



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MINISTRY OF LABOUR AND SOCIAL WELFARE

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 Labour and Social Welfare 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 LABOUR AND SOCIAL WELFARE
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2012**

1. INTRODUCTION

1.1 Report

This report on the accounts of the Ministry of Labour and Social Welfare 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, 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.

2. FINANCIAL STATEMENTS

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

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

3.1 The Accounting Officer 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 ISSUES/FINDINGS IDENTIFIED BY THE AUDIT

4.1.1. Expenditure

The total budget of the Ministry was underspend with an amount of N\$ 48 354 858.40 (4.03%). However, the under mentioned unauthorized expenditure is reported in terms of Section 27(6) (a) of the State Finance Act, 1991 (Act 31 of 1991):

Although Treasury approval was obtained to utilize certain expected savings for the defrayal of expenditure by way of virement during the year, three (3) subdivisions were exceeded by an amount totaling N\$ 229 279.88, of which two (2) subdivisions are operational expenditure with an amount totaling N\$ 141 230.96 and one (1) subdivision of development expenditure with an amount of N\$ 88 048.92. The excess expenditure is contrary to Section 6(a)(iii) of the State Finance Act, 1991 (Act 31 of 1991).

4.1.2. Virements

The approved virements for the following main divisions do not agree with the general ledger as shown in the table below:

Main division	Approved Authorization	General Ledger	Difference
	(N\$)	(N\$)	(N\$)
02	1 630 000.00	1 620 773.00	9 227.00
04	(1 450 000.00)	(1 500 000.00)	50 000.00
06	(640 000.00)	(580 773.00)	(59 227.00)

It is recommended that the Accounting Officer provide explanations for these differences.

4.1.3 Capital Projects

The general ledger reflects an amount of N\$ 329 356.73 spend on construction, renovation and improvement. This amount was not budgeted for and there is no indication under which project it was spend. In addition, this amount was not reported by the Accounting Officer in the statement for capital projects to the Auditor-General.

It is recommended that the Accounting Officer provides information on the existence of this amount.

4.1.4 Suspense Accounts

The Ministry had balances on eight (8) suspense accounts of which five (5) had debit balances and three (3) credit balances at the end of the financial year.

The following are suspense account with a balance exceeding N\$ 100 000:

Account	Balance 31/03/2012	
	Debit	Credit
	N\$	N\$
RD Cheques	1 375 005.27	
S&T Cash Transaction Account		1 375 005.27
S & T Advance Suspense Account	313 265.74	
Rejection Account	53 214 756.90	
Bills Payable	2 941 025.15	

The increase in the balance of the Rejection account is of high concern. Reconciliation of all suspense accounts is recommended.

The Accounting Officer should analyze the rejection account and provide the analysis to the Auditor-General for audit purposes. It should also be explained why the RD cheques and S&T cart transaction have the same balance.

5. ACKNOWLEDGEMENT

The co-operation and assistance of the management and staff of the Ministry of Labour and Social Welfare during the audit is appreciated.

6. EMPHASIS OF MATTER

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\$ 48 354 858.40 (4.03%).
- b) Paragraph 4.1.2 Virements. Differences noted between virements authorized by Treasury and those reflected in the general ledger.

7. BASIS FOR QUALIFIED OPINION

The Ministry failed to carry out reconciliations on suspense accounts. These reconciliations are important in order to account for all transactions that need to be transferred to the relevant vote account or revenue account to ensure completeness thereof. Similar recommendations were made during previous financial years, however the situation remains unchanged.

8. QUALIFIED AUDIT OPINION

I certify that I have audited the financial statements of the Ministry of Labour and Social Welfare for the 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, except for the effects of the matter discussed in the Basis for qualified opinion paragraph, the financial statements fairly represent the receipts and payments of Vote 14 for the year ended 31 March 2012 and in all material respects, the receipt and payments had 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**

1. FINANCIAL STATEMENTS

1.1 Appropriation account

2011/2012						2010/2011
Service	N\$	Authorized expenditure	Actual expenditure	Variations		Actual expenditure
				Under-expenditure/ (Excess)	Percentage	
	N\$	N\$	N\$	N\$	%	N\$
01. Office of the Minister:						
Original budget	6 577 000					
Plus: Virement	261 000	6 838 000	6 030 439.12	807 560.88	11.81	4 869 924.03
02. Administration:						
Original budget	39 047 000					
Plus: Virement	2 485 773	41 532 773	37 288 996.44	4 243 776.56	10.22	26 876 791.05
03. Labour Market Services:						
Original budget	51 934 000					
Plus: Virement	948 000	52 882 000	36 874 883.88	16 007 116.12	30.27	25 830 709.29
04. Labour Services:						
Original budget	29 226 000					
Less: Virement	(970 830)	28 255 170	24 241 100.42	4 014 069.58	14.21	17 160 654.33
05. Office of the Labour Commissioner:						
Original budget	15 773 000					
Plus: Virement	1 043 000	16 816 000	12 867 219.36	3 948 780.64	23.48	11 060 286.42
06. Social Assistance:						
Original budget	1 049 622 000					
Plus: Virement	77 227	1 049 699 227	1 031 492 162.50	18 207 064.50	1.73	1 008 861 303.78
07. Employment Equity Commission						
Original budget	4 192 000					
Plus: Virement	188 000	4 380 000	3 253 509.88	1 126 490.12	25.72	2 922 630.95
Total:		1 200 403 170	1 152 048 311.60	48 354 858.40	4.03	1 097 582 299.85

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	67 423 170	54 143 708.13	13 279 461.87	47 324 418.37
002. Employer's contribution to G.I.P.F	7 504 000	6 561 471.57	942 528.43	5 110 737.91
003. Other conditions of service	616 000	315 348.44	300 651.56	465 671.99
Total	75 543 170	61 020 528.14	14 522 641.86	52 900 828.27
Current expenditure: Goods and other services				
021. Travel and subsistence expenses	10 972 000	8 369 708.52	2 602 291.48	5 646 331.84
022. Materials and supplies	2 894 773	1 624 343.41	1 270 429.59	1 135 240.37
023. Transport	4 725 000	4 527 730.96	197 269.04	4 053 336.31
024. Utilities	7 641 000	6 669 125.64	971 874.36	6 047 906.85
025. Maintenance	4 338 000	3 761 724.48	576 275.52	1 347 426.54
027. Other services and expenses	39 527 227	33 512 838.58	6 014 388.42	36 077 536.13
Total	70 098 000	58 465 471.59	11 632 528.41	54 307 778.04
Current expenditure: Subsidies, grants and other transfers				
044. Individuals and non-profit organisations	1 011 808 000	1 003 066 507.39	8 741 492.61	976 542 502.61
Total	1 011 808 000	1 003 066 507.39	8 741 492.61	976 542 502.61
Total: Current expenditure	1 157 449 170	1 122 552 507.12	34 896 662.88	1 083 751 108.92
Capital expenditure: Acquisition of assets				
101. Furniture and office equipment	2 597 000	2 319 121.55	277 878.45	1 930 827.74
102. Vehicles	7 941 000	7 859 807.96	81 192.04	2 754 132.42
Total: Capital expenditure	10 538 000	10 178 929.51	359 070.49	4 684 960.16
Total: Operational expenditure	1 167 987 170	1 132 731 436.63	35 255 733.37	1 088 436 069.08
Development:				
Capital expenditure: Goods and other services				
022. Materials and supplies	5 106 000	2 618 236.03	2 487 763.97	488 450.00
024. Utilities	-	-	-	(600.00)
027. Other services and expenses	-	88 048.92	(88 048.92)	4 660 274.95
Total:	5 106 000	2 706 284.95	2 399 715.05	5 148 125.95
Capital expenditure: Acquisitions of assets				
105. Feasibility studies, design and supervision	981 317	224 048.05	757 268.95	539 995.12
107. Construction, renovation and improvement	26 328 683	16 386 541.97	9 942 141.03	3 458 110.70
Total	27 310 000	16 610 590.02	10 699 409.98	3 998 105.82
Total: Development expenditure	32 416 000	19 316 874.97	13 099 125.03	9 146 230.77
GRAND TOTAL	1 200 403 170	1 152 048 311.60	48 354 858.40	1 097 582 299.85

1.3 Departmental revenue

Revenue for the year is as follows:

Revenue heading	Estimate 2011/2012	Actual revenue 2011/2012	More/(Less) than estimated	Actual revenue 2010/2011
	N\$	N\$	N\$	N\$
Unclaimed cheques	-	2 339.58	2 339.58	-
Miscellaneous	130 000	305 754.56	175 754.56	143 273.93
Total	130 000	308 094.14	178 094.14	143 273.93

1.4 Notes to the financial statements

1.4.1 Appropriation Account: Explanations of variations exceeding 2% between authorized and actual expenditure.

(i) Underexpenditure

Main division 01: Office of the Minister (N\$ 807 560.88 – 11.81%)

The underspending can be attributed to the cancellation of expected visits, which resulted in under spending on Daily Subsistence Allowance (DSA) as well as by untimely submission of invoices by the Government Garage.

Main division 02: Administration (N\$ 4 243 776.56 – 10.22%)

The underspending in this main division can be attributed to the unfilled positions after staff members got promotions at other Ministries as well as because of resignations. Most of the service providers such as Government Stores and other private companies did not submit their invoices on time.

Main division 03: Labour Market Services (N\$ 16 007 116.12 – 30.27%)

The underspending in this main division can be attributed to unfilled positions and the operationalization of productivity promotion unit, lengthy procurement process of Tender Board, delay in the appointment of Consultants by Department of Works, delay in handing over sites to contractors and lack of land in some towns/regions.

Main division 04: Labour Services (N\$ 4 014 069.58 – 14.21%)

The main division under spent mainly due to the implementation of the Workmen's Compensation Act: payment for hospital expenses, pension payments, salaries and administrative expenses to service provider and beneficiaries.

It is difficult to predict as to how many Government employees would be injured while on duty. It has been reflected in certain years, the budget on the implementation of Workmen's Compensation Act is depleted due to unpredictable expenditures on benefits to be paid.

Main division 05: Office of the Labour Commissioner (N\$ 3 948 780.64 – 23.48%)

The underspending is attributed to no recruitment of personnel (unavailability of qualified Conciliators and Arbitrators) therefore an under spending was also recorded on Daily Subsistence Allowance (DSA).

Main division 07: Employment Equity Commission (N\$ 1 126 490.12 – 25.72%)

The underspending is due to staff members that got promotional positions to other Ministries as well as within the Ministry. The process to fill these posts is cumbersome and this is reflected in the fact that posts are waiting to be filled. Also official trips were not undertaken, for example awareness raising campaigns and training of relevant employers on Affirmative Action due to the targets set for the EEC under the Strategic Plan were not implemented as planned. This resulted in an underspending on Daily Subsistence Allowance (DSA).

2. GENERAL INFORMATION

2.1 Bank Accounts

The Ministry operated the followings bank accounts approved by Treasury. The closing balances as at 31 March 2012 were reported as follows:

Name of the account	Banking Institution	Balance at 31 March 2012
		N\$
Labour Complaint Account	Bank Windhoek	38 312.12
Donations	Bank Windhoek	910 009.09
Transport (Fleet)	Standard Bank	992 639.67
Employment Equity Commission	Bank Windhoek	74.27

2.2 Development projects

The following were capital projects of the Ministry during the year under review:

Nature of project	Approved total budget	Total expenditure as at 31/03/2011	Approved appropriation 2011/2012	Actual expenditure 2011/2012	Total expenditure up to 31/03/2012	Expected year of completion
	N\$	N\$	N\$	N\$	N\$	
Manpower Survey and LMIS	189 335 000	62 256 125.95	5 106 000	2 706 284.95	64 962 410.90	31 March 2030
Regional Office: Swakopmund	6 266 000	6 003 592.23	195 000	18 584.57	6 022 176.80	31 March 2013
Regional Office: Eenhana	11 357 000	1 199 909.38	7 587 000	5 189 547.25	6 389 456.63	31 March 2013
Satellite Office: Ondangwa	11 558 000	450 604.22	2 990 897	1 074 966.25	1 525 570.47	31 March 2016
Satellite Office: Walvis Bay	8 273 000	57 000.00	1 543 683	1 543 683.00	1 600 683.00	31 March 2013
Satellite Office: Rehoboth	10 883 000	416 000.00	6 671 000	5 302 439.89	5 718 439.89	31 March 2013
Extension of Ministry of Labour HQ	2 850 000	-	50 000	42 849.12	42 849.12	31 March 2013
Extension and renovation of the Office of the Labour Commissioner	2 850 000	-	50 000	-	-	31 March 2016
Extension of Labour Office at Otjiwarongo	2 450 000	-	50 000	7 358.28	7 358.28	31 March 2014
Minor Renovation and Improvement	19 621 000	-	4 776 000	3 586 677.74	3 586 677.74	31 March 2030
Extension of Outjo Labour Office	2 050 000	-	650 000	43 026.16	43 026.16	31 March 2016

ANNEXURE A (continued)

Nature of project	Approved total budget	Total expenditure as at 31/03/2011	Approved appropriation 2011/2012	Actual expenditure 2011/2012	Total expenditure up to 31/03/2012	Expected year of completion
Keetmanshoop Labour Office	2 050 000	-	88 636	88 634.28	88 634.28	31 March 2016
Extension of Mariental Labour Office	2 050 000	-	42 681	42 180.21	42 180.21	31 March 2016
Construction of Luderitz Labour Office	2 050 000	-	2 615 103	-	-	31 March 2014
Total	273 643 000	70 83 231.78	32 416 000	19 646 231.70	90 029 463.48	

See paragraph 4.1.3

2.3 Bursaries and study assistance

During the financial year under review the Ministry awarded bursaries and study assistance to twenty eight (28) of its employees to the value of N\$ 374 317.38.

2.4 Deviation from Normal Tender procedures

The Tender Board approved the following exemptions from normal Tender procedures:

Description	Tender Board Reference	Estimated value	Actual expenditure	Difference less/(more)
		N\$	N\$	N\$
Subsistence and travelling expenses	E1/6 – 1/2011	8 723 000	8 369 708.52	353 291.48
Material and supplies	E1/6 – 1/2011	3 333 000	1 624 343.41	1 708 656.59
Transport	E1/6 – 1/2011	4 144 000	4 527 730.96	(383 730.96)
Utilities	E1/6 – 1/2011	6 581 000	6 669 125.64	(88 125.64)
Maintenance expenses	E1/6 – 1/2011	4 338 000	3 761 724.48	576 275.52
Other services and expenses	E1/6 – 1/2011	37 379 000	33 512 838.58	3 866 161.42
	Total	64 498 000	58 465 471.59	6 032 528.41

2.5 Stock taking

The Accounting Officer reported that eleven (11) stock points were inspected by the Ministry for the year under review. During the inspections surpluses of N\$ 788 388.18, deficiencies of N\$ 48 208.81, worn and damaged items of N\$ 171 798.80 and obsolete and redundant items of N\$ 55 785.52 were discovered.

WINDHOEK, 2012-10-22

GEORGE SIMATAA
ACCOUNTING OFFICER