seventy-nine (79%).

3 This refers to submissions that (i) did not require any decision by the Board and are just for noting purposes; (ii) received complaints; and (iii) conditional approvals.

Figure 1: Distribution of Board Adjudication Decisions



Analysis of Submissions

The Board received seven hundred and twenty-six (726) submissions during the 2019/20 financial year, and three hundred and sixty-three (363) of those submissions required the Board to make adjudication decisions while the rest were for noting. The Board approved two hundred and nine (209), representing fifty-eight percent (58%); deferred its decision on ninety-five (95), representing twenty-six percent (26%) of the submissions; and rejected fifty-nine (59), representing sixteen percent (16%) of the submitted requests. This represents an increase in the approval rate from fifty-five percent (55%) during the previous financial year to fifty-eight percent (58%) in the year under review. Deferrals increased from twenty-four percent (24%) to twenty-six percent (26%); while rejections decreased from twenty-one percent (21%) to sixteen percent (16%) when compared to the previous year. The slight increase in the percentage of approvals and deferrals and the decrease in rejections still call for concerted efforts in order to realise the Board's target of seventy percent (70%) approval; twenty percent (20%) deferral; and ten percent (10%) rejection rate.

The higher approval rate and lower deferral and rejection rates indicate improved understanding and compliance to the PPAD Act and this translates to improved efficiency and effectiveness of the procurement system. During the review period, PPADB approved tenders whose value exceeded the thresholds of MTCs and considered retroactive requests given that Committees have no authority to consider such.

The Board awarded tenders from Ministries amounting to P1 692 301 819.27 compared to P3 918 422 119.00 in the previous financial year, a significant decrease by P2 226 120 299.73 or fifty-seven percent (57%). The significant decline in the value of tenders awarded is partly due to the increased number of court cases in the year under review, which delayed procurement. To address this concern the board continues to urge PEs to debrief unsuccessful bidders, effectively address complaints and improve complaints resolution turn-around time to reduce the number of cases escalated to the courts. The court process takes longer and significantly delays project implementation and service delivery.

The value of tenders awarded through open competitive bidding amounted to P1, 718, 785, 430.35 compared to P3, 227, 509, 514.00 in the previous financial year. In order to ensure that Government attains value for money, the Board calls for proper planning, amongst others, to address the concern of over reliance on less competitive bidding by PEs which is costly and less transparent.

During the 2019/20 financial year, the Ministry of Health and Wellness had the highest value of awarded tenders at P455 455 952.86 whilst the Ministry of Land Management, Water and Sanitation Services had the highest value of awarded tenders in the previous financial year at P1 878 383 824.04. The Ministry of Defence, Justice and Security had the least value of tenders awarded by the Board at P7 449 654.00.

During the review period, the Board did not receive requests to award tenders from thirteen (13) remaining Ministries. The Ministries did not have projects that exceeded MTC thresholds thus indicating a tremendous progress towards the attainment of full devolution.

Table 2: Total Awards made by PPADB per Ministry

MINISTRY		TENDER AWARDS (BWP)
1	Ministry of Health and Wellness	455 455 952.86
2	Ministry of Local Government and Rural Development	430 053 764.60
3	Ministry of Land Management, Water and Sanitation Services	407 721 496.02
4	Ministry of Transport and Communications	391 620 951.79
5	Ministry of Defence, Justice and Security	7 449 654.00
TOTAL		1 692 301 819.27

SPADC Adjudication

During the 2019/20 financial year, SPADC considered a total of one hundred (100) requests compared to ninety-three (93) requests in the financial year 2018/19; thus representing a eight percent (8%) increase in the number of requests submitted during the period under review. The Committee approved seventy-four (74) requests, representing seventy-four percent (74%); which is less than the previous year's eighty-two (82) or eighty-eight percent (88%) approval. There were twenty-one (21) or twenty-one percent (21%) deferrals; compared to eleven (11) or twelve percent (12%) deferrals in 2018/19. There were five (5) rejections during the year under review, representing five percent (5%). There were no rejections in the previous financial year.

The total amount of awarded tenders by the Committee during the period under review was P350 430 037.47, compared to a total amount of P464 214 552.19 of awarded tenders in the 2018/19 financial year. This represents a decrease of twenty-five percent (25%) of total amount of awarded tenders by the Committee.

Figure 2: Distribution of decisions by SPADC

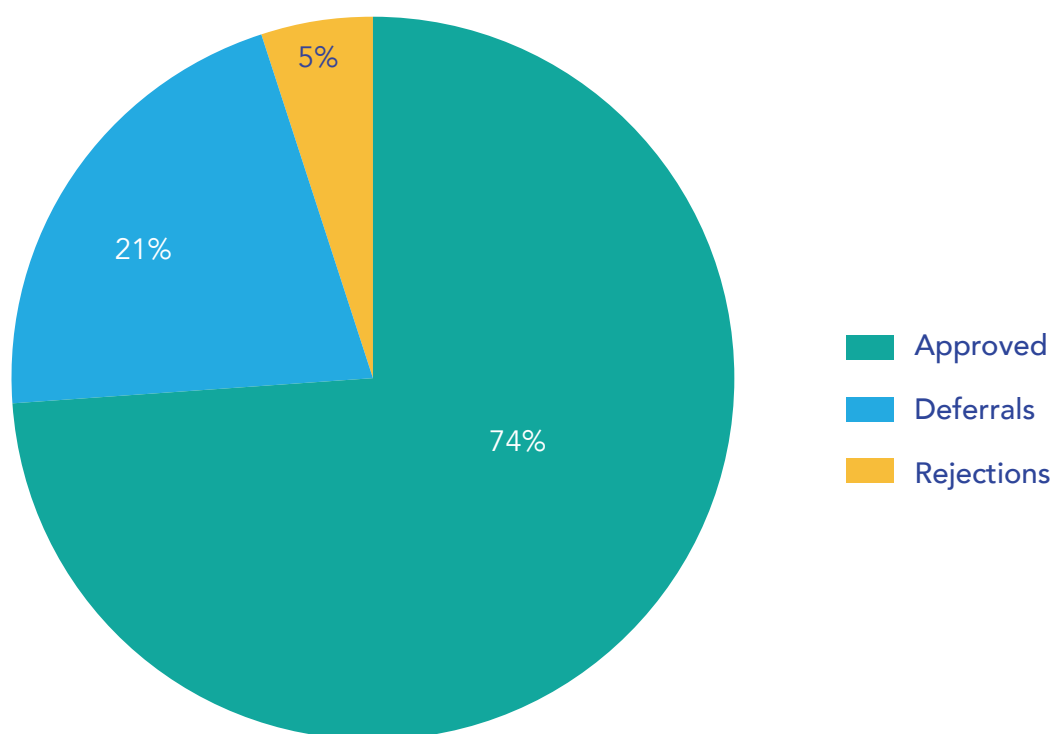




Table 3: MTCs Financial Thresholds

	MINISTERIAL TENDER COMMITTEE	THRESHOLD (BWP)
1	Ministry of Mineral Resources, Green Technology and Energy Security	P600 000 000
2	Ministry of Land Management, Water and Sanitation Services	P400 000 000
3	Ministry of Infrastructure and Housing Development	P400 000 000
4	Ministry of Youth Empowerment, Sport and Culture Development	P360 000 000
5	Ministry of Defence, Justice and Security	P320 000 000
6	Ministry of Investment, Trade and Industry	P300 000 000
7	Ministry of Transport and Communications	P260 000 000
8	Ministry of Local Government and Rural Development	P240 000 000
9	Ministry of Health and Wellness	P200 000 000
10	Ministry of Nationality, Immigration and Gender Affairs	P200 000 000
11	Central Medical Stores Adjudication Committee	P200 000 000
12	Ministry of Finance and Economic Development	P200 000 000
13	Ministry of Presidential Affairs, Governance and Public Administration	P160 000 000
14	Ministry of Employment, Labour Productivity and Skills Development	P160 000 000
15	Ministry of Tertiary Education, Research, Science and Technology	P160 000 000
16	Ministry of Environment, Natural Resources Conservation and Tourism	P130 000 000
17	Ministry of International Affairs and Cooperation	P130 000 000
18	Ministry of Basic Education	P130 000 000
19	Administration of Justice Adjudication Committee	P50 000 000
20	Ministry of Agriculture and Food Security	P 40 000 000

Table 4: DATCs Financial Thresholds

DISTRICT ADMINISTRATION TENDER COMMITTEE		THRESHOLD (BWP)
1	Francistown	P20 000 000
2	Letlhakeng	P16 000 000
3	Masunga	P14 500 000
4	Molepolole	P14 500 000
5	Kasane	P13 000 000
6	Ghanzi	P11 000 000
7	Tutume	P11 000 000
8	Gaborone	P11 000 000
9	Kanye	P10 000 000
10	Maun	P8 000 000
11	Mochudi	P7 000 000
12	Tsabong	P7 000 000
13	Serowe	P7 000 000
14	Bobonong	P7 000 000
15	Selibe Phikwe	P7 000 000
16	Jwaneng	P6 000 000
17	Letlhakane	P6 000 000
18	Lobatse	P6 000 000
19	Mabutsane	P5 000 000
20	Ramotswa	P4 500 000
21	Hukuntsi	P4 000 000
22	Tonota	P4 000 000
23	Mahalapye	P4 000 000
24	Palapye	P4 000 000
25	Goodhope	P3 000 000
26	Mogoditshane	P3 000 000
27	Moshupa	P3 000 000
28	Charleshill	P2 000 000
29	Tlokweneng	P2 000 000
30	Gumare	P2 000 000

EXCELLENCE

A close-up, black and white photograph of a watch face. The watch has multiple concentric rings, some solid and some dotted, creating a complex, technical appearance. A blue arrow, part of the word 'EXCELLENCE', points towards the center of the watch. The watch hands are visible, with the hour hand pointing towards the bottom right and the minute hand pointing towards the top left. The background is dark and textured.

MTCs Adjudication

MTCs adjudicated on a total number of six thousand one hundred and two (6102) submissions during the 2019/20 financial year, compared to four thousand two hundred and twenty-nine (4229) submissions in the previous financial year. 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 MTCs awarded tenders amounting to P5 912 237 945.89 compared to P5 726 423 788.00 in the previous financial year. This represents a difference value of three percent (3%). The 2019/20 micro procurement value stood at P460 716 809.60, higher than P399 931 788.00 in the previous financial year.

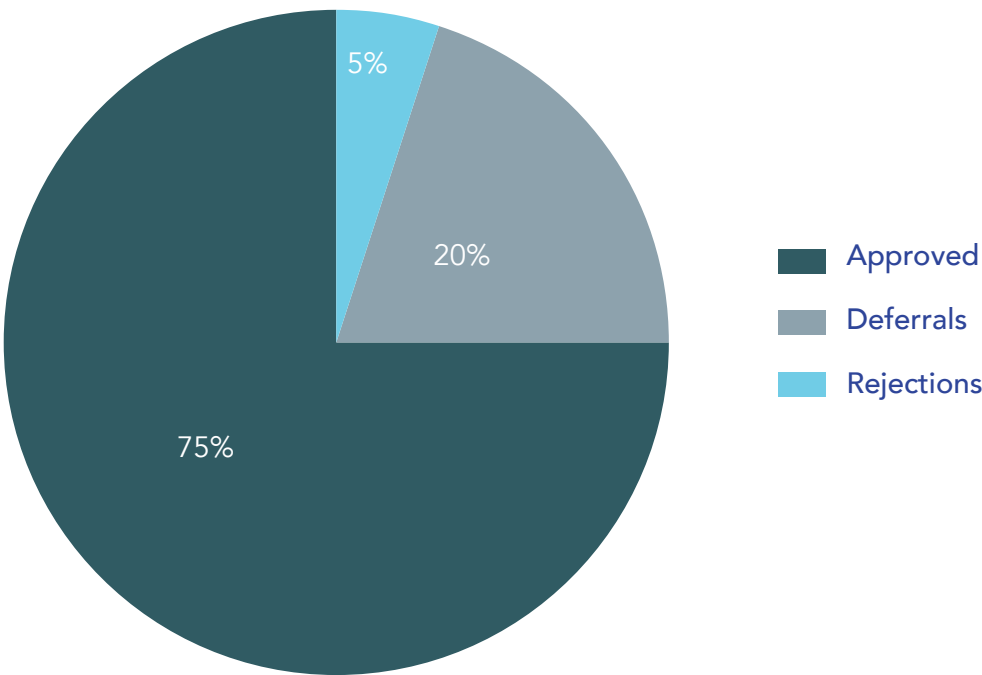
Table 5: Tender Awards by MTCs

	MINISTERIAL TENDER COMMITTEE	MICRO- PROCUREMENT (BWP)	TENDER AWARDS (BWP)
1	Ministry of Presidential Affairs, Governance and Public Administration	10 873 487.68	82 608 661.96
2	Ministry of Mineral Resources, Green Technology and Energy Security	6 455 761.69	21 691 709.33
3	Ministry of Agriculture and Food Security	11 322 656.33	72 986 650.23
4	Ministry of Finance and Economic Development	13 314 495.45	34 090 479.91
5	Ministry of Local Government and Rural Development	15 607 809.51	164 844 974.15
6	Ministry of Tertiary Education, Research, Science and Technology	31 593 648.97	47 208 047.20
7	Ministry of Infrastructure and Housing Development	3 858 727.31	956 188 143.60
8	Ministry of Youth Empowerment, Sport and Culture Development	19 837 487.68	119 748 612.69
9	Ministry of Environment, Natural Resources Conservation and Tourism	1 822 539.99	160 450 504.71
10	Ministry of International Affairs and Cooperation	9 434 919.76	112 561 356.40
11	Ministry of Basic Education	72 761 987.05	965 443 826.08
12	Ministry of Nationality, Immigration and Gender Affairs	15 000 406.22	141 097 527.77
13	Ministry of Investment, Trade and Industry	12 498 213.99	24 627 536.79
14	Ministry of Employment, Labour Productivity and Skills Development	8 062 188.93	70 932 804.55
15	Ministry of Transport and Communications	23 175 935.36	609 470 616.04
16	Ministry of Land Management, Water and Sanitation Services	58 802 961.90	283 279 804.08
17	Ministry of Health and Wellness	99 519 217.19	1 118 068 848.15
18	Ministry of Defence, Justice and Security	46 773 591.63	486 566 809.70
19	Administration of Justice Adjudication Committee	Reports not submitted	44 171 918.60
20	Central Medical Stores Adjudication Committee	Incorporated under MHW	396 199 113.95
	TOTAL	460 716 036.64	5 912 237 945.89

DATCs Adjudication

A total of five hundred and sixty-eight (568) requests were submitted to the DATCs for adjudication, with twelve (12) of them for noting purposes only. Out of the total submissions, the Committees approved four hundred and seventeen (417) submissions representing seventy-five percent (75%). Deferrals stood at one hundred and twelve (112) or twenty percent (20%) of the total submissions. There were twenty-seven (27) rejections or five percent (5%) of the total submissions. The seventy-five percent (75%) approval rate indicates a slight decrease compared to the previous year's approval rate of seventy-nine (79%).

Figure 3: Adjudication Decisions by DATCs



During the period under review, Departments under Central Government submitted requests to relevant DATCs amounting to P218 557 399.69, which was lower than the previous year's total of P529 833 406.62 representing a difference in value of fifty-nine percent (59%).

417

APPROVED

556

SUBMITTED

=

75%

Table 7: Tender Awards by DATCs

DISTRICT ADMINISTRATION TENDER COMMITTEE		TENDER AWARDS (BWP)
1	Serowe	62 088 756.83
2	Maun	34 195 830.91
3	Francistown	30 979 008.22
4	Masunga	22 962 743.60
5	Mahalapye	20 225 838.33
6	Kasane	13 153 932.00
7	Tonota	9 859 905.09
8	Mochudi	8 13 243.32
9	Tutume	7 918 274.10
10	Letlhakane	3 065 367.09
11	Lobatse	2 731 927 .00
12	Molepolole	2 593 279.11
13	Palapye	2 382 814.26
14	Hukuntsi	2 053 886.24
15	Gumare	1 901 117.72
16	Letlhakeng	1 257 300.00
17	Bobonong	374 175.87
	TOTAL	218 557 399.69



6.1 CUSTOMER PERSPECTIVE (continued)

Tlokweng DATC was inactive most of the period under review due to the vacancy in the Secretariat. No statistics were received from Ghanzi; Mabutsane; Jwaneng; Kanye; Ramotswa; Goodhope; Tsabong; Gaborone; Mogoditshane; Selibe Phikwe; Moshupa and Charleshill DATCs. The Board continues to appeal to the relevant Ministries to fill vacancies in the various DATC Secretariats.

ICRC

During the 2019/20 financial year, the Committee received ten (10) complaints, of these, seven (7) were dismissed and two (2) were upheld in favour of the contractors. One complaint was withdrawn by the complainant and the PE was advised to proceed with procurement.

Retroactive Requests

The Board is empowered to consider retroactive requests in-line with section 44 of the PPAD Act, read together with Section 3 of the PPAD Retroactive Approvals Order of 2012. These allow the Board to approve retroactive requests provided they were urgent and arise from special circumstances intended to save lives and protect the environment.

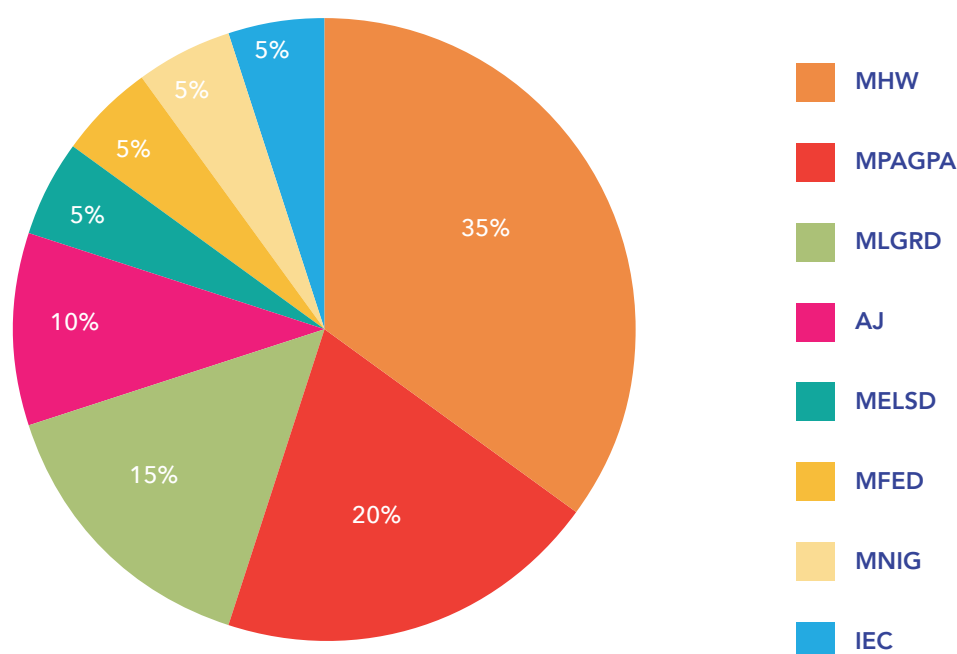
A total of twenty (20) retroactive requests were submitted to the Board during the year under review. The number shows a decrease in comparison to the previous year's forty (40) retroactive requests. The Board approved only one (1) request compared to four (4) in the previous period. The Ministry of Health and Wellness (MHW) submitted the largest number of requests at seven (7); followed by Ministry of Presidential Affairs, Governance and Public Administration (MPAGPA) with four (4) requests; then Ministry of Local Government and Rural Development (MLGRD) with three (3) requests; and Administration of Justice (AJ) with two (2) requests. Ministry of Employment, Labour Productivity and Skills Development (MELSD); Ministry of Finance and Economic Development (MFED); Ministry of Nationality, Immigration and Gender Affairs (MNIG); and the Independent Electoral Commission (IEC), each submitted one (1) retroactive request.

The total value of retroactive requests amounted to P43 594 670.45, almost half of the previous year's amount of P82 135 867.00. The Board approved retroactive requests amounting to P 9 937 229.36, representing an increase when compared to the previous year's negligible figure of P196 576.00.

Twelve (12) Ministries did not submit any retroactive request during the financial year 2019/20, thus an improvement compared to nine (9) in the 2018/19 financial year.

The Board continues to urge PEs to consistently plan their procurement and initiate it on time to avoid failure to follow procurement procedures and reduce the number of retroactive requests.

Figure 4: Total Percentage of Retroactive Requests



End of Activity Reports (EOARs)

The EOARs are necessary for the Board to analyse performance of contractors and take appropriate action where necessary through the Suspension and Delisting Committee. Further, the reports inform the Board on future award decisions relating to the contractors concerned. During the period under review, the Board received nine (9) EOARs against a target of twenty (20). Failure to submit EOARs by PEs still remain a challenge. The board continues to urge PEs to submit EOARs.

Devolution of Authority

The PPAD Act calls for significant devolution of authority over time to Committees of the Board. It is on this basis that the PPADB 2018-2022 Strategic Plan intends to gradually establish PPADB as a regulatory body with full oversight, compliance monitoring and standard setting powers. According to Section 65 of the PPAD Act, the Board is expected to review financial thresholds for both MTCs and DATCs biennially.

Strengthening of Procurement Units

The approved Scheme of Service for the Procurement and Contract Management function proposes that PUs should be led at the level of Director, thus transforming the PU into a Department. As at end of the 2019/20 financial year, nine (9) Ministries had successfully recruited for the position of Director-Procurement compared to six (6) in the previous financial year. The accounting officers are urged to continue to resource procurement functions in accordance with the volume level and complexity of procurement they undertake.

Procurement and Disposal Plans

During the reporting period, seventeen (17) Ministries or ninety-eight percent (98%) submitted their Procurement Plans for publication in the PPADB website and the IPMS Portal. The plans promote transparency, accessibility, and encourage the Bidding Community to prepare for competitive participation in central government tenders. However, adherence to procurement plans still remains low thus impacting on project implementation and service delivery. PEs are continually given feedback on their performance in order to improve.

Capacity Building

A total of sixty-seven (67) capacity building workshops were conducted by PPADB during the 2019/2020 financial year. The workshops targeted MTCs and DATCs, PEs, Parastatals, the Bidding Community, Media and other stakeholders from the private sector. A total number of one thousand seven hundred and fifty-six (1756) participants were trained during the year compared to one thousand seven hundred and eighty-six (1786) in the previous financial year.



6.1 CUSTOMER PERSPECTIVE (continued)

The topics covered during training include:

- (i) understanding of the public procurement and asset disposal legal framework;
- (ii) procurement responsibilities and roles;
- (iii) procurement planning and methods;
- (iv) the procurement cycle;
- (v) preparation of bidding documents and evaluation of tenders;
- (vi) implementation of empowerment schemes in procurement;
- (vii) contract administration;
- (viii) debriefing process and complaints review;
- (ix) and registration, suspension and delisting of contractors;
- (x) procurement ethics and corruption in procurement.

Strategic Partnerships

United States Development Agency (USTDA)

In the reporting period, PPADB and USTDA renewed a Memorandum of Understanding (MOU) for four (4) years. The MOU aims at capacitating PPADB staff, PUs and the Committees of the Board in integrating best value procurement to achieve optimum results from procurement processes. As part of this partnership, PPADB participated in the pilot Life Cycle Cost Analysis (LCCA) alongside three other countries: Vietnam, India and Panama. The curriculum is targeted at procurement officers globally and the goal is for it to be universally applicable and translated into online courses. Through the partnership, a workshop was organized for forty-six (46) participants from high spending Ministries, PPAD Board Members and staff on LCCA. The Board is in the process of rolling out the same training to the rest of the Ministries. The Board further plans to pilot the use of LCCA with a couple of PEs in the next financial year.

World Bank

During the reporting period, the World Bank was engaged through MFED to provide technical support for a Value for Money Audit of Selected Infrastructure. The project was to determine if the selected projects were delivered on time, within cost and the expected quality. PPADB accepted and shared the findings from the reports with PEs in order to improve project delivery and implementation.

Public Confidence in the Public Procurement System

Media Engagement

PPADB recognizes and engages the media as a strategic partner in disseminating information on the operations of the Board. During the financial year under review, PPADB continued with media monitoring and on average, each media house (print) had at least three (3) media articles about PPADB. There were four hundred and fifty-six (456) mentions of PPADB in the print media during the reporting period. Fifty percent (50%) of the media features and articles about PPADB were rated positive compared to eighty-four percent (84%) in the previous reporting period. Other news articles and features were rated negative at fifty percent (50%) against the sixteen percent

(16%) reported in the previous year.

In accordance with Section 87(b) of the PPAD Act, the Board held an annual media briefing to inform and get feedback from the media on public procurement and asset disposal system. In the reporting period, the Board also sent out six (6) media releases and granted a total of ten (10) Radio and Television interviews. The Board continues to utilize both the main stream media and social media to reach out and interact with stakeholders.

Customer Satisfaction Index

The implementation of the 2017/18 Customer Satisfaction Survey Recommendations Action Plan also reached hundred percent (100%) by the end of the reporting period, compared to eighty-nine percent (89%) implementation rate reported in the previous year.

Public Confidence Index

Implementation of the 2017/18 Public Confidence Survey Recommendations Action Plan stood at hundred percent (100%) at the end of the 2019/20 financial year compared to eighty-six percent (86%) implementation rate reported in the previous year.

Promoting Transparency

During the period under review, fifty-two (52) Board meetings were held and the Board decisions were published in the Daily News and PPADB Social Media pages: Facebook and Twitter. Board Committee decisions were submitted and published in the PPADB website in addition to publishing of decisions on Committee notice boards at their Ministries. Seventeen (17) Ministries submitted their procurement plans which were published in the PPADB website.

PPADB continued to provide the Tip-off anonymous service in 2019/20 financial year. The Tip-off anonymous service was operated by a third party: Deloitte Tip-Off (Anonymous) (Botswana) Pty Ltd. The facility provided a platform for members of the public, contractors, PEs, or even PPADB employees to report perceived acts of corruption or unethical conduct without fear of intimidation. As was the case in the previous financial year, few reports were received and investigated.

Outreach

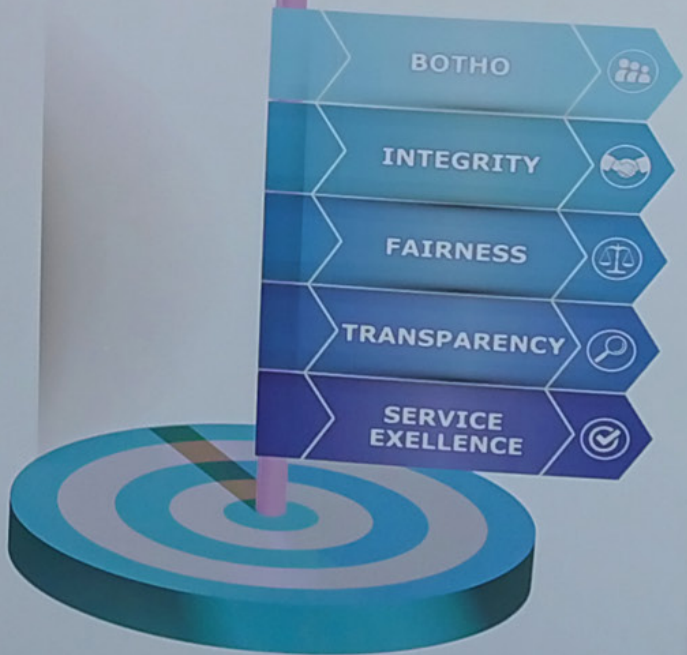
During the reporting period, the Board continued to intensify outreach activities as a means to educate the public and other stakeholders on its mandate, services and products. The target population was stakeholders furthest away from Francistown and Gaborone where the Board offices are currently located.

The Board addressed seven (7) Full Councils in Tonota, Mahalapye, Palapye, Letlhakane, Selebi Phikwe, Kasane and Maun. Four (4) Open Days were held in Lobatse, Good Hope, Kanye and Jwaneng. The Board also participated in four (4) Exhibitions and Fairs: Global Expo, Consumer Fair, Youth Business Expo and Mosetse Agricultural Show.





Welcome to PPADB



Keeping Tenders Clean

17232 www.tip-offs.com ppadb@tip-offs.com P. O. Box 448
Gaborone, Botswana

Complaints

During the period under review, the Board received two hundred (200) complaints of which eighty (80) appeals representing forty percent (40%) were made to the Board against MTC and DATC decisions. Eleven (11) complaints including three (3) on IPMS were lodged against PPADB. The remaining one hundred and nine (109) were MTCs, DATCs, Parastatals, Landboards and Council complaints copied to the Board. A total of ten (10) appeals were taken to ICRC during the period under review.

The Board handled ninety-one (91) complaints with forty-eight (48) representing fifty-three percent (53%) resolved within the prescribed fourteen (14) days. Out of the ninety-one (91) complaints, the Board dismissed sixty-two (62); upheld twelve (12); while ten (10) were brought before ICRC; and the remaining seven (7) were still outstanding.

Litigation before the Courts

The total number of cases brought before the Courts during the 2019/20 financial year was twenty-four (24). Eleven (11) have been dismissed; one (1) upheld; one (1) withdrawn; and the remaining eleven (11) are yet to be concluded.

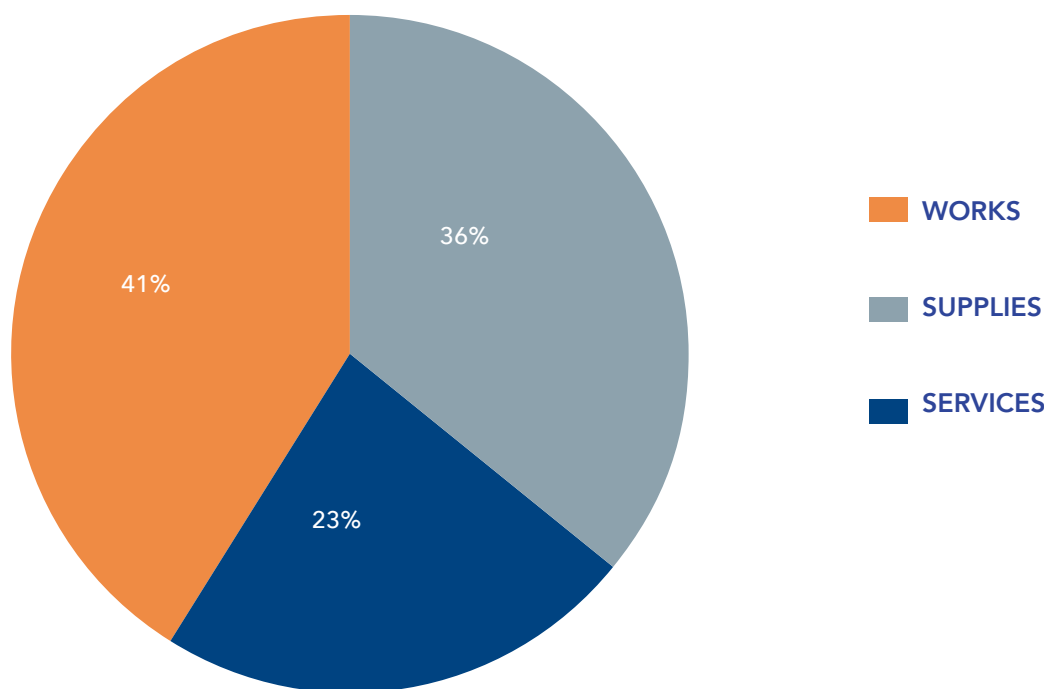
Contractor Registration

The Board is required under Section 49 of the PPAD Act to manage all aspects of the contractor registration system, inclusive of all decisions on application for registration, reclassification of registered firms and the disciplining 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, and Supplies.

During the financial year under review, the Board approved nineteen thousand and sixty-five (19 065) contractor registration applications compared to sixteen thousand one hundred and eleven (16 111) in the previous year. Out of the total number of registered contractors, four thousand three hundred and ninety-one (4 391) were for Services; six thousand seven hundred and eighty (6 780) for Supplies; and seven thousand eight hundred and ninety-four (7 894) for Works. This represents an overall cumulative percentage of twenty-three percent (23%) Services; thirty-six percent (36%) Supplies; and forty-one percent (41%) Works.

Revenue generated through contractor registration during the reporting period increased by eleven percent (11%) from P12, 845,627.00 in the previous year to P14,271,691.00 in the 2019/20 financial year .

Figure 6: Approved Contractor Applications per Discipline



Suspension and Delisting

During the period under review, the Suspension and Delisting Committee did not meet as expected due to resource constraints. However, the Board is working on resourcing the Committee Secretariat to ensure it can fully perform its mandate.

Integrated Procurement Management System (IPMS)

PPADB continued with implementation of the IPMS roll-out plan in the period under review. To achieve an efficient roll out, the approach adopted was the identification of four (4) model Ministries and two (2) DATCs for one hundred percent (100%) rollout in 2019/20. The pilot sample was engaged and brought on board to implement one hundred percent (100%) of procurement using the system to ensure full utilization of IPMS. Out of the planned online procurement activities, ninety percent (90%) was achieved. A total of two hundred and twenty-two (222) tenders were initiated in the system, indicating an increase and a good system uptake, from the seventy-four (74) procurement activities reported in the previous year.

The average adherence to Turn Around Time (TAT) of all online tenders was seventy-four percent (74%) against a target of ninety percent (90%), thus below target, with the observed limitations relating to people and technical challenges. As an intervention, PPADB provides various support avenues for PEs and the bidding community at large. In an effort to improve the system, inclusive of the service, forty-three (43) feedback sessions were held with various stakeholders to appreciate the challenges and how best the system could be improved.



Implementation of Quality Management System (QMS)

PPADB continues to maintain the QMS for enhanced productivity and service delivery. The QMS supports the PPADB value of Service Excellence as it ensures prioritization of customers. Another benefit accruing to PPADB as a result of maintenance of the QMS is the ongoing identification of internal process inefficiencies and the implementation of initiatives to address the same. Through the QMS, PPADB is able to solicit constructive feedback from its stakeholders and respond appropriately to the feedback to ensure improved stakeholder satisfaction. As a component of the QMS, Enterprise Risk Management (ERM) is widely utilized to aid the organization in the management and mitigation of all risks that have the potential to impair performance.

Review of the Strategic Plan

Performance for the first year (2018/19) stood at eighty-five percent (85%) compared to the second year performance at seventy-seven (77%) against a target of eighty-five percent (85%). This is due to measures that were suspended as a result of Covid-19 Pandemic. These measures under the Learning and growth perspective are always undertaken in the fourth quarter, towards the end of the financial year (in March/April period) in order to accurately obtain the results, which are reflective of the survey results of the financial year under consideration. The surveys were at various stages of implementation but could not be completed due to subsequent lockdowns and movement restrictions meant to contain the Covid-19 pandemic.

Corporate Governance

In order to fulfil its governance principles, the Board continues to subject the organization to financial and operational audits; implement the corruption prevention plans and risk mitigations measures and undertake Board Evaluation. During the 2019/20 financial year, the Board concluded its sixth evaluation to assess its compliance to good governance standards. Overall, the Board continued to perform well on all aspects demonstrating a strong commitment to good governance.



Recruitment and Retention

As at end of March 2020, PPADB had an establishment of one hundred and twenty-eight (128) positions of which one hundred and four (104) were filled. Furthermore, PPADB had one (1) Temporary staff and ten (10) Intern officers. A total of four (4) officers resigned from the employment of PPADB in pursuit of greener pastures. Overall staff turnover was three percent (3%) against a target of five percent (5%). The Board continues to fill vacant positions by giving priority to qualifying serving officers where possible.

Training and Development

The Board provided training and development opportunities to staff during 2019/20. Three (3) Managers were enrolled for training in the Management Development Programme while two (2) Senior Managers were enrolled for the Senior Management Development Programme. The organization also supported part-time training to some employees. Furthermore, a total of fourteen (14) officers pursued various short courses both locally and internationally, to equip them with the necessary skills required in their fields.

Employee Welfare

During the reporting period, the Board continued to provide psycho-social support to employees who required such services. The Board also provides Group Life Cover insurance for all employees.





GABORONE



FRANCISTOWN



7.0 PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD

ANNUAL FINANCIAL STATEMENTS

31 MARCH 2020

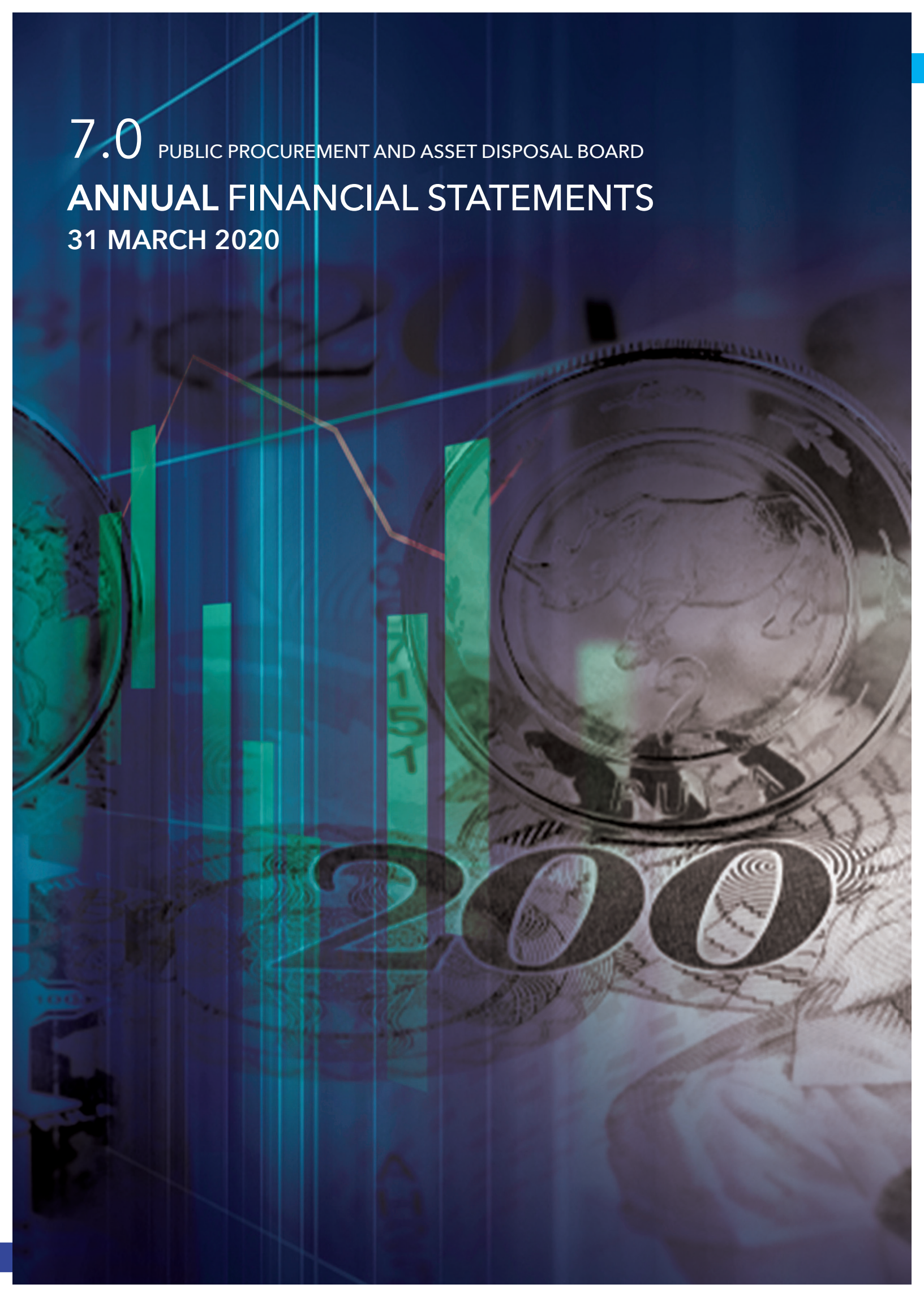


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BOARD OF DIRECTORS

E Motshedi	Executive Chairperson
T Motsumi	Executive Director
K Ketshajwang	Executive Director
T Sebonego	Non - Executive Director
G N Thiye	Non - Executive Director
A Nkaro	Non - Executive Director

Appointed on 1st August 2019

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. PPADB is in the business of adjudicating and awarding of tenders on behalf of the Government of the Republic of Botswana.

REGISTERED OFFICE

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

AUDITORS

Ernst & Young
2nd Floor, Plot 22
Khama Crescent
P O Box 41015
Gaborone
Botswana

BANKERS

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

Directors' statement of responsibility

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 2020, 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) and in the manner required by the Public Procurement and Asset Disposal Board Act (Cap 42:08) of 2001.

The Directors are required by the Public Procurement and Asset Disposal Act (Cap 42:08) of 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 external auditors are engaged to express an independent opinion on the financial statements and their report is presented on pages 42 to 43.

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Public Procurement and Asset Disposal Act (Cap 42:08) of 2001, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The financial statements are prepared in accordance with IFRS and in the manner required by the Public Procurement and Asset Disposal Board Act (Cap 42:08) of 2001 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.

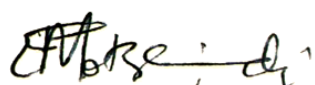
The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by PPADB and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards 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. This assessment included considerations of the impact of the Covid - 19.

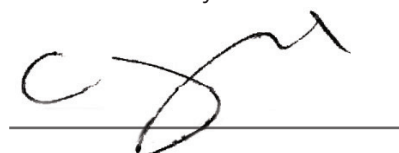
The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control 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 44 to 67, which have been prepared on the going concern basis, were approved by the Board of Directors on the 12th of November 2020 and are signed on its behalf by:



EXECUTIVE CHAIRPERSON



NON-EXECUTIVE DIRECTOR
G N Thipe



Firm of Chartered Accountants
2nd Floor
Plot 22, Khama Crescent
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Fax: +267 397 4079
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Partnership registered in Botswana
Registration No: 10829
VAT: PO3625401112
www.ey.com

Independent Auditor's Report

To the Members of the Board of Directors of Public Procurement and Asset Disposal Board

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Public Procurement and Asset Disposal Board ("PPADB") set out on pages 44 to 67, which comprise the statement of financial position as at 31 March 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Public Procurement and Asset Disposal Board as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Public Procurement and Asset Disposal Board (Chapter 42:08).

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 the Public Procurement and Asset Disposal Board in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of the Public Procurement and Asset Disposal Board and in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of the Public Procurement and Asset Disposal Board and in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no such matters to report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 67 page document titled "Public Procurement and Asset Disposal Board Annual Financial Statements for the year ended 31 March 2020" which includes General information and the Directors' statement of responsibility 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 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 for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Public Procurement and Asset Disposal Act (Chapter 42:08) 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, the directors are 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 the directors either intend to liquidate PPADB or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing PPADB's financial reporting processes.

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 judgement 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; and
- 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



Ernst & Young
Practicing Member: Bakani Ndwapi
Partner
Membership Number: 19980026
Certified Auditor
Gaborone
Date: 9th December 2020

	Notes	2020 P	2019 P
INCOME			
Government subvention	7	76 539 598	75 205 049
Revenue	8	15 272 691	14 812 501
Other income		449 450	-
Interest income	9	<u>710 408</u>	<u>551 901</u>
Total income		<u>92 972 147</u>	<u>90 569 451</u>
EXPENDITURE			
Administration expenses		(28 391 741)	(30 062 393)
Staff costs	10	(55 359 222)	(52 162 758)
Interest costs	20	<u>(41 013)</u>	<u>-</u>
Total expenditure		<u>(83 791 976)</u>	<u>(82 225 151)</u>
Surplus for the year	10	9 180 171	8 344 300
Other comprehensive income			
Items that will not be subsequently be recycled to profit or loss			
Revaluation surplus on building	11	-	1 296 104
Total comprehensive surplus for the year		<u>9 180 171</u>	<u>9 640 404</u>

PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD
STATEMENT OF FINANCIAL POSITION

as at 31 March 2020

	Notes	2020	2019
ASSETS		P	P
Non-current assets			
Property and equipment	11	42 216 200	41 875 614
Intangible assets	12	15 809 267	18 233 413
Right of use asset	20	210 323	-
		58 235 790	60 109 027
Current assets			
Trade and other receivables	13	6 509 873	5 619 692
Cash and cash equivalents	14	36 890 513	24 619 127
		43 400 386	30 238 819
Total assets		101 636 176	90 347 846
FUNDS AND LIABILITIES			
Funds and reserves			
Accumulated surplus		25 454 140	16 273 969
Revaluation surplus		1 915 016	1 915 016
		27 369 156	18 188 985
Non-current liabilities			
Capital grants	15	55 211 528	57 729 726
		55 211 528	57 729 726
Current liabilities			
Trade and other payables	16	18 826 133	14 429 135
Lease liability	20	229 359	-
		19 055 492	14 429 135
Total funds and liabilities		101 636 176	90 347 846

PUBLIC PROCUREMENT AND ASSET DISPOSAL BOARD
STATEMENT OF CHANGES IN FUNDS

for the year ended 31 March 2020

	Revaluation Reserve	Accumulated surplus	Total
		P	P
Balance at 31 March 2018	618 912	7 929 669	8 548 581
Surplus for the year	-	8 344 300	8 344 300
Other Comprehensive Income	1 296 104	-	1 296 104
Total Comprehensive surplus	<u>1 296 104</u>	<u>8 344 300</u>	<u>9 640 404</u>
Balance at 31 March 2019	<u>1 915 016</u>	<u>16 273 969</u>	<u>18 188 985</u>
Surplus for the year	-	9 180 171	9 180 171
Total Comprehensive surplus	<u>-</u>	<u>9 180 171</u>	<u>9 180 171</u>
Balance at 31 March 2020	<u>1 915 016</u>	<u>25 454 140</u>	<u>27 369 156</u>

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		P	P
Surplus for the year		9 180 171	8 344 300
Adjustments for:			
- Interest received	9	(710 408)	(551 901)
- Interest cost	20	41 013	-
- Depreciation of right of use asset	20	420 647	-
- Depreciation of property and equipment	11	1 732 168	4 140 170
- Amortisation of intangible assets	12	2 424 146	2 424 144
- Amortisation of capital grant	15	(4 605 776)	(7 055 371)
- Profit on disposal of property and equipment		(4 687)	(15 929)
Operating deficit before working capital changes		8 477 274	7 285 413
Increase in trade and other receivables		(890 181)	(1 825 280)
Increase in trade and other payables		4 396 997	1 249 082
Net cash generated from operating activities		11 984 090	6 709 215
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	11	(2 087 578)	(5 247 134)
Proceeds on disposal of property and equipment		19 511	42 699
Interest received		710 408	551 901
Net cash used in investing activities		(1 357 659)	(4 652 534)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of principal portion of lease liability		(401 611)	-
Payments of interest portion of lease liability		(41 013)	-
Capital grants received	7	2 087 578	5 247 134
Net cash generated from financing activities		1 644 954	5 247 134
Net increase in cash and cash equivalents		12 271 386	7 303 815
Cash and cash equivalents at beginning of year		24 619 127	17 315 312
Cash and cash equivalents at end of the year	14	36 890 513	24 619 127

1) GENERAL INFORMATION

The Public Procurement and Asset Disposal Board (PPADB) was enacted by an Act of Parliament (Cap 42:08) of 2001. PPADB is a parastatal organisation, operating under the Ministry of Finance and Development Planning (MFDP). The primary mandate of PPADB is to adjudicate and award tenders for Central Government and any other institutions specified under the Act for the delivery of works, services and supplies related services.

2) 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 the land and building which are carried at a revalued amount.

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. The figures has been rounded to the nearest Pula.

3) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

In preparing its annual financial statements, the Board has made significant judgements, estimates and assumptions that impact on the carrying amount of certain assets and liabilities, income and expenses as well as other information reported in the notes. The Board periodically monitors such estimates and assumptions and makes sure it incorporates all relevant information available at the date when annual financial statements are prepared. However, this does not prevent actual figures from differing from estimates. The judgements made in the process of applying the Board's accounting policies that have the most significant effect on the amounts recognised in the annual financial statements, and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed in the relevant accounting policies.

The determination of useful lives and residual values of non financial assets;

The residual values, useful lives, methods of depreciation of non financial assets are reviewed at each financial year and adjusted prospectively if appropriate having considered past experience, technological obsolesce and changes in the operating environment. No changes to the useful lives have been considered necessary during the year. Residual values are assessed each year and adjustments for depreciation and amortization are done in future periods, if there is an indication of impairment. Refer accounting policy to notes 6(e) and 6 (f) for the useful lives of property and equipment and intangible assets. The carrying amounts of property and equipment and intangible assets are shown in Notes 11 and 12 to the financial statements.

Revaluation of land and building

The land and building are measured at fair value less accumulated depreciation after the date of revaluation. Valuations are performed with sufficient frequency to ensure that carrying amount does differ materially from its fair value. The entity engaged an independent valuation specialist to assess the fair value as at 31 March 2019 and did not perform any valuation assessment for the financial year 2020. The valuation was made by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The key assumptions used are discussed in note 11.1 of the financial statements.

3) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical judgements in applying the entity's accounting policies;

Determining the non-cancellable lease term

In determining the non-cancellable lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following standards, amendments and interpretations became effective for PPADB's 2020 financial year:

IFRS 16 Leases

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

Amendments to IFRS 9 Prepayment Features with Negative Compensation

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

Annual IFRS Improvement Process

IFRS 3 Business Combinations - Previously held Interests in a joint operation

IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity

IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation

4) NEW STANDARDS, IMPROVEMENT & AMENDMENTS

The standards, improvements and amendments that are issued, but not yet effective, up to the date of issuance of the Entity's financial statements are disclosed below. The Entity intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts - effective for annual periods beginning on or after 1 January 2023.

Amendments to IAS 1 Presentation of Financial Statements - effective for annual periods beginning on or after 1 January 2020

Amendments to IFRS 3 Business Combination - effective for annual periods beginning on or after 1 January 2020.

The nature and the impact of the new standards, amendments and interpretations which are relevant to PPADB are described below.

IFRS 16: Leases

On 13 January 2016 the IASB issued IFRS 16 Leases, completing the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration.

4) NEW STANDARDS, IMPROVEMENTS & AMENDMENTS (CONTINUED)

IFRS 16: Leases (CONTINUED)

PPADB applied IFRS 16 Leases using the modified retrospective method with the date of the initial application of 1 April 2019. Under this method the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of right-of-use asset and as lease liability at the lease commencement for all leases, except for short-term leases or low value assets.

Policy applicable from 1 April 2019

At inception of the contract PPADB assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

PPADB recognises a right-of-use asset and a lease liability at the lease commencement date which is the date from which the underlying asset is available for use, unless if the lease term is 12 months or less or the underlying asset has a low value. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the company's incremental borrowing rate as the rate implicit if the rate is not readily determinable. Lease payments consists of fixed payments. The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability and right-of-use asset are presented separately on the statement of financial position.

PPADB remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of the exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate

PPADB did not make any such adjustments during the 2020 financial year.

4) NEW STANDARDS, IMPROVEMENTS & AMENDMENTS (CONTINUED)

IFRS 16: Leases (CONTINUED)

Policy applicable before 1 April 2019

Operating lease payments are recognised as an expense on a straight-line basis over the lease term of the lease. Contingent rentals (including turnover rental clauses) arising under operating leases are recognised as an expense in the period in which the liability is determined.

The company applied IFRS 16 Leases for the first time using the modified retrospective approach. The nature and effect of the changes as a result of adoption of the new accounting standard is described below.

Impact on the statement of financial position *Increase/ (decrease)*

Assets

Right of use asset

Total assets

P

630 970

630 970

Funds and liabilities

Retained earnings

Total funds and liabilities

-

-

Liabilities

Lease liabilities

Total liabilities

630 970

630 970

Impact on the statement of comprehensive income *Increase/ (decrease)*

Depreciation expense on right-of-use assets

Interest expense on lease liabilities (included in interest paid)

Rental expense

Net change in surplus

420 647

41 013

(442 624)

19 036

Impact on the statement of comprehensive income *Increase/ (decrease)*

Increase in cash outflows from financing activities

Increase in cash flows from operating activities

(442 624)

442 624

-

As at 1 April 2019

- Depreciation expense increased by P420 647 due to additional assets recognised. (i.e. increase in right-of-use assets). This resulted in an increase in administrative expenses.
- Rent expense included in administrative expenses, relating to previous operating leases, decreased by P442 624.
- Finance costs increased by P41 013 due to the recognition of lease liabilities.
- Cash flows from operating activities increased by P442 624 and cash outflows from financing activities increased by the same amount, relating to the decrease in operating lease payments.

The amount recognised for the right of use asset and lease liability is the same as the modified retrospective approach was applied on adoption of IFRS 16.

The incremental borrowing rate used was 6.5% per annum.

4) NEW STANDARDS, IMPROVEMENTS & AMENDMENTS (CONTINUED)

IFRS 16: Leases (CONTINUED)

The lease liability as at 1 April 2020 can be reconciled to the operating lease commitments as of 31 March 2019 as follows:

Assets

Operating lease commitments as at 31 March 2019	663 936
Incremental borrowing rate as at 1 April 2019	6,5%
Discounted operating lease commitment as at 1 April 2019	<u>630 970</u>

5) 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.

A) FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: In the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Entity. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

B) REVENUE

Revenue from services is exclusive of Value Added Tax ("VAT") and discounts granted and is recognised in the statement of comprehensive income and is recognised at a point in time for both contractor registration and capacity building workshops. Contractor registration revenue is recognised upon completion of assessment and/or award of tender codes. Capacity building workshops revenue is recognised upon the delivery of the training to procuring entities. There is no significant judgement applied in the determination of when a customer obtains control of the services rendered.

C) INTEREST INCOME

Interest is received from call accounts and the Stanbic Money market. Interest is recognised on accrual basis using the effective interest rate.

D) GOVERNMENT GRANTS

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 deferred revenue 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 that are received for expenses 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 are accounted as both income grant to finance the recurrent operations of the organisation and also as capital grant for financing expenditure of capital nature. 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.

5) SUMMARY OF PRINCIPAL ACCOUNTING POLICIES CONTINUED

E) PROPERTY AND EQUIPMENT

Items of plant and equipment, with exemption of land and buildings, are initially recognised at cost and subsequently measured at historic cost less accumulated depreciation and impairment losses.

LAND AND BUILDING

The land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less accumulated depreciation and impairment.

When an item of property, plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the asset is treated in one of the following ways:

(a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses, or

(b) the accumulated depreciation is eliminated against the gross carrying amount of the asset.

PPADB has adopted option A for accounting for its property and equipment.

REVALUATION SURPLUS

A transfer from the asset revaluation surplus to retained earnings is made when the asset is disposed. The asset revaluation reserve is not distributable and is used to record increases in the fair value of property, plant and equipment and decreases to the extent that such decrease relates to increase in the same assets previously recognized in equity.

DEPRECIATION

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:

Description	Useful Economic Lives	Residual Rates
Building	28 years	10%
Mobile Offices	10 years	10%
Furniture and fittings	5 - 20 years	5%
Office equipment	5 - 10 years	10%
Motor vehicles	4 - 12 years	5%
Computer equipment	4 - 8 years	10%
Computer software	10 years	10%
Cellphones	2 years	10%

The land is not depreciated.

5) SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

E) PROPERTY AND EQUIPMENT (CONTINUED)

DERECOGNITION

An item of property and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

F) INTANGIBLE ASSETS

Intangible assets are measured on initial recognition at cost. Following initial recognition intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. The current estimated economic useful lives of intangible assets is 10 years. However, this is reviewed at every year end and any changes in estimated period is treated as a change in accounting estimate. The amortisation expense on intangible assets is recognised in the statement of comprehensive Income as an expense under administration costs.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised. Refer to note G for details on impairment.

The intangible assets are derecognised on disposal or when no future economic benefit are expected from its use.

G) IMPAIRMENT OF NON-FINANCIAL ASSETS

Impairment exist when the carrying value of an asset exceeds its recoverable amount which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation are based on available data from recent sales transactions conducted at arms' length for similar assets less incremental costs of disposing the asset.

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). The recoverable amount is the higher of an asset's fair value less costs of disposal (sometimes called net selling price) and its value in use. 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. The impairment loss is recognised in profit or loss as an expense, unless it relates to a revalued asset where the impairment loss is treated as a revaluation decrease. If the buildings impairment loss is reversed this would be treated as an increase in revaluation.

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.

H) EMPLOYEE RETIREMENT BENEFITS

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment.

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the reporting date in which the employees render the related service.

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 employee benefit expense when they are due. In addition, PPADB's employees working on a contract basis are entitled to gratuities at the end of their four year term of employment. Gratuity is calculated as 30% of basic salary multiplied by the number of months worked.

Employee entitlements to annual leave, gratuities, bonuses, medical aid, housing benefits, kilometre 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. Provisions and accruals are made in respect of these benefits on an annual basis and included in the operating results.

5) SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

I) 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.

J) FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and PPADB's business model for managing them. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The PPADB's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, all financial assets are classified as financial assets at amortised cost. The entity's financial assets in the statement of financial position are trade and other receivables, cash and cash equivalents.

Cash and Cash equivalents

Cash and cash equivalents comprise 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.

Trade Receivables

Trade receivables are amounts due from procuring entities for services provided 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.

Financial assets at amortised cost (debt instruments)

PPADB measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

5) SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

J) FINANCIAL INSTRUMENTS (CONTINUED)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a entity of similar financial assets) is primarily derecognised (i.e., removed from the entity's statement of financial position) when:

The rights to receive cash flows from the asset have expired or the entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the entity has transferred substantially all the risks and rewards of the asset, or (b) the entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the entity continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the entity also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the entity could be required to repay.

Impairment of financial assets

The entity recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the entity expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For all the entity's financial assets, the entity applies a simplified approach in calculating ECLs. Therefore, the entity does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

PPADB has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment such as inflation and GDP growth.

The entity considers a financial asset in default when contractual payments are 90 days past due. PPADB calls for its invoices to be settled within 30 days from the issuance date. In certain cases, the entity may also consider a financial asset to be in default when internal or external information indicates that the entity is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the entity. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. PPADB extends its credit facility to Government departments only, otherwise all its services are on cash on delivery basis.

Impairment of financial assets

PPADB assesses at each reporting date whether there is objective evidence that a financial asset is impaired. Financial assets are carried at amortised cost, PPADB first assesses whether impairment exists individually for financial assets that are individually significant. If the entity determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes that asset in a entity of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss was, or continue to be, recognised, are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss recognised in profit or loss. Interest income continued to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an even occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to expected credit losses in profit or loss.

5) SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

J) FINANCIAL INSTRUMENTS (CONTINUED)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a entity of similar financial assets) is derecognised (i.e. removed from the entity's statement of financial position) when:

- The rights to receive cash flows from the asset expires, or
- the entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the entity has transferred substantially all the risks and rewards of the asset, or (b) the entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

Recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, payables and financial guarantee contracts, net of directly attributable transaction costs.

The entity's financial liabilities include trade and other payables. Trade payables are obligations for goods and services that have been acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. These are subsequently measured at amortised cost using the effective interest rate method.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

7 GOVERNMENT SUBVENTION

Annual Government subvention		74 021 400	70 982 300
Project Funds used from operational expenditure	17	-	2 414 512
Less: Amounts used for capital expenditure	11	(2 087 578)	(5 247 134)
- Property and equipment		(2 087 578)	(2 353 976)
- Work In Progress		-	(2 893 158)
		71 933 822	68 149 678
Add: Amortisation of capital grants	15	4 605 776	7 055 371
		<u>76 539 598</u>	<u>75 205 049</u>

8 REVENUE

Contractor registration	- standard	13 299 991	11 510 627
	- express	971 700	1 335 000
Capacity building		1 001 000	1 528 222
		<u>15 272 691</u>	<u>14 373 849</u>

9 INTEREST INCOME

Bank interest	710 408	551 901
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10 SURPLUS FOR THE YEAR

9 180 171 8 344 300

In addition to the amounts disclosed in Notes 7, 8 and 9 above, the surplus for the year is stated after taking into account the following:

Auditor's remuneration			
- Audit fees		166 250	125 000
Consulting fees		929 646	1 698 104
Depreciation and amortisation of intangible assets		4 576 961	6 564 314
Amortisation of capital grant		(4 605 776)	(7 055 371)
Legal fees		2 728 868	1 014 518
Profit on disposal of property and equipment		-	-
Directors' emoluments - fees		575 820	626 760
Staff costs (as below)		55 359 223	52 162 758
- Short term employee (executive directors) benefits		2 886 014	3 639 805
- Post employment benefits (gratuity) for executive directors		403 508	720 940
- Staff members		52 069 701	47 802 013
<i>Staff costs:</i>			
Salaries and wages		43 505 949	41 001 929
Gratuity		5 077 187	4 605 444
Defined contribution expense		1 842 847	1 626 952
Leave pay		1 110 290	1 229 617
Leave concession		116 000	-
Staff welfare		2 052 363	1 738 857
Training		1 654 587	1 959 959
Total		<u>55 359 223</u>	<u>52 162 758</u>

11 PROPERTY AND EQUIPMENT

	Work in Progress*	Land & Building	Mobile Offices	Furniture & fittings	Office equipment	Motor vehicles	Computers	Total
	At Cost	Fair Value	At Cost	At Cost	At Cost	At Cost	At Cost	
	P		P	P	P	P	P	P
At 31 March 2018	-	26 930 000	2 650 136	3 442 555	6 488 030	4 530 241	12 988 198	57 029 160
Additions	2 893 158	21 918	-	34 032	231 742	1 089 013	977 271	5 247 134
Revaluation surplus	-	1 296 104	-	-	-	-	-	1 296 104
Restoration of the depreciated value	-	(448 022)	-	-	-	-	-	(448 022)
Disposals	-	-	-	-	(85 183)	-	(12 404)	(97 587)
At 31 March 2019	2 893 158	27 800 000	2 650 136	3 476 587	6 634 589	5 619 254	13 953 065	63 026 789
Additions	-	-	-	20 148	185 602	1 667 446	214 382	2 087 578
Disposals	-	-	-	-	(114 272)	-	-	(114 272)
At 31 March 2020	2 893 158	27 800 000	2 650 136	3 496 735	6 705 919	7 286 700	14 167 447	65 000 095
ACCUMULATED DEPRECIATION								
At 31 March 2018	-	-	675 195	2 312 366	3 372 470	3 220 921	7 948 890	17 529 842
Charge for the year	-	448 022	235 209	127 762	856 819	318 279	2 154 079	4 140 170
Restoration of the depreciated value	-	(448 022)	-	-	-	-	-	(448 022)
Disposals	-	-	-	-	(65 466)	-	(5 349)	(70 815)
At 31 March 2019	-	-	910 404	2 440 128	4 163 823	3 539 200	10 097 620	21 151 175
At 31 March 2019	-	-	910 404	2 440 128	4 163 823	3 539 200	10 097 620	21 151 175
Charge for the year	-	494 763	235 209	48 238	335 749	187 787	430 422	1 732 168
Disposals	-	-	-	-	(99 448)	-	-	(99 448)
At 31 March 2020	-	494 763	1 145 613	2 488 366	4 400 124	3 726 987	10 528 042	22 783 895
At 31 March 2019	2 893 158	27 800 000	1 739 732	1 036 459	2 470 767	2 080 054	3 855 445	41 875 614
At 31 March 2020	2 893 158	27 305 237	1 504 523	1 008 369	2 305 795	3 559 713	3 639 405	42 216 200

* Refer to note 17 for details of work in progress.

11.1 Land and Buildings

	Land		Building	
	2020	2019	2020	2019
	P	P	P	P
Opening carrying amount	13 000 000	13 000 000	14 800 000	13 930 000
Additions	-	-	-	21 918
Depreciation	-	-	(494 763)	(448 022)
Fair Value adjustment	-	-	-	1 296 104
Closing carrying amount	13 000 000	13 000 000	14 305 237	14 800 000
Fair value	13 000 000	13 000 000	14 305 237	14 800 000

The fair value of the Land and Buildings was determined as at 31 March 2019 by Riberry (Proprietary) Limited, an independent valuer with appropriate qualifications and experience in the valuation of the properties in the relevant location. The fair value was estimated using the open market value method. Refer to the tables shown on the next page. The Land and Buildings were valued using level 3 inputs. Level 3:Unobservable inputs (i.e. not derived from market data). Management believes that there was no material change in the fair value of the Land and Buildings as at 31 March 2020. No valuation was conducted in the reporting period.

A net gain from the revaluation of the office properties in Land and Buildings of BWP 1 296 104 in 2019 was recognised in OCI. There was no movement in the reporting period.

Significant unobservable valuation input:

Range

Price per square metre

990- 1100.

If the price per square metre increases or decreases by 0,5, the price will move by +/-BWP4,95 - +/-BWP-5,5 per square metre.

The property consists a double storey building block that lies in Gaborone West Industrial land measuring 13000 square metres.

Tenancy at plot 8913, Maakgadigau Way, Gaborone West Industrial

Tenant	Size(m2)	Rentals (P)
PPADB	2721,61	None

Valuation

Market Value(Land only)	13 000 000,00
Market Value(Building Only)	14 800 000,00
Market Value(Land & Building)	27 800 000,00
Forced Sale Value	19 400 000,00
Insurance Replacement Cost	25 000 000,00

	2020	2019
12 INTANGIBLE ASSETS	P	P
Computer software:		
<u>Cost</u>		
Balance at the beginning of the year	24 561 563	24 561 563
Balance at the end of the year	24 561 563	24 561 563
<u>Accumulated amortisation</u>		
Balance at the beginning of the year	6 328 150	3 904 006
Charge for the year	2 424 146	2 424 144
Balance at the end of the year	8 752 296	6 328 150
Carrying amount at the end of the year	15 809 267	18 233 413

13 TRADE AND OTHER RECEIVABLES

Trade receivables	385 942	1 160 978
Other receivables - Guaranteed loans defaults	131 622	131 622
Expected credit losses	(132 522)	(144 362)
	385 042	1 148 238
Staff advances	3 171 687	2 239 519
Unallocated Deposits	8 020	8 020
	3 564 749	3 395 777
Prepayments	2 945 124	2 223 915
	6 509 873	5 619 692

Reconciliation of expected credit losses

Opening balance	144 362	144 362
Debt written off against receivables	(11 840)	-
Balance at the end of the year	132 522	144 362

There is no material difference between the fair value of receivables and their carrying amount due to the short-term nature of these instruments. In determining the recoverability of trade receivables a simplified approach is used in calculating expected credit losses. Refer to accounting policy note 5J for further details.

The allowance for credit losses has moved by P11 840 relating to amounts previously charged to Ministries for publication of tender adverts on their behalf. The recover of costs relating to these was not contractual agreed with the Ministries, and as such PPADB was unable to recover the amounts.

The ECL was calculated taking into account historical and forward looking information. Staff advances are secured by gratuities earned by employees to date. As such no expected credit loss has been recognised in respect of this advances.

Provision matrix	<60 - 90 days	>91 days
Expected credit loss rate	0.2%	100%
Expected credit loss carrying amount at default	385 942	131 622
Expected credit loss	900	131 622

14 CASH AND CASH EQUIVALENTS

Cash in hand	4 918	9 197
Bank balances	18 282 473	11 632 807
Stanlib Money Market Fund	18 603 122	12 977 123
	36 890 513	24 619 127

	2020 P	2019 P
15 CAPITAL GRANTS		
Balance at beginning of year	57 729 726	59 537 963
Capital grants received	2 087 578	5 247 134
- Funds used to purchase property and equipment (Note 11)	2 087 578	5 247 134
Amortisation of capital grants	(4 605 776)	(7 055 371)
Balance at end of year	<u>55 211 528</u>	<u>57 729 726</u>

The balance comprises grants received from the Government utilised for the acquisition of items of property and equipment and the transfer of the land and building from the from the Ministry of Finance and Economic Development.

16 TRADE AND OTHER PAYABLES		
Trade payables	4 289 207	2 139 883
Other accruals	682 174	1 867 696
Other payables	676 304	625 324
	<u>5 648 229</u>	<u>4 632 903</u>
Gratuity pay accruals	Note 16.1 9 047 904	6 402 990
Leave pay accruals	Note 16.2 3 857 545	3 393 242
Severance accrual	272 455	-
	<u>18 826 133</u>	<u>14 429 135</u>

16.1 GRATUITY		
Opening balance	6 402 990	4 200 269
Accrual for the year	5 077 187	4 605 444
Amounts paid during the year	(2 432 273)	(2 402 723)
Closing balance	<u>9 047 904</u>	<u>6 402 990</u>

16.2 LEAVE PAY ACCRUALS		
Opening balance	3 393 242	2 911 022
Accrual for the year	1 110 290	1 711 837
Amounts paid during the year	(645 987)	(1 229 617)
Closing balance	<u>3 857 545</u>	<u>3 393 242</u>

17 PROJECT FUNDS		
Structural Assessment Funds		
Balance at the beginning of the year	-	-
Funds received during the year	7 -	2 414 512
Shortfall financed by operational budget	-	478 645
Capital expenditure	7 -	(2 893 158)
Balance owed by MFED at the end of the year	<u>-</u>	<u>-</u>

During the financial year 2018/2019 PPADB engaged with the parent Ministry of Finance and Economic Development (MFED) to re-construct the office building. During the previous financial year total expenditure of P2 893 158 was incurred under the project and MFED dispatched only funds amounting to P2 414 512 resulting in a shortfall of P478 645. This amount was funded internally by the expense budget in the 2019 financial year. During the financial period 2019/2020 there were no project funds received from the Ministry as the project took a very slow pace to progress with Management having to decide that some structural assessment work must be outsourced to third parties. The process of drawing the Invitation to tenders (ITT) took more time than anticipated. We are anticipating better progress for future reporting.

18 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. Refer to note 10 for pension contributions paid.

19 FINANCIAL RISKS MANAGEMENT

Carrying amount of financial assets by categories

YEAR ENDED 31 MARCH 2020

Figures in BWP	At Amortised cost	Total
Trade and other receivables excluding non-financial assets (note 13)	3 564 749	3 564 749
Cash and cash equivalents (note 14)	36 890 513	36 890 513
Components listed separately on the statement of financial position	<u>40 455 262</u>	<u>40 455 262</u>

Carrying amount of financial assets by categories

YEAR ENDED 31 MARCH 2019

Figures in BWP	At Amortised cost	Total
Trade and other receivables excluding non-financial assets (note 13)	3 395 777	3 395 777
Cash and cash equivalents (note 14)	24 619 127	24 619 127
Components listed separately on the statement of financial position	<u>28 014 904</u>	<u>28 014 904</u>

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset mentioned above. Except as noted above, the carrying values of financial instruments are a reasonable approximation of their fair values due to the short term of these instruments.

Carrying amount of financial liabilities by categories

YEAR ENDED 31 MARCH 2020

Figures in BWP	At Amortised cost	Total
Trade and other payables excluding non-financial liabilities (note 16)	5 648 229	5 648 229
Lease liability (note 20)	229 359	229 359
	<u>5 877 588</u>	<u>5 877 588</u>

YEAR ENDED 31 MARCH 2019

Figures in BWP	At Amortised cost	Total
Trade and other payables excluding non-financial liabilities (note 16)	<u>4 632 903</u>	<u>4 632 903</u>

19 FINANCIAL RISKS MANAGEMENT (CONTINUED)

19.1 Commitment and Contingencies

Service Level Agreements Commitments

PPADB has entered into several service level agreements (SLAs) with a number of services providers for terms ranging from one year to three years. Amongst the list is the maintenance of the Integrated Procurement Management System (IPMS) and subscription for microsoft azure licences for the IPMS information management.

	<u>2020</u> P	<u>2019</u> P
Within one year	4 346 307	6 787 868
After one year but not more than five years	-	1 774 632

19.2 Land transfer negotiations

At the reporting date PPADB was engaged in land negotiations for the land on plot 8913, Maakgadigau, Gaborone with BR Properties (Pty) Ltd and Botswana Unified Revenue Services (BURs). BURs was the initial owner of this portion of land hence its presence in the matter. The land under negotiations measures up to 2400 square metres and currently forms part of PPADB property. BR Properties (Pty) Ltd would like to have this portion of land to expand its railway line and has offered PPADB a portion of a similar sized portion of its land which is located next to PPADB. PPADB has accepted the offer and as at the reporting date, the project of the land division between BR Properties (Pty) Ltd and PPADB and transfer of title deeds was still on-going. As the land is of similar size and value, there will be no significant change in the fair value of the land and therefore no impact in the decisions of the users of PPADB's financial statements.

19.3 A) Financial risk management:

The Entity's principal financial liabilities, comprises of trade and other payables. The main purpose of these financial liabilities is to finance the PPADB's operations. The PPADB's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations. The PPADB is exposed to market risk, credit risk and liquidity risk. The PPADB's senior management oversees the management of these risks. The PPADB's senior management is supported by a finance and audit committee that advises on financial risks and the appropriate financial risk governance framework for the entity. The finance and audit committee provides assurance to the entity's senior management that the entity's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the entity's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

B) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk and currency risk.

C) 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. The impact is the same as for both profit or loss and equity.

A 0.5% increase in interest rates would result in an increase in the surplus for the year of P 154 844 (2019 P 82 264). A decrease in interest rates by a similar margin would result in an equal and opposite effect on the surplus 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.

19 FINANCIAL RISKS MANAGEMENT (CONTINUED)

19.4 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. The credit risk of liquid funds is limited because the counter parties are banks with high reputable institutions which are regulated by Bank of Botswana. Exposure to credit risk from other receivables arises from the default of other parties. The staff advances are secured by gratuity already earned by employees, and as such there is no exposure to credit risk.

19.5 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. Trade payables, accruals and other payables mature within one year (normal payment terms are 30 days). Refer note 20 for the maturity analysis of lease liabilities.

20 RIGHT OF USE ASSET

PPADB has a lease contract for its office premises in Francistown which expires in September 2020. The lease agreement has no fixed escalation clause.

Funding received:

Balance as at 1 April 2019
 Initial application of IFRS 16
 Depreciation
 Balance at the reporting date

P 2020	P 2019
-	-
630 970	-
(420 647)	-
210 323	-

Cost at the reporting date
 Accumulated depreciation at the reporting date
 Carrying amount at the reporting date

630 970	-
(420 647)	-
210 323	-

Lease Liability

Balance as at 1 April 2019
 Initial application of IFRS 16
 Interest
 Repayment of lease

P 2020	P 2019
-	-
630 970	-
41 013	-
(442 624)	-
229 359	-

Lease liabilities are presented in the statement of financial position as follows:

Current
 Non current

229 359	-
-	-
229 359	-

The maturity analysis of contractual undiscounted cash flows at the reporting date are as follows:

Within one year	221 312	442 624
Within two to five years	-	221 312
	221 312	663 936

Amount recognised in profit or loss are as follows:

Interest on lease liability

41 013 -

Amount disclosed in the statement of cash flows:

Repayment of lease liabilities

442 624 -

21 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).

22 RELATED PARTY TRANSACTIONS

The Public Procurement and Asset Disposal Board (PPADB) was established by Act of Parliament number (Cap 42:08) of 2001. The functions of the Board are wholly funded by the government through the Ministry of Finance Economic and Development which is the parent Ministry. PPADB charges a nominal fee in the form of cost recovery for the rendered services to the public.

Transactions with related parties are conducted at agreed terms and conditions.

	<u>2020</u>	<u>2019</u>
	P	P
Funding received:		
Annual Government subvention (note 7)	74 021 400	70 982 300
Project funds received for Structural Assessment (note 17)	-	2 414 512
	<u> </u>	<u> </u>
Expenditure - key management personnel:		
Directors' emoluments		
- fees	575 820	626 760
- for managerial services	2 886 014	3 639 805
- gratuity	403 508	720 940
	<u> </u>	<u> </u>

Key management personnel comprises of directors.
 All these benefits are short-term employee benefits.

23 EVENTS AFTER THE REPORTING PERIOD

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

COVID-19 was first diagnosed in Africa in March 2020 just before the PPADB financial year end date of 31 March 2020. The World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic on 11 March 2020. Many governments globally took increasingly stringent steps to help contain the spread of the virus. The Botswana Government introduced various measures including extreme social distancing measures to help curb the spread of the virus. As a result of that the country was placed under a nationwide lock-down on 02 April 2020. The results of the Board for the period to 31 March 2020 were largely not affected by the closure of the local economy due to the government COVID-19 response. The Board had to suspend capacity building workshops due to Covid-19 protocols and travelling restrictions. In terms of other operations of the Board, PPADB continues to successfully execute its mandate.

In response to the catastrophic effects of the pandemic on lives and business activity, PPADB swiftly formulated and implemented a COVID-19 focused Business Continuity Plan ("BCP"). There has been no significant negative impact on the operations of PPADB as a result of the COVID-19 lockdown for the year ended 31 March 2020. There was no impact on the value of the building and the land where the offices are situated. The markets rates for the building remained unchanged.

The disease has continued spreading globally beyond the PPADB reporting date and the full extent of the health and economic outcomes remain uncertain as the pandemic is an unprecedented challenge for humanity and for the economy globally.

Between the reporting date and the date these financial statements were approved by the PPADB Board, the Directors concluded that the effect of the pandemic and the measures taken to contain its spread were non-adjusting postbalance sheet events. The Directors have re-assessed the appropriateness of the use of the going concern assumption in the preparation of these financial statements and is of the view that the impact of COVID-19 does not cast significant doubt on the board's immediate ability to continue as a going concern.

Without quantifying, due to the difficulty of doing so, the Directors have considered the following in its assessment of the impact of COVID-19 on PPADB thus far and prospectively:

23 EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Subventions from Government

The pandemic has cast a shadow over the global economy and with the limited fiscal runway available to most regional Governments to respond to the COVID-19 crisis it has been suggested that the GDP growth will decline, and this will have a notable impact on the local economy. The Directors believe that this dire situation may impact Government funding in the future and result in the total future budgeted subvention receivable for the year ending March 2021 being reduced by approximately 5%. The subvention for the first quarter of the year ending 31 March 2021 was received by PPADB on 10 May 2020 and the Directors remain optimistic and focused on ensuring the fulfillment of the PPADB mandate and will continue to leverage on the momentum attained during the lock-down period.

Demand for services

The board was able to continue rendering services to the general public during the lockdown periods through the Integrated Procurement Management System (IPMS) an online system introduced to the bidding community and all PPADB customers and stakeholders. Going forward, Management believes there will be no adverse impact on the IPMS network in terms of capacity/availability as appropriate measures have been taken to ensure stability of the IPMS platform.

Contractual modifications

There were no significant contract modifications that took place in the lock-down periods.

Supply chain

No major outages of the IPMS system were experienced during the lock-down period as a result of unavailability of system support and supply chain delays. Following the easing of the lock-down restrictions in the month of June 2020, the majority of the Botswana based suppliers were largely able to restore services, support and capacity to pre-COVID levels.

Operating expenses

In response to some of the social distancing related protocols PPADB staff have had to work remotely from home. Management anticipates an increase in communication related costs. However, these costs are expected to be offset by office utility, conference / seminar attendance and travel cost savings. Management anticipates that continued extreme social distancing and national lockdowns will negatively affect the progress for certain programmatic initiatives planned for 2020/2021.

Credit losses on receivables

Management has stress tested its Expected Credit Loss (ECL) model to evaluate potential defaults as a result of the possible impact of COVID-19 and Management has concluded that no further adjustments are required due to the uncertain effects of COVID-19 as the disease continues to unravel.

Government stimulus package

The Government announced the introduction of The Economic Recovery and Transformation Plan (ERTP) as part of broad measures implemented to mitigate the impact of COVID-19 pandemic. PPADB is adequately prepared to meet the anticipated increase in online demand in company registrations ensuing from the roll-out of the Government stimulus package.

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Keeping Tenders Clean

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