



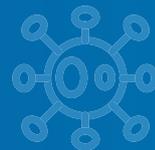
Keeping Tenders Clean

ANNUAL REPORT 2020/21



2020/21

ANNUAL REPORT



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1.0 Corporate Statements

UNIQUE SELLING PROPOSITION

“Keeping Tenders Clean”

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”

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.



2.0 Letter to the Minister

29th October 2021

Honourable P. Serame
Minister of Finance and Economic Development
Private Bag 008
GABORONE

Dear Madam,

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 2021.

Thank you.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Kgakgamalo K. Ketshajwang', is written above a horizontal line.

Kgakgamalo K. Ketshajwang
Acting Executive Chairperson

3.0 ACTING EXECUTIVE CHAIRPERSON'S STATEMENT

Kgakgamalo K. Ketshajwang
Acting Executive Chairperson

A professional portrait of Kgakgamalo K. Ketshajwang, the Acting Executive Chairperson. He is a middle-aged Black man with a shaved head, wearing black-rimmed glasses, a grey suit jacket, a white shirt, and a patterned tie. He is seated in a dark blue leather office chair, leaning forward with his hands resting on a polished wooden desk. A small South African flag pin is visible on his lapel. The background is a plain, light-colored wall.

“It is my singular honour to present the 2020/2021 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 financial year.”

3.1 Performance Highlights

3.1.1 Strategic Plan implementation

During the period under review, the Board continued with the implementation of its four-year Strategic Plan covering the period 2018/19 to 2021/22. As at the end of the year 2020/21, the organization reported on forty-six (46), out of a total of fifty-two (52) measures, six (6) measures were suspended, whilst eight (8) underperformed. The organization achieved an overall corporate performance of 89.45% which is above the target of 85%, edging 12% above the previous years' performance of 77%.

The overall intent of the Strategy which became effective on the 1st April 2018, 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. Areas of focus during the four-year period, include amongst others promotion of value for money procurement, efficiency and transparency in the procurement system, fair and equitable treatment of bidders, and tracking and addressing perceived or real corruption in order to increase public confidence in the procurement system.

3.1.2 Financial Year 2020/21 Performance

Quality Management System

During the period under review, PPADB continued to maintain its Quality Management System (QMS) certification from the Botswana Bureau of Standards (BOBS). The BOBS certification is an attestation of PPADB's continued conformance to the requirements of BOS ISO 9001:2018 Quality Management System standard. During the financial year, there were two (2) internal and one (1) external Audits. The QMS, as a business tool, helps an organization become customer centric and realize enhanced levels of efficiency and stakeholder satisfaction.

Compliance Monitoring

During the reporting period, the Board did not undertake Compliance Assessments for Ministerial Tender Committees (MTCs) and District Administration Tender Committees (DATCs) due to challenges brought by the COVID-19 pandemic. The last review of thresholds was effected on 1st June 2018. The next review of thresholds was due in 2020/21, in line with Section 65 (1) of the PPAD Act which states that the review of the thresholds shall be implemented biennially. However, due to the ongoing review of the PPAD Act, the Board resolved not to review the thresholds and await approval of the new Public Procurement Act.

Adjudication of Tenders for Central Government

During the 2020/21 financial year, the Board adjudicated on five hundred and ninety-nine (599) submissions. The figure represents seventeen percent (17%) decrease against seven hundred and twenty-six (726) submissions of the previous financial year. In terms of value, the Board awarded tenders amounting to P843 858.40 compared to P1.7 billion in the previous financial year.

MTCs adjudicated on a total number of three thousand nine hundred and nine (3909) submissions amounting to P3.4 billion, compared to six thousand one hundred and two (6102) submissions during the previous financial year amounting to P5.9 billion.

The DATCs adjudicated on a total number of five hundred and sixty (560) submissions amounting to P2.5 billion as opposed to the previous financial year's five hundred and sixty-eight (568) submissions totalling P218.6 million

During the period under review, the Special Procurement and Asset Disposal Committee (SPADC) adjudicated on a total of sixty-five (65) requests amounting to P86 million compared to a total of one hundred (100) requests in the 2019/20 financial year amounting to a total of P350.4 million. This represents thirty-five percent (35%) decrease 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 2020/21 financial year amounted to P6.4 billion, excluding micro procurement by Ministries, lower than the 2019/20 financial year figure of P7.53 billion.

The value of tenders awarded through micro procurement for the 2020/21 financial year amounted to P345.4 million, which is lower than the P460.7 million in the 2019/20 financial year.

3.1 Performance Highlights (Continued)

Table 1: Adjudication of Tenders for Central Government

Adjudication Body	Number of Tenders			Value of Tenders		
	2020/2021	2019/2020	% Change	2020/2021	2019/2020	% Change
PPADB	599	726	17%	P843 858.40	P1.7 billion	99.96%
MTCs	3909	6102	36%	P3.4 billion	P5.9 billion	42%
DATCs	560	568	1.4%	P2.5 billion	P218.6 million	1,065%
SPADC	65	100	35%	P86 million	P350.4 million	75%
Micro procurement				P345.4 million	P460.7 million	25%

Contractor Registration

During the financial year under review, the Board approved thirty thousand eight hundred and thirty-eight (30 838) contractor registration applications compared to nineteen thousand and sixty-five (19 065) in the previous year. Out of the total number of applications approved by the Board, seven thousand one hundred and eighty-three (7 183) were for Services, ten thousand nine hundred and seventy-five (10 975) were for Supplies, and twelve thousand six hundred and eighty (12 680) for Works. This represents an overall cumulative twenty-three percent (23%) Services, thirty-six percent (36%) Supplies and forty-one percent (41%) Works.

Revenue generated through contractor registration increased by eleven percent (11%) from P14 287 416 in the previous year to P15 838 860 in the 2020/21 financial year.

Capacity Building

A total of thirty (30) capacity building workshops were conducted by PPADB during the 2020/21 financial year. The workshops targeted MTCs and DATCs, Procuring Entities (PEs), and Parastatals. There was none for the bidding community during the review period. A total number of three hundred and seventy-three (373) participants were trained during the year, compared to one thousand seven hundred and eighty-six (1786) in the previous financial year. This represents a significant decline in the number of people trained, which is attributed to the suspension of workshops by the Board for the first half of the year in order to minimise COVID-19 risks.

3.1.3 Challenges and Interventions

The main challenge experienced during the year under review, was the COVID-19 pandemic. The pandemic halted the implementation of some projects and initiatives and thus negatively affecting corporate performance and delivery of services across the Board. Areas mostly affected included but not limited to Capacity Building, Outreach and Compliance Monitoring. In order to adapt, the Board quickly turned to virtual meetings for its weekly decisions, and almost all meetings across the organization became virtual.

The Board also improved information on online transactions and discouraged customers from visiting PPADB physically to avoid the spread of the virus. Most of the services moved to online had to do mainly with contractor registration which experienced a surge in the number of registrations. However, it has proven difficult to stop customers from physically accessing PPADB offices especially in regard of contractor registration services such as payments for codes.

With the desire to have procurement handled by qualified personnel, the Board continues to provide guidance on the Procurement Unit (PU) Structure and the Procurement Scheme of Service, but the pace of professionalization continues to be slow.

The delays by PEs to submit tender documents to PPADB continue to hamper resolution of complaints, and in order to address the challenge, PPADB continues to audit concerned entities to ensure compliance to records management procedures.

Failure to submit End of Activity Reports (EOARs) by PEs continued unabated even during the 2020/21 financial year, and hampered the performance monitoring of contractors in the implementation of Government projects. As a result, the Board, through the Suspension and Delisting Committee, finds it difficult to take appropriate action against non-performing or unethical conduct by Contractors. In order to improve the situation, PPADB has been signing Service Level Agreements with PEs, and through workshops, meetings and other avenues, continues to pursue PEs to adhere to the PPAD Act.

AWARDED TENDERS

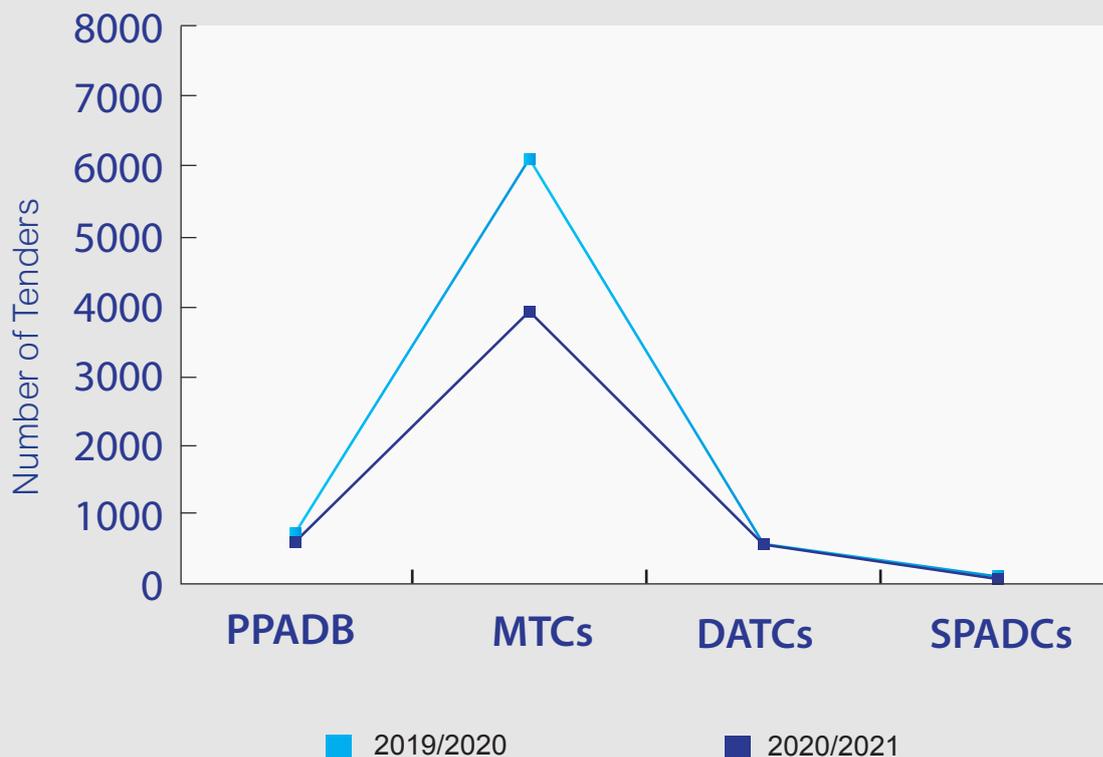
2019/2020

P7.3 Billion

2020/2021

P6.4 Billion

Adjudication of Tenders for Central Government





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.

Furthermore, I would like to thank Accounting Officers, Board Committees, PEs, the Bidding Community, and other stakeholders for the support rendered during the 2020/21 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.

Kgakgamalo K. Ketshajwang
Acting Executive Chairperson

4.0 BOARD OF DIRECTORS



Executive Chairperson
Elijah T. Motshedi



Ag. Executive Director Works
Augustine Tema



Executive Director Services
Tumelo Motsumi



Executive Director Supplies
Kgakgamalo K. Ketshajwang



Non-Executive Director - Works
Andrew Nkaro



Non-Executive Director-Services
Gerald N. Thipe



Non-Executive Director-Supplies
Taolo Sebonego



Board Secretary
Patience Motswagole

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 Board Committees 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. The Board adjudication meetings are held weekly.

When considering operational issues, and non-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

Mr. Elijah T. Motshedi's tenure as Executive Chairperson came to an end on the 31st January 2021. The Acting Executive Chairperson, Mr. Kgakgamalo K. Ketshajwang was appointed on the 1st of February 2021.



4.1 CORPORATE GOVERNANCE (CONTINUED)

4.1.1 Board Committees

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

Board Tender Committee

The Committee adjudicates and awards tenders for the procurement of supplies, 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	Acting Executive Director Works
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 the following:

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

Finance and Audit Committee

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

The Committee comprised of the following:

Mr. G. N. Thipe	Non-Executive Director, Services (Chairperson)
Mr. T. Sebonego	Non-Executive Director, Supplies
Mr. K. K. Ketshajwang	Executive Director, Supplies
Ms. B. Mabua	Acting Management Accountant (Secretary)

4.1 CORPORATE GOVERNANCE (CONTINUED)

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 for a fixed duration. The Committee adjudicates on sensitive tenders from the Botswana Defence Force, Directorate of Intelligence and Security, Directorate on Corruption and Economic Crime, Botswana Prison Service and the Botswana Police Service, among others. SPADC comprises two (2) Executive members, one (1) Non-Executive member, a senior member of the Public Service, and is chaired by the Executive Chairperson of the Board. The Committee convenes once a week.

Ministerial Tender Committees (MTCs)

These Committees are established in terms of Section 61 of the PPAD Act. The Committees comprise officials from Ministries who carry out duties delegated to them by the Board. There are eighteen (18) MTCs and two Special Committees of the Board being Administration of Justice and Central Medical Stores. The 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 ceilings 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 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 Directorate of Corruption and Economic Crime (DCEC) and the three PPADB Divisional Managers (Supplies, Services and Works). The Senior Legal Officer at PPADB serves as the Secretary and legal advisor 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 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 the 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.

5.0 EXECUTIVE MANAGEMENT TEAM



Acting Executive Chairperson
Kgakgamalo K. Ketshajwang



Ag. Executive Director Works
Augustine Tema



Executive Director Supplies
Kgakgamalo K. Ketshajwang



Executive Director Services
Tumelo Motsumi



Board Secretary
Patience Motswagole



Ag. General Manager
Corporate Services
Portia Chengeta



Senior Manager: Strategy,
Research and Policy
Julia Dithong



Information Technology Manager
Oteng Raesima

5.1 MANAGEMENT TEAM



Divisional Manager Works
Augustine Tema



Divisional Manager Supplies
Lucas Kennekae



Divisional Manager Services
Lady Bothole



Contractor Registration Manager
William Moswetsi



Internal Audit Manager
Ontiretse Diboko



Public Relations and
Education Manager
Charles Keikotlhae



Human Resources Manager
Boingotlo Matlho



Strategy Manager
Masego Oageng



Chief Accountant
Portia Chengeta



Ag. Management Accountant
Boitumelo Mabua



Francistown Centre
Coordinator
Uwo Marobela



Senior Analyst QMS
Tshepo Owen Katse



Devolution and Compliance
Coordinator
Lefoko Ramoatlhodi



Senior Legal Officer
Keneilwe Modise



Senior Legal Officer
Opelo Tibone



Capacity Building Coordinator
Lisani Nzhuzha



ICT Coordinator
Neo Mogwai



Senior Administration Officer
Kemosadi Phambuka



Ag. Senior Purchasing Officer
Malefswane Modisenyane



6.1 CUSTOMER PERSPECTIVE

Adjudication and Award of Tenders

Board Adjudication

During the 2020/21 financial year, the Board adjudicated on five hundred and ninety-nine (599) submissions. The figure represents seventeen percent (17%) decrease against seven hundred and twenty-six (726) submissions of the previous financial year.

Table 2: Total submissions to the Board in 2020/21 financial year

	Services	Supplies	Works	OBS	Total
Approvals	32	39	13	83	167
Deferrals	12	3	24	2	41
Rejections	22	6	19	2	49
Sub Total	66	48	56	87	257
Noted & others	115	95	130	2	342
Total	181	143	186	89	599

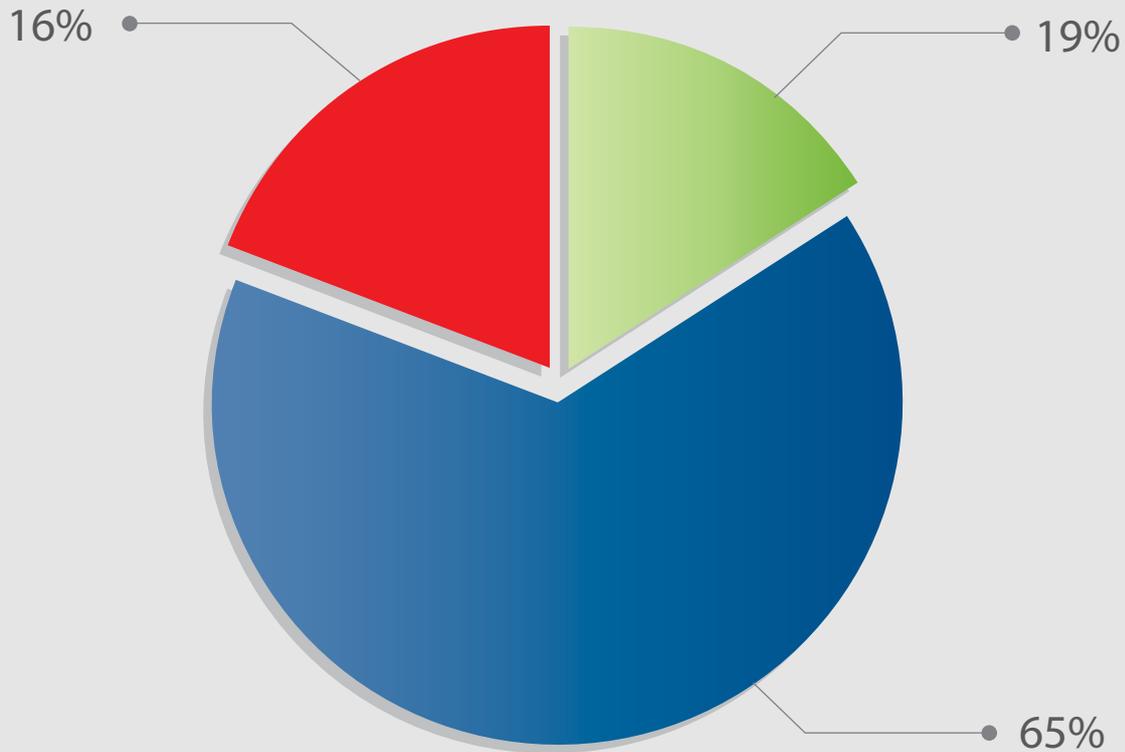


Figure 1: Distribution of Board Adjudication decisions

1 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.

2 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.

6.1 CUSTOMER PERSPECTIVE (CONTINUED)

Analysis of Submissions

The Board received five hundred and ninety-nine (599) submissions during the 2020/21 financial year, and two hundred and fifty-seven (257) of those submissions required the Board to make adjudication decisions while the rest were for noting. The Board approved one hundred and sixty-seven (167), representing sixty-five percent (65%), deferred its decision on forty-one (41), representing sixteen percent (16%) of the submissions and rejected forty-nine (49), representing nineteen percent (19%) of the submitted requests. This represents an increase in the approval rate from fifty-eight percent (58%) during the previous financial year to sixty-five percent (65%) in the year under review. Deferrals decreased from twenty-six percent (26%) to sixteen percent (16%), while rejections increased from sixteen percent (16%) to nineteen percent (19%) when compared to the previous year.

The increase in the percentage of approvals almost met the Board's target of seventy percent (70%) while rejections almost doubled the target figure of ten percent (10%), meaning that more efforts should be put towards reducing the number of rejections. The decrease in deferrals was not too much off the target of twenty percent (20%).

PPADB approves tenders whose value exceed the thresholds of MTCs. During the 2020/21 financial year, the Board awarded only one tender from Ministry of Land Management, Water and Sanitation Services amounting to P843 858.40 compared to P1 726 692 690.76 of awarded tenders in the previous financial year, a significant decrease by P1 725 848 832.36 or ninety-nine point ninety-six percent (99.96%) decrease. The awarded project emanated from an appeal that was lodged with the Board on an MTC award decision. In its adjudication, the Board made an outright award of the project to a different company. As noticed, this tender falls way below the threshold of the Board.

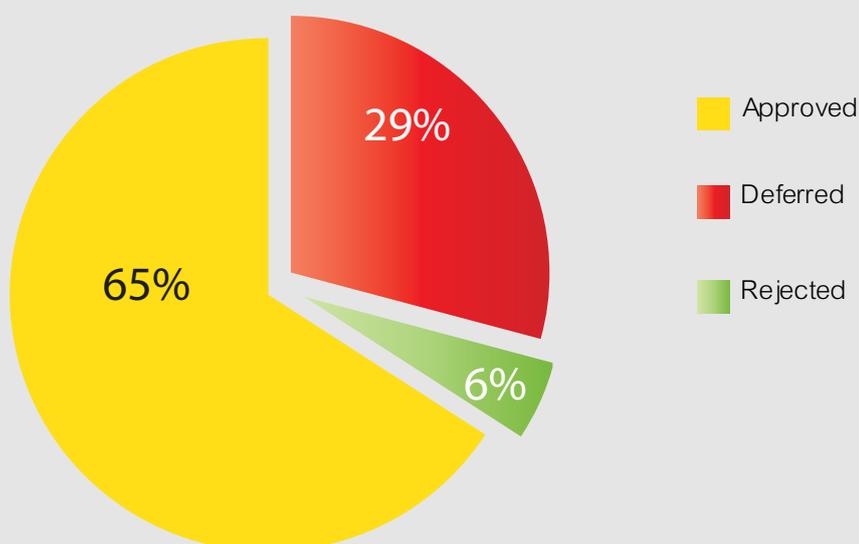
Apart from the appeal award, the Board did not receive any request to award from any Ministry throughout the financial year 2020/21.

Special Procurement and Asset Disposal Committee (SPADC) Adjudication

During the 2020/21 financial year, SPADC considered a total of sixty-five (65) requests compared to hundred (100) requests in the financial year 2019/20, thus representing a thirty-five percent (35%) decrease in the number of requests submitted during the period under review. The Committee approved thirty-four (34) requests, representing sixty-five percent (65%), which is less than the previous year's seventy-four (74) requests or seventy-four percent (74%) approval. There were fifteen (15) or twenty-nine percent (29%) deferrals compared to twenty-one (21) or twenty-one percent (21%) deferrals in 2019/20. There were three (3) rejections during the year under review, representing six percent (6%) compared to five (5) or five percent (5%) rejections in the previous financial year.

The total amount of awarded tenders by the Committee during the period under review was P86 020 871.07 compared to a total amount of P350 430 037.47 of awarded tenders in the 2019/20 financial year. This represents a seventy-five percent (75%) decrease in the total amount of tenders awarded by the Committee.

Figure 2: Distribution of decisions reached by SPADC during the 2020/21 financial year.







6.1 CUSTOMER PERSPECTIVE (CONTINUED)

Ministerial Tender Committees (MTCs) and District Administration Tender Committees (DATCs) Thresholds

The review of financial thresholds, which is undertaken biennially, is informed by a comprehensive assessment of all Committees to determine their capacity and performance.

The current MTCs and DATCs thresholds are as follows;

Table 3: MTCs Financial Thresholds

	MINISTERIAL TENDER COMMITTEE	THRESHOLD
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 Agriculture and Food Security	P240 000 000
10.	Ministry of Health and Wellness	P200 000 000
11.	Ministry of Nationality, Immigration and Gender Affairs	P200 000 000
12.	Central Medical Stores Adjudication Committee	P200 000 000
13.	Ministry of Finance and Economic Development	P200 000 000
14.	Ministry of Presidential Affairs, Governance and Public Administration	P160 000 000
15.	Ministry of Employment, Labour Productivity and Skills Development	P160 000 000
16.	Ministry of Tertiary Education, Research, Science and Technology	P160 000 000
17.	Ministry of Environment, Natural Resources Conservation and Tourism	P130 000 000
18.	Ministry of International Affairs and Cooperation	P130 000 000
19.	Ministry of Basic Education	P130 000 000
20.	Administration of Justice Adjudication Committee	P50 000 000

6.1 CUSTOMER PERSPECTIVE (CONTINUED)

Table 4: DATCs Financial Thresholds

	DISTRICT ADMINISTRATION TENDER COMMITTEE	THRESHOLD
1.	Francistown	P20 000 000
2.	Lethakeng	P16 000 000
3.	Masunga	P14 500 000
4.	Molepolole	P14 000 000
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.	Lethakane	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

6.1 CUSTOMER PERSPECTIVE (CONTINUED)

Ministerial Tender Committees (MTCs) Adjudication

MTCs adjudicated on a total number of three thousand nine hundred and nine (3 909) submissions, compared to six thousand one hundred and two (6 102) submissions during 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 P3 445 057 814.08 compared to P5 912 237 945.89 in the previous financial year. This represents a difference value of forty-two (42%). The 2020/21 Micro procurement value stood at P345 418 112.66 less than P460 716 809.60 recorded in the previous financial year.

Table 5: Tender awards by MTCs

MINISTERIAL TENDER COMMITTEE	MICRO-PROCUREMENT (BWP)	TENDER AWARDS (BWP)
Ministry of Presidential Affairs, Governance and Public Administration	3 415 680.34	137 486 349.72
Ministry of Mineral Resources, Green Technology and Energy Security	3 232 123.05	3 513 761.28
Ministry of Agriculture and Food Security	2 279 804.70	285 479 820.72
Ministry of Finance and Economic Development	19 895 192.11	156 119 819.45
Ministry of Local Government and Rural Development	13 591 514.90	103 788 774.33
Ministry of Tertiary Education, Research, Science and Technology	47 101 643.37	121 787 162.32
Ministry of Infrastructure and Housing Development	4 231 254.47	288 819 429.18
Ministry of Youth Empowerment, Sport and Culture Development	16 607 928.21	51 310 115.64
Ministry of Environment, Natural Resources Conservation and Tourism	1 414 872.34	173 822 340.44
Ministry of International Affairs and Cooperation	7 042 669.73	39 779 833.52
Ministry of Basic Education	85 492 313.01	411 471 502.21
Ministry of Nationality, Immigration and Gender Affairs	6 872 485.11	132 815 369.15
Ministry of Investment, Trade and Industry	8 985 914.42	16 727 716.56
Ministry of Employment, Labour Productivity and Skills Development	11 384 271.97	94 454 971.87
Ministry of Transport and Communications	21 970 359.12	222 963 142.51
Ministry of Land Management, Water and Sanitation Services	Reports not submitted	169 162 462.18
Ministry of Health and Wellness	33 176 900.59	482 195 216.77
Ministry of Defence, Justice and Security	58 723 185.22	272 520 817.86
Administration of Justice Adjudication Committee	Reports not submitted	Reports not submitted
Central Medical Stores Adjudication Committee	Incorporated under MOHW	280 839 653.37
TOTAL	345 418 112.66	3 445 057 814.08



6.1 CUSTOMER PERSPECTIVE (CONTINUED)

District Administration Tender Committees (DATCs) Adjudication

A total of five hundred and sixty (560) requests were submitted to the DATCs for adjudication with forty-three (43) of them for noting purposes only. Out of the total submissions, the Committees approved four hundred and thirty-one (431) submissions representing eighty-three percent (83%). Deferrals stood at fifty-five (55) or eleven percent (11%) of the total submissions. There were thirty-one (31) rejections or six percent (6%) of the total submissions. The eighty-three percent (83%) approval rate indicates an increase compared to the previous year's approval rate of seventy-five (75%).

Figure 3: The 2020/21 adjudication decisions by DATCs

During the period under review, Departments under Central Government submitted requests to relevant DATCs amounting to P2 545 228 260.07, which is much higher than the previous year's total of P218 557 399.69, representing a big difference in value.

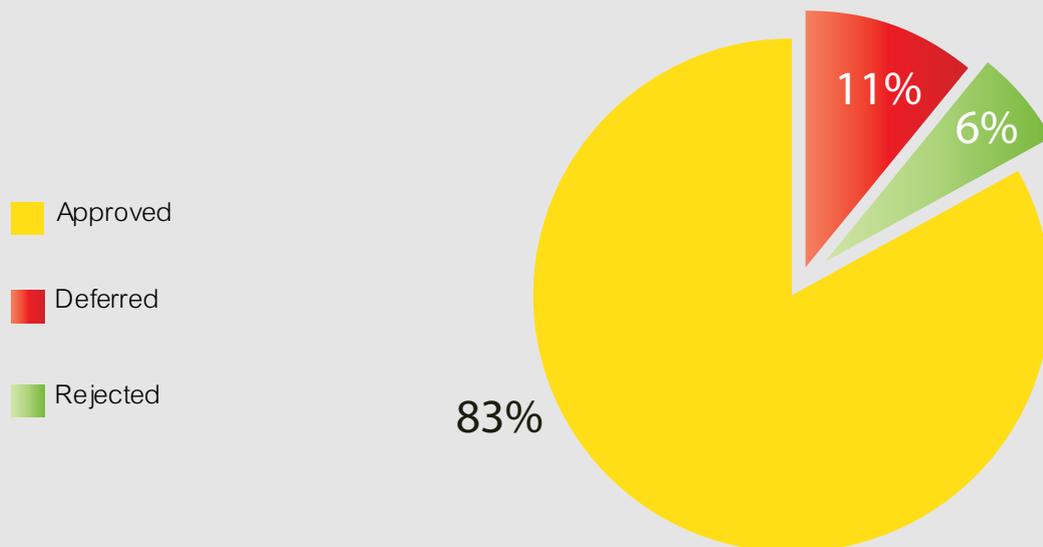


Table 6: Tender awards by DATCs

DISTRICT ADMINISTRATION TENDER COMMITTEE	TENDER AWARDS (BWP)
Tlokweng	2 697 800.00
Maun	55 779 308.86
Francistown	59 922 021.85
Masunga	2 795 284.83
Kasane	32 471 810.01
Tonota	4 945 908.27
Mochudi	20 187 011.72
Tutume	9 233 447.74
Charles Hill	258 550.00
Ramotswa	11 910 599.78
Molepolole	43 253 761.41
Palapye	4 932 285.68
Hukuntsi	258 550.00
Gumare	4 945 966.43
Lethakeng	1 449 800.00
Gantsi	2 344 438.80
TOTAL	2 545 228 260.07

No statistics were received from Mahalapye; Bobonong; Serowe; Lethakane; Lobatse Mabutsane; Jwaneng; Kanye; Goodhope; Tsabong; Gaborone; Mogoditshane; Selibe Phikwe; and Moshupa DATCs. The main reason why the statistics were not received from the stated DATCs was either because of the absence of the Secretaries or staff movement at the mentioned DATCs. As a way forward, the Board continues to encourage relevant Ministries to fill vacancies in the various DATC Secretariats.

6.1 CUSTOMER PERSPECTIVE (CONTINUED)

OTHER PROCUREMENT FUNCTIONS

Independent Complaints Review Committee (ICRC)

During the 2020/21 financial year, the Committee received three (3) complaints compared to seven (7) in the previous financial year. All the cases were dismissed for lack of merit or failure to follow procurement process.

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. Committees of the Board have no authority to consider retroactive requests.

A total of eighteen (18) retroactive requests were submitted to the Board during the 2020/21 financial year, at a total value of P13 804 655.00. None of the requests were approved. The number shows a decrease in comparison to the previous financial year's twenty (20) retroactive requests. Ministry of Tertiary Education, Research, Science and Technology had the highest number of seven (7) requests.

The Board encourages PEs to consistently plan and initiate their procurement on time, and to follow procurement procedures to reduce the number of retroactive requests.

End of Activity Reports (EOARs)

During the financial year 2020/21, the Board received only three (3) 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.

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. The review of the thresholds was halted during the 2020-21 financial year to allow for completion of the review of the PPAD Act.

Review of the PPAD Act

The review of the PPAD Act continued during the financial year under review. The review is intended to transform PPADB into a Regulatory Authority thus wholly withdrawing the Board from tender adjudication matters. As at the end of the 2020/21 financial year, the PPAD Bill was envisaged for presentation before Parliament during its July 2021 sitting.

Procurement and Disposal Plans

During the reporting period, fourteen (14) or seventy-eight percent (78%) of Ministries submitted their Procurement Plans for publication in the PPADB website. Publishing of the Procurement Plans promote transparency, accessibility, and encourage the Bidding Community to prepare for competitive participation in central government tenders.

Capacity Building

A total of thirty (30) capacity building workshops were conducted by PPADB during the 2020/21 financial year. The workshops targeted MTCs and DATCs, and Parastatals. A total number of three hundred and seventy-three (373) participants were trained during the year, compared to one thousand seven hundred and eighty-six (186) in the previous financial year. This represents a significant decline in the number of people trained, which is attributed to the suspension of workshops by the Board for the first half of the year in order to minimise COVID-19 risks.

However, the Board in conjunction with the Chartered Institute of Purchasing and Supply (CIPS) offered training on COVID-19 Tool Kit to over two hundred and fifty (250) procurement professional in Government Ministries, Local Authorities and Parastatals in order to equip them with necessary skills to manage procurement efficiently during COVID-19 pandemic.

Public Confidence in the Public Procurement System Media Engagement

During the 2020/21 financial year, PPADB continued with Media Monitoring. There were thirty-two (32) media articles published about PPADB. Sixty-six percent (66%) of those articles were rated Positive against a target of seventy percent (70%), whilst thirty-four percent (34%) of the thirty-two (32) published media articles were rated Negative against a target of thirty percent (30%).

In comparison, during the previous 2019/20 financial year, fifty-one percent (51%) of the media features and articles about PPADB were rated Positive, whilst forty-nine percent (49%) were rated Negative. The figures above show a slight improvement in the Positive ratings, and a welcome decrease in the number of Negative media features about PPADB.

6.1 CUSTOMER PERSPECTIVE (CONTINUED)

Public Confidence Index

During the 2020/21 financial year, the Board conducted the Public Confidence Survey amidst the COVID-19 pandemic after a two-year interval since the last one conducted in 2017/18 financial year. The Public Confidence Index was found to be twenty-five point nine percent (25.9%) far too low compared to the previous cycle of the study which was fifty-seven percent (57%). The results were also off the target of sixty-five percent (65%). The study revealed that the core principles of public procurement which are accountability, competition, equitable treatment, fairness, integrity and transparency were not upheld by many PEs. All institutions scored lowly on each of these dimensions which suggested that the public confidence was eroded by lack of trust on these institutions.

The results of the study from the general public showed that malpractice was prevalent among committees implementing the PPAD Act. Over seventy percent (70%) of the public alleged that incidences of malpractice occurred and could occur at any stage of tendering but it was more prevalent at adjudication and award stages.

Customer Satisfaction Index

During the period under review, the Board also conducted the Customer Satisfaction Survey. The average Customer Satisfaction Index (CSI) value for the organisation was calculated to be eighty, point sixty-seven percent (80.67%) compared to a target of ninety percent (90%), and slightly lower than the 2017/18 CSI of eighty-two percent (82%). The value represented the average customer satisfaction level of the PPADB customers on general service quality dimension offered through the PPADB service points.

Promoting Transparency

During the period under review, forty-nine (49) Board meetings were held and the Board decisions were published in the Daily News and PPADB Social Media pages: Facebook and Twitter. The Board also published the Procurement Plans that were submitted by Ministries in the PPADB website, even though not all Ministries submitted their plans.

Outreach

During the reporting period, and under the constraints of COVID-19 restrictions, the Board continued with outreach activities as a means to educate the public and other stakeholders on its mandate; services and products. The target population was mostly local authorities.

The Board addressed seven (7) Full Council Meetings in Gaborone, Ramotswa, Mochudi, Molepolole (Molepolole Administration Authority/Lenstweletau), Mogoditshane/Thamaga, Lobatse (Virtual), and Molepolole-Kweneng District Council (Virtual). Due to COVID-19 pandemic restrictions, the Board did not manage to have Open Days, and also could not participate in Fairs and Exhibitions as many were cancelled as a result of the pandemic.

Complaints

During the period under review, the Board received one hundred and seventy-four (174) complaints. Out of the 174, sixty-six (66) appeals representing thirty-eight percent (38%) were made to the Board against MTC and DATC decisions. Nine (9) complaints inclusive of six (6) IPMS related complaints were lodged against PPADB. The remaining ninety-nine (99) were MTCs, DATCs, Parastatals, Land boards and Council complaints copied to the Board. A total of seven (7) appeals were taken to ICRC by complainants during the period under review. In total the Board handled seventy-five (75) complaints with twenty-seven (27) or forty point one percent (40.1%) resolved within the prescribed fourteen (14) days. The delays in timeous resolution of complaints are mainly attributable to the lengthy tender review process which entails review of all bids submitted by bidders.

Out of the seventy-five (75) complaints, the Board dismissed fifty-four (54), upheld six (6), whilst seven (7) complainants were advised to approach the ICRC as the Board had no jurisdictions over their complaints, the remaining eight (8) were outstanding at the time of reporting.

Litigation before the Courts

The total number of cases brought before the Courts with the Board cited as a party during the 2020/21 financial year was seventeen (17). In respect of cases in which the Board was an active participant (where the Board had filed Notice of Opposition): Three (3) cases were dismissed with cost orders in favour of the Board while one (1) case was upheld in favour of the Applicant with an order of costs against the Board. Two (2) cases were settled by way of consent order, and two (2) cases were still ongoing.

With respect to cases in which the Board had filed a Notice to Abide and was therefore not an active participant; one (1) case was settled by way of settlement agreement between the active litigants, and another one (1) was dismissed. Three (3) cases were upheld in favour of the Applicant who took the case to Court with no costs order issued against the Board as it had filed a Notice to Abide, and one (1) case was withdrawn by the Applicant while three (3) other cases were ongoing.



6.1 CUSTOMER PERSPECTIVE (CONTINUED)

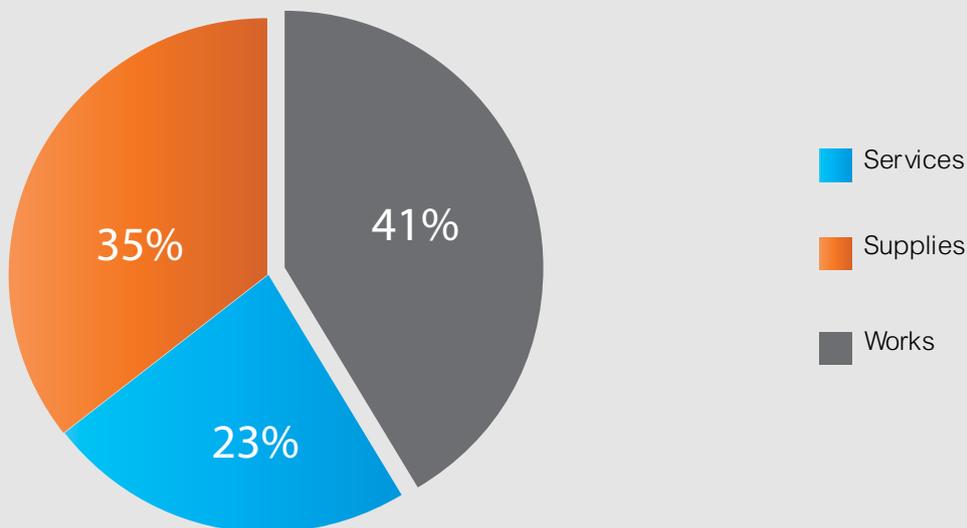
Contractor Registration

The Board is required under Section 49 of the PPAD Act to manage all aspects of contractor registration system, inclusive of all decisions on application for registration, reclassification of registered firms and the 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 thirty thousand eight hundred and thirty-eight (30 838) contractor registration applications compared to nineteen thousand and sixty-five (19 065) in the previous year. Out of the total number of application approved by the Board, seven thousand one hundred and eighty-three (7 183) were for Services, ten thousand nine hundred and seventy-five (10 975) were for Supplies, and twelve thousand six hundred and eighty (12 680) 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 P14 287 416.00 in the previous year to P15 838 860 in the 2020/21 financial year.

Figure 4: Contractor Registration Statistics



6.2 INTERNAL PROCESSES PERSPECTIVE

Implementation of Quality Management System (QMS)

The QMS contributes to the value of Service Excellence through a structured and formal approach that allows for the correct determination of stakeholder requirements, identification of process inefficiencies and solicitation of stakeholder feedback. As part of the QMS, all risks, including COVID-19, that could prevent achievement of strategic objectives have been identified, assessed and addressed through the implementation of appropriate mitigation. The Enterprise Risk Management (ERM) as well as the Business Continuity Management (BCM) have gone a long way in ensuring the resilience of PPADB.

Performance of the Strategic Plan

During the period under review, the Board continued with the implementation of its four-year Strategic Plan covering the period 2018/19 to 2021/22. As at the end of the year 2020/21, the organization reported on forty-six (46), out of a total of fifty-two (52) measures, six (6) measures were suspended, whilst eight (8) underperformed. The organization achieved an overall corporate performance of 89.45 % which is above the target of 85.00 %, edging 12% above the previous years' performance of 77%.

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 2020/21 financial year, the Board performed its compliance assessment, audits to assess its compliance to good governance standards and the PPAD Act. Overall, the Board continued to perform well on all aspects demonstrating a strong commitment to good governance.

Suspension and Delisting

During the 2020/21 financial year, the Suspension and Delisting Committee resuscitated its business, and twenty-eight (28) cases were brought before the Committee. Four (4) of the cases were concluded while twenty-four (24) were still pending. It must be noted that the extensive investigation required contribute to the delay in conclusion of the cases, and effective ways to expedite the investigations are being considered.

Integrated Procurement Management System (IPMS)

During 2020/21 financial year, a total of two hundred and seventy-four (274) tenders were progressed on IPMS. The Roll-out of IPMS expanded to two (2) Ministries and five (5) District Administration Tender Committees (DATCs) in addition to the four (4) model Ministries and two (2) DATCs that were earmarked for hundred-percent (100%) rollout in the previous year. The additional entities were the Ministry of Presidential Affairs, Governance and Public Administration (MOPAGPA), and Ministry of Health & Wellness (MOHW). The DATCs were Tutume, Masunga, Maun, Serowe, Tlokwen. However, the additional entities did not yet commit to hundred-percent (100%) rollout given the resource and technical challenges.

The average adherence to Turn Around Time (TAT) with respect to all online tenders was found to be below target due to the delays and minimal activities in the system owing to the national lockdown which negatively impacted on the progression of tenders online. As an intervention, PPADB provides remote assistance, and support to all users of the system by offering virtual training and hand-holding as well as publication of IPMS User manuals. In the period under review, a total of thirty (30) workshops were held with PEs, and Contractors. Fifteen (15) training sessions were conducted for Botswana Post Cashiers.

6.3 LEARNING AND GROWTH PERSPECTIVE

Human Resource Transformation

As at end of March 2021, PPADB had an establishment of one hundred and twenty-seven (127) employees, of which one hundred and eight (108) were based in Gaborone Office with nineteen (19) in Francistown. Furthermore, PPADB had nineteen (19) contract officers, four (4) temporary staff and eight (8) intern officers. A total of four (4) officers resigned from the employment of PPADB. Overall staff turnover was three point five percent (3.5%) 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

Twenty-two (22) officers were enrolled for Procurement Professionalization training under the COVID-19 Procurement Tool Kit.

The Board froze/halted staff training and development in 2020/21 financial year as the funds were used for the implementation of Covid-19 control protocols.

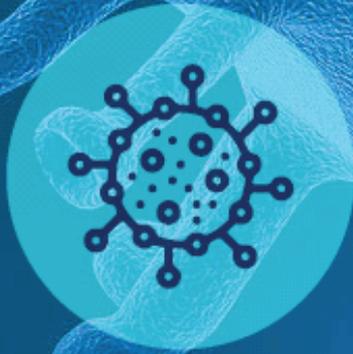
Employee Welfare

During the reporting period, the Board continued to provide wellness benefits (psycho-social support as well as gym subscription) to employees who require such services. The Board also provides Group life cover insurance for all employees. Other wellness activities like wellness day, which require gathering of staff were halted to abide to the COVID-19 health protocols.





OUR STAFF



FRANCISTOWN STAFF



GABORONE STAFF



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BOARD OF DIRECTORS

E Motshedi	Executive Chairperson	Retired on 31 st January 2021
T Motsumi	Executive Director	
K Ketshajwang	Executive Director	Appointed Acting Executive Chairperson on 1 st February 2021
T Sebonego	Non - Executive Director	
G N Thipe	Non - Executive Director	
A Nkaro	Non - Executive Director	

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 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 2021, 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 40 to 42.

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 pandemic.

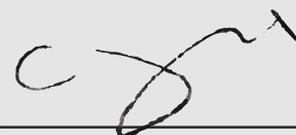
The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control 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 43 to 67, which have been prepared on the going concern basis, were approved by the Board of Directors on the 10th September 2021 and are signed on its behalf by:



ACTING EXECUTIVE CHAIRPERSON
K. Ketshajwang



NON-EXECUTIVE DIRECTOR
G. N. Thihe

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 43 to 67, which comprise the statement of financial position as at 31 March 2021, and the statement of comprehensive income, statement of changes in funds 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 present fairly, in all material respects, the financial position of Public Procurement and Asset Disposal Board as at 31 March 2021, 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 Act (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 judgement, were of most significance in our audit of the financial statement of 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 70-page document titled "Public Procurement and Asset Disposal Board Annual Report 2020/21" which includes General information, the Directors' statement of responsibility and approval of the financial statements and the annual report. 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, 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.

Resident Partner: B Ndwapi (Managing Partner)

A full list of Partners is available from this office
and the Register of Companies

Independent member of Ernst & Young Global Limited.

Responsibilities of the board of 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 Board 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 Board 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 the 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 the PPADB's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on PPADB's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause PPADB to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young
Practicing Member: Bakani Ndwapi
Partner
Certified Auditor
Membership Number: 19980026
Gaborone

29th September 2021

	<u>Notes</u>	<u>2021</u> P	<u>2020</u> P
INCOME			
Government subvention	6	60 191 207	76 539 598
Revenue	7	16 046 860	15 272 691
Other income		366 583	449 450
Interest income	8	919 836	710 408
Total income		<u>77 524 486</u>	<u>92 972 147</u>
EXPENDITURE			
Administration expenses		(27 083 749)	(28 391 741)
Staff costs	9	(59 368 185)	(55 359 222)
Interest costs	12	-	(41 013)
Total expenditure		<u>(86 451 934)</u>	<u>(83 791 976)</u>
(Deficit) / surplus for the year	9	(8 927 448)	9 180 171
Total comprehensive income for the year		<u>(8 927 448)</u>	<u>9 180 171</u>

ASSETS	Notes	2021 P	2020 P
Non-current assets			
Property and equipment	10	42 407 286	42 216 200
Intangible assets	11	14 191 743	15 809 267
Right of use asset	12	-	210 323
		<u>56 599 029</u>	<u>58 235 790</u>
Current assets			
Trade and other receivables	13	4 812 187	6 509 873
Cash and cash equivalents	14	31 022 487	36 890 513
		<u>35 834 674</u>	<u>43 400 386</u>
Total assets		<u><u>92 433 703</u></u>	<u><u>101 636 176</u></u>
FUNDS AND LIABILITIES			
Funds and reserves			
Accumulated surplus		16 526 692	25 454 140
Revaluation surplus		1 915 016	1 915 016
		<u>18 441 708</u>	<u>27 369 156</u>
Non-current liabilities			
Capital grants	15	50 422 412	50 315 454
		<u>50 422 412</u>	<u>50 315 454</u>
Current liabilities			
Trade and other payables	16	18 669 583	18 826 133
Lease liability	12	-	229 359
Capital grants	15	4 900 000	4 896 074
		<u>23 569 583</u>	<u>23 951 566</u>
Total funds and liabilities		<u><u>92 433 703</u></u>	<u><u>101 636 176</u></u>

	Revaluation Reserve P	Accumulated surplus P	Total P
Balance at 31 March 2019	1 915 016	16 273 969	18 188 985
Surplus for the year	-	9 180 171	9 180 171
Total Comprehensive income	-	9 180 171	9 180 171
Balance at 31 March 2020	1 915 016	25 454 140	27 369 156
Deficit for the year	-	(8 927 448)	(8 927 448)
Total Comprehensive income	-	(8 927 448)	(8 927 448)
Balance at 31 March 2021	1 915 016	16 526 692	18 441 708

	<u>Notes</u>	<u>2021</u> P	<u>2020</u> P
CASH FLOWS FROM OPERATING ACTIVITIES			
(Deficit)/surplus for the year		(8 927 448)	9 180 171
Adjustments for:			
- Interest received	9	(919 836)	(710 408)
- Movement in expected credit loss	13	2 850	-
- Interest cost	12	-	41 013
- Depreciation of right of use asset	12	210 323	420 647
- Depreciation of property and equipment	10	2 021 643	1 732 168
- Amortisation of intangible assets	11	2 438 082	2 424 146
- Amortisation of capital grant	15	(4 896 074)	(4 605 776)
- Profit on disposal of property and equipment		(9 149)	(4 687)
Operating (deficit)/surplus before working capital changes		<u>(10 079 609)</u>	<u>8 477 274</u>
Decrease/(increase) in trade and other receivables		1 694 836	(890 180)
(Decrease)/increase in trade and other payables		(156 550)	4 396 997
Cash flows (used in)/generated from operating activities		<u>(8 541 323)</u>	<u>11 984 091</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	10	(2 240 666)	(2 087 578)
Purchase of intangible assets	11	(820 558)	-
Proceeds on disposal of property and equipment		37 086	19 511
Interest received		919 836	710 408
Net cash used in investing activities		<u>(2 104 302)</u>	<u>(1 357 659)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of principal portion of lease liability		(229 359)	(401 611)
Payments of interest portion of lease liability		-	(41 013)
Capital grants received	15	5 006 958	2 087 578
Net cash generated from financing activities		<u>4 777 599</u>	<u>1 644 954</u>
Net (decrease)/ increase in cash and cash equivalents		(5 868 026)	12 271 386
Cash and cash equivalents at beginning of year		36 890 513	24 619 127
Cash and cash equivalents at end of the year	14	<u>31 022 487</u>	<u>36 890 513</u>

1) GENERAL INFORMATION

The Public Procurement and Asset Disposal Board (“PPADB” or the “Board”) was enacted by an Act of Parliament (Cap 42:08) of 2001. PPADB is a parastatal organisation, operating under the then 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 obsolescence 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 5(e) and 5(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 10 and 11 to the financial statements.

3) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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 not 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 2021. 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 10 of the financial statements.

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).

4) APPLICABLE STANDARDS, IMPROVEMENTS & AMENDMENTS

The following standards, amendments and interpretations became effective for PPADB's 2021 financial year:

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

Amendments to IFRS 16 Covid-19 Related Rent Concessions

Amendments to IFRS 3, Business Combination

Amendments to IAS 16, Property, Plant and Equipment

Amendments to IAS 37, Onerous Contracts

The standards, improvements and amendments that are issued, but not yet effective, up to the date of issuance of the PPADB's financial statements are disclosed below. PPADB 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.

IAS 41 Agriculture – Taxation in fair value measurements - effective beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

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.

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. Revenue from services 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. Grants that remains unused at the end of the financial year are carried forward and credited to the accumulated funds.

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.

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.

5) SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 5G 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.

5) SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

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. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of PPADB's cash management.

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.

5) SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

J) FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets (continued)

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.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of an 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.

5) SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

J) FINANCIAL INSTRUMENTS (CONTINUED)

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.

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.

5) SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

K) LEASES

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 2021 financial year.

Payments for low value asset and short-term leases (net of any incentives received from the lessor) are charged to the statement of total comprehensive income on a straight-line basis over the period of the lease.

6 GOVERNMENT SUBVENTION

	Notes	2021 P	2020 P
Annual Government subvention		60 302 091	74 021 400
Less: Amounts used for capital expenditure	15	(5 006 958)	(2 087 578)
- Property and equipment		(1 428 609)	(2 087 578)
- Intangible assets	11	(820 558)	-
- Work In Progress (property and equipment)	17	(812 057)	-
- Deferred capital grant	15	(1 945 734)	-
		55 295 133	71 933 822
Add: Amortisation of capital grants	15	4 896 074	4 605 776
		<u>60 191 207</u>	<u>76 539 598</u>

Government subvention is used to finance all the operating expenses and capital expenditure for the year. P60 302 091 was received as grant from the Ministry of Finance and Economic Development (MFED) and P55 295 133 financed recurrent expenditure whereas P5 006 958 finance capital expenditure.

7 REVENUE

Contractor registration - standard	15 186 860	13 299 991
- express	650 000	971 700
Capacity building	210 000	1 001 000
	<u>16 046 860</u>	<u>15 272 691</u>

8 INTEREST INCOME

Bank interest	<u>919 836</u>	<u>710 408</u>
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9 (DEFICIT) / SURPLUS FOR THE YEAR

(8 927 448) **9 180 171**

In addition to the amounts disclosed in Notes 6, 7 and 8 above, the (deficit)/ surplus for the year is stated after taking into account the following:

Auditor's remuneration		
- Audit fee	174 563	166 250
Consulting fees	425 158	929 646
Depreciation and amortisation	4 670 049	4 576 961
Amortisation of capital grant	(4 896 074)	(4 605 776)
Legal fees	1 448 627	2 728 868
Profit on disposal of property and equipment	9 149	4 687
Directors' emoluments - fees	598 050	575 820
Staff costs (as below)	59 368 185	55 359 222
- Short term employee (executive directors) benefits	2 633 995	2 886 014
- Post employment benefits (gratuity) for executive directors	436 496	403 508
- Staff members	56 297 694	52 069 700
Staff costs:		
Salaries and wages	43 132 465	43 505 949
Gratuity	10 168 547	5 077 187
Defined contribution expense	1 739 000	1 842 847
Leave pay	1 641 479	1 110 290
Leave concession	76 000	116 000
Staff welfare	1 732 977	2 052 363
Training	877 717	1 654 586
Total	<u>59 368 185</u>	<u>55 359 222</u>

10 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	
COST / REVALUATION	P	P	P	P	P	P	P	P
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
Additions	812 057	-	-	730 408	181 133	-	517 068	2 240 666
Disposals	-	-	-	-	(104 237)	-	(39 058)	(143 295)
At 31 March 2021	3 705 215	27 800 000	2 650 136	4 227 143	6 782 815	7 286 700	14 645 457	67 097 466
ACCUMULATED DEPRECIATION								
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
Charge for the year	-	494 763	235 209	51 610	347 890	369 295	522 876	2 021 643
Disposals	-	-	-	-	(86 482)	-	(28 876)	(115 358)
At 31 March 2021	-	989 526	1 380 822	2 539 976	4 661 532	4 096 282	11 022 042	24 690 180
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
At 31 March 2021	3 705 215	26 810 474	1 269 314	1 687 167	2 121 283	3 190 418	3 623 415	42 407 286

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

10. PROPERTY AND EQUIPMENT (CONTINUED)

10.1 Land and Buildings

	Land		Building	
	2021 P	2020 P	2021 P	2020 P
Opening carrying amount	13 000 000	13 000 000	14 305 237	14 800 000
Additions	-	-	-	-
Depreciation	-	-	(494 763)	(494 763)
Fair value adjustment	-	-	-	-
Closing carrying amount	<u>13 000 000</u>	<u>13 000 000</u>	<u>13 810 474</u>	<u>14 305 237</u>
Fair value	<u>13 000 000</u>	<u>13 000 000</u>	<u>13 810 474</u>	<u>14 305 237</u>

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 - 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 2021. No valuation was conducted in the reporting period and the organisation has adopted the last valuation amount as the building's initial cost.

A net gain from the revaluation of the office properties in land and buildings of BWP 618 912 and 1 296 104 have been recognised in the other comprehensive income in the 2018 and 2019 financial period respectively. There was no movement in the reporting period.

Significant unobservable valuation input:

Price per square metre

Range

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 13 000 square metres.

10. PROPERTY AND EQUIPMENT (CONTINUED)

10.1 Land and building continued...

Tenancy at plot 8913, Maakgadigau Way, Gaborone West Industrial

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

Valuation

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

	2021	2020
	P	P
11 INTANGIBLE ASSETS		
Computer software:		
Cost		
Balance at the beginning of the year	24 561 563	24 561 563
Additions	<u>820 558</u>	<u>-</u>
Balance at the end of the year	<u>25 382 121</u>	<u>24 561 563</u>
Accumulated amortisation		
Balance at the beginning of the year	8 752 296	6 328 150
Charge for the year	<u>2 438 082</u>	<u>2 424 146</u>
Balance at the end of the year	<u>11 190 378</u>	<u>8 752 296</u>
Carrying amount at the end of the year	<u>14 191 743</u>	<u>15 809 267</u>
12 Leases		
Right of use asset		
PPADB has a lease contract for its office premises in Francistown which expired in September 2020. The lease agreement had no fixed escalation clause.		
	P	P
	2021	2020
Balance as at 1 April 2020		
Application of IFRS 16	210 323	630 970
Depreciation	<u>(210 323)</u>	<u>(420 647)</u>
Balance at the reporting date	<u>-</u>	<u>210 323</u>
Cost at the reporting date	630 970	630 970
Accumulated depreciation at the reporting date	<u>(630 970)</u>	<u>(420 647)</u>
Carrying amount at the reporting date	<u>-</u>	<u>210 323</u>
Lease Liability		
	P	P
	2021	2020
Balance as at 1 April 2020		
Application of IFRS 16	229 359	630 970
Interest	-	41 013
Repayment of lease	<u>(229 359)</u>	<u>(442 624)</u>
	<u>-</u>	<u>229 359</u>
Lease liabilities are presented in the statement of financial position as follows:		
Current	-	229 359
Non current	<u>-</u>	<u>-</u>
	<u>-</u>	<u>229 359</u>
The maturity analysis of contractual undiscounted cash flows at the reporting date are as follows:		
Within one year	-	221 312
Within two to five years	<u>-</u>	<u>-</u>
	<u>-</u>	<u>221 312</u>
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	229 35	442 624

The Francistown office accommodation lease came to an end on 30th September 2020 and PPADB requested for a six (6) month lease extension. The extension was as a result of the ongoing tender process for securing office accommodation which was finalised subsequent to the reporting date. The six-month lease was accounted for as a short term in profit or loss.

13 TRADE AND OTHER RECEIVABLES

	P 2021	P 2020
Trade receivables	744 208	385 942
Trade receivables - Old receivable	2 850	-
Other receivables - Guaranteed loans defaults	131 622	131 622
Expected credit losses	<u>(135 372)</u>	<u>(132 522)</u>
	743 308	385 042
Staff advances	2 489 698	3 171 687
BHC Deposit	<u>8 020</u>	<u>8 020</u>
	3 241 026	3 564 749
Prepayments	<u>1 571 161</u>	<u>2 945 124</u>
	<u>4 812 187</u>	<u>6 509 873</u>
Reconciliation of expected credit losses		
Opening balance	132 522	144 362
Expected credit loss for the year	2 850	-
Debt written off against receivables	-	<u>(11 840)</u>
Balance at the end of the year	<u>135 372</u>	<u>132 522</u>

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 5(J) for further details.

There was no movement on allowance for credit losses during the reporting period.

The expected credit loss 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 these advances.

Receivables staging

Stage 1				457 025	385 942
Stage 2				286 283	-
Stage 3				135 372	131 622
				878 680	517 564

Stage 1 relates to customers below 90 days which are considered to highly recoverable. Stage 2 relates to customer balances greater than 90days but less than 365 days. Stage 3 relates to customer balances over 1 years for which there is little hope of recovery.

2021

Provision matrix	>60 - 90 days	>90 days
Expected credit loss rate	0%	32%
Carrying amount at default	457 025	421 655
Expected credit loss	-	135 372

2020

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

14 CASH AND CASH EQUIVALENTS

Cash in hand	7 307	4 918
Bank balances	6 186 580	18 282 473
Vunani Money Market Fund	<u>24 828 600</u>	<u>18 603 122</u>
	<u>31 022 487</u>	<u>36 890 513</u>

Bank balances include an overdraft on the current account of P1 970 099 (2020 : nil) which has been offset against other bank balances in order to reflect the substance of the transactions. PPADB has a sweeping arrangement to transfer cash from its call account to its current account to fund its operations.

	<u>2021</u> P	<u>2020</u> P
15 CAPITAL GRANTS		
Balance at beginning of year	55 211 528	57 729 726
Capital grants received	5 006 958	2 087 578
- Funds used to purchase property and equipment (Note 10)	2 240 666	2 087 578
- Funds used to purchase intangible assets (Note 11)	820 558	-
- Deferred capital grant**	1 945 734	-
Amortisation of capital grants (Note 6)	<u>(4 896 074)</u>	<u>(4 605 776)</u>
Balance at end of year	<u>55 322 412</u>	<u>55 211 528</u>

The deferred capital grants are presented on the statement on the statement of financial position as follows;

	<u>2021</u> P	<u>2020</u> P
Current*	4 900 000	4 896 074
Non current	50 422 412	50 315 454
Total	<u>55 322 412</u>	<u>55 211 528</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 Ministry of Finance and Economic Development.

Amortisation is calculated by applying the depreciation rates to the initial carrying amount of assets financed through the government grant. The same amount expensed through profit and loss in the statement of profit and loss is credited as amortisation.

**As at the end of the financial period the Board took a decision to purchase three motor vehicle with the aim of replacing the old fleet which were purchased as far back as 2012 with a life expectancy period of 8 years and having reached their allocated useful economic lives. The award of the tender to purchase three vehicles was communicated to the successful bidder by year end. Also with the aim of improving staff welfare as well as replacing old furniture the Board took a decision to purchase ergonomics chairs for all staff during the reporting period and the tender was awarded to the successful bidder by year end. As at year end these items were not yet delivered owing to COVID-19 pandemic challenges that included movements restrictions.

*As part of PPADB's continuous IFRS compliance assessment, the deferred capital grant has been presented under noncurrent liabilities and current liabilities, with the current portion being management's estimate of the capital portion to be amortised over the next 12 months. The prior year capital grants balance has been restated to align with the current classification. The impact of the restatement is a follows:

Impact on the statement of financial position	Per prior year financial statement	Restated
	2020	2020
	P	P
Non-current liabilities		
Capital grants	55 211 528	50 315 454
Current liabilities		
Capital grants	-	4 896 074

The reclassification has no impact on the statement of comprehensive income, statement of changes in funds or statement of cashflows.

	<u>2021</u> P	<u>2020</u> P
16 TRADE AND OTHER PAYABLES		
Trade payables	783 896	4 289 207
Other accruals	1 479 230	682 718
Other payables	<u>37 508</u>	<u>676 304</u>
	2 300 634	5 648 229
Gratuity pay accruals	11 954 459	9 047 904
Leave pay accruals	4 110 416	3 857 545
Severance accrual	<u>304 074</u>	<u>2 72 455</u>
	<u>18 669 583</u>	<u>18 826 133</u>

Note 16.1

Note 16.2

	2021	2020
	P	P
16.1 GRATUITY		
Opening balance	9 047 904	6 402 990
Accrual for the year	10 168 547	5 077 187
Amounts paid during the year	<u>(7 261 992)</u>	<u>(2 432 273)</u>
Closing balance	<u>11 954 459</u>	<u>9 047 904</u>
16.2 LEAVE PAY ACCRUALS		
Opening balance	3 857 545	3 393 242
Leave pay accrual	1 641 479	1 110 290
Amounts paid during the year	<u>(1 388 608)</u>	<u>(645 987)</u>
Closing balance	<u>4 110 416</u>	<u>3 857 545</u>
17 PROJECT FUNDS		
Head office refurbishment	2021	2020
Financed by operational budget	P	P
Capital expenditure	812 057	-
	<u>(812 057)</u>	-
	<u>-</u>	<u>-</u>

During the financial year 2018/2019 PPADB engaged with the parent Ministry of Finance and Economic Development (MFED) to refurbish the head office building in Gaborone at plot number 8913. To date, the civil and structural assessment and tender management phases have been completed at a total amount of P3 705 215 which is reported under work-in-progress. In the financial year 2020/2021 an amount of P812 057 was spent as part of the project.

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 9 for pension contributions paid.

19 FINANCIAL RISKS MANAGEMENT

Carrying amount of financial assets by categories

YEAR ENDED 31 MARCH 2021

Figures in BWP

	At Amortised cost
Trade and other receivables excluding non-financial assets (Note 13)	3 241 026
Cash and cash equivalents (Note 14)	<u>31 022 487</u>
Components listed separately on the statement of financial position	<u>34 263 513</u>

Carrying amount of financial assets by categories

YEAR ENDED 31 MARCH 2020

Figures in BWP

	At Amortised cost
Trade and other receivables excluding prepayments (Note 13)	3 564 749
Cash and cash equivalents (Note 14)	<u>36 890 513</u>
Components listed separately on the statement of financial position	<u>40 455 262</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 2021

Figures in BWP

	At Amortised cost	Total
Trade and other payables excluding non-financial liabilities (Note 16)	<u>2 300 634</u>	<u>2 300 634</u>

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 liabilities (Note 12)	<u>229 359</u>	<u>229 359</u>
	<u>5 877 588</u>	<u>5 877 588</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. Most of the service level agreements had expired as at year end.

	<u>2021</u> P	<u>2020</u> P
Within one year	228 154	4 346 307
After one year but not more than five years	315 739	-

19.2 Land transfer

At the reporting date the land negotiations for the land on plot 8913, Maakgadigau, Gaborone with BR Properties (Pty) Ltd and Botswana Unified Revenue Services (BURS) were sealed. BURS was the initial owner of this portion of land hence its presence in the matter. The land that was under negotiations measured up to 2400 square metres and currently forms part of PPADB property. BR Properties (Pty) Ltd was given a portion of land to expand its railway line and had 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 shortterm 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 P158 222 (2020 P154 844). 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).

20 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).

21 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>2021</u>	<u>2020</u>
	P	P
Funding received:		
Annual Government subvention (Note 6)	60 302 091	7 4021 400
Expenditure - key management personnel:		
Directors' emoluments - fees	598 050	575 820
- for managerial services	2 633 995	2 886 014
- gratuity	<u>436 496</u>	<u>403 508</u>

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

22 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 31st March 2020. The World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic on the 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.

COVID - 19 largely negatively impacted on the Board's operations of the reporting period. The Board experienced a budget cut of P13,7 Million from the initial approved ceiling of P74 Million to P60,3m from the Government. Most planned activities of the Board such as capacity building workshops, Integrated Procurement Management System (IPMS) implementation activities, devolution and site visits could not be undertaken 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 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.

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 post balance 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.

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.

The Directors have considered the following in its assessment of the impact of COVID-19 on PPADB thus far and prospectively:

Subventions from Government

The pandemic continues to loom over and causing lots of uncertainties on future subventions. The Board's subvention ceiling has been reduced from P74 021 400 to P60 302 091 resulting in 18.5% cut. PPADB received the subvention for the first quarter of the year ending 31 March 2022 in May 2021 and the Directors remain optimistic and focused on ensuring the fulfilment of the PPADB mandate and will continue to leverage on the momentum attained during the lockdown period.

22 EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Demand for services

The Board continues to provide services to the general public during the normal periods and lockdown periods through the Integrated Procurement Management System (IPMS) an online system introduced to the bidding community and all PPADB customers and stakeholders. During the reporting period the Board invested on home internet for staff as well as providing almost all PPADB staff with laptops so as to facilitate the working from home initiative. The organisation developed the PPADB Covid - 19 guidelines to guide in the implementation of the working from home initiative. The current arrangement of the working from home initiative is that at all times, 50% of PPADB staff should work from home and another 50% should work from office.

Contractual modifications

There were no significant contract modifications that took place in the reporting periods.

Supply chain

No major outages of the IPMS system were experienced during the reporting period as a result of unavailability of system support and supply chain delays.

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 2021/2022.

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.

Transformation - PPADB

The Ministry of Finance and Economic Development is responsible for public procurement policy direction as currently led by the Public Procurement and Asset Disposal Board (PPADB). The Ministry has embarked on reform of the public procurement system. The public procurement reform includes the review of the Public Procurement and Asset Disposal Act, which started in 2011.

The new bill will be called "Public Procurement Bill" and it will apply to all governing public procurement across all entities owned/funded by government. The new bill was approved by parliament of Botswana at its 2021 winter session of July to August 2021.

The proposed reform is to transform the current PPADB and establish it into a regulatory authority. Adjudication functions of the Board and its Committees will be fully devolved to procuring entities. The Independent Complaints Review Committee (ICRC) will be transformed into a Procurement Tribunal to enhance its legal capacity, autonomy and to ensure expeditious resolution of tender appeals or disputes. Asset disposal will be moved to the Public Finance Management Act (PFMA). The new law will be in operation with effect from 1st April 2022.



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