



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MINISTRY OF LABOUR, INDUSTRIAL RELATIONS AND EMPLOYMENT CREATION

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

Published by authority

Price (Vat excluded) N\$ 22.25
Report no: 2016/26

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, Industrial Relations and Employment Creation for the financial year ended 31 March 2015 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, April 2016

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MINISTRY OF LABOUR, INDUSTRIAL RELATIONS AND EMPLOYMENT CREATION
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

1. REPORT ON THE FINANCIAL STATEMENTS

1.1 INTRODUCTION

This report on the accounts of the Ministry of Labour, Industrial Relations and Employment Creation for the financial year ended 31 March 2015 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, Industrial Relations and Employment Creation for the financial year ended 31 March 2015. These financial statements comprise the following statements submitted for the year then ended:

- Appropriation account;
- Standard subdivisions;
- Departmental revenue;
- Notes to the 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 and general information provided by the Accounting Officer is 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

- (b) 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 ACKNOWLEDGEMENT

The co-operation and assistance by the management and staff of the Ministry of Labour, Industrial Relations and Employment Creation during the audit is appreciated.

1.5 KEY AUDIT FINDINGS

1.5.1 Expenditure

The total budget was underspent with an amount of N\$ 159 861 472.93 (8.82%). 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):

Although Treasury approval was obtained to utilise certain expected savings for defrayal of excess expenditure by way of virement during the year, one (1) operational sub division is exceeded with an amount of N\$ 303 921.57 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 ensure that all budget activities are implemented and unauthorised expenditure are avoided.

Management comment

In his response on the draft report, the Accounting Officer indicated that the Ministry agrees with the findings. The Ministry will put measures in place to avoid under and overexpenditure.

1.5.2 Virements

Differences were noted between the virements authorised by Treasury and the virements processed on the Appropriation account as follows:

Main Division	Approved virements	Appropriation account	Variance
	N\$	N\$	N\$
02. Administration	6 546 915.21	6 400 000	146 915.21
03. Labour Market Services	(1 000 000.00)	-	(1 000 000.00)
04. Labour Services	5 439 309.37	(6 400 000)	960 690.63
06. Social Assistance	(107 605.84)	-	(107 605.84)

It is recommended that the Accounting Officer should see to it that the correct virement amounts are processed correct on the Appropriation accounts and agree with those approved by Treasury.

Management comment

In his response on the draft report, the Accounting Officer indicated that the Ministry agrees with the findings and will ensure that measures are put in place in the future.

1.5.3 Un-explained under expenditure

The budget of main division 06 (Social Welfare) was underspent with a total amount of N\$ 75 101 390.74 (5.12%) during the financial year under review, however the Accounting Officer failed to provide an explanation on the cause of the underspending.

It is recommended that the Accounting Officer should provide valid and relevant explanation for the underspending.

Management comment

In his response on the draft report, the Accounting Officer indicated that the information is still pending since the Directorate: Social Welfare was shifted to the Ministry of Poverty Eradication and Social Welfare.

1.6 UNQUALIFIED AUDIT OPINION

I certify that I have audited the financial statements of the Ministry of Labour, Industrial Relations and Employment Creation, for the financial year ended 31 March 2015 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, , the financial statements present fairly, in all material respects the financial position of the Ministry of Labour, Industrial Relations and Employment Creation as at 31 March 2015, and their financial performance and receipts and payments 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, April 2016

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

1. AUDITED FINANCIAL STATEMENT

1.1 Appropriation account

2014/2015						2013/2014
Service	Authorized expenditure	Actual expenditure	Variations		Actual expenditure	
			Under-expenditure/ (Excess)	Percentage		
N\$	N\$	N\$	N\$	%	N\$	
01. Office of the Minister:						
Original budget	12 728 000	8 326 077.58	4 401 922.42	34.58	7 200 474.26	
02. Administration:						
Original budget	132 476 000	111 809 826.74	27 066 173.26	19.49	5 975 332.48	
Plus: Virement	6 400 000					
03 Labour Market Services:						
Original budget	74 522 000	67 410 051.65	7 111 948.35	9.54	52 261 370.93	
04. Labour Services:						
Original budget	76 752 000	48 052 454.45	22 299 545.55	31.70	32 398 326.20	
Less: Virement	(6 400 000)					
05. Office of the Labour Commissioner:						
Original budget	35 879 000	20 077 399.26	15 801 600.74	44.04	16 721 240.39	
06. Social Assistance:						
Original budget	1 466 022 000	1 390 920 609.26	75 101 390.74	5.12	1 328 538 024.48	
07. Employment Equity Commission:						
Original budget	13 350 000	5 271 108.13	8 078 891.87	60.52	4 414 115.27	
Total	1 811 729 000	1 651 867 527.07	159 861 472.93	8.82	1 501 408 884.01	

ANNEXURE A (continued)

1.2 Standard subdivisions

Subdivision	2014/2015			2013/2014
	Authorised expenditure	Actual expenditure	Under-expenditure/ (Excess)	Actual expenditure
	N\$	N\$	N\$	N\$
Operational:				
Current expenditure: Personnel				
001. Remuneration	125 171 000	99 070 387.75	26 100 612.25	85 343151.86
002. Employer's contribution to staff's pension fund	12 375 000	11 196 236.57	1 178 763.43	9 560 668.93
003. Other conditions of service	5 817 000	894 196.46	4 922 803.54	1 465 168.78
Total	143 363 000	111 160 820.78	32 202 179.22	96 368 989.57
Current expenditure: Goods and other services				
021. Travel and subsistence allowance	22 565 000	14 293 475.50	8 271 524.50	9 844 199.74
022. Materials and supplies	7 871 300	5 024 062.27	2 847 237.73	4 254 797.61
023. Transport	14 550 000	4 757 871.94	9 792 128.06	14 455 152.65
024. Utilities	21 636 000	11 487 337.93	10 148 662.07	9 543 528.35
025. Maintenance expenses	19 028 700	13 028 822.85	5 999 877.15	8 642 785.16
026. Property rental and related charges	4 514 000	3 074 546.82	1 439 453.18	-
027. Other services and expenses	90 398 000	66 984 890.68	23 413 109.32	53 502 765.28
Total	180 563 000	118 651 007.99	61 911 992.01	100 243 228.79
Current expenditure: Subsidies, grants and other Transfers				
044. Individual and non-profit organizations	1 426 257 000	1 366 020 379.53	60 236 620.47	1 283 086 586.45
Total	1 426 257 000	1 366 020 379.53	60 236 620.47	1 283 086 586.45
Total: Current expenditure	1 750 183 000	1 595 832 208.30	154 350 791.70	1 479 698 804.81
Capital expenditure: Acquisition of assets				
101. Furniture and office equipment	9 450 000	3 981 385.77	5 468 614.23	2 576 882.41
102. Vehicles	11 800 000	11 757 933.00	42 067.00	4 212 412.62
Total: Capital expenditure	21 250 000	15 739 318.77	5 510 681.23	6 789 295.03
Total: Operational expenditure	1 771 433 000	1 611 571 527.07	159 861 472.93	1 486 488 099.84

ANNEXURE A (continued)

Subdivision	2014/2015			2013/2014
	Authorised expenditure	Actual expenditure	Under-expenditure/ (Excess)	Actual expenditure
	N\$	N\$	N\$	N\$
Development:				
Development: Capital expenditure				
105. Feasibility studies, design and supervision	-	-	-	2 848 459.75
107. Construction, renovation and improvements	40 296 000	40 296 000.00		12 072 324.42
Total	40 296 000	40 296 000.00	-	14 920 784.17
Total: Development expenditure	40 296 000	40 296 000.00	-	14 920 784.17
GRAND TOTAL	1 811 729 000	1 651 867 527.07	159 861 472.93	1 501 408 884.01

1.3 Miscellaneous revenue

Revenue for the year is as follows:

Revenue head	Estimate 2014/2015	Actual revenue 2014/2015	More/(Less) than estimated	Actual revenue 2013/2014
	N\$	N\$	N\$	N\$
Miscellaneous	175 000	235 254.30	60 254.30	195 197.40
Total	175 000	235 254.30	60 254.30	195 197.40

1.4 Notes to the financial statements

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

Underexpenditure

Main division 01 - Office of the Minister (N\$ 4 401 922.42 – 34.58%)

The main division underspent due to delay by the Government Garage in printing, fuel and repair invoices.

Main division 02 - Administration (N\$ 27 066 173.26 – 19.49%)

The main division underspent due to high staff turnover as a result of promotion, resignation and specialized posts not filled. Government Store and private companies did not submit invoices on time.

Stannic payment could not go through on time prior to the closing of amounts above N\$ 5 million.

Main division 03 – Labour Market Services (N\$ 7 111 948.35 – 9.54%)

The main division underspent due to positions which became vacant during the financial year due to promotions of previous incumbents. The participants of all employment officers in conducting the occupational skills audit survey which required more human power. As a result they have cancelled all their regional trips for the duration of the exercise resulting in the balance in domestic daily tariff. As of the balance under foreign daily tariff and foreign accommodation, this came as a result of fewer foreign trips that were undertaken as the Ministry took a decision to bring in trainers in so that more staff members will benefit at the same time. There was also a delay on the designation of relevant employers.

Main division 04 – Labour Services: (N\$ 22 299 545.55 – 31.70%)

Underexpenditure has been realized due to the funds that were budgeted for leave gratuity. Although the directorate experienced staff turnover, there was minimal pay-outs as many left through promotion to other OMA's. The funds were budgeted for the computer supplies to be used on the e-labour system. The Directorate is waiting for the finalization of the tender process for acquisition of such supplies. Another part of the funds is aimed for the acquisition of the personal protection clothing for inspectors. This is in the process of being acquired. The directorate has not experienced maintenance needs. There was slow filling of positions that led to slow acquisition of office furniture and equipment. There was only one retirement expected during the financial year. Implementation of Workmen Compensation Act, which includes payment for hospital expenses, pension's payment, salaries and administrative expenses to service providers and beneficiaries. 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\$ 15 801 600.74 – 44.04%)

The main division underspent due to:

Vacant positions not filled and non-approval of overtime. The funds for managing the case management system were suspended on the advice of the OPM due to the outdated system. There were no major breakdowns and those detected were not worth fixing as the office was moving to the new building. The office made use of freelance interpreters, part time arbitrators as well as private transcribers on need basis. However, the Ministry had no control over as to when they will be required. Therefore it is difficult to ensure that the budget allocated is successfully executed. Buying of new furniture for the new Labour Commissioner's office could not materialize in the financial year under review as the Office of the Labour Commissioner's construction was completed by the end of November 2015.

Main division 07 – Employment Equity Commission: (N\$ 8 078 891.87 – 60.52%)

The under spending on personnel expenditure was realised on vacant positions which could not be filled during the year. This has resulted in underspending on salaries and subsistence allowance. Office furniture and equipment for new staff members could not be bought on time. Under-spending attributed to credit which the Office had with the City of Windhoek. There were also delays in the implementation of some minor projects such as putting of interlocks and converting of the garages into offices.

2. GENERAL INFORMATION

2.1 Bank accounts

The Accounting Officer reported the following two (2) bank accounts:

Name of the account	Banking Institution	Balance at 01 April 2014 (Debit)/Credit	Balance at 31 March 2015 (Debit)/Credit
		N\$	N\$
Donations	Bank Windhoek	604 264.08	590 418.03
Labour Complaint Account	Bank Windhoek	73 128.54	249 086.81

2.2 Capital projects

The following are the development projects of the Ministry for the year under review:

Project name	Approved total cost	Total expenditure as at 31/03/2014	Approved appropriation 2014/2015	Actual expenditure 2014/2015	Total expenditure up to 31/03/2015	Expected year of completion
Extension of Ministry of Labour's Head Office	N\$ 102 100 000	N\$ 10 839 368.58	N\$ 8 596 000	N\$ 8 596 000	N\$ 19 435 368.58	31 March 2018
Construction of new Labour Commissioner's office	62 116 000	-	31 700 000	31 700 000	31 700 000.00	31 March 2017
Total	164 216 000	10 839 368.58	40 296 000	40 296 000	51 135 368.58	

2.3 Tender Board Exemption

The Ministry obtained exemption from normal tender procedures amounting to N\$ 133 050 000 for the procurement of goods and services.

Exemption number	Description	Approved budget	Actual expenditure	Variance
E1/6-1/2014	Travel and subsistence expenses	N\$ 18 752 000	N\$ 3 396 954.04	N\$ 15 355 045.96
	Materials and supplies	5 000 000	5 001 306.99	(1 306.99)
	Transport	12 000 000	1 033 324.76	10 966 675.24
	Utilities	14 000 000	10 974 532.63	3 025 467.37
	Maintenance expenses	12 000 000	4 531 743.92	7 468 256.08
	Property rental and related charges	4 100 000	528 524.69	3 571 475.31
	Other services and expenses	52 036 000	27 981 171.57	24 054 828.43
	Individual and non-profit organizations	15 000 000	15 000 000.00	-
	Office furniture and equipment	162 000	139 891.43	22 108.57
Total		133 050 000	68 587 450.03	64 462 549.97

2.4 Points keeping stock and stock taking

Stock taking was conducted at twenty three (23) points keeping equipment and stock countrywide and the outcomes were reported as follows:

Description	Amount
	N\$
Surpluses	453 446.00
Deficiencies	26 155.50
Worn and damaged items	267 117.66
Obsolete items	101 355.06

WINDHOEK, 17-02-2016

**MATHEW SHINGUADJA
ACCOUNTING OFFICER**