



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MINISTRY OF HIGHER EDUCATION,
TRAINING AND INNOVATION
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

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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 Higher Education, Training and Innovation for the financial year ended 31 March 2016 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, April 2017

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

DEFINITIONS

Treasury:	Financial authority in public service. (The department of Government that has control over the collection, management and disbursement of public revenue).
Vote:	Represents an Office/Ministry/Agency.
Appropriation Act:	Estimate of expenditure and revenue for a particular financial year presented to the National Assembly, the Act passed by Parliament.
Appropriation Account:	Government Income and Expenditure statement, showing on receipt side the estimated budgeted amounts and on expenditure side the actual expenditure amounts and the difference thereof.
Standard sub-division:	Government Balance account, showing balances incurred on each account/activity.
Suspension:	Reduction on budget (Treasury may from time to time withhold or suspend any amount in an estimate of expenditure).
Virement:	Moving of budgeted funds from one account to another account within the same budget of the same office/ministry/agency. The utilization of a saving under one main division/sub division of a vote to defray an excess under another existing division of the same vote.
Unauthorised Expenditure:	Expenditure that exceeds the amount appropriated (budgeted) for a vote, main division or subdivision.
Underexpenditure:	Saving on the budget.
Miscellaneous Revenue:	All revenue collected and not having a specified revenue code.
Tender Board Exemptions:	To free from an obligation (Tender Board Regulations) to which others are subjected.
Commitments:	Funds reserved to acquire goods or services from a supplier.
Suspense accounts:	Is an account opened in the books of Government that records movement of transactions of a temporarily nature, for example salary deductions of housing instalments.
S&T Advance Suspense Account:	A suspense account reflecting the outstanding subsistence and travel advances.
Rejection Account:	A suspense account reflecting names and balances of all persons/companies that owe the money to the State.
Budget:	Is an estimation of the revenue and expenses over a specified future period of time.
Subsistence Advance:	Payment given in advance to an employee to reimburse accommodation, meal and incidental expenses, while on an official assignment.
Performance Information:	Measurement of an individual, group, organization, system or component which is collected, analysed and reported. (Includes Strategic plans, annual plans, performance agreements and personal development plans).

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**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MINISTRY OF HIGHER EDUCATION, TRAINING AND INNOVATION
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

1. REPORT ON THE FINANCIAL STATEMENTS

1.1 INTRODUCTION

This report on the accounts of the Ministry of Higher Education, Training and Innovation for the financial year ended 31 March 2016, is presented to the National Assembly in accordance with the terms of Article 127(2) of the Constitution of the Republic of Namibia and provisions set out in the State Finance Act, 1991(Act 31 of 1991), as amended.

I have audited the accompanying financial statements of the Ministry of Higher Education, Training and Innovation for the financial year ended 31 March 2016. These financial statements comprise the following statements submitted for the year then ended:

- Appropriation account;
- Standard subdivisions;
- Departmental revenue;
- Notes to financial statements; and
- General information.

The appropriation account was submitted by the Accounting Officer to the Auditor-General in terms of Section 13 of the State Finance Act, 1991.

The financial statements, notes to the financial statements provided by the Accounting Officer are attached as Annexure A.

1.2 MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 12 and 13 of the State Finance Act, 1991 (Act 31 of 1991) and relevant legislation, and for such internal controls as management determines it necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

Powers and duties

Section 25(1)(c) of the State Finance Act, 1991, provides that the Auditor-General should satisfy himself/herself 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, Section 26(1) (b)(iv) of the State Finance Act, 1991, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinion.

1.4 KEY AUDIT FINDINGS

1.4.1 Underexpenditure

Treasury Instructions DC0202 stipulates that when drawing up draft estimates Accounting Officers and their Financial Advisers shall take note of and guard against that more funds than can reasonably be spent shall not be requested.

However, the total budget of the Ministry was underspent with an amount of N\$ 81 572 269.37 (2.03%) which is contrary to Treasury Instructions DC 0202.

It is recommended that the Accounting Officer should put measures in place to avoid underexpenditure and ensures that planned programmes are implemented and comply with Treasury Instructions DC 0202.

1.4.2 Unauthorized expenditure

The following unauthorised expenditure occurred during the financial year and is hereby reported as such in terms of Section 27(a) of the State finance act, Act 31 of 1991:

Although Treasury approval was obtained to utilise certain expected savings for the defrayal of excess expenditure through virements during the year, four (4) operational subdivisions were exceeded by an amount totalling N\$ 58 288 443.18 which is unauthorised in terms of Section 6 (a) (iii) of the State Finance Act, 1991.

It is recommended that the Accounting Officer should monitor the budget regularly in order to avoid unauthorised expenditure.

1.4.3 Outstanding subsistence advances

Treasury Instruction HB 0505 stipulates that a claim for subsistence and other anticipated expenditure shall be submitted within 30 days after a person returned to his headquarters and monthly by a person who is elsewhere for a long period. Advances which are not standing advances shall be set off against claims for subsistence and other expenditure, and should claim be less than the advance, the difference shall be paid immediately by the relevant person.

- However, it was noted that the officials continue infringing Treasury Instruction HB 0505 by not submitting the claims within thirty (30) days after returning from official trips and the Ministry is worsening the situation of outstanding advances by not adhering to Treasury Instruction HB 0506 which requires the outstanding claims to be deducted monthly from the salary starting from the next month.
- It was observed that the record of employees with outstanding subsistence advances Debit Balance list reflected an outstanding subsistence advances totalling to N\$ 129 187.80 at 31 March 2016 and the suspense account reflected an amount of N\$ 237 360.87, thus, a difference between the two records. The discrepancy is due to the ineffective reconciliation of the suspense account to ensure that the submitted claims are cleared from the suspense account to offset the subsistence advance amount. The Accounting Officer did not explain the difference of N\$ 108 173.07. Thus, the outstanding claims create room for possible fraudulent activities.

It is recommended that the Accounting Officer should ensure that Treasury Instruction HB 0505 is adhered to and the Ministry is taking the necessary steps to recover the outstanding advances as required by Treasury Instruction HB 0506.

1.4.4 Outstanding Commitments

Treasury Instruction DG 0208 stipulates that "The Accounting Officer shall regularly draw up a report from the commitment register in respect of all orders placed but not yet carried out by the suppliers. All these cases shall be taken up with the supplier(s) in writing in order to be able to effect payments before end of March. Copies of this correspondence shall be kept for inspection by Treasury." The Ministry had outstanding commitments totalling to N\$ 4 791 124.42 for the year under review. The Accounting Officer did not provide proof of a report from the commitment register in respect of all orders placed but not yet carried out by the suppliers as a control measure to monitor the outstanding commitments. Outstanding commitments may lead to service denial and the delay of service delivery.

It is recommended that the Accounting Officer should ensure that Treasury Instruction DG 0208 is adhered to in order to avoid the delay and denial of services.

1.5 ACKNOWLEDGEMENT

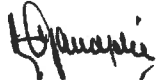
I would like to express my appreciation for the courtesy extended and assistance rendered by the staff of the Ministry of Higher Education, Training and Innovation during the audit.

1.6 UNQUALIFIED AUDIT OPINION

I certify that I have audited the financial statements of the Ministry of Higher Education, Training and Innovation for the financial year ended 31 March 2016 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 present fairly in all material respects, the financial position of the Ministry of Higher Education, Training and Innovation ended 31 March 2016 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) as at 31 March 2016 and its financial performance and its receipts and payments for the year then ended in accordance with the State Finance Act, 1991.

WINDHOEK, April 2017


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

ANNEXURE A

1. AUDITED FINANCIAL STATEMENTS

1.1 Appropriation account

Service	2015/2016					2014/2015
	Authorized expenditure	Actual expenditure	Variations		Actual expenditure	
			Under-expenditure/ (Excess)	Percentage		
N\$	N\$	N\$	N\$	%	N\$	
01. Office of the Minister:						
Original budget	6 795 000					
Plus: Virements	2 115 837					
Less: Suspensions	(362)	8 910 475	3 684 324.98	5 226 150.02	58.65	-
02. Administration:						
Original budget	53 370 000					
Less: Virements	(9 359 537)					
Less: Suspensions	(12 137 240)	31 873 223	10 605 288.94	21 267 934.06	66.73	-
03. Higher Education:						
Original budget	3 365 109 000					
Plus: Virements	348 086					
Less: Suspensions	(10 713 095)	3 354 743 991	3 354 592 529.12	151 461.88	0.00	-
04. Vocational and Technical Training (NTA):						
Original budget	520 877 000					
Plus: Virements	2 371 969	523 248 969	509 906 668.91	13 342 300.09	2.55	-
05. Research, Innovation and Trainings:						
Original budget	75 084 000	75 084 000	38 294 180.54	36 789 819.46	49.00	-
07. Namibia National Commission for UNESCO:						
Original budget	11 044 000					
Plus: Virements	5 122 342	16 166 342	11 371 738.14	4 794 603.86	29.66	-
Total:		4 010 027 000	3 928 454 730.63	81 572 269.37	2.03	-

The Ministry was created only during the financial year under review thus no prior year expenditure.

1.2 Standard subdivisions

Subdivision	2015/2016			2014/2015
	Authorized expenditure	Actual expenditure	Under-expenditure/ (Excess)	Actual expenditure
	N\$	N\$	N\$	N\$
Operational:				
Current expenditure: Personnel				
001. Remuneration	31 861 115	26 105 291.96	5 755 823.04	-
002. Employer's contribution to the G.I.P.F and M.P.O.O.B.P.F.	2 820 885	1 497 346.33	1 323 538.67	-
003. Other conditions of service	979 000	251 516.73	727 483.27	-
005. Employers contribution to the social security commission	117 000	-	117 000.00	-
Total	35 778 000	27 854 155.02	7 923 844.98	
Current expenditure: Goods and other services				
021. Travel and subsistence expenses	10 350 000	4 333 852.43	6 016 147.57	-
022. Materials and supplies	4 314 000	1 045 697.12	3 268 302.88	-
023. Transport	3 107 000	1 442 547.83	1 664 452.17	-
024. Utilities	6 195 000	275 197.33	5 919 802.67	-
025. Maintenance expenses	948 340	366 982.54	581 357.46	-
026. Property rental and related charges	210 540	-	210 540.00	-
027. Other services and expenses	16 814 870	12 841 350.78	3 973 519.22	-
Total	41 939 750	20 305 628.03	21 634 121.97	-
Current expenditure: Membership fees and subscriptions				
041. International	643 000	483 785.62	159 214.38	-
042. Domestic	60 000	-	60 000.00	-
Total	703 000	483 785.62	219 214.38	-
Current expenditure: Subsidies, grants and other transfers				
043. Government organisations	1 910 662 000	1 931 621 461.43	(20 959 461.43)	-
044. Individual and non-profit organizations	1 933 657 250	1 898 336 017.99	35 321 232.01	-
045. Public and departmental enterprises and private industries	532 000	237 000.00	295 000.00	-
Total	3 844 851 250	3 830 194 479.42	14 656 770.58	-
Total: Current expenditure	3 923 272 000	3 878 838 048.09	44 433 951.91	
Capital expenditure: Acquisition of assets				
101. Furniture and office equipment	4 475 000	814 231.38	3 660 768.62	-
103. Operational equipment, machinery and plants	1 229 000	-	1 229 000.00	-
Total	5 704 000	814 231.38	4 889 768.62	-
Total operational expenditure	3 928 976 000	3 879 652 279.47	49 323 720.53	-
Development:				
Capital expenditure: Acquisition of assets				
131. Government organizations	81 051 000	48 802 451.16	32 248 548.84	-
Total: Development expenditure	81 051 000	48 802 451.16	32 248 548.84	-
GRAND TOTAL	4 010 027 000	3 928 454 730.63	81 572 269.37	-

The Ministry was created only during the financial year under review thus no prior year expenditure.

1.3 Notes to the financial statements

1.3.1 Appropriation account: Explanations of variations exceeding 2% between the authorised and actual expenditure

Underexpenditure

Main division 01 –Office of the Minister (N\$ 5 226 150.02 – 58.65%)

Funds budgeted for other conditions of services which were not utilized, resulted in the underexpenditure due to the Ministry being new and by the time the Public Office Bearers (POBs) engaged in their activities it was towards the end of the financial year. Another contributing factor is the vacant positions that could not be filled during the financial year under review. Staff members were seconded to serve in the vacant positions. Fewer trips were also undertaken than anticipated resulting in the underexpenditure under travel and subsistence allowance.

Main division 02- Administration (N\$ 21 267 934.06 - 66.73%)

The main division was underspent with 66.73%. The underexpenditure amounting to N\$ 4 270 593 was due to vacancies that could not be filled. The unfilled vacancies also resulted in the underexpenditure due to the non-payment of contributions to GIPF and Social Security. Government Garage has failed to submit invoices/outstanding statements to the Ministry on time for payment, thus resulted in the underexpenditure.

Invoices for shared utilities (water, sewerage and electricity) from service providers were forwarded to the Ministry of Agriculture, Water and Forestry and hence the bills were settled by them. Similarly, the telephone bills and courier charges were settled by the Ministry of Basic Education. Another contributing factor to the underexpenditure was the directive from the Ministry of Finance to Offices, Ministries and Agencies not to purchase furniture and equipment for the year under review.

Planned trips were not undertaken and some foreign trips were sponsored and this contributed to the underexpenditure. Planned training did not take place due to the resignation of the senior Archivist, while furniture for the regional Libraries were bought from Government store at a lower cost, the payment which was transferred to the 2016/2017 financial year due to the Government stores not having stock in 2015/2016 financial year.

Main division 04- Vocational and Technical Training (N\$ 13 342 300.09 - 2.55%)

The underexpenditure was due to vacancies that could not be filled and as well as trainings and workshops for related activities never materialized.

Ehafo staff members paid their salaries from this main division, of which some staff members resigned and never got their money on time, others passed on and their leave gratuities and separation money were paid from the same main division. The underexpenditure is due to domestic trips that never received enough missions. The staff members who were seconded and transferred to the Ministry of Higher Education, Training and Innovation brought along furniture and office equipment with them which belonged to the Ministry of Education, Arts and Culture and hence this prevented them to make use of the funds allocated for the intended purpose.

The Namibia Training Authority hereby confirms that an amount of N\$ 474 165 000 was appropriated and received in full for operational costs. Furthermore a confirmation of an amount of N\$ 18 521 000 was appropriated for Development costs, however no funding was requested and received during the 2015/2016 financial year as used available funds received from or during prior financial periods for the capital projects that were running. This was also due to the fact that the NTA was in the process of conducting feasibility studies during the 2015/2016 financial year to inform the expansion programme. Kindly be informed that under project-Upgrading and Renovation of Rundu Vocational Training Centre, an amount of N\$ 4 187 683.16 is indicated as spent under the main division - 04.

However, NTA is not in agreement of such an amount as indicated in the Funds Distribution Certificate Report-March 2016. Last but not least another disagreement with the funds indicated as spent was N\$ 2 950 on project 04-Rehabilitation of Loudima Technical and Professional School as reflected in the Funds Distribution Certificate Report – March 2016.

Main division 05: National Commission Research, Science and Technology (N\$ 36 789 819.46 - 49.00%)

As indicated in the Funds Distribution Certificate Report –March 2016, the Science and Technology division had an annual appropriation of N\$ 67 131 000 of which the N\$ 30 187 580.93 was spent and the remaining N\$ 36 946 419.07 was outstanding. Due to the request submitted by the Institution in February the Funds Distribution Certificate Report (FDC)-February 2016 indicated that only an amount of N\$ 20 880 334 was available for spending and the spending amount reflected as N\$ 15 357 500. However, their request was an amount of N\$ 58 975 565.79 which when the transfer was processed by the finance division at the Ministry of Higher Education, Training and Innovation, the amount requested was or could only come to N\$ 51 776 500 that was available for request and yet the available amount was actually zero. It showed that there was no available amount to be spent or to be released to the Institution rather.

Main Division 06: Namibia National Commission (N\$ 4 794 603.86-29.66%)

The underexpenditure was due to vacancies that could not be filled as well as resignation of a Director. Hence amount budgeted for travel and subsistence allowance for those positions could not be utilized, thus resulted in an underexpenditure.

Workshops, meetings and conferences were sponsored and furniture and equipment could not be purchased due to vacant positions and thus resulted in underexpenditure.

2. GENERAL INFORMATION

2.1 Capital projects

The following are development projects of the Ministry as reflected in the General Ledger and the Development Budget:

Nature of project	Approved total budget N\$	Total expenditure as at 31/03/2015 N\$	Approved appropriation 2015/2016 N\$	Actual expenditure 2015/2016 N\$	Total expenditure as at 31/03/2016 N\$	Expected year of completion
Refurbishment and extension of the Library at Hifikepunye Pohamba Campus	112 516 000	49 333 198.69	15 000 000	6 834 768.00	56 167 966.69	31/03/2020
Renovation of Khomasdal Campus	132 665 000	5 000 000.00	5 000 000	3 000 000.00	8 000 000.00	31/03/2016
Construction of new lecture hall and refurbishment at Katima Mulilo Campus	77 000 000	4 000 000.00	3 000 000	2 500 000.00	6 500 000.00	31/03/2020
Renovation of Rundu Campus	52 557 000	4 000 000.00	1 000 000	800 000.00	4 800 000.00	31/03/2020
Construction of Namibia Qualification Authority Office	65 755 000	33 163 637.95	20 580 000	20 580 000.00	53 743 637.95	31/03/2018
Construction of the new office for NCHE and ACTET Secretariat	154 505 000	50 224 000.00	10 000 000	-	50 224 000.00	31/03/2021
Construction of Eenhana Vocational Training Centre	196 942 000	54 629 915.88	4 225 000	-	54 629 915.88	31/03/2018
Upgrading and renovation of Rundu Vocational Centre	322 177 000	43 158 000.00	6 175 000	4 187 683.16	47 345 683.00	31/03/2020
Training Centre Upgrading and renovation of Keetmanshoop Vocational Centre	117 000 000	26 007 000.00	3 250 000	-	26 007 000.00	31/03/2023
Training Centre Construction of Gobabis Vocational	126 500 000	14 506 000.00	1 621 000	-	14 506 000.00	31/03/2018
Training Centre Rehabilitation of Loudima Technical and professional school	-	85 014 787.84	3 250 000	2 950 000.00	87 964 787.84	-
Computer Lab Math and Science Learning Laboratory	8 346 000	1 000 000.00	1 950 000	1 950 000.00	2 950 000.00	31/03/2016
Construction of the GMOTTRL	181 500 000	12 791 034.72	6 000 000	6 000 000.00	18 791 034.72	31/03/2019
Total	1 547 403 000	382 827 575.08	81 051 000	48 802 451.16	431 630 026.24	

2.2 Bursary and study assistance

The Accounting Officer reported that the Ministry provided study assistance to two (2) staff members amounting to N\$ 23 597.50, to pursue their studies at institutions of higher learning.

2.3 Vehicles

The Accounting Officer reported that the Ministry had fifteen (15) pool vehicles on hand as at 31 March 2016.

2.4 Vehicle accidents

The Accounting Officer reported two (2) vehicle accidents at an estimated repair cost of N\$ 30 000 during the year under review.

2.5 Outstanding Commitments

The Ministry had outstanding commitments amounting to N\$ 4 791 124.42 for the year under review.

2.6 Suspensions

The Ministry had suspensions totaling N\$ 22 850 697 for the year under review.

2.7 Suspense accounts

The final ledger shows the following three (3) suspense account balances of the Ministry as at 31 March 2016 of which one (1) with a debit balance and two (2) with credit balances:

Description	Balance as at 31 March 2016 Debit/(Credit)
	N\$
S & T advance suspense account	237 360.87
Pension Funds: GIPF	(31 121.20)
Bills payable	(538 033.53)

WINDHOEK, 2016-10-27

DR. ALFRED VAN KENT
ACCOUNTING OFFICER