



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

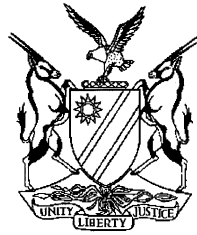
MINISTRY OF LABOUR AND SOCIAL WELFARE

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

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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 2014 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honorable 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, May 2015

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MINISTRY OF LABOUR AND SOCIAL WELFARE
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2014**

1. REPORT ON THE FINANCIAL STATEMENTS

1.1 INTRODUCTION

This report on the accounts of the Ministry of Labour and Social Welfare for the financial year ended 31 March 2014 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 Labour and Social Welfare for the financial year ended 31 March 2014. 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 accounts were submitted untimely by the Accounting Officer to the Auditor-General on 11 February 2015 in terms of Section 13 of the State Finance Act, 1991.

The financial statements, notes to the financial statements and general information 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, Act 31 of 1991 and relevant legislation, and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement, 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 for 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 misstatement.

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.

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 misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 control.

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 Expenditure

The total budget was underspent with an amount of N\$ 47 895 115.99 (3.09%). However, the following unauthorised expenditure occurred during the financial year and is hereby reported as such in terms of Section 27(6)(a) of the State Finance Act, 1991 (Act 31 of 1991):

Although Treasury approval was obtained to utilise certain expected savings for the defrayal of expenditure through virements during the year, fifteen (15) sub-divisions were exceeded with a total amount of N\$ 28 547 360.68 which is unauthorised in terms of Section 6(a)(iii) of the Act.

It is recommended that the Accounting Officer should put measures in place to avoid such high under spending of the budget and also avoid unauthorised expenditure.

1.4.2 Virements

The following virements of the respective main divisions as reflected in the Appropriation account do not agree with the virements approved by Treasury:

Main division	Approved virement	Appropriation account	Difference
	N\$	N\$	N\$
02 - Administration	5 408 000	4 974 150	433 850
03 - Labour Market Services	(3 158 000)	(2 724 150)	(433 850)
04 - Labour Services	(1 640 000)	(1 650 000)	10 000

It is recommended that the Accounting Officer should ensure that virements as approved by Treasury agree with those in the Appropriation account.

1.4.3 Subsistence advances

The S&T Advance suspense account indicates a debit balance of N\$ 1 764 931.27, whereas the debit balance list indicates an amount of N\$ 1 851 444.27, leaving a difference of N\$ 86 513.

It is recommended that the Accounting Officer should always conduct a thorough reconciliation of the S&T Advance Suspense Account with the actual outstanding DSA advances as reflected in the DSA System (Debit Balance List) at the end of the financial year and rectify any differences identified before the closing of the books.

1.4.4 Tender Board exemptions

The Accounting Officer reported exemptions to the amount of N\$ 144 371 000. However, the Accounting Officer did not provide the actual expenditure and supporting documents for audit purposes.

It is recommended that the Accounting Officer should ensure that the actual expenditure with supporting documents are provided for audit purposes.

1.4.5 Suspense accounts

The Accounting Officer reported five (5) suspense accounts with outstanding balances at the end of the financial year, of which four (4) had debit balances and one (1) had a credit balance. The following suspense accounts had balances exceeding N\$ 100 000 on 31 March 2014:

Description	Debit/(Credit)
	N\$
S&T Advance Suspense Account	1 764 931.27
Bills Payable	2 616 525.28

It is recommended that the Accounting Officer should take all necessary steps to clear or reduce the balances on the accounts. Furthermore, the Accounting Officer should explain the debit balance of the Bills payable suspense account.

1.4.6 Non- submission of statements

The Accounting Officer did not provide the following annual report statements for the year under review:

- (a) Item 37.2: Motor vehicle accidents
- (b) Item 39: Cash deficiency

It is strongly recommended that the Accounting Officer should ensure that the required statements are forwarded to the Auditor-General timeously for audit purposes.

1.5 ACKNOWLEDGEMENT

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

1.6 BASIS FOR QUALIFIED AUDIT OPINION

My opinion has been qualified due to the following:

- Expenditure - Paragraph 1.4.1
- Virements - Paragraph 1.4.2
- Subsistence advances - Paragraph 1.4.3
- Tender board exemptions - Paragraph 1.4.4
- Bills payable suspense account - Paragraph 1.4.5
- Non- submission of statements - Paragraph 1.4.6
- Suspense accounts - Paragraph 1.4.5

1.7 QUALIFIED AUDIT OPINION

I certify that I have audited the financial statements of the Ministry of Labour and Social Welfare for the financial year ended 31 March 2014 in accordance with the terms of Article 127(2) of the Namibian Constitution and Section 25(1) of the State Financial Act, 1991(Act 31 of 1991)

In my opinion, except for the possible effects of the matters described in the Basis for Qualified opinion paragraph, the financial statements present fairly, in all material respects the financial position of the Ministry of Labour and Social Welfare as at 31 March 2014, and their financial performance and their cash flows for the year then ended 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).

WINDHOEK, May 2015

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

1. AUDITED FINANCIAL STATEMENTS

1.1 Appropriation account

2013/2014						2012/2013
Service	Authorized expenditure	Actual expenditure	Variations		Actual expenditure	
			Under-expenditure/ (Excess)	Percentage		
N\$	N\$	N\$	N\$	%	N\$	
01. Office of the Minister:						
Original budget	14 460 000					
Less: Virement	(600 000)	13 860 000	7 200 474.26	6 659 525.74	48.05	6 715 569.07
02. Administration:						
Original budget	76 416 000					
Plus: Virement	4 974 150	81 390 150	59 875 332.48	21 514 817.52	26.43	34 342 529.42
03. Labour Market Services:						
Original budget	72 660 000					
Less: Virement	(2 724 150)	69 935 850	52 261 370.93	17 674 479.07	25.27	40 762 495.73
04. Labour Services:						
Original budget	42 944 000					
Less: Virement	(1 650 000)	41 294 000	32 398 326.20	8 895 673.80	21.54	28 970 195.23
05. Office of the Labour Commissioner:						
Original budget	29 401 000	29 401 000	16 721 240.39	12 679 759.61	43.13	14 162 096.19
06. Social Assistance:						
Original budget	1 305 403 000	1 305 403 000	1 328 538 024.48	(23 135 024.48)	(1.77)	1 110 002 913.22
07. Employment Equity Commission:						
Original budget	8 020 000	8 020 000	4 414 115.27	3 605 884.73	44.96	4 606 115.53
Total:	1 549 304 000	1 501 408 884.01	47 895 115.99	(3.09)	1 239 561 914.39	

1.2 Standard subdivisions

Subdivision	2013/2014			2012/2013
	Authorized expenditure	Actual expenditure	Under-expenditure/ (Excess)	Actual expenditure
	N\$	N\$	N\$	N\$
Operational:				
Current expenditure: Personnel				
001. Remuneration	108 000 750	85 343 151.86	22 657 598.14	68 603 934.32
002. Employer's contribution to G.I.P.F	9 690 000	9 560 668.93	129 331.07	7 798 915.29
003. Other conditions of service	1 899 000	1 465 168.78	433 831.22	819 171.09
Total	119 589 750	96 368 989.57	23 220 760.43	77 222 020.70
Current expenditure: Goods and other services				
021. Travel and subsistence expenses	18 752 000	9 844 199.74	8 907 800.26	10 094 643.19
022. Materials and supplies	8 840 000	4 254 797.61	4 585 202.39	2 551 386.82
023. Transport	14 525 554	14 455 152 .65	70 401.35	4 617 845.43
024. Utilities	14 530 000	9 543 528.35	4 986 471.65	8 028 209.70
025. Maintenance	19 988 000	8 642 785.16	11 345 214.84	3 610 388.60
027. Other services and expenses	62 403 850	53 502 765.28	8 901 084.72	35 632 949.06
Total	139 039 404	100 243 228.79	38 796 175.21	64 535 422.80
Current expenditure: Subsidies, grants and other transfers				
044. Individuals and non-profit organisations	1 259 640 250	1 283 086 586.45	(23 446 336.45)	1 073 131 192.73
Total	1 259 640 250	1 283 086 586.45	(23 446 336.45)	1 073 131 192.73
Total: Current expenditure	1 518 269 404	1 479 698 804.81	38 570 599.19	1 214 888 636.23
Capital expenditure: Acquisition of assets				
101. Furniture and office equipment	4 426 000	2 576 882.41	1 849 117.59	1 257 402.78
102. Vehicles	5 895 596	4 212 412.62	1 683 183.38	1 604 680.85
Total: Capital expenditure	10 321 596	6 789 295.03	3 532 300.97	2 862 083.63
Total: Operational expenditure	1 528 591 000	1 486 488 099.84	42 102 900.16	1 217 750 719.86
Development:				
Capital expenditure: Goods and other services				
027. Other services and expenses	-	-	-	6 322 274.21
Total:	-	-	-	6 322 274.21
Capital expenditure: Acquisitions of assets				
104. Purchase of building	-	-	-	550 000.00
105. Feasibility studies, design and supervision	4 408 979	2 848 459.75	1 560 519.25	1 177 623.64
107. Construction, renovation and improvement	16 304 021	12 072 324.42	4 231 696.58	13 761 296.68
Total	20 713 000	14 920 784.17	5 792 215.83	15 488 920.32
Total: Development expenditure	20 713 000	14 920 784.17	5 792 215.83	21 811 194.53
GRAND TOTAL	1 549 304 000	1 501 408 884.01	47 895 115.99	1 239 561 914.39

1.3 Departmental revenue

Revenue for the year is as follows:

Revenue head	Estimate 2013/2014	Actual revenue 2013/2014	More/(Less) than estimated	Actual revenue 2012/2013
	N\$	N\$	N\$	N\$
Miscellaneous	155 000	195 197.40	40 197.40	265 103.66
Total	155 000	195 197.40	40 197.40	265 103.66

1.4 Notes to the financial statements

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

(i) Underexpenditure

Main division 01 - Office of the Minister (N\$ 6 659 525.74 – 48.05%)

The underexpenditure was due to vacant positions which were not filled and the delay by Government Garage in printing fuel and repair invoices.

Main division 02 - Administration (N\$ 21 514 817.52 – 26.43%)

The main division underspent because staff members left the Ministry due to promotion and resignation and positions could not be filled. The underexpenditure also occurred because Government store and private companies did not submit their invoices on time as well as delay in handing over sites to contractors.

Main division 03 – Labour Market Services (N\$ 17 674 479.07 – 25.27%)

The main division underspent due to postponement of the Namibia occupational and skills audit survey that was scheduled to take place during the year under review as well as delays in submitting invoices by suppliers.

Main division 04 – Labour Services: (N\$ 8 895 673.80 – 21.54%)

The underexpenditure has been realized due to the implementation of the Workmen Compensation Act, which include payment for hospital expenses, pensioners' payment, salaries and administrative expenses to service providers and beneficiaries. The budget on the implementation of Workman's Compensation Act is depleted due to unpredictable expenditure on the benefits to be paid. It is difficult to predict as to how many Government employees would be injured while on duty.

Main division 05 – Office of the Labour Commissioner (N\$ 12 659 797.61 – 43.13%)

No recruitment of personnel took place during the year under review due to the unavailability of qualified Conciliators and Arbitrators. This resulted in the underexpenditure on daily subsistence allowance.

Main division 07 – Employment Equity Commission (N\$ 3 605 884.73 – 44.96%)

The underexpenditure has been realised due to official trips that were not undertaken, awareness raising and training of relevant employers on Affirmative Action. This has resulted in underspending on subsistence and travel allowance, as well as salaries.

1. GENERAL INFORMATION

2.1 Bank accounts

The Accounting Officer reported the following closing balances as at 31 March 2014:

Account name	Balance as at 31 March 2014
	N\$
Donation	604 326.63
Labour Complainants Account	33 580.85

2.2 Capital projects

The following were development projects of the Ministry as reflected in the General Ledger and the Development Budget.

Nature of project	Approved total budget	Total expenditure as at 31/03/2013	Approved appropriation 2013/2014	Actual expenditure 2013/2014	Total expenditure as at 31/03/2014	Expected year of completion
Regional Office: Eenhana	9 207 000	7 652 492.63	262 040	213 163.10	7 865 655.73	31 March 2014
Satellite Office: Ondangwa	12 611 000	7 427 739.13	368 344	336 200.90	7 763 940.03	31 March 2014
Satellite Office: Walvis Bay	2 319 000	8 724 818.17	395 300	234 235.26	8 959 053.43	31 March 2014
Extension of Ministry of Labour HQ	92 101 000	444 211.57	14 100 000	10 395 157.01	10 839 368.58	31 March 2018
Renovation and Improvement	12 539 000	3 586 677.40	5 587 316	3 742 027.90	7 328 705.30	31 March 2030
Total	128 777 000	27 835 938.90	20 713 000	14 920 784.17	42 756 723.07	

2.3 Points keeping stock and stock taking

The Accounting Officer reported twenty one (21) stock points inspected during the year under review. However, the Accounting Officer forwarded only eleven (11) copies of stocktaking for audit purposes.

2.4 Equipment and stock taking

The stock taking carried out at eleven (11) stock points discovered surpluses of N\$ 962 209.62, deficiencies of N\$ 69 159.02 and worn and damaged items of N\$ 317 890.92.

2.5 HIV/AIDS activities

The Accounting Officer reported an amount of N\$ 10 155 that was spent towards HIV/AIDS and other wellness activities.

WINDHOEK, 11-02-2015

GEORGE SIMATAA
ACCOUNTING OFFICER