



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MINISTRY OF FOREIGN AFFAIRS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

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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 2012 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 2013

**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 2012**

1. INTRODUCTION

1.1 Report

This report on the accounts of the Ministry of Foreign Affairs for the financial year ended 31 March 2012 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 total budget of the Ministry was underspend with an amount of N\$ 2 278 894.45 (0.41%). However, the following 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) Three (3) main divisions were exceeded with a total amount of N\$ 1 688 534.18.18. This amount is unauthorised in terms of Section 6(a) (ii) of the Act.
- (ii) Although Treasury approvals were obtained to utilise certain expected savings for the defrayal of excess expenditure through virements during the year, nine (9) operational subdivisions were exceeded by an amount totalling N\$ 10 417 560.29, which is unauthorised in terms of Section 6(a)(iii) of the Act.

4.1.2 Budget

The original budgeted figures for the following main divisions do not agree to the Appropriation account:

Main division	Budget	Appropriation account
	N\$	N\$
02- Administration	30 786 000	77 695 000
06- Missions	472 412 000	425 503 000

The Ministry explained that the budget reflects the correct figure. It was further explained that during the 2010/11 financial year an amount of N\$ 42 809 000 was viremented for the construction of the VIP lounge at Hosea Kutako Airport. The understanding was that the funds would be returned during the 2011/12 financial year. Approval was granted, however the project was put on hold by Cabinet.

The total amount viremented back amounted to N\$ 42 859 000.

4.1.3 Virement

The approved virements for the following main divisions as reflected in the general ledger did not agree for the third consecutive year with the appropriation account as shown in the table below:

Main division	Approved Authorisation	Processed to Appropriation Account	Difference
	N\$	N\$	N\$
02 – Administration	(46 564 771)	(46 562 351)	(2 420)
06 – Missions	51 339 050	51 161 629	177 421

It is once again recommended that regular reconciliations are carried out to ensure correctness of records.

4.1.4 Suspense accounts

Five (5) suspense accounts had balances at 31 March 2012, of which four (4) with debit and one (1) with a credit balance.

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	313 250.07	-
Bills Payable	-	621 125.59

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

5. ACKNOWLEDGEMENT

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

6. EMPHASIS OF MATTER

Without qualifying my opinion, attention is drawn to the management on the following matters that relate to my responsibility in the audit of the financial statements:

- a) Paragraph 4.1.1 – Expenditure: The total budget of the Ministry was underspend with an amount of N\$ 2 278 894.45 (0.41%).
- b) Paragraph 4.1.2 – Virements: Differences noted between virements authorized by Treasury and those processed to the Appropriation account.

7. AUDIT OPINION

I certify that I have audited the financial statements of the Ministry of Foreign Affairs for the financial year ended 31 March 2012 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).

In my opinion the financial statements fairly represent the receipts and payments of Vote 7 for the year ended 31 March 2012 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
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WINDHOEK
NAMIBIA

ANNEXURE A

1. FINANCIAL STATEMENTS

1.1 Appropriation account

Service	2011/2012				2010/2011	
	Authorized expenditure	Actual expenditure	Variations		Actual expenditure	
			Under-expenditure/ (Excess)	Percent -age		
N\$	N\$	N\$	N\$	%	N\$	
01. Office of the Minister:						
Original budget	5 971 000					
Plus: Virement	23 000	5 994 000	6 647 340.14	(653 340.14)	(10.90)	5 093 240.99
02. Administration:						
Original budget	77 695 000					
Less: Virement	(45 062 351)	32 632 649	31 624 610.36	1 008 038.64	3.09	25 959 408.77
03. Regional and Bilateral Affairs:						
Original budget	10 118 000					
Less: Virement	(567 278)	9 550 722	9 024 420.33	526 301.67	5.51	7 415 772.45
04. Multilateral Policy Co-Ordination:						
Original budget	16 353 000					
Less: Virement	(555 000)	15 798 000	16 573 683.12	(775 683.12)	(4.91)	14 961 974.78
05. Protocol and Consular:						
Original budget	10 005 000					
Less: Virement	(1 100 000)	8 905 000	9 164 510.92	(259 510.92)	(2.91)	8 314 555.45
06. Missions:						
Original budget	425 503 000					
Plus: Virement	52 231 185	477 734 185	475 301 096.68	2 433 088.32	0.51	479 411 945.22
Total:		550 614 556	548 335 661.55	2 278 894.45	0.41	541 156 897.66

ANNEXURE A (continued)

1.2 Standard subdivisions

Subdivision	2011/2012			2010/2011
	Authorized expenditure	Actual expenditure	Under-expenditure/ (Excess)	Actual expenditure
	N\$	N\$	N\$	N\$
Operational:				
Current expenditure: Personnel				
001. Remuneration	186 098 677	194 325 553.41	(8 226 876.41)	158 933 841.14
002. Employer's contribution to the G.I.P.F	8 752 651	8 097 721.54	654 929.46	7 049 026.60
003. Other conditions of service	33 548 000	33 439 856.64	108 143.36	23 815 364.88
Total	228 399 328	235 863 131.59	(7 463 803.59)	189 798 232.62
Current expenditure: Goods and other services				
021. Travel and subsistence expenses	21 414 500	20 679 591.47	734 908.53	21 563 612.23
022. Materials and supplies	4 181 000	4 147 100.07	33 899.93	3 366 318.25
023. Transport	18 672 228	18 941 205.20	(268 977.20)	16 806 581.54
024. Utilities	21 388 579	21 319 972.95	68 606.05	19 184 105.93
025. Maintenance expenses	6 619 421	6 590 494.84	28 926.16	7 787 236.71
026. Property rental and related charges	69 519 550	69 506 915.31	12 634.69	59 428 719.24
027. Other services and expenses	11 088 950	10 912 826.16	176 123.84	10 509 945.93
Total	152 884 228	152 098 106.00	786 122.00	138 646 519.83
Current expenditure: Membership fees and subscriptions				
041. International	9 253 000	10 379 350.96	(1 126 350.96)	10 115 216.35
Total	9 253 000	10 379 350.96	(1 126 350.96)	10 115 216.35
Current expenditure: Subsidies, grants and other transfers				
043. Government organisations	4 535 000	4 491 161.53	43 838.47	4 182 183.52
Total	4 535 000	4 491 161.53	43 838.47	4 182 183.52
Total: Current expenditure	395 071 556	402 831 750.08	(7 760 194.08)	342 742 152.32
Capital expenditure: Acquisition of assets				
101. Furniture and office equipment	4 493 000	4 341 302.16	151 697.84	10 828 021.15
102. Vehicles	-	-	-	7 838 544.31
Total	4 493 000	4 341 302.16	151 697.84	18 666 565.46
Total operational expenditure	399 564 556	407 173 052.24	(7 608 496.24)	361 408 717.78
Development				
Capital expenditure: Acquisition of assets				
103. Operational equipment, machinery and plant	-	-	-	-
105. Feasibility studies, design and supervision	-	-	-	-
107. Construction, renovation and improvements	5 100 000	4 212 976.94	887 023.06	855 067.20
134. Abroad	145 950 000	136 949 632.37	9 000 367.63	178 893 112.68
Total: Development expenditure	151 050 000	141 162 609.31	9 887 390.69	179 748 179.88
GRAND TOTAL	550 614 556	548 335 661.55	2 278 894.45	541 156 897.66

ANNEXURE A (continued)

1.3 Departmental revenue

Revenue for the year is as follows:

Revenue heading	Estimate	Actual revenue 2011/2012	More /(Less) than estimated	Actual revenue 2010/2011
	N\$	N\$	N\$	N\$
Private telephone calls	30 000	12 984.37	(17 015.63)	24 308.55
Unclaimed cheques	-	-	-	128 184.47
Miscellaneous	600 000	812 000.62	212 000.62	999 578.10
Interest on investments	300 000	141 277.17	(158 722.83)	140 024.92
House rent: Foreign Missions	600 000	1 366 693.11	766 693.11	1 280 839.86
Total	1 530 000	2 332 955.27	802 955.27	2 572 935.90

Miscellaneous revenue:

Miscellaneous revenue was compiled as follows:

Description	Amount
	N\$
Berlin (VAT refund)	7 177.69
Berlin (VAT refund)	405 249.02
Gaborone-Driver's license confirmation letter	171.03
Harare- VAT refund)	8 709.54
Havana (Sale of old furniture/ refunds for S & T/ Cargo and transport of Namibian Students)	30 337.52
London- Correction of Bank error	0.88
Moscow- VAT refund	49.99
Paris- VAT refund	48.96
Pretoria- Sale of old furniture	500.00
Vienna- VAT refund	72 794.60
London/ New York- Unclaimed cheques	6 384.30
Brussels-Sale of vehicle	159 765.00
London- Sale of vehicle	45 517.15
Interest earned- Collected previous financial year	13 242.19
Payroll: H.P Shikongo	12 000.00
Payroll: reversal	50 052.75
Total	812 000.62

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 01 – Office of the Minister (N\$ 653 340.14 – 10.9%)

The Office of the Minister overspent the budget with 10.9% mostly on the subdivision for remuneration. The overspending of N\$ 603 059.00 was caused by the Funds Distribution Certificate (FDC) indicating savings of N\$ 680 000.00 on 15 March 2012, and this amount was vired to cater for excess on the other votes and therefore the two financial statements, GL and FDC, do not report similar balances causing the discrepancies.

Main division 04 – Multilateral Policy Coordination (N\$ 775 683.12 – 4.91%)

The overspending of N\$ 775 683.12 was caused by the exchange rate fluctuation with the transfer of international contributions. The other contributing factor was the aspect of pro-rata assessment of Namibia's contribution which fluctuated given the GDP growth and the variables used by the assessors to determine Namibia's contribution.

Main division 05 – Protocol and Consular (N\$ 259 510.92 – 2.91%)

The Main Division used 2.91 % more than the budgeted amount during the financial year under review. It was mainly caused by staff who completed their tour of duty at the missions and who were assigned to a main division under which they were not budgeted for. The Protocol Division activities depend on the program of the President, Prime Minister and the First Lady and other dignitaries. The Ministry recorded more unplanned activities during the financial year under review which resulted in the overspending under transport, for hiring representable vehicles.

(ii) Underexpenditure

Main division 02 –Administration (N\$ 1 008 038.64 – 3.09%)

The underexpenditure of N\$ 887 023.06 was due to retention cost for the installation of the four lifts at Head Quarters which are not yet commissioned and the price of the new lifts that was renegotiated to a lower cost. The Ministry recorded less activity during the financial year under review which resulted in an underexpenditure under transport and DSA at this main division.

Main division 03 –Regional and Bilateral Affairs (N\$ 526 301.67 – 5.51%)

This underexpenditure on personnel expenditure was due to vacancies not filled during the financial year under review and had an effect on pension contributions also. The Ministry recorded less activity during the financial year under review which resulted in an underexpenditure under transport and DSA at this main division.

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

(i) Under estimation

House Rent Foreign Mission

A significant amount was collected through House rent from Ministerial staff members who were 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% respectively, depending on the staff member's salary per month. It also depended on the number of rooms in the house that the staff member is occupying.

The Ministry interpreted the Foreign Service Rules wrongly and as a result more funds were collected under House Rent. The Office of the Prime Minister was requested to exempt staff members from this rule.

(ii) Over estimation

Interest on Investment

Interest on Investment reduced due to the fact that the new measures were put in place to ensure that Missions does not keep large amounts in Foreign Bank Accounts.

2. GENERAL INFORMATION

2.1 Bank accounts

Statements of bank accounts held by the Namibian missions abroad with commercial banks were audited. The following are balances at 31 March 2012:

Mission	Balance as at 31 March 2012
	N\$
Abuja	404 420.31
Addis Ababa	607 327.77
Beijing	399 792.32
Berlin	1 410 858.69
Brazil	91 808.41
Brussels	2 671 685.05
Cairo	171 800.49
Cape Town	1 048 734.57
Dar Es Salaam	709 672.73
Gaborone	3 054 441.96
Geneva	238 740.64
Harare	219 158.89
Havana	1 369 166.23
Kinshasa	1 239 957.15
Kuala Lumpur	1 625 693.45
London	(275 527.55)
Luanda	475 649.63
Lusaka	1 127 398.65
Moscow	849 559.86
New York	356 947.38
New Delhi	73 613.06
Ondjiva	2 045 436.63
Paris	2 326 181.05
Pretoria	1 391 386.73
Stockholm	1 477 478.88
Tokyo	8 571 943.53
Vienna	1 753 184.10
Washington	217 010.57
Grand Total	35 653 521.18

2.4 Development projects

The following were development projects of the Ministry:

Nature of project	Approved total budget	Approved appropriation 2011/2012	Total expenditure up to 31/03/2011	Actual expenditure 2011/2012	Total expenditure up to 31/03/2012	Expected year of completion
	N\$	N\$	N\$	N\$	N\$	
Purchase of diplomatic premises abroad	609 848 000	145 950 000	516 911 341.22	136 949 632.37	653 860 973.59	31/03/2013
Renovation of Head Quarters	3 997 000	1 000 000	7 375 150.64	900 145.19	8 275 295.82	31/03/2014
Expansion of VIP Lounge at Hosea Kutako International Airport	2 211 705	4 100 000	2 167 846.00	3 312 831.75	5 480 677.75	31/03/2012
	616 056 705	151 050 000	526 454 337.86	141 162 609.31	667 616 947.17	

2.5 Study assistance

The Accounting Officer reported that the Ministry assisted twenty four (24) staff members as part of the capacity building programme to a total amount of N\$ 399 634.17.

WINDHOEK, 2011-10-23

**VEICCOH NGHIWETE
ACCOUNTING OFFICER**