

### 3.0 Management Letter

The following were some of the significant matters raised by the auditors and the management responses thereto:

#### 3.1 VAT Returns - Prior Year Issue Unresolved

The auditors observed that zero rated and exempt sales were not being recorded on the VAT returns. As a result sales per the VAT returns were less than the ledger by P2.22 million. Further, it was noted that the VAT returns were not reconciled to the ledger on a monthly basis and that the VAT liability as per the VAT return did not agree with VAT payable as per the ledger by P150 372.

Management noted the comment and stated that they were working around the clock to ensure compliance to the tax act and had to this end sought advice from experts in order to mitigate harsh penalties for late payments of taxes.

#### 3.2 Central Medical Stores Receivable - Prior Year Issue Unresolved

The auditors observed that Central Medical Stores (CMS) was disputing some invoices issued to them and were not paying. At year-end a balance of P6.37 million was reflected as owed by CMS, but they only confirmed a balance of P4.03 million. This was highlighted as one of the issues that contributed to the company being under severe cash flow constraints as it was not receiving a major portion of the invoices to CMS.

In responding for the current year, management stated that the issue was resolved during the audit because the receivable that was coming from 2015 had been written off.

#### 3.3 Lease Agreements

The auditors observed that the entity was making monthly lease payments to related party, i.e. Botswana Postal Services. Documentation relating to these leases was provided but was however not signed by the other party. The auditors indicated that the company's interest would not be protected in the event of non-compliance with lease terms. This may result in potential misunderstandings because of lack of documentation to refer to.

Management responded by committing to resolving the issue by 31 December 2018.