



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**

# **MINISTRY OF FOREIGN AFFAIRS**

**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011**

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**REPUBLIC OF NAMIBIA**



**TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY**

I have the honour to submit herewith my report on the accounts of the Ministry of Foreign Affairs for the financial year ended 31 March 2011 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

**WINDHOEK, March 2012**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL  
ON THE ACCOUNTS OF THE  
MINISTRY OF FOREIGN AFFAIRS  
FOR THE FINANCIAL YEAR ENDED  
31 MARCH 2011**

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**1. INTRODUCTION**

**1.1 Report**

This report on the accounts of the Ministry of Foreign Affairs for the financial year ended 31 March 2011 is presented to the National Assembly in accordance with the terms of Article 127(2) of the Constitution of the Republic of Namibia and Section 27(1) of the State Finance Act, 1991 (Act 31 of 1991), as amended.

**1.2 Powers and duties**

Section 25(1)(c) of the State Finance Act, 1991, provides that the Auditor-General should satisfy himself that:

- (a) all reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;
- (b) all reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and
- (c) the expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, the State Finance Act, 1991, Section 26(1)(b)(iv) empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

**2. FINANCIAL STATEMENTS**

The appropriation accounts were submitted to the Auditor-General in terms of Section 13 of the State Finance Act, 1991.

The financial statements, notes to the financial statements and general information supplied by the Accounting Officer are attached as annexure A to this report.

**3. SCOPE OF THE AUDIT**

The Accounting Officer of the Ministry in co-operation with the Permanent Secretary of the Ministry of Finance is responsible for the preparation of the financial statements and for ensuring the regularity of the financial transactions therein. It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly.

The audit included:

- (a) examination on a test basis of evidence relevant to the amounts, disclosure and regularity of financial transactions included in the financial statements; and
- (b) evaluation of the overall adequacy of the presentation of information in the financial statements.

**3.2** The audit was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence to give reasonable assurance that:

- (a) the financial statements are free from material misstatement, whether caused by error, fraud or other irregularity;
- (b) in all material respects, the expenditure and income have been applied to the purposes intended by the legislature; and
- (c) the financial transactions conform to the authorities that govern them.

## **4 AUDIT OBSERVATIONS**

### **4.1 MAIN ISSUES/FINDINGS IDENTIFIED BY THE AUDIT**

#### **4.1.1 Expenditure**

The under-mentioned unauthorised expenditure occurred during the financial year and is reported as such in terms of Section 27(6)(a) of the State Finance Act, 1991 (Act 31 of 1991):

- (i) The total budget of the Ministry was exceeded by an amount of N\$ 35 676 897.66 (7.06%). This amount is unauthorised in terms of Section 6(a)(i) of the Act. The Accounting Officer explained the reasons for the excess expenditure in Annexure A.
- (ii) Two (2) main divisions was exceeded with a total amount of N\$ 39 889 254.21. This amount is unauthorised in terms of Section 6(a) (ii) of the Act.
- (iii) Although Treasury approvals were obtained to utilise certain expected savings for the defrayal of excess expenditure through virements during the year, seventeen (17) operational subdivisions were exceeded by an amount totalling N\$ 67 791 664.79, which is unauthorised in terms of Section 6(a) (iii) of the Act.

#### **4.1.2 Revenue**

The Accounting Officer could not submit the required summary documents to enable the auditors to verify the correctness of the actual revenue received. No summary cash-books or registers are compiled from the financial returns received from the respective Missions.

It is recommended that a summary cash-book or register be implemented at head office for recording of revenue purposes.

### 4.1.3 Suspense accounts

Nine (9) suspense accounts had balances at 31 March 2011, seven (7) with debit and two (2) with credit balances.

The following suspense accounts had outstanding balances of more than N\$100 000.00:

Description	Debit	Credit
	N\$	N\$
Foreign Missions Bank Account	31 466 892.01	-
Subsistence Advance Suspense Account	242 438.27	-
Bills Payable	-	1 010 889.07

The Ministry is commended for reconciling the Suspense Account but attention should be focussed on the Foreign Missions Bank Account suspense account's reconciliation.

## 5. ACKNOWLEDGEMENT

The co-operation and assistance of the management and staff of the Ministry of Foreign Affairs during the audit is appreciated.

## 6. AUDIT OPINION

I certify that I have audited the financial statements of the Ministry of Foreign Affairs for the financial year ended 31 March 2011 in accordance with the terms of Article 127(2) of the Namibian Constitution and Section 25(1) of the State Finance Act, 1991 (Act 31 of 1991).

Without qualifying my opinion, I draw attention to paragraph 4.1.1-Unauthorised expenditure. In my opinion the financial statements fairly represent the receipts and payments of Vote 7 for the year ended 31 March 2011 and in all material respects the receipts and payments have been applied for the purposes intended by the National Assembly and conform to the authorities which govern them.

**JUNIAS ETUNA KANDJEKE**  
AUDITOR-GENERAL

**OFFICE OF THE AUDITOR-GENERAL**  
269 Independence Avenue  
Private Bag 13299  
WINDHOEK/ NAMIBIA

## ANNEXURE A

## 1. FINANCIAL STATEMENTS

## 1.1 Appropriation account

Service	2010/2011				2009/2010	
	Authorized expenditure	Actual expenditure	Variations		Actual expenditure	
			Under-expenditure/ (Excess)	Percentage		
N\$	N\$	N\$	N\$	%	N\$	
<b>01. Office of the Minister:</b>						
Original budget	4 778 000					
Plus: Virement	300 000	5 078 000	5 093 240.99	(15 240.99)	(0.30)	4 394 524.79
<b>02. Administration:</b>						
Original budget	70 515 000					
Less: Virement	(43 557 932)	26 957 068	25 959 408.77	997 659.23	3.70	28 566 544.98
<b>03. Regional and Bilateral Affairs:</b>						
Original budget	8 638 000					
Less: Virement	(370 000)	8 268 000	7 415 772.45	852 227.55	10.31	6 681 369.70
<b>04. Multilateral Policy Co-Ordination:</b>						
Original budget	22 318 000					
Less: Virement	(5 320 000)	16 998 000	14 961 974.78	2 036 025.22	11.98	17 377 041.16
<b>05. Protocol and Consular:</b>						
Original budget	8 971 000	8 641 000	8 314 555.45	326 444.55	3.78	8 386 106.04
Less :Virement	(330 000)					
<b>06. Missions:</b>						
Original budget	390 260 000					
Plus: Virement	49 277 932	439 537 932	479 411 945.22	(39 874 013.22)	(9.07)	371 859 835.88
<b>Total:</b>		<b>505 480 000</b>	<b>541 156 897.66</b>	<b>(35 676 897.66)</b>	<b>(7.06)</b>	<b>437 265 422.55</b>

## ANNEXURE A (continued)

## 1.2 Standard subdivisions

Subdivision	2010/2011			2009/2010
	Authorized expenditure	Actual expenditure	Under-expenditure/ (Excess)	Actual expenditure
	N\$	N\$	N\$	N\$
<b>Operational:</b>				
<b>Current expenditure: Personnel</b>				
001. Remuneration	185 451 000	158 933 841.14	26 517 158.86	150 697 872.57
002. Employer's contribution to the G.I.P.F	7 607 000	7 049 026.60	557 973.40	6 261 522.19
003. Other conditions of service	9 486 000	23 815 364.88	(14 329 364.88)	19 763 769.41
<b>Total</b>	<b>202 544 000</b>	<b>189 798 232.62</b>	<b>12 745 767.38</b>	<b>176 723 164.17</b>
<b>Current expenditure: Goods and other services</b>				
021. Travel and subsistence expenses	17 783 862	21 563 612.23	(3 779 750.23)	21 443 379.49
022. Materials and supplies	4 670 862	3 366 318.25	1 304 543.75	3 218 880.71
023. Transport	11 308 000	16 806 581.54	(5 498 581.54)	14 462 922.01
024. Utilities	11 428 000	19 184 105.93	(7 756 105.93)	16 570 196.61
025. Maintenance expenses	4 245 000	7 787 236.71	(3 542 236.71)	7 725 251.43
026. Property rental and related charges	46 013 000	59 428 719.24	(13 415 719.24)	53 637 846.28
027. Other services and expenses	5 480 862	10 509 945.93	(5 029 083.93)	14 786 819.41
<b>Total</b>	<b>100 929 586</b>	<b>138 646 519.83</b>	<b>(37 716 933.83)</b>	<b>131 845 295.94</b>
<b>Current expenditure: Membership fees and subscriptions</b>				
041. International	10 884 000	10 115 216.35	768 783.65	12 268 014.64
<b>Total</b>	<b>10 884 000</b>	<b>10 115 216.35</b>	<b>768 783.65</b>	<b>12 268 014.64</b>
<b>Current expenditure: Subsidies, grants and other transfers</b>				
043. Government organisations	1 641 000	4 182 183.52	(2 541 183.52)	2 745 476.67
<b>Total</b>	<b>1 641 000</b>	<b>4 182 183.52</b>	<b>(2 541 183.52)</b>	<b>2 745 476.67</b>
<b>Total: Current expenditure</b>	<b>315 998 586</b>	<b>342 742 152.32</b>	<b>(26 743 566.32)</b>	<b>323 581 951.42</b>
<b>Capital expenditure: Acquisition of assets</b>				
101. Furniture and office equipment	4 244 414	10 828 021.15	(6 583 607.15)	5 885 554.21
102. Vehicles	4 680 000	7 838 544.31	(3 158 544.31)	4 793 175.64
<b>Total</b>	<b>8 924 414</b>	<b>18 666 565.46</b>	<b>(9 742 151.46)</b>	<b>10 678 729.85</b>
<b>Total operational expenditure</b>	<b>324 923 000</b>	<b>361 408 717.78</b>	<b>(36 485 717.78)</b>	<b>334 260 681.27</b>
<b>Development</b>				
<b>Capital expenditure: Acquisition of assets</b>				
103. Operational equipment, machinery and plant	-	-	-	-
105. Feasibility studies, design and supervision	-	-	-	-
107. Construction, renovation and improvements	855 068	855 067.20	0.80	2 664 583.54
134. Abroad	179 701 932	178 893 112.68	808 819.32	100 340 157.74
<b>Total: Development expenditure</b>	<b>180 557 000</b>	<b>179 748 179.88</b>	<b>808 820.12</b>	<b>103 004 741.28</b>
<b>GRAND TOTAL</b>	<b>505 480 000</b>	<b>541 156 897.66</b>	<b>(35 676 897.66)</b>	<b>437 265 422.55</b>

## ANNEXURE A (continued)

## 1.3 Departmental revenue

Revenue for the year is as follows:

Revenue heading	Estimate	Actual revenue 2010/2011	More /(Less) than estimated	Actual revenue 2009/2010
	N\$	N\$	N\$	N\$
Private telephone calls	15 000	24 308.55	9 308.55	27 942.46
Unclaimed cheques	1 000	128 184.47	127 184.47	606.77
Miscellaneous	700 000	999 578.10	299 578.10	601 609.88
Interest on investments	100 000	140 024.92	40 024.92	318 585.66
House rent: Foreign Missions	400 000	1 280 839.86	880 839.86	403 343.02
<b>Total</b>	<b>1 216 000</b>	<b>2 572 935.90</b>	<b>1 356 935.90</b>	<b>1 352 087.79</b>

**Miscellaneous revenue:**

Miscellaneous revenue was compiled as follows:

Description	Amount
	N\$
Berlin (VAT refund )	501 873.85
Brussels ( Selling of old residence)	443.54
Dar Es Salaam (VAT refund/ Refund of car rentals/S &T)	48 310.25
Gaborone (Petrol refund/Driver's License refund)	12 735.30
Havana (Refund of air ticket and telephone line deposit)	9 943.81
Kuala Lumpur ( Refund of tax on fuel)	20.66
London (Unknown)	317.21
Moscow ( wrong deposits of visas fees/ transfer of funds)	6 584.58
New York- Refund of air ticket : First Lady Pohamba	113 543.08
Paris ( Unclaimed cheques)	3 912.44
Pretoria ( VAT refund/ Refund of 5% medical aid)	108 183.25
Washington D. C. ( Police clearance certificate)	714.30
Vienna- (Refund of security deposit for old Chancery)	170 717.13
Payroll- H P Shikongo salary (April 10- March 11)	12 000.00
Payment for arrear medical aid – Amb. Mbuende Kaire	1 470.00
Salary recall –Muundjua J	316.11
Gaingob L	285.50
Gaingob L	9 984.77
Salary reversal for arrear pension	(1 777.68)
<b>Total</b>	<b>999 578.10</b>



## 1.4 Notes to the financial statements

### 1.4.1 Appropriation account: Explanations of variations exceeding 2% between the authorised and actual expenditure.

#### (i) Over-expenditure

##### Main division 06 –Missions (N\$ 39 874 013.22 – 9.07%)

During the year under review, the Main Division over utilized by 9.07% of the budget (N\$ 439 537 932) which resulted in an over-expenditure of N\$ 39 874 013.00. In pursuit of the achievement of Namibia's foreign policy, Namibia maintains diplomatic relations with other countries and organisation through 28 Mission located in 26 countries throughout the world. The bulk of its expenditure is incurred in foreign currencies, but budgetary provision is in Namibia Dollars. Expenditure is processed using the major currencies mainly because of the non-availability of local currencies. The conversion of the Namibia Dollar to the major currencies and the conversion of the major currencies results in either foreign exchange gains or losses.

Missions' budget allocation for the 2010/2011 financial year has decrease in real terms, due to the inflation adjustment, foreign exchange rate implications and the additional Missions which has inflated the budget. The Mission implemented cost-saving measures especially in the areas of entertainment, catering, travel, telecommunications as well as downscaling on the infrastructure.

About 80% of the Ministry's budget is spent at Mission abroad and is therefore subjected to international currency fluctuations. The depreciation of the value of the Namibia dollar against major currencies, such as the USA Dollar, Pound and Euro, has resulted in the over-expenditure. When the Missions experience a significant movement of the Namibia Dollars against major currencies, i.e.in the event of foreign exchange rate loss, the Ministry is required to fund such foreign exchange rate losses from its allocated resources or recognize the loss in the Financial Statement as an unauthorised expenditure.

Unforeseen recall and transfer of staff and their dependants between Headquarters and Missions contributed to the over-expenditure on both 021-Travel and Subsistence (air tickets and accommodation) and 023-Transport (sea freight).

Transport was over spent due to the transport of personal effects of the staff from the Mission to Head Office and vice-versa. The increasing oil and gas prices also contributed to the over-expenditure.

Over-expenditure on Utilities was due to high utility cost especially electricity and gas in Europe and the United States, particularly during extreme winter conditions in the Northern hemisphere. High telecommunication cost which have been realized in some missions also contributed to the over-expenditure.

Over-expenditure on Maintenance expense was due to inevitable and unforeseen maintenance expenses which had to be incurred because of the age of some equipment at the Missions.

Escalating rental at Missions and additional properties which has to be rented for the Embassy staff contributed to the over-expenditure on Property rental and related charges. The Ministry managed lease agreements for the renting of chanceries, residences and staff housing where no State owned accommodation is available in a specific Country. The budget of the Missions included amongst others the amount for rental payments in advance especially in Asia and Middle East regions where rentals are paid in advance for periods from one year to up to three years. The Ministry therefore budgets for these amounts in the financial year in which they will be paid.

Over-expenditure was due to the fact that some Missions are obliged to pay social security contributions for locally recruited staff employed abroad. There was an unexpected increase in the rates paid to those organizations resulting in over-expenditure. These increases are determined by the receiving State and are beyond the Ministry's financial control.

**(ii) Underexpenditure**

**Main division 02 –Administration (N\$ 997 659.23 – 3.70%)**

The underexpenditure on personnel expenditure was due to vacancies not filled during the financial year under review. Another contributing factor was the movement of staff from Headquarters to the Missions. Underexpenditure was also registered on Rental and Related charges due to the fact that the Ministry planned to rent more storage facilities and to renovate the current storage facilities. However, due to staff movement it could not realize.

**Main division 03 –Regional and Bilateral Affairs (N\$ 852 227.55 – 10.31%)**

The underexpenditure on personnel expenditure was due to vacancies not filled during the financial year under review. Other underexpenditure was under DSA, due to the fact that staff under this programme undertook fewer trips than originally expected.

**Main division 04 –Multilateral Policy Co-Ordination (N\$ 2 036 025.22 –11.98%)**

The underexpenditure on personnel expenditure was due to vacancies not filled during the financial year under review. Another contributor is the movement of the staff from Headquarters to the Missions. Budget provisions were made under this main division but during the financial year staff members were posted and the related expenditure were defrayed from the Missions main division.

Furthermore, the underexpenditure was a result of the International Organization's membership fees that are being determined every year by the International Organizations to which the Ministry is a member. The amounts that each member Country has to pay are determined by an assessed formula to which the Ministry has no control over. Therefore, the assessments of our contributions were less than estimated. The membership fees for every year are always received after the budget is already finished. Hence, the estimation of the membership fees cannot be exact. Virements have been affected but it is difficult to virement the exact excess funds away from the main division as Ministries have to adhere to the deadline for submissions of virements while invoices are received after this process has taken place. This time difference between the processes resulted in the underexpenditure on this specific budget item.

**Main division 05 –Protocol and Consular (N\$ 326 444.55 –3.78%)**

The underexpenditure on personnel expenditure was due to vacancies that were not filled during the financial year under review. The activities of the Protocol Division depend on the programs of the President, Prime Minister, First Lady and other dignitaries. The Ministry recorded less activity during the financial year under reviewing which resulted in an underexpenditure under transport and DSA at this Main Division. Provision for resignations was made, but no resignations were received. Other underexpenditure was under DSA; this was due to the fact that staff members sometimes travel with the Presidential jet, therefore underexpenditure on the air tickets were realized.

**1.4.2 Departmental revenue: Explanations of deviations of N\$ 100 000 and above.**

**(i) Under estimation**

**Unclaimed cheques**

These cheques were issued during the previous financial year which expired before being banked and were recognized as revenue in the statement of the financial performance when the cheques became stale. During the financial year under review many cheques were not cashed. Hence more revenue was collected than estimated.

## House Rent Foreign Mission

A significant amount was collected through House rent from Ministerial staff members who are occupying houses abroad. The increase was due to the fact that the previous percentage charge on these rents was increased from 2% and 4% to 6% and 8% depending on the number of rooms in the house that the staff member is occupying.

## 2. GENERAL INFORMATION

### 2.1 Bank accounts

Statements of bank accounts held by the Namibian missions abroad with commercial banks were audited. Some missions have two accounts, one for local currency and one for foreign currency. The following are balances at 31 March 2011:

Mission	Name of bank account	Balance at 31 March 2011 converted
		N\$
India - New Delhi	USD external account	1 979.76
	Rupee account	98 205.07
DRC - Kinshasa	USD account	380 604.80
	FC account	14 043.52
USA - Washington	Checking account	176 832.93
	Saving account	701 290.00
Cuba - Havana	USD account	41 528.49
	Euro account	359 260.78
	CUC account	227 522.64
England - London	Current account	484 515.31
South Africa – Pretoria	Current account	1 236 238.30
-Cape Town	Current account (new)	8 616 025.61
Sweden - Stockholm	Operational account	679 594.93
Botswana - Gaborone	USD account	1 003 061.78
	Current account	588 624.21
France - Paris	Operational account/ Current account	2 578 670.98
Austria - Vienna	Operational account	34 813 429.22
Germany - Berlin	Current account	219 911.90
Brazil - Brasilia	USD Capital account	18 538.68
	USD Operational account	34 344.74
	Reais account	78 514.35
Belgium - Brussels	Current account	19 037 305.84
China – Beijing	USD account	395 525.28
	RMB account	22 649.20
Zimbabwe - Harare	Current account	32 700.13
Nigeria - Abuja	NGN current account	46 711.13
	USD current account	1 063 129.36
Zambia - Lusaka	USD account	(21 370.13)
	Kwacha account	248 766.99
Russia - Moscow	Current account	1 594 838.43
	Rouble account	142 641.92
Angola - Luanda	USD Capital account	785 628.99
	USD Operational account	302 229.04

## ANNEXURE A (continued)

Mission	Name of bank account	Balance at 31 March 2011 converted
		N\$
UN – New York	Kwanza account	3 678.39
	USD capital account	7 068 551.92
	USD operational account	1 476 511.61
Egypt - Cairo	USD account	145 834.02
	EGP account	326 483.69
Tanzania - Dar Es Salaam	USD account	787 919.25
	TZS account	55 873.88
Ethiopia - Addis Ababa	USD account	1 274 254.05
	Birr account	160 332.66
Malaysia- Kuala Lumpur	USD account	854 704.58
	RM account	1 333 341.08
Switzerland- Geneva	Current account (new)	515 818.17
Japan –Tokyo	¥Account (new)	901 313.25
Angola- Ondjiva	USD account (new)	US\$ 85 584.24

## 2.2 Financial aid

Financial aid to a total amount of N\$ 10 115 216.35 was given to the following institutions during the financial year under review:

Beneficiary	Amount
	N\$
UN Regular budget	1 292 698.81
Commonwealth foundation	165 269.34
UN Peacekeeping operations	1 111 649.14
CTBTO	43 728.43
African Union	6 101 504.03
ACP Secretariat	1 035 093.33
Group of 77	34 571.50
Miscellaneous	330 701.77
<b>Total</b>	<b>10 115 216.35</b>

## 2.3 Development projects

The following were development projects of the Ministry:

Nature of project	Approved total budget	Approved appropriation 2010/2011	Total expenditure up to 31/03/2010	Actual expenditure 2010/2011	Total expenditure up to 31/03/2011	Expected year of completion
	N\$	N\$	N\$	N\$	N\$	
Purchase of diplomatic premises abroad	420 771 000	179 701 932	338 018 228.54	178 893 112.68	516 911 341.22	31/03/2013
Renovation of Head Quarters	7 010 000	(79 260)	6 520 083.44	855 067.20	7 375 150.64	31/03/2013
	<b>427 781 000</b>	<b>179 622 672</b>	<b>344 538 311.98</b>	<b>179 748 179.88</b>	<b>524 286 491.86</b>	

**ANNEXURE A (continued)****2.4 Vehicle**

The Accounting Officer reported nine (9) vehicle accidents to the amount of N\$ 86 903.16 during the year under review. Five (5) of the vehicles were repaired at a total cost of N\$ 30 123.81.

**2.5 Study assistance**

The Accounting Officer reported that the Ministry assisted thirty nine (39) staff members as part of the capacity building programme to a total amount of N\$ 205 580.88.

**2.6 Tender Board exemption**

Tender board approved an annual exemption number E1/28-1/2010 from normal tender procedures to the value of N\$ 120 379 000.00 for goods and services required during the 2010/2011 financial year.

\*The exempted amount comprises as follows:

<b>Service</b>	<b>Exempted amount</b>
	N\$
Travel and subsistence expenses	17 952 000
Materials and Supplies	5 163 000
Transport	8 378 000
Utilities	7 528 000
Maintenance expenses	4 645 000
Property rental and related charges	46 182 000
Other Services and expenses	6 288 000
Membership fees & subscription	14 884 000
Subsidies, Grants, Contributions	1 691 000
Furniture and office equipment	2 988 000
Vehicles	4 680 000
<b>Total</b>	<b>120 379 000</b>

**WINDHOEK, 2011-10-06**

**VEICCOH NGHIWETE  
ACCOUNTING OFFICER**