

**THE EVALUATION ON THE TREND OF EXISTENCE OF UNAUTHORIZED
EXPENDITURES IN CENTRAL GOVERNMENT OF NAMIBIA**

A THESIS SUBMITTED IN PARTIAL FULFILMENT

OF

THE REQUIREMENTS

OF

THE MASTER OF BUSINESS ADMINISTRATION IN FINANCE

DEGREE

OF

THE UNIVERSITY OF NAMIBIA

BY

HEDWIG MARINE DAX

9833226

APRIL 2020

SUPERVISOR: Prof. LILLIAN PAZVAKAWAMBWA (UNAM)

ABSTRACT

Unauthorised expenditures have been a common dilemma occurring in the central government of Namibia and other countries. The objective of this study was to examine the trends of unauthorised expenditure, determine the root causes, and propose strategies to reduce this unauthorised expenditure. Unauthorised expenditure patterns by O/M/As were evaluated using descriptive statistics in the form of charts and tables. Trend analysis was based on Auditor-General reports for the period of 2004-2014. Qualitative content analysis included establishment of causes of unauthorised expenditure; controlling and monitoring mechanisms; awareness of policies and regulations and current financial systems in use.

The study revealed that the unauthorised expenditures were occurring because of non-compliance with existing and used acts, policies, laws, rules and regulations. Unauthorised expenditures were caused by dishonesty and disrespectfulness towards the usage of these acts, policies, laws, rules and regulations. Existing acts, policies, laws, rules and regulations should be renewed, amended or else the government introduces other regulations. This could be done through migrating from the existing financial framework which is the State Finance Act, 1991 (Act 31 of 1991) with its regulations.

Honesty, transparency and accountability should be practiced and promoted in the development and disclosure of financials to make them easier and user friendly. In addition the internal controls already in existence surrounding these unauthorised expenditures need to be adhered to, namely: Virementation, whereby underspending (savings) should be utilised fully to diminish overspending (unauthorised expenditures) in support of proper planning and financial management. It further recommends each O/M/A

to develop a monitoring and evaluation policy framework and regularly carry out monitoring and evaluation on financial systems and books.

1.1	Introduction of the study	1
1.2	Research objectives	2
1.3	Significance of the study	2
1.4	Justification of the study	2
1.5	Delimitations of the study	2
1.6	Definitions of the study	2
CHAPTER TWO: LITERATURE REVIEW		3
2.1	Introduction	4
2.2	Defining Characterized Dependence on the Foreign Market	4
2.3	Definition, Causes and Effects of Characterized Dependence in the SADC and other countries context	4
CHAPTER THREE: METHODOLOGY		25
3.1	Research methods	25
3.2	Research Design	25
3.3	Populations and Samples	25
3.4	Research Instruments	25
3.5	Procedure	25
3.6	Data analysis	25
CHAPTER FOUR: RESULTS AND DISCUSSION		25
4.1	Introduction	25
4.2	Research Objectives	25
4.3	Research Procedure	25
4.4	Data Analysis	25
CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS		25
5.1	Introduction	25
5.2	Findings	25
5.3	Research Conclusions	25
5.4	Research Recommendations	25
REFERENCES		25
APPENDIX A: QUESTIONNAIRE		25

Table of Contents

CHAPTER ONE: INTRODUCTION	1
1.1 Orientation of the proposed study	1
1.2 Statement of the problem	4
1.3 Research objectives	5
1.4 Significance of the study	6
1.5 Limitations of the study	6
1.6 Delimitations of the study	6
CHAPTER TWO: LITERATURE REVIEW	7
2.1 Introduction	7
2.2 Defining Unauthorised Expenditure in the Namibian context	7
2.3 Definition, Causes and Effects of Unauthorised Expenditure in the SADC and other countries contexts	15
CHAPTER THREE: METHODOLOGY	26
3. Research methods	26
3.1 Research Design	26
3.2 Population and Sample	26
3.3 Research Instruments	27
3.4 Procedure	27
3.5 Data analysis	27
CHAPTER FOUR: RESULTS AND DISCUSSIONS	29
4.1 Introduction	29
4.2 Research Objectives	29
4.3 Research Procedure	30
4.4 Data Analysis	31
CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS	54
5.1 Introduction	54
5.2 Discussions	55
5.3 Recommendations	59
5.4 Areas for future study	64
REFERENCES	65
APPENDICES	71
Appendix A: Questionnaire	71

Appendix B: Research Permission Letter 77
Appendix C: Language & Copy-Editing Letter 78

List of Figures

Graph 2.1: Illustration of existence of unauthorised expenditure in all thirty-one (31) O/M/A's for a study period of ten (10) years as from 2004/05 until 2013/14.

Graph 4.1: Indicating the type of your organisation.

Graph 4.2: What is your Job title?

Graph 4.3: Are you involved in the budget process of your organisation?

Graph 4.4: For the past 10 years how did you observe your organisation's total expenditures on budget?

Graph 4.5: Does the current financial system mentioned above have controlling limits on budget overspending and creation of unauthorised expenses?

List of Tables

- Table 2.1: Illustration of Expenditure Budget levels with its descriptions.
- Table 4.1: What causes unauthorised expenditure in your organisation?
- Table 4.2: What controlling and monitoring mechanism does your organisation have in place to curb/reduce unauthorised expenditures?
- Table 4.3: Are you aware of policies and regulations on unauthorised expenditures?
- Table 4.4: Financial system does your organisation currently used for the production of financial statements and reports.
- Table 4.5: Illustration of summary of reasons for occurrences of unauthorised expenditures for the O/M/A's indicative yearly for the studied period.

List of Acronyms

OMA's	Offices, Ministries, Agencies
MOF	Ministry of Finance
OAG	Office of the Auditor-General
AG	Auditor – General
SRF	State Revenue Fund
PAC	Public Accounts Committee
MDAs	Ministries/Departments/Agencies
MTEF	Medium Term Expenditure Framework
M&E	Monitoring and Evaluation
SPSS	Statistical Package for the Social Sciences
TAW	Treasury Authorisation Warrant
NPC	National Planning Commission
IFMS	Integrated Financial Management System
HPP	Harambee Prosperity Plan
OPM	Office of the Prime minister
NA	National Assembly
NC	National Council
MME	Ministry of Mines & Energy
MRLGH	Ministry of Regional, Local Government & Housing

MTI	Ministry of Trade & Industry
MAWF	Ministry of Agriculture, Water & Forestry
MFMR	Ministry of Fisheries and Marine Resources
MWT	Ministry of Works & Transport
NPC	National Planning Commission
MYNSSC	Ministry of Youth, National Service, Sport and Culture
ACC	Anti-Corruption Commission
MVA	Ministry of Veteran Affairs
MOI	Ministry of Information
MOJ	Ministry of Justice
MGECW	Ministry of Gender Equality and Child Welfare
OOP	Office of the President
MLSW	Ministry of Labour & Social Welfare
MLR	Ministry of Lands & Resettlement
EC	Electoral Commission
MOD	Ministry of Defence
MHSS	Ministry of Health & Social Services

MET	Ministry of Environment & Tourism
MSS	Ministry of Safety & Security
MHA	Ministry of Home Affairs
MFA	Ministry of Foreign Affairs
MOE	Ministry of Education

ACKNOWLEDGEMENTS

Since this was not an easy road, I would firstly like to acknowledge and thank my Lord, God and Saviour for His existence in my life, through granting me His love, peace, patience, health and foremost strength through this journey which took seven (7) years in totality to complete.

In this journey, there were many obstacles and hardships, and if I had not known God in all His Trinity: Lord my Father, Jesus Christ His Son and Lord the Holy Spirit, I would have been lost and not had the courage to pursue these studies overcoming very pressing and challenging obstacles.

Secondly, I would like to give my gratitude to the Namibia Business School (NBS), staff and management who gave me a chance to study, and granted room again and again to complete this task.

Throughout this journey, I had an awesome supervisor, Professor Lillian Pazvakawambwa who guided me through this research process with patience and competence. With her remarkable knowledge, academically and spiritually, positive attitude and friendliness, I could learn and gain more from her expertise and wisdom, which mostly enhanced my knowledge overall and specifically in data analysis. Special appreciation also goes to Professor Greenfield Mwakipesile for constantly monitoring my progress and giving me guidance and encouragement throughout this journey.

One of the greatest obstacles for me not to complete this thesis on time was my workload that was huge and complex and with added responsibilities, moving to a higher rank from

chief auditor to deputy director during this time period. I need to acknowledge and give gratitude to the top management of the Office of the Auditor-General for funding, granting and approving study leave when needed, and at the same time giving me access to the audited reports that I used as secondary data in conducting and completing this research. In addition, special thanks to my immediate supervisor: Director Ms. Imelda Hummel who was very understanding and supportive throughout my study period.

My appreciation goes to the management and staff of the Offices/Ministries/Agencies (O/M/As), for their willingness to assist me in conducting this research, in taking part in the survey through participation and taking time from their busy work schedules to complete the questionnaires.

My appreciation and thank you goes to my family and friends, through encouragement, prayers, financial assistance, and just being lovable and supportive during this study period. Special thanks to my parents (Matheus and Veronica Dax) who stood by me, helping to take care of and support my kids. This gave me peace of mind and time to concentrate on my studies. Finally, great thanks to my two beautiful and loving kids (Don and Dorothy) for their patience, not being a full-time mother throughout this time, and yet being understanding and loving towards me. All your kindness and patience are much appreciated by me, and will not go unnoticed by The Lord God! I assure you that He will pour His blessings on all of you!

Thank you all! Hallelujah!

DEDICATION

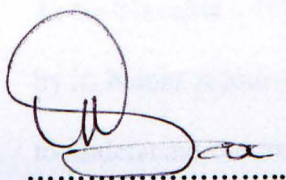
This thesis has been thankfully, dedicated to my children, parents, friends, colleagues, cousins and siblings with their children, who have been the source of constant support, love and guidance. This gave me the drive and strength to endure through this difficult task with honesty and determination.

DECLARATION

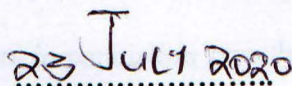
I, Hedwig Marine Dax, hereby declares that this study is my own work and is a true reflection of my research, and that this work, or any part thereof has not been submitted for a degree at any other institution.

No part of this thesis may be reproduced, stored in any retrieval system, or transmitted in any form, or by means (e.g. electronic, mechanical, photocopying, recording or otherwise) without the prior permission of the author, or The University of Namibia in that behalf.

I, Hedwig Marine Dax, grants The University of Namibia the right to reproduce this thesis in whole or in part, in any manner or format, which The University of Namibia may deem fit.

A handwritten signature in black ink, appearing to read 'Hedwig Marine Dax', written over a dotted horizontal line.

Signature

A handwritten date '23 JULY 2020' in black ink, written over a dotted horizontal line.

Date

CHAPTER ONE: INTRODUCTION

1.1 Orientation of the proposed study

Namibia is a developing country that has been experiencing dilemmas in every aspect of living conditions and therefore as it is in real life situations, as the country's population grow it would result in spending challenges such as public needs and services growing as well. This has been proven by a paper written by Mulama, (2015), which states that much of the projected growth in population for the coming decades is likely to take place in developing and least developed countries, where it is likely to exacerbate poverty and put pressure on the economy, basic health and social services provision and the environment. As for Namibia a developing country that aspires to be an industrialized nation, developed by its human resources, it is of vital importance to analyze its population dynamics in order to understand the trends and changes in population growth, and currently is projected to have a declining fertility rate, low population growth rate, a high dependency ratio, a high youth unemployment rate, high death rate among the working-age population, and a high educated work force. A large population with a low dependency ratio can positively contribute to the economic growth of a country. Even though Namibia has a low population, it has a high dependency ratio and high youth unemployment rate and this would put pressure on the economy, with the basic needs and services which will create greater expenditure.

The Ministry of Finance (MOF) develops the national budget under the Appropriation Act in accordance with Appropriations of the Namibian Constitution (Chapter 16, art 126, sec 1) whereby the Minister in charge of the Department of Finance shall, at least once every year and thereafter at such interim stages as may be necessary, present for the consideration of the National Assembly estimates of revenue, expenditure and income for the prospective financial year. The overseer checking whether these funds had been utilised for their intended purposes is the Auditor-General (AG), as stipulated in the Namibian Constitution (Chapter 16, art 127, sec 2). The State Finance Act, 1991 (Act 31 of 1991) of Namibia is known currently as being the financial reporting framework for central government of Namibia, utilised for the development and preparation for the financials of O/M/A's.

The State Finance Act, 1991 (Act 31 of 1991), with all its functions to name just a few is to provide for the regulation of the defrayal of expenditure on services of the State, the powers and duties of the Treasury and the powers and duties of the Auditor-General and has been duly signed by the then, President on 12 December 1991. As stipulated in the State Finance Act of 1991, the researched topic namely the "unauthorised expenditures" has been defined as a solemnly important item/topic/criteria in this Act, and notably reported annually in the annual audited reports.

Unauthorised expenditures have been and currently being highlighted in the key audit findings of the audited reports produced by the Auditor – General since the enactment of this Act in prior years, in the chosen studied period: 2004/05 - 2013/14 and beyond. Further validation of this studied topic has been proven by Sherbourne, (2001) with Audited reports being his main source for the years: 1990/91 – 1997/98, were he states that unauthorised expenditures seem to have become a constant feature of the budget and it further proves

that government tends to overspend on the operational budget and underspend on the development budget. Sherbourne (2001), further states that “If expenditure is consistently overestimated it means that planned expenditures are not taking place and government policies are not being implemented and this could hold back development. If expenditure is consistently underestimated it means that more ends up being spent than was actually planned for and, again, this is likely to lead to increased borrowing and debt”.

This information from these high level governance documents as stated above were obtained and analysed and has motivated the researcher to study this topic and evaluate to assess the trends of existence of these expenditures as reported annually in the audited reports. The rationale being that if something is unauthorized, meaning no approval or not supposed to occur, the occurrence thereof being unlawful. Thus the concern of the study being that the Namibian government with all its governance structures namely the Offices, Ministries, Agencies were allowing these unlawful occurrences of unauthorized expenditures for so long, creating a reality of existence that need to be dealt with in accordance, hence this study.

Furthermore, it was relevant to determine if all these regulations mentioned above, has clauses on the accountability aspect, meaning how this problem was dealt with in accordance with Act and all other laws of Namibia in central government. Since these expenditures are unauthorised, meaning they are not authorized, hence problematic and needs to be rectified for it not to become a big concern and problem for the Namibian economy in the long run. Lastly, it was behind this background, that this research has been undertaken in an attempt to determine the extent to which these expenditures have been

occurring and determine whether they have been resolved and if not find solutions applicable for eliminating these unauthorized expenditures.

1.2 Statement of the problem

The Auditor-General (AG) of Namibia has proven with his audited reports that unauthorised expenditure has been occurring and the trend of existence, reported in the Auditor-General (AG) audited reports 2004/05 (No:445/2006) until 2013/14 (No:89/2015), taken as the studied period, as well as prior audited years 1990/91 – 1997/98 as proven by paper written by Sherbourne (2001).

de Renzio, Seiferling, & Wehner, (2008), in a survey result highlighted the great variation in existing practice across the African continent, but they also point to weaknesses in budget execution and expenditure control. The extensive use of supplementary budgets, and the opportunities that exist for overspending and reallocations, could easily undermine the overall integrity of control mechanisms in the budget process.

Inyang (2016), stated that the existence of unauthorised expenditures in governments were through control weaknesses such as lack of management and controlling mechanisms for insurance of balanced public expenditure; lacking budget control; lacking implementation of internal controls on financial regulations; non-adherence to financial regulations; inefficient use of public resources; lack of accountability and many other unknown problems that might in the long-run create greater social-economic dilemmas, wasteful, detrimental and non-beneficial expenditure; giving rise to public debt and wasting of public resources.

According to State Finance Act of 1991 which is the highest authority in central government of Namibia, unauthorized expenditures as stated is expenditures were no budgetary provision has been made for, and hence should not exceed the given budget for a particular year. Therefore, the problem being that the creation of unauthorized expenditures and the trend of occurrence, is a clear non-compliance to this authoritative Act and all the relevant laws and regulations such as Appropriation Act. Whereby up to current year of this study being conducted the trend of existence of these expenditures are still real with no elimination and no accountability on them. Therefore, these expenditures costs will be incurred by government leading to increase in borrowings for the government to fund these expenditures, and will overburden the economy creating more debt in future. Unauthorised expenditure, if uncontrolled will negatively impact on the socio-economic development of Namibia, making it unable to meet its Vision 2030 targets.

1.3 Research objectives

The objectives of the study were:

- To describe trends of unauthorised expenditure in Central Government.
- To determine the root causes of unauthorised-expenditure.
- To propose strategies to reduce unauthorised expenditure in central government.

1.4 Significance of the study

The study identified gaps in expenditure efficiency. Furthermore, it proposed strategies for budget control and adherence to the State Finance Act of 1991 and financial rules to curb unauthorised expenditure. This study will also pave way for further research.

1.5 Limitations of the study

Some limitations expected for the study are the availability of respondents due to their busy schedules. The sensitivity of the information involved was also another limitation as some respondents might not respond fully, fearing divulging information which could implicate them. The researcher might reduce these limitations by making appointments with respondents, and assuring the respondents that the information would only be used for the purposes of the research respectively. However, the researcher cannot guarantee the integrity of the respondents on their responses and in provision of honest answers.

1.6 Delimitations of the study

The scope was mostly determined by the availability and willingness of the top management and senior and key personnel at the selected O/M/As (Permanent Secretaries, Financial Advisors, Chief Accountants and Accountants).

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In this chapter, the researcher defined and discussed the concept of unauthorised expenditures. Furthermore, the researcher delved into other researched studies and definitions as laid down by different countries and different authors. Literature review was carried out in order to identify gaps in the different countries neighbouring Namibia and international and how best to benchmark these gaps found with the Namibia context on this studied topic. This research was done in order to find solutions and answers for these identified gaps. Therefore, the literature review in this study focused on finding already existing procedures, laws, regulations, acts, policies that are currently available in Namibia and outside in other countries. In addition, the researcher reviewed, examined and investigated the root causes of unauthorised expenditures and further evaluated to find solutions and recommendations for the wellbeing of the country as a whole and for the usage of this study as had been considered elsewhere.

2.2 Defining Unauthorised Expenditure in the Namibian context

According to the State Finance Act, 1991 (Act 31 of 1991) of Namibia, the Auditor-General (AG) shall, in a report draw attention to every unauthorised expenditure incurred. This Act is the financial reporting framework for central government of Namibia ever since independence and currently, and it defines unauthorised expenditure as follows:

- (a) any expenditure or payment incurred or made contrary to the provisions of section 6 or 17;

- (b) any expenditure or payment for which no provision has been made by or under any law;
- (c) any expenditure or payment incurred or made without the authorisation or approval required by this Act;
- (d) any expenditure or payment incurred or made contrary to the provisions of any law;
- (e) any expenditure or payment in respect of which no voucher or other proof of payment required by the Auditor-General has been produced or, in the case of any expenditure or payment in respect of which any such voucher or other proof was defective or has been lost or destroyed, in respect of which the Treasury, or in the case of a statutory institution, the executive authority thereof, has not in terms of section 25(1)(c)(iv) authorised the Auditor-General to dispense with the production of the voucher or other proof concerned.

Section 6 of this Act states that, "Subject to the provisions of sections 9 and 16(1) (a): *"no expenditure shall be incurred during a financial year on services of the State which -*

(a) in the case of expenditure in respect of which an amount of money has been appropriated by an appropriation Act -

(i) results in the total amount mentioned in an estimate of expenditure in respect of a vote being exceeded;

(ii) results in the total amount mentioned in a main division of a vote being exceeded;

(iii) results in the total amount mentioned in a subdivision of a main division being exceeded;

(iv) results in a Column 2 amount of any vote (entertainment allowances) being exceeded;

(b) in the case of expenditure in respect of which amounts of money have been appropriated by or under any other law, results in the amounts determined by or under such law being exceeded.”

The above statement under section 6, clearly stipulates that if the estimate of expenditure (budget) appropriated under a vote, main-division, sub-division and column 2 of vote (entertainment allowances) were exceeded by expenditures incurred it should be considered as unauthorised expenditures.

Section 17 of this Act states that: “*subject to the provisions of this Act and notwithstanding anything to the contrary in any other law contained-*

(a) no expenditure shall be incurred as a charge to the State Revenue Fund;

(b) no payments shall be made as a charge to the State Revenue Fund;

(c) no fees or charges, or the rates, scales or tariffs thereof, shall be determined as a charge to the State Revenue Fund, without the authorisation of the Treasury.”

The above statement under section 17, clearly stipulates that the expenditure, payments or any other fees charged to the State Revenue Fund (SRF) without the authorisation of the Treasury shall be regarded as unauthorised expenditure.

This additional provisions of Sections nine (9) and six-teen (16) indicated above under Section six (6), has clearly outline the process how these expenditures as mentioned under Section six (6) and seventeen (17), if it does occurred, should be dealt with in accordance with these provisions. Meaning that for these unauthorised expenditures, money could be withdrawn from State Revenue Fund, without an appropriation by law, in order to defray expenditure on services in respect of which money was appropriated in the preceding

financial year within four (4) months after the closure of that financial year. Furthermore this total amount of money which may be so authorised shall not at any time exceed an amount of money equal to thirty-three percent of the total amount of money appropriated by an Appropriation Act for the preceding financial year, subject to the provisions of this Act and notwithstanding anything to the contrary in any other law contained, with the clear provision that this shall also not be done without the authorisation of the Treasury.

As mentioned above in the introductory chapter; in the Appropriation Act, the total expenditure budgeted is broken down into three (3) levels as illustrated clearly in Table 2.1 below.

Table 2.1: Illustration of Expenditure Budget levels with its descriptions

Three (3) Expenditure Budget Levels in Appropriation Act	Description of each level
VOTE	Represents an Office/Ministry/Agency (O/M/A) namely central government.
MAIN-DIVISION	Represents the directorates in the O/M/A's.
SUB-DIVISION	Represents the activities to name a few such as (transport, salaries, utilities, maintenance, office furniture and equipment, subsistence and travel allowance)

Source: Appropriation Act

Since this study focused only on unauthorised expenditure, the financial reporting framework of Namibia which is the State Finance Act, 1991 (Act 31 of 1991) of Namibia

stipulates that unauthorised expenditure has been stated a non-compliance issue if it exceeds two percent (2%) of the budget. According to this Act, Section 13, subsection 2, *“every Accounting officer shall as soon as practicable, but not later than fifteen days from the date of receipt of an appropriation account in terms of subsection (1), sign such appropriation account and return it together with explanations of the causes of any variations in excess of two percent (2%) between the estimate of expenditure (budget) and actual expenditure to the Permanent Secretary”*. Meaning, where the actual expenditure is more than the budgeted figure and the variance in percentage is equal or more than the two percent (2%), it is considered as unauthorised expenditure.

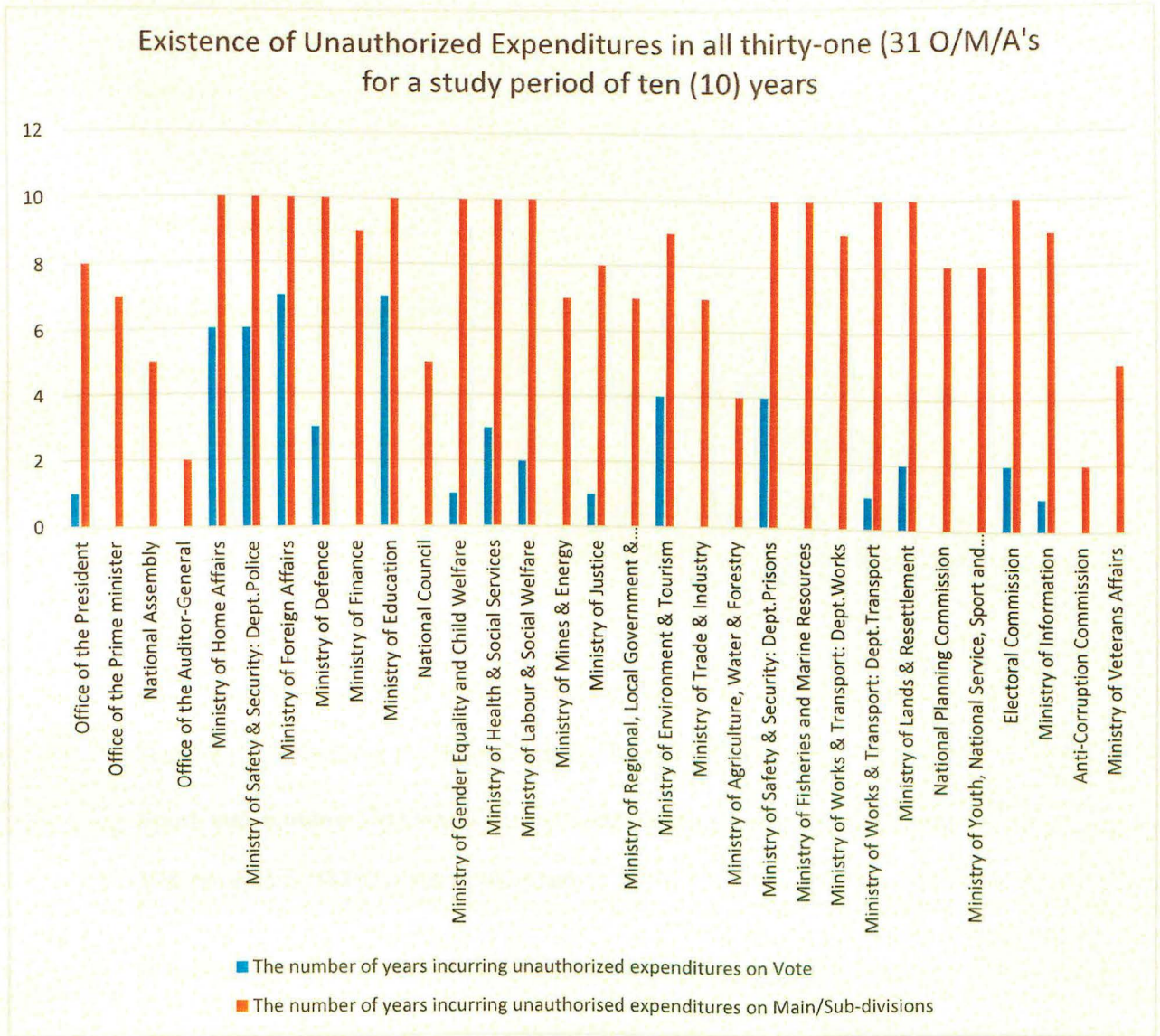
According to the Namibian Constitution, Article 74(2), *“The National Council (NC) shall have the power to establish committees and to adopt its own rules and procedures for the exercise of its powers and the performance of its functions. A committee of the NC shall be entitled to conduct all such hearings and collect such evidence as it considers necessary for the exercise of the NC's powers of review and investigations, and for such purposes shall have the powers referred to in Article 59(3) hereof.”* Article 59(3), states that for the purposes of exercising its powers and performing its functions any committee of the National Assembly (NA) established in terms of Sub-Article (1) hereof shall have the power to subpoena persons to appear before it to give evidence on oath and to produce any documents required by it.

As mentioned above, currently there resides such a committee in the Namibian government known as the *“Committee on Public Accounts and Economy”* that shall serve as an oversight over the AG with main functions such as, to examine annual audited reports of the O/M/A's by the AG and incidents of financial mismanagement and in essence assist

O/M/A's and all other organisations audited by AG to have financial accountability and good governance and ensure transparency over public finance. However, the question has still remained, whether this function of oversight over the AG have been empowered enough to hold the users of the system accountable causing this studied dilemma.

The AG of Namibia has proven with his audit reports that unauthorised expenditure has been existing and real as illustrated in Graph 2.1, below, indicating the trend of existence and occurrence of unauthorised expenditures in thirty-one (31) O/M/A's in the central government of Namibia for a study period of ten (10) years from 2004 until 2014.).

Graph 2.1: Illustration of existence of Unauthorized expenditures in all thirty-one (31) O/M/A's for a study period of ten (10) year as from 2004/05 until 2013/14



Source: Auditor-General (AG) audited reports 2004/05 (No:445/2006) until 2013/14 (No:89/2015).

Limited research has been done in Namibia on the subject of study, therefore to illustrate the trend of unauthorised expenditure, audited reports produced by the Office of the Auditor-General (OAG) in Namibia were used as the baseline to state the existence and occurrence of unauthorised expenditures in the central government of Namibia. As per the

graph illustration, for the chosen years, the trend of occurrence of unauthorised expenditures have been experienced mostly on main and sub-divisions and minimal on Votes (Total Budget). This illustration was based on the non-compliance of the two percent (2%) regulation as per State Finance Act of 1991, meaning if the expenditure incurred exceeds the budget with equal to or more than two percent (2%) it was determined as unauthorised expenditures.

The above graph illustration has shown that fifteen (15) O/M/As, did not exceed the Vote for the chosen period, namely: Office of the Prime minister (OPM), National Assembly (NA), Office of the Auditor-General (OAG), Ministry of Finance (MOF), National Council (NC) and the Ministry of Mines & Energy (MME). Also not exceeding the vote were: the Ministry of Regional, Local Government & Housing (MRLGH), Ministry of Trade & Industry (MTI), Ministry of Agriculture, Water & Forestry (MAWF), Ministry of Fisheries and Marine Resources (MFMR). Furthermore, the Ministry of Works & Transport (MWT): Dept. Works, National Planning Commission (NPC), Ministry of Youth, National Service, Sport and Culture (MYNSSC), Anti-Corruption Commission (ACC) and Ministry of Veteran Affairs (MVA) were compliant.

However, five (5) O/M/As experienced, overspending on total budget (Vote) for one (1) year, namely: Ministry of Information (MOI), Ministry of Works & Transport (MWT): Dept. Transport, Ministry of Justice (MOJ), Ministry of Gender Equality and Child Welfare (MGECW) and Office of the President (OOP).

Three (3) O/M/As experienced it for two (2) years, namely: Ministry of Labour & Social Welfare (MLSW), Ministry of Lands & Resettlement (MLR) and Electoral Commission

(EC). Two (2) O/M/A's experienced it for three (3) years, namely: Ministry of Defence (MOD) and Ministry of Health & Social Services (MHSS). Two (2) O/M/As experienced it for four (4) years namely: Ministry of Environment & Tourism (MET) and Ministry of Safety & Security (MSS): Dept. Prisons.

Two (2) O/M/As experienced it for six (6) years, namely: Ministry of Home Affairs (MHA) and Ministry of Safety & Security (MSS): Dept. Police. Two (2) O/M/As experienced it for seven (7) years, namely: Ministry of Foreign Affairs (MFA) and Ministry of Education (MOE). The occurrences of unauthorised expenditures on main and sub-divisions occurred on all thirty-one (31) O/M/As for more than two (2) years for the said period, but the Office of the Auditor-General (OAG) and Anti-Corruption Commission (ACC) is commendable because for them it was only experienced for two (2) years in the chosen period of the study.

For these trends and occurrences of unauthorised expenditures, the O/M/A's could not prove over these years how these unauthorized expenses should be eliminated and thus these keep on transpiring year in and year out however no solutions have been provided causing this study to achieve and found it.

2.3 Definition, Causes and Effects of Unauthorised Expenditure in the SADC and other countries contexts

In South Africa, according to the Public Finance Act, 1991 (Act 1 of 1991), "*Unauthorised expenditure*" means (a) *overspending of a vote or a main division within a vote; (b) expenditure not in accordance with the purpose of a vote or, in the case of a main-division, not in accordance with the purpose of the main division.*" Furthermore in South Africa

according to the Policy on Avoidance of Irregular, Fruitless and Wasteful Expenditure which was approved in 2013-12-04, *“Unauthorised expenditure means, (i) overspending of approved budget, (ii) spending not in line with the original approved purpose of the budget item, and (iii) expenditure incurred without the appropriate approval.”*

These definitions are exactly the same as in the Namibian context as per the State Finance Act of 1991.

Inyang (2016), stated that an expenditure is extra-budgetary if it has not been in the approved budget and it becomes illegal if it has failed to pass through the normal process of legislative appropriation. It has become sound public expenditure management practice for governments all over the world to ensure that public expenditure has been properly managed and controlled. Inyang (2016), further stated, that, one of the most important means of achieving this globally socio-economic objective has been the budget, which have been acknowledged worldwide as being very useful and inevitable. Unfortunately, one unresolved issue of budgeting which has featured in public sector accounting and public expenditure management according to his study has been unauthorised extra-budgetary expenditure.

In another finding on Nigeria’s Ministries/Departments/Agencies (MDA’s), Inyang (2016) further stated that the occurrence of unauthorised extra-budgetary expenditures has been the function of the combined adverse effects of lack of integrity, lack of knowledge and experience, faulty budgetary practices, weak financial management, political considerations, lack of consistent legal framework, non-disclosure of extra-budgetary funds and audit failure. Furthermore, he states that illegal or unauthorised extra-budgetary expenditures constitute financial fraud by all standards and that they were usually

influenced by emotionally (pressured) related variables like insincerity, or constantly giving in to a state of mind that does not characterize truthfulness. Existence of inefficiently managed extra-budgetary funds, lack of constitutional authority, audit failure and other controllable weaknesses in the system have also created opportunities for politicians and MDA officials to have incurred illegal or extra-budgetary expenditures.

In addition, Inyang (2016), stated that poor budgetary performance, extra-budgetary activities, wasteful spending, lack of professional knowledge thrived because all stakeholders and budget beneficiaries were not allowed to participate and make their own input, and further revealed that budget was reduced to mere aggregation and policies were inconsistent, monitoring and evaluation were not regularly carried out and there were also no strong and reliable database.

As the researcher of this study, I would agree fully with Inyang with all the findings on causes of expenditures, but in particular on monitoring and evaluation which were not regularly carried out can be a factor of cause, because the trend of existence indicated in this study proves that monitoring and evaluating mechanisms not regularly carried out has proven the trend of existence of these expenditures.

According to Erasmus (2007/08), the South African Constitution stipulates that government departments may only spend funds allocated and/or approved by an Act of Parliament. Therefore, a department's expenditure may never be more than its approved income, as this constitutes unauthorised expenditure, and the same applies if expenditure occurs within the budget constraint but has not aligned to the purposes of the vote. He further states, apart from the undesirability of overspending of an approved budget,

underspending of the budget is equally undesirable as it supports the impression of poor service delivery and/or poor planning. Overspending or material underspending of an approved budget could thus indicate financial non-performance on a macro-level within a government department. This theory has been in line with the Namibian Constitution and other countries studies.

According to Fourie (2007), budgeting and expenditure management complement each other in the way that the allocation of funds were done with the expectation that the funds have been utilised efficiently and effectively, for the purpose for which they were provided. He further states that budgets were strategic planning instruments, which if not properly constructed, will result in a misallocation of funds that will prevent the effective realization of specific projects, activities or programs. As the researcher of this study I concur with Fourie and above authors, whereby this study should focused mostly on the close link of budget being exceeded with expenditures because, expenditure if controlled ensures that budgeted funds allocated would be spend on specific earmarked activities, and if not, might or would have created problems of errors, omissions and fraudulent activities that would give rise to unauthorised expenditures.

According to a study done by Uukelo (2007), on Medium Term Expenditure Framework (MTEF) and its efficiency in Namibia, one of the weaknesses that still was standing out was unauthorised expenditures, which he stated that “procedure to control unauthorised budget payments were specific and detailed, yet many unauthorised spending do still occur, which afterward cannot be easily reversed”. Furthermore, Uukelo (2007) stated that this weakness in the monitoring system derived from faulty handling of commitment register and the neglect of the commitment register causes budget appropriation to be exceeded. In

the conclusory recommendation remarks, Uukelo (2007) concluded that the Auditor General's office as a government watchdog should provide their report on time to assist the budget committee in preparing the national budget, and that the audit report should also be readily available to the public where by the budget preparation body should do a thorough analysis of actual expenditure trends on how various sectors are financed, identifying the key sector cost driver, costing implications of policies and projecting future financing scenarios.

The researcher agrees strongly with Uukelo, on usage of the commitment register, since it was also eluted in the survey results as a general financial management tool and strong indicator on the availability of funds on a given budget. As a regulation, keeping and handling of a commitment register was not adhered by the users/public servants and this non-adherence of keeping a commitment register and updating thereof bears these results of unauthorized expenditures occurring in central government of Namibia. In this same study of Uukelo, it was also stated that the Auditor-General reports should be used for budget preparation and thorough analysis of actual expenditure trends, which could not have been the case in Namibia because of the same trend of unauthorized expenditure occurring year in and out. Whereby this study concurred and has used these Auditor-General reports to depict the trends of actual expenditures, especially on expenditures that are unauthorised, created by overspending the given budgets and creating expenditures not authorised in accordance of State Finance Act and other law provisions, resulting in cost implications in the government of Namibia.

Biwa, Kalenga, & Zaaruka (2001), stated that the efficiency considerations should occupy a central position in decisions on public spending, to state whether this over-spending incurred were productive enough to be accepted. Ramutsheli & Janse van Rensburg (2015), states that the achievement of public sector service delivery objectives was crucial to citizens, both individually and collectively since the public depends on local audit reports, to indicate whether local government was failing to achieve its objectives.

Biwa and the rest of the authors mentioned above are stating that efficiency considerations and achievement of objectives should be looked at even during these creation of unauthorised expenditures and in reporting of these expenditures, meaning even if there are unauthorised expenditures occurring, has public funds spending reach its ultimate goals and mandates. Therefore as a researcher of this study I agree with them and there was a further analyses done on the explanations provided in these audit reports that were used in this study to analyse and scrutinize if these explanations provided on the occurrences of the unauthorised expenditures to determine if they were spend on the public needs and not on wasteful and detrimental administration expenses of the public servants, meaning to determine whether public service delivery has been achieved even with these unauthorised expenditures.

According to Munzhedz (2014), the scenario of unauthorised expenditures, as being a mere reason of accounting officers that has not being taking the reasonable steps to prevent unauthorised, irregular and/or fruitless and wasteful expenditure, and also cannot only be attributed to poor financial skills, but to a lack of commitment and disregard for financial management and supply chain legal framework and a lack of accountability and good stewardship of public (financial) resources. The main lacking attribute has been

accountability whereby it referred to a process that was hierarchical and flowed from one who confers responsibility to one who must execute the responsibility and account for it to the former. It was also not just a function of internal control, which involves not only the internal check and internal audit, but the whole system of controls, financial and otherwise, established by management for purposes of effecting accountability, meaning that the provincial legislature might have played a significant role in ensuring accountability by the provincial executive other than being spectators. Furthermore, both politicians and appointed public officials should have been answerable to their constituencies and superiors. In addition, Munzhedz (2014), advised that oversight was an important legislative means of ensuring that laws passed are implemented, approved budgets well spent and the executive held accountable in accordance with democratic principles. Munzhedz (2014), further illuted that, legislatures often lacked the independence, expertise and resources to perform their oversight role, and as a result, the importance of exercising oversight over the executive tends to be overlooked and treated as a mere compliance activity. Therefore, the executive authority was constitutionally accountable to the legislature, which meant that government departments were obliged to account for the services they render to the citizenry, and thus should be beefed up to effectively address inadequacies, ineffectiveness and incapacities.

The same set-up of government structures worldwide as summarized by Munzhedz were functioning in Namibia as well, whereby the executives were the Accounting Officers of O/M/A's accountable to the legislature being the Parliament. In addition, the executive should also be accountable to provide answers on usage of their approved budgets, to account whether it was effectively, efficiently and economically spend and for the mere

usage of the public citizens. The oversight role is by the AG of Namibia which should ensure that approved budgets were well spent in accordance with the Act and other applicable laws and regulations, and oversee whether the executives were held accountable in accordance with relevant laws, policies and regulations of the O/M/A's and whole government system in place.

However as earlier mentioned in the introductory chapter, the AG was only mandated to report on Unauthorised expenditures, with explanations only if it's equal to or exceeds 2% of the budget. Therefore, the O/M/A's Accounting officers provided the explanations whereby they have only focused on providing the reasons for exceeding, and not scrutinizing, analysing or even evaluating on the reasons for the occurrences there-off. This merely indicates that the Accounting Officers of the O/M/A's were only obliged to provide the explanations for exceeding, even-though it has not been proven to be productive and efficient to the economy (beneficial to public). This has resulted in transparency and accountability being compromised and currently has been the current major concern of the President of Namibia, whereby accountability being the expectation of account-giving and people being answerable for results and consequences, and being held to judgement and transparency implying openness, and being clear by operating in such a way that it has been easier for others to see what actions were performed.

Therefore, this prior and current experience and state the O/M/A's have been facing in Central government of Namibia on the usage of State Finance Act, of 1991, has been that unauthorised expenditures have been in existence and Act only states how it will be reported if non-compliance to the Act regulations have not been adhered to, but it clearly does not state the accountability aspect thereof which has resulted in this studied dilemma.

Another important aspect has been the fact that the current financial framework (State Finance Act) was not transparent, since it does not recognize, provide and reveal all items in the financial books or systems correctly, such as assets and liabilities, because all the items bought have been presented and disclosed as expenditures, meaning vehicles, houses and school buildings have been purchased but they have not been classified as assets but rather under capital expenditures in the financial statements.

A study done by Fourie, & Poggenpoel (2017), indicated that in South Africa the same non-efficient expenses occurred year in and year out, through which he stated that findings relating to the 'Expenditure Management' theme recurred year in and year out for nine (9) years, suggesting that public funds are possibly not being managed in an effective and efficient manner. The findings that recurred most often in the 'Expenditure Management' theme were uncompetitive/unfair procurement processes and internal control deficiencies in expenditure management. These findings might have implied a lack of internal financial controls and a general lack of capacity and skills within the finance departments of government entities analysed. Fourie (2007) mentions that for any organisation in the private or the public sector, it was important to implement efficient and effective internal financial control measures for effective public sector governance and accountability. According to Ochei (2012), it has been very easy to spend more than what your budget allows when you are not counting out the actual cash thus there was need to use developed and flexible strategies to monitor and control our expenditures, and report on transactions that may lead to overspending. Mofolo (2016) stated that municipalities could have achieved more if stringent measures could have been put in place and implemented to ensure that resources are used efficiently and effectively. The author further stated that a

monitoring and evaluation (M&E) policy framework should be fully implemented in South African municipalities. According to Munzhedzi (2014), another South African case in the Limpopo province stated that monitoring expenditure was one way through which Parliament (either national and provincial) can track and respond to government performance during the financial year and provides an important point for more detailed enquiries into policy outcomes and delivery, and whereby monitoring and evaluation also plays a significant role as far as service delivery has been concerned. It was the only way of tracking government's process in terms of achieving realistic performance targets.

2.4 Summary

The definition and causes of unauthorised expenditures worldwide in other countries and from our neighbouring countries is the same as our Namibian context, evidently giving rise to this problem caused by non-adherence to financial management principles. In addition the most important common definition has been that the extra-budgetary expenses, if it has not been in the approved budget and it becomes illegal, it has failed to pass through the normal process of legislative appropriation. For the causes of unauthorised expenditures, most of the studies reviewed, which were conducted by other researches revealed similar outcomes as per this study such as lack of integrity and faulty budgetary practices, weak financial management and monitoring and evaluation not regularly carried out.

Furthermore, non-adherence to financial management principles has been a function of lack of integrity and faulty budgetary practices and this had also led to the occurrence of off-budget activities and expenditures. In addition, the lack of accountability and not monitoring the usage of budgeted funds in the expenditure payments has also been determine as a main cause for the rise of these expenditures as determined by other studies

and this study as well. This study has found, similar factors being the occurrences of these expenditures as found by the other researchers, and thus the greatest attempt of this study was done through considering all these similar findings by the different researches and find the most suitable, user-friendly, understandable, manageable and fundable solutions that will be used in the government of Namibia and elsewhere in other countries facing the same dilemma.

3.2 Population and sample

All the thirty-one (31) O/MAs of Central government were included. However, the researcher did concentrate only on key personnel (accounting officers/ permanent secretaries, financial advisors, chief and senior accountants) in the Finance and General/Auxiliary Services Departments of the head offices in Windhoek throughout the survey. Judgmental sampling was used by researcher, whereby choosing a representative sample with the same financial management and public expenditure characteristics to suit the studied topic needs. One quota criterion was adhered to in a sample size of sixty-two (62) officers, (20) from each O/MA.

CHAPTER THREE: METHODOLOGY

3. Research methods

3.1 Research Design

The researcher used the Auditor-General's government summary reports for the period from 2004/05 until 2013/14 financial audited years for all thirty-one (31) O/M/As and determined the trends and indicated the causes of the unauthorised expenditures. This study specifically used research methods, such as both quantitative and qualitative research methods and utilised the survey research results.

3.2 Population and Sample

All the thirty-one (31) O/M/As of Central government were included. However, the researcher did concentrate only on key personnel (accounting officers/permanent secretaries, financial advisors, chief and senior accountants) in the Finance and General/Auxiliary Services Departments at the head offices in Windhoek throughout the survey. Judgemental sampling was used by researcher, whereby choosing a representative sample with the same financial, budgeting and public expenditure characteristic to suit the studied topic needs. One questionnaire was administered to a sample size of sixty-two (62) officers, two (2) from each O/M/A.

3.3 Research Instruments

The primary data was collected through questionnaires with non-structured and structured questions in a more descriptive manner to find out the causes of the unauthorised expenses and the sufficiency of the budgets. The secondary data used comprised of audit reports from OAG.

3.4 Procedure

Both primary and secondary data was useful in this study. The secondary data was used for analysing of patterns or trends in categorised unauthorised expenditure. Primary data was used to capture the types of organisations, budget processes, causes of unauthorised expenditures, existing monitoring and control mechanisms and policy awareness.

3.5 Data analysis

The researcher used the Statistical Package for the Social Sciences (SPSS) for analysis. Patterns in the primary and secondary data were evaluated using descriptive statistics in the form of charts and tables. Trend analysis was conducted using Auditor-General reports for the period of 2004-2014, to establish the occurrences and assess truthfulness of explanations provided by O/M/As. Qualitative content analysis was conducted to establish duties and function of the staff members in the O/M/As; other causes of unauthorized expenditure; controlling and monitoring mechanisms; awareness of policies and regulations on unauthorized expenditure and current financial systems in use; existence of controlling limits on budget overspending and creation of unauthorized

expenditures. All the responses were captured in SPSS and coded and themes that emerged from the coded responses were generated based on content analysis.

4.1 Research Objectives

The objectives of the study were:

- To identify the need for institutional arrangements in Central Governments.
- To assess the prevalence of institutional expenditures.
- To assess the impact of institutional expenditures on political governance.

CHAPTER FOUR: RESULTS AND DISCUSSIONS

4.1 Introduction

The researcher gathered information by means of questionnaires to all thirty-one (31) O/M/As, selecting two (2) key personnel at finance and general/auxiliary services departments to gather information on trends, causes, existing controlling mechanisms, existing policies and regulations, current financial system and if this system had controlling mechanisms on unauthorised expenditures.

The questionnaires were analysed using the Statistical Package for the Social Sciences (SPSS). Patterns in the primary and secondary data were evaluated using descriptive statistics in the form of charts and tables. Trend analysis was conducted by means of graphs and tables to find out the trend of occurrence of expenditures throughout the study period. In addition, also investigated the effectiveness of the unauthorized expenditures through a content analysis of explanations provided by the O/M/As on existence of these expenditures exceeding, to determine whether they were beneficial for the usage of public needs and well-being of entire Namibian economy.

4.2 Research Objectives

The objectives of the study were:

- To describe trends of unauthorised expenditures in Central Government.
- To determine the root causes of unauthorised-expenditures.
- To propose strategies to reduce unauthorised expenditures in central government.

4.3 Research Procedure

The researcher made use of one (1) questionnaire which was administered to a sample of sixty-two (62) officers, two (2) from each O/M/A, mainly to Finance and Auxiliary Services Departments at the head offices in Windhoek.

The questionnaire included closed-ended and open-ended questions and respondents had to answer all the questions whereby fifty-six (56) questionnaires were received back from the sixty-two (62) respondents.

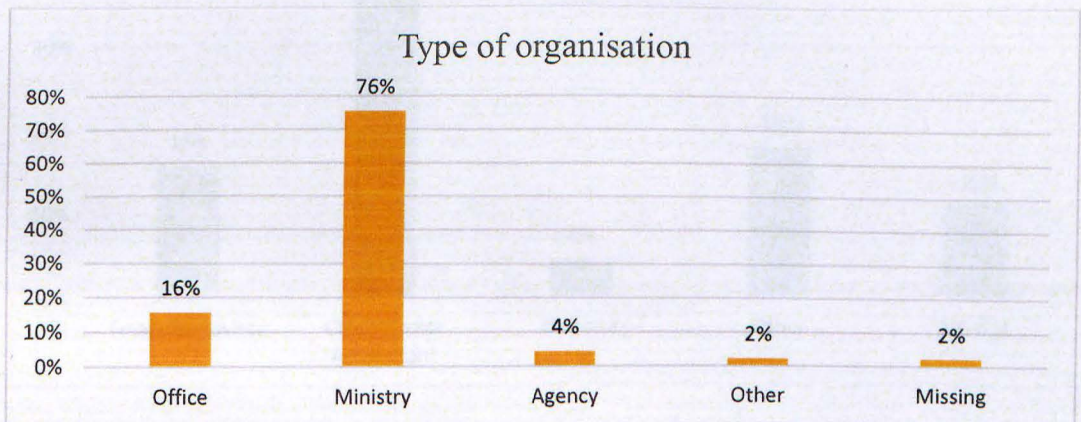
The questionnaires had cover letters which explained the researcher's pledge towards respondents' confidentiality of information provided and that this information would only be used for its rightful purpose. The outcomes of the responses were satisfactory because a ninety percent (90%) response rate, calculated as per fifty-six (56) out of sixty-two (62) from the total population was realised. According to Burns et al., (2008), this was desirable because generally response rate of at least seventy percent (70%) are desirable for external validity response rates between 60% and 70%, and sometimes less than 60% (e.g., for controversial topics), may be acceptable.

4.4 Data Analysis

The following sections shows an analysis of the data obtained from the respondents.

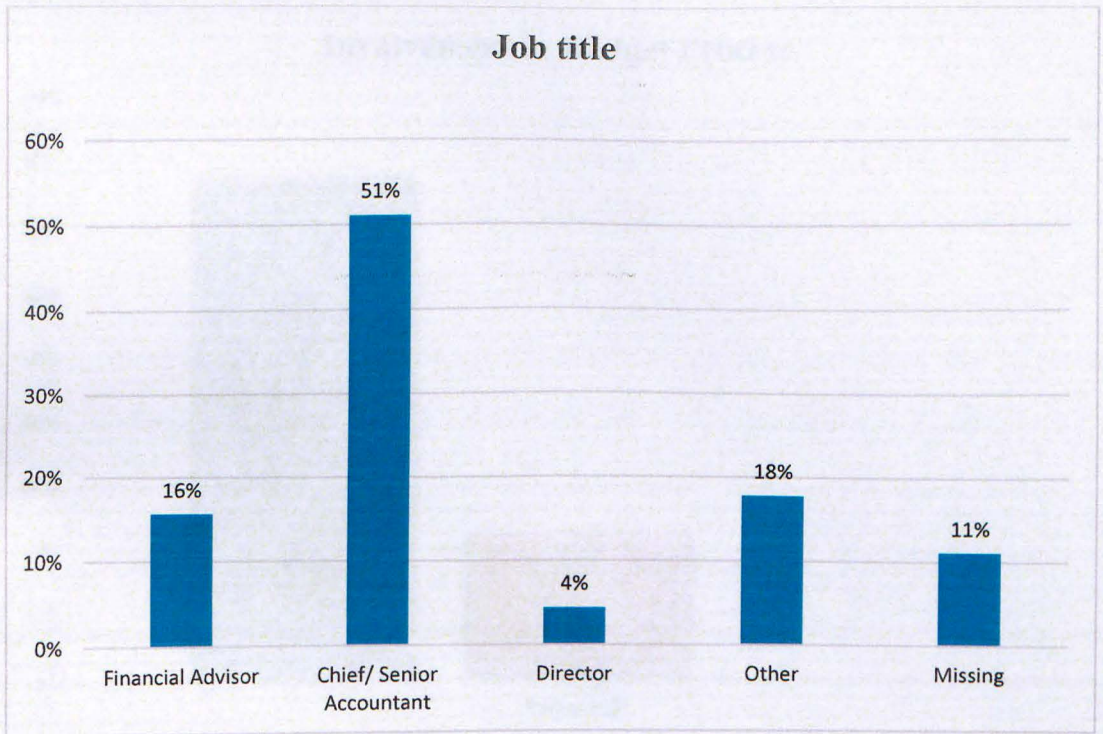
PART A: BACKGROUND INFORMATION

Graph 4.1: Indicating the type of your organisation



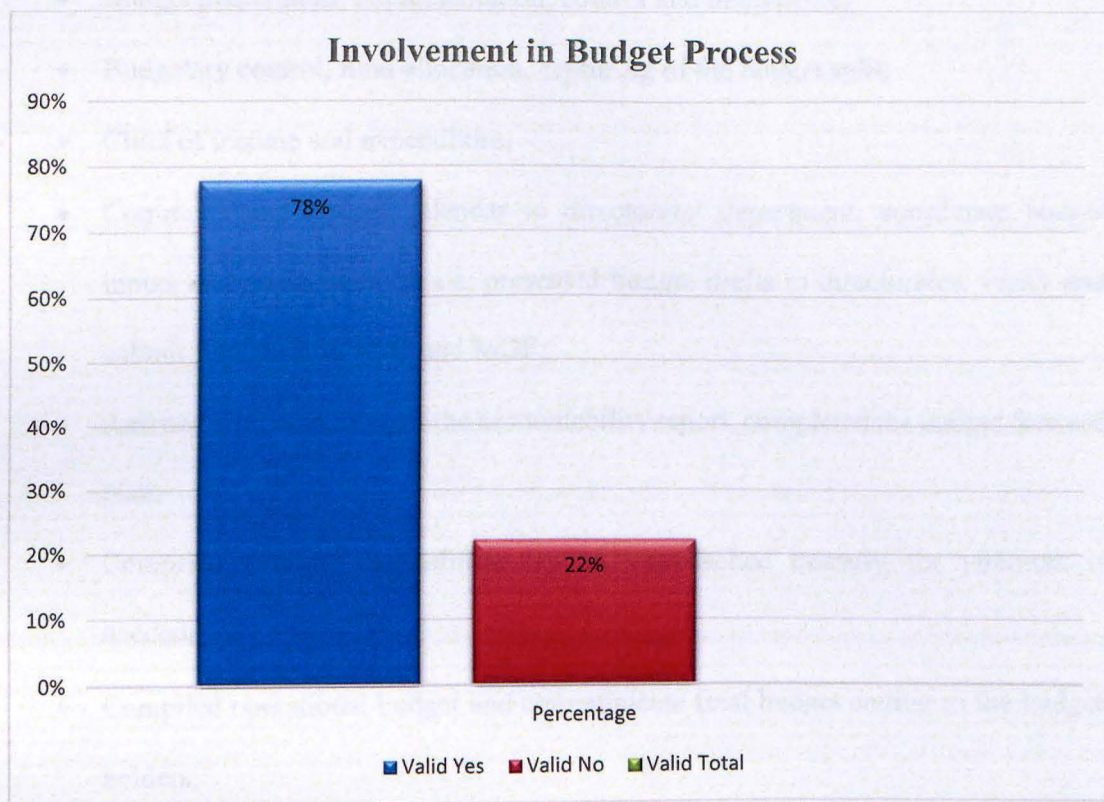
It was determined that from the thirty-one (31) O/M/A's respondents indicated that seventy-six percent (76%) were Ministries, sixteen percent (16%) were Offices, four percent (4%) were Agencies, two percent (2%) did not indicate in which category they lie and two percent (2%) did not respond.

Graph 4.2: What is your Job title?



It was indicative that chief and senior accountants were the majority respondents, followed by other job titles which were (Accountant, Assistant Accountant, Chief Accountant, Deputy Director, Senior Accountant), and then financial advisor, and directors were the least respondents, meaning their responded rate was lowest.

Graph 4.3: Are you involved in the budget process of your organisation?



From the total respondents, seventy-eight percent (78%) indicated that they have been involved in the budget process, which is a satisfactory situation, meaning that they are knowledgeable on budget scenarios and cases of Unauthorised expenditures. The results indicated that twenty-two percent (22%) were not involved in the budgeting process, which constitutes the assistant/accountants, and they are regarded as the lower ranking finance official, which is not needed in this process.

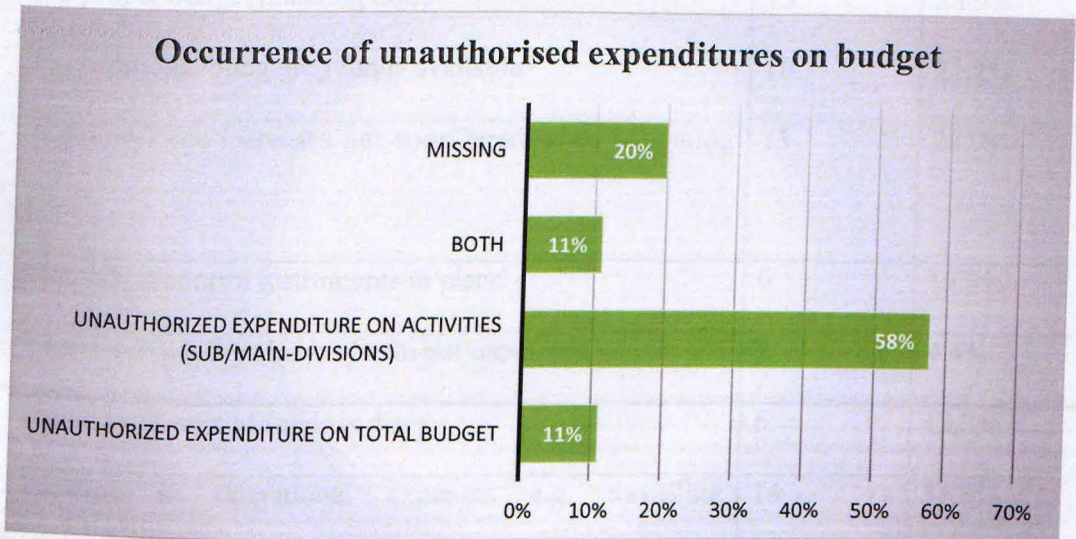
For those involved in the budget process, their functions included:

- Allocation of Treasury Authorisation Warrant (TAW) on a monthly basis;
- Assisted financial advisor with expenditure projections;

- Budget compilation, execution and monitoring;
- Budget preparation, implementation, control and monitoring;
- Budgetary control, fund allocation, capturing of the budget split;
- Chief of income and expenditure;
- Communicated budget calendar to directorate/ department, coordinate budget inputs and consolidate inputs, presented budget drafts to directorates, verify and submit final draft to NPC and MOF;
- Assisted with compiling of the accountability report, completed the budget forward plan;
- Compiled monthly expenditure reports, approached treasury for virement if needed;
- Compiled operational budget and communicate final budget ceiling to the budget holders;
- Coordinated the process of budget in the ministry up to final stage;
- Compiled the Ministerial budget/split;
- Invited budget proposals from all ministerial directorates, captured budget on system;
- Processed budget split when the allocation has been given, process Virementation of funds both internal and external;
- Ministerial budget consolidation;
- Monitoring, realizing of fund and advisory whether they are under/over spending;
- Responsible for mission accounts;

- To control payroll, S and T and creditors. Prepared the TAW and submit to release funds.

Graph 4.4: For the past 10 years how did you observe your organisation's total expenditures on budget?



This survey results is an indication that the users of the budget have awareness on the occurrences of the unauthorized expenditures, because this graph illustrated that respondents has provided the responses that occurrences of unauthorised expenditures on budget arises in O/M/A's mainly from sub/main-divisions which constitutes fifty-eight percent (58%), eleven percent (11%) on total budget (Vote), eleven percent (11%) for both and no indication or not knowing from twenty percent (20%).

Table 4.1 What causes unauthorised expenditure in your organisation?

Causes of unauthorised expenditure in your organisation	Frequency	Percentage
No proper budget planning done	13	28.9%
No additional budgeting funds available	10	22.2%
Inflation/Price increases not considered when budgeting	13	28.9%
No budget control instruments in place	6	13.3%
Funds availability check system not used	2	4.4%
No commitment of funds is done	6	13.3%
Increase in operational expenses e.g. travelling allowances, overtime etc.	14	31.3%
Increasing in capital expenses e.g. Building of houses/schools/roads projects etc.	7	15.6%
Other, please mention:	10	22.2%

As per the responses in the table above, it is indicative that causes of unauthorized expenditures are the increase in operational expenses, no proper budget planning done and no additional funds available.

Additional causes were indicated by above twenty-two percent (22%) of the respondents such as (Cabinet decisions, human error while compiling the budget, funds control procedure in the system was not effective, late posting of general ledger, limited budget allocation, most of the time its expenditure from previous financial year, temporary teachers, leave gratuity and reliever teachers, , unforeseen statutory payment, leave gratuity for personnel under 60 years and unplanned expenditure/activities).

As per the additional causes provided it was evident that they are additional operational and administrative causes, plus control weaknesses. These mentioned causes could be reduced or diminished if handled properly and controlled by complying with laid down procedures, policies, acts, rules and regulations of the government that are in place. There have been internal controls in place such as additional budgeting and Virementing, and if a limited budget issue arises, an additional budget can always be requested. Furthermore, most of these O/M/A's that has been experiencing Unauthorised expenditure were also experiencing budget savings at the same time, meaning that Virementation were not utilised fully and in the right manner.

PART B: CONTROLLING MECHANISMS

Table 4.2: What controlling and monitoring mechanism does your organisation have in place to curb/reduce Unauthorised expenditures?

Controlling and monitoring mechanism in your organisation to curb/reduce Unauthorised expenditures?	Frequency	Percentage

Additional budget provisions	8	17.8%
The involvement of junior staff on budgeting process	9	20.0%
Virementation (moving of funds between activities) done properly	34	75.6%
Reconciliation are done regularly	24	53.3%
Making use of commitment register	27	60.0%
Budget control mechanisms on accounting system in place	15	33.3%
Supervisory checks are done regularly	17	37.8%
None of the above	2	4.4%
Other please mention:	3	6.7%

As per the respondents, as indicated in the table above, you can observe that the known control mechanisms in the O/M/As that could assist in reducing and diminishing the unauthorised expenditures were mostly Virementation, making use of commitment register, and doing reconciliations on time. More than six percent (>6%) respondents indicated other controlling and monitoring mechanisms such as (additional funds request, converting overtime worked amount to leave days, mid-year & quarterly budget reviews, monthly reviews and quarterly reports, obtain funds availability before approving activity)

Table 4.3: Are you aware of policies and regulations on Unauthorised expenditures?

Policies and Regulation on Unauthorised expenditures	Frequency	Percentage
State Finance Act, 31 of 1991	39	86.7%
Treasury Regulations	35	77.8%
Exemptions from normal tender procedures	23	51.1%
Don't know	1	2.2%
Any other please mention:	3	6.7%

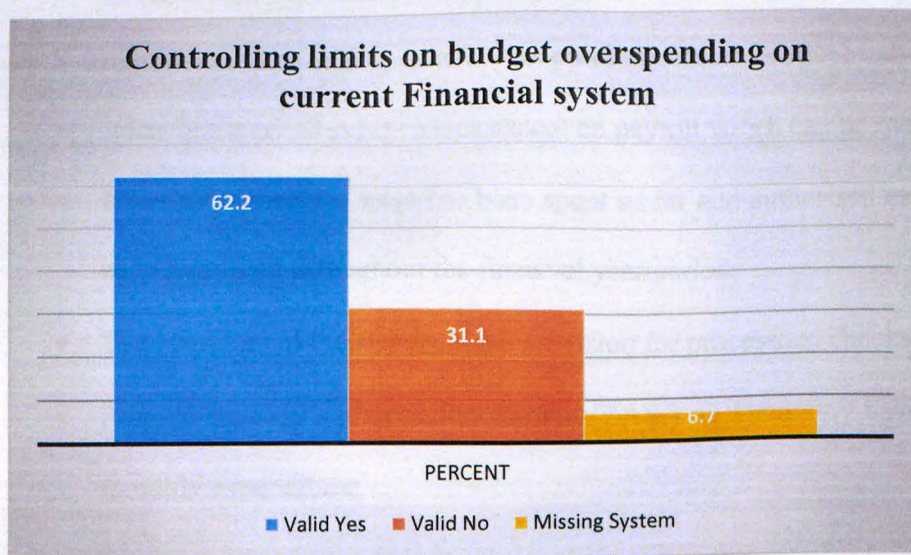
Other policies and regulations on Unauthorised expenditures included:

- Foreign service rule and guide to mission and account to mission regulation
- Procurement Act 15 of 2015
- Public Service Act 13 Of 1995
- Tender board regulation

Table 4.4: What Financial system does your organisation currently use for the production of financial statements and reports.

Current financial system used in your organisation currently for the production of financial statements and reports.	Frequency	Percentage
Integrated Financial Management System	44	97.8%
Pastel	1	2.2%
Don't know	0	0
Other please specify: Microsoft Excel	1	2.1%

Graph 4.5: Does the current financial system mentioned above have controlling limits on budget overspending and creation of Unauthorised expenses?



As per the illustration of the graph above more than sixty-two percent (>62%) of the respondents indicated that the current financial system (IFMS) have controlling limits for budget exceeding, more than thirty-one present (>31) indicated that there is none and more than six percent (>6%) indicated that they are not aware of existence of a financial system. For the positive respondents on the controlling limits the respondents indicated that the following strengths has been in existence.

- Orders can be processed against invoices that can control the double payments of the invoices against the order committed;
- If a capital project has not been budgeted, the payment won't go through meaning if there are no funds available it will fail;
- If the subdivision or an item code does not have funds available, the system will not allow such payment to go through, hence the use of manual cheques, which leads to Unauthorised expenditure;
- If there were no funds available at a specific line item, then you cannot create a requisition to be able to generate the purchase order;
- It has limits on all subdivisions except on payroll which can be override;
- It outlines report on what has been spent so far and authorised expenses and that have been paid throughout the financial year/period;
- The operators of the system make provision for processors, checks and approves;
- Request treasury authorization warrant (TAW) on a monthly basis to control the monthly expenditure;

The researcher secondly used Auditor – General audited reports for the studied period for illustration of the summarized reasons of all thirty-one (31) O/M/A's on the occurrence of Unauthorised expenditures as provided by the O/M/A's of central government of Namibia, in Table 4.5 below, and in addition the researcher has analysed these reasons to verify if they are beneficial for the Namibian economy.

Table 4.5: Illustration of summarized reasons/explanations for occurrences of Unauthorised expenditures for the O/M/A's from the Summarized audit reports indicative yearly for the study period.

Period under review of the study (specific years)	Summarized explanations provided by O/M/A's for the occurrences of the unauthorized expenditures	Analysis of these explanations for the occurrences of unauthorised expenditures if it is beneficial or not for the Namibian economy
2004/05	<p>For this year, expenditure on the accounts of eleven (11) O/M/A's exceeded the approved budget, and the total excess expenditure on these accounts amounted to more than N\$ 356 million.</p> <p>The main reasons for the excess expenditure have been explained</p>	<p>All the explanations provided is not linked to a specific productive function for the well-being of the public, however it was more like uncertainty in planning, organizing and controlling of the budget provided, because if the administration are certain that</p>

	<p>by the concerned ministries as being due to:</p> <ol style="list-style-type: none"> 1. unexpected cost increases in operational expenditures such as travelling allowances, maintenance, goods and services, utilities and others; 2. insufficient budgetary provision; 3. late processing of orders from Government Garage; 4. constant increase in fuel prices; 5. non-existence of an additional budget for the 2004/05 financial year; and the 6. Subsistence and travel allowances system that was not functioning at the end of the fiscal year. 	<p>there is constant fuel prices, late processing of orders and no additional budget to be provided, they need to plan the usage of the existing given budget in an efficient manner, which were not the case. This was clearly indicative that the budget was exceeded because of factors that were supposed to be avoided.</p>
2005/06	<p>The expenditure on the accounts of twelve (12) O/M/A's exceeded the approved budget. The total</p>	<p>Same as above</p>

	<p>unauthorised expenditure in this regard on these accounts amounted to almost N\$ 573 million.</p> <p>The main reasons for the excess expenditure have been explained by the concerned ministries as being due to:</p> <ol style="list-style-type: none">1. unexpected cost increases in operational expenditures such as travelling allowances, maintenance, goods and services, utilities and others;2. insufficient budgetary provision;3. late processing of orders from Government Garage;4. constant increase in fuel prices; and5. non-existence of an additional budget for the 2005/06 financial year.	
--	---	--

<p>2006/07</p>	<p>The expenditure on the accounts of six (6) O/M/A's exceeded the approved budget. The total excess expenditure on these accounts amounted to almost N\$ 362 million.</p> <p>The main reasons for the excess expenditure have been explained by the concerned ministries as being due to:</p> <ol style="list-style-type: none"> 1. unexpected cost increases in operational expenditures such as travelling allowances, maintenance, goods and services, utilities and others; 2. insufficient budgetary provision; 3. late processing of orders from Government Garage; 4. limited guideline amounts, fluctuations in the exchange rate; and 	<p>Same as above.</p> <p>For the reason provided on addition of old people to social assistance programme, it could have been avoided if surveys were done on time on an annual basis for the government to ascertain the additions of old people yearly and budget for it accordingly to avoid the occurrence of Unauthorised expenses.</p>
----------------	---	--

	<p>5. more old age people admitted to the social assistance programme.</p>	
2007/08	<p>The expenditure on the accounts of four (4) O/M/A's exceeded the approved budget. The total excess expenditure on these accounts amounted to almost N\$ 259 million.</p> <p>The main reasons for the excess expenditure have been explained by the concerned ministries as being due to:</p> <ol style="list-style-type: none"> 1. unexpected cost increases in operational expenditures such as travelling allowances, maintenance, goods and services, utilities and others; 2. insufficient budgetary provision; 3. late processing of orders from Government Garage; and 4. limited guideline amounts. 	Same as above.

2008/09	<p>The expenditure on the accounts of five (5) O/M/A's exceeded the approved budget. The total excess expenditure on these accounts amounted to more than N\$ 197 million.</p> <p>The main reasons for the excess expenditure have been explained by the concerned ministries as being due to:</p> <ol style="list-style-type: none"> 1. unexpected cost increases in operational expenditures such as travelling allowances, maintenance, goods and services, utilities and others; 2. insufficient budgetary provision; and 3. virements not being approved. 	<p>Same as above.</p> <p>In addition unapproved Virementation was provided as an additional reason for this year, which is a process of moving funds internally between main and sub-divisions, and supposed to be an effective control if it is manage correctly since you take where you save and use where you exceed and therefore cannot be a reason for the occurrences of Unauthorised expenditures. Since if the approval could have been done well in advance these occurrences of excess should have been avoided.</p>
2009/10	<p>The expenditure on the accounts of six (6) O/M/A's exceeded the approved budget. The total excess expenditure on these accounts amounted to more than</p>	<p>Same as above.</p>

	<p>N\$ 484 million.</p> <p>The main reasons for the excess expenditure have been explained by the concerned ministries as being due to:</p> <ol style="list-style-type: none"> 1. unexpected cost increases in operational expenditures such as travelling allowances, maintenance, goods and services, utilities and others; 2. insufficient budgetary provision; and 3. virements not being approved. 	
2010/11	<p>The expenditure on the accounts of six (6) O/M/A's exceeded the approved budget. The total excess expenditure on these accounts amounted to more than N\$ 415 million.</p> <p>The main reasons for the excess expenditure have been explained</p>	Same as above.

	<p>by the concerned ministries as being due to:</p> <ol style="list-style-type: none"> 1. unexpected cost increases in operational expenditures such as travelling allowances, maintenance, goods and services, utilities and others; 2. insufficient budgetary provision; and 3. virements not being approved. 	
2011/12	<p>The expenditure on the accounts of three (3) O/M/A's exceeded the approved budget. The total excess expenditure on these accounts amounted to more than N\$ 26.5 million.</p> <p>The main reasons for the excess expenditure have been explained by the concerned ministries as being due to:</p> <ol style="list-style-type: none"> 1. unexpected cost increases in operational expenditures such 	Same as above.

	<p>as travelling allowances, maintenance, goods and services, utilities and others;</p> <p>2. insufficient budgetary provision; and</p> <p>3. virements not being approved.</p>	
2012/13	<p>The expenditure on the accounts of one (1) O/M/A exceeded the approved budget. The total excess expenditure on this account amounted to more than N\$ 1.9 million.</p> <p>The main reasons for the excess expenditure have been explained by the concerned Ministries as being due to:</p> <p>1. unexpected cost increases in operational expenditures such as travelling allowances, maintenance, goods and services, utilities and others;</p> <p>2. insufficient budgetary provision; and</p>	Same as above.

	3. virements not being approved on time.	
2013/14	<p>The expenditure on the accounts of four (4) O/M/A's exceeded the approved budget. The total excess expenditure on this account amounted to more than N\$ 717 million.</p> <p>The main reasons for the excess expenditure have been explained by the concerned Ministries as being due to:</p> <ol style="list-style-type: none"> 1. unexpected cost increases in operational expenditures such as travelling allowances, maintenance, goods and services, utilities and others; 2. insufficient budgetary provision; and 3. virements not being approved on time. 	Same as above.

Source: Auditor-General (AG) audited reports 2004/05 (No:445/2006) until 2013/14 (No:89/2015).

As per the table illustration above it was clear that the manner in which the unauthorized expenditures were occurring, were more on administrative matters and not on productive matters that are beneficial to the public citizens or the whole Namibian economy. In addition, the explanations/reasons of occurrence of these expenditures were the same throughout the years, clearly indicative of failure in planning and organizing of the budgets provided, and the given approved internal control process of budget funds movement (Virementation) not used effectively. The same explanations every year were a clear indication that each year Unauthorised expenditures could not be identified to a specific project; programme and the users of the financials were not taking ownership for the exceeding.

Furthermore, another explanatory reason provided, was the insufficient budgetary provision indicating that users would indeed go overboard with their expenses upon the reasoning that they were not provided enough budget, which proves very unethical. Meaning that the reasoning of those charged with governance at the O/M/A's implied that they will incur unauthorised expenditures merely because they were not provided with sufficient budget allocations. The researcher saw this as a disrespectful, dishonest act, that has been described in the same manner by most of the researchers quoted in this study. In the quoted research papers, O/M/As were deciding not to use what was given (budgeted for) efficiently but went overboard to exceed the budget on purpose to demonstrate that they did not receive enough. In most cases, the same O/M/As that were exceeding on some main and sub-divisions were also saving on some main and sub-divisions which clearly shows that there was no efficient internal control and management on budget execution throughout the given process of Virementation.

The table above also indicates a consistent recurrence of reasoning provided for annual occurrence of unauthorised expenditures, which indicates a non-compliance culture year in and year out, not addressing and solving problems occurring and not finding solutions for the recurrences. The culture of just reporting and providing explanations just because of the mere fact that it has been mandated to, also created many problematic scenarios of not finding solutions.

Another indication from these scenarios with the same explanations throughout has been that there was no-one in particular that was taking responsibility whether those charged with governance and managers or the operational staff dealing of the O/M/As, because if someone would have taken responsibility for any unauthorised expenditures in a particular year, the same would not have occurred, but rather there would have been a different explanation for the next year. This study should therefore be of crucial use not only academically but for the whole government as a guiding tool for the provision of possible solutions to eradicate these unauthorised expenditures that have never been productive but have been resulting in the creation of more money problems through creation of debt for the government and an escalating budget deficit.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This study has shown throughout with its research and through its analysis of the chosen audited reports in the period under review that the trend of unauthorised expenditure even though it is decreasing figuratively, has been a problem that has been stagnating and not depleting, meaning there has been no cure of the root causes but only treatment of the symptom, meaning treated by reducing in the monetary value. One of the major similarities between the other researched studies and this study, was the proven fact that unauthorised expenditures were occurring in a disrespectful and dishonest manner.

Furthermore, throughout this study all literature used has proven that there were given Acts, systems, policies, laws, rules and regulations that were designed to curb, regulate and eliminate the occurrences of unauthorised expenditures, but the responsible persons and users still decided to go overboard and prove that the control and management on budgets throughout the majority of countries were done with a total lack of integrity.

The study has also proven that the current treatments that are in force currently (Acts, systems, policies, laws, rules, regulations and foremost the State Finance Act) as well as the internal controls such as Virementation, Suspension and additional budgeting, could only reduce, but could not fully eliminate this problem. This has necessitated the following solutions stated below as possible short and long-run recommendations to eliminate these unauthorised expenditures. In addition it also still need further research, and analysis, together with benchmarking methods with other countries on these existing Acts and

framework amendments, financial framework enactments, and implementation of new acts, systems, policies, rules, laws, regulations. A major dilemma that has given rise to this study around the studied topic has been the lack of integrity in budgeting and financial management, and that these factors are all related and have combined to make unauthorised extra-budgetary expenditures to occur, meaning combined adverse effects of lack of integrity are causing faulty budgetary practices and weak financial management resulting in unauthorised expenditures.

5.2 Discussions

Documentary and Literature Review conclusions:

- 1) The first real problem identified was the use of a compliance framework (State Finance Act, 1991 (Act 31 of 1991) to prepare financial statements and used as the financial reporting framework in the Namibian central government (O/M/As), since this Act only stipulates how the Auditor-General will draw attention to the unauthorised expenditures, meaning it should only state and report its occurrence. This Act does not state how these unauthorised expenditures should be dealt with in terms of accountability, meaning how it will be paid back, cleared, and who will bear responsibility thereof for these paid-backs. Since all these measures are not inclusive it creates a burden on the government funds, and in the long-run will create budget deficits resulting in government debt.
- 2) It was proven with the Auditor-General audited reports that the causes of the unauthorised expenditures, through explanations provided on the occurrences were the same year in and year out, and in addition it was proven that these causes were more on

administrative matters of public servants than productive matters that will be beneficial to the public citizens. Furthermore it was also proven that the causes of these unauthorized expenditures were not used for, beneficial to core functions of the O/M/A's meaning the budgets were not utilized for its intended mandatory purposes.

3) Internal control structures, measures or systems that are in place and useful, such as Virementation (moving funds internally within main-divisions), Suspension (moving funds from outside, another Vote) and Additional budgeting (requesting and obtaining additional funds), were not used effectively or appropriately, and existing State Finance Act, policies, laws and regulations not fully complied with and not handled with integrity therefore these unauthorised expenditures could not been cleared, within such a long period of time as per the study period of ten (10) years, and currently.

4) Currently the central government of Namibia has the Auditor-General (AG) as a watchdog in the system, but according to the State Finance Act, the AG only has a reporting mandate and does not have the power to hold anyone found in contravention of these unauthorised expenditures to account for such practices.

Therefore, the AG of Namibia which should ensure that approved budgets were well spent in accordance with the Act and other applicable laws and regulations, and oversee whether the executives were held accountable in accordance with these laws if any unauthorized expenditures occur, and should oversee that funds are spend in accordance with public interest, cannot currently carry out this oversight function with their full powers and independency because it is crippled by the Act. Hence currently in his audited reports can only mention the existence and the occurrences of these unauthorized expenditures, but cannot report how it should be dealt with for the elimination thereof.

Survey result conclusions:

- 5) According to the survey, staff members of O/M/As were the respondents on this survey, and the survey results show that seventy-eight percent (78%) were involved in the budget process, meaning they should be knowledgeable on the budget process and their functions included (budget control, compilation, execution, preparation, formulation, completion, monitoring and implementation). The researcher therefore expected minimal errors to be done on the budget process for each O/M/A. In addition, they also indicated that they were aware of controlling mechanisms such as Virementation and preparation of Treasury Authorisation Warrants (TAWs). If users of the system were knowledgeable and had all the necessary controlling mechanisms, it would indicate that users should not be creating these unauthorised expenditures, because it happening, would be tantamount to fraudulent activities resulting in more debt to government.
- 6) The respondents indicated that for the study period, fifty-eight percent (58%) of occurrences of unauthorised expenditures on budget were occurring on sub/main-divisions (activities) and eleven percent (11%) on Votes/Total budgets of O/M/As in totality, once again not controlling occurrences of unauthorised expenditures and thus exceeding a given budget, would create more debt for the government.
- 7) They survey indicated causes of unauthorised expenditure such as no proper budget planning, no availability of additional budget funds, inflation/ price increases not considered when budgeting, no budget control instruments in place, funds availability check system not used, no commitments of funds, increase in operational expenses (DSA, overtime) and increase in capital expenses (projects etc.), whereby respondents agreed mostly to them, and had also added other causes. Even-though respondents concurred that there were real causes to the occurrences of unauthorised expenditures they also agreed

that there were controlling mechanisms in place such as: additional budget provisions, involvement of junior staff in the budget process, proper Virementation, regular reconciliation, making use of a commitment register, budget control mechanisms on accounting system and that supervisory checks were being done regularly.

This study has established through the survey results that the users of the budget indicated that all these causes have controlling and monitoring mechanisms, showing that unauthorised expenditures have already been catered for and need not to occur.

8) Another important topic in the survey questions was the awareness of policies and regulations that regulates the occurrence of unauthorised expenditures authoritatively, and standard ones in Namibia, to which the respondents fully agree on the awareness thereof. However, the notion was that these authoritative rules guiding the controls might not be used, or used effectively, resulting in non-compliance which might cause misstatements in the financial statements, whereby unauthorized expenditures are one of them.

9) The study further questioned the financial system that has been in use at the O/M/As namely: IFMS and whether this system was having controlling limits on budget overspending, whereby the majority of more than fifty percent (>50%) of the respondents agreed that these controls have been working. The answers provided were of the nature that if the system was not having funds and if the budget was depleted, this system will not allow payments. Hence to commit a payment when there were no funds available, the system would clearly reject the payment. Where unauthorised expenditures was occurring through this practice, the respondents made it clear that, even though the system has built-in control mechanisms they might not have been effective. The system users and top/middle management of O/M/A's were aware of these system failures, however nothing was done in this regard, which might lead to manipulation of management,

mismanagement and management overrides resulting in fraudulent activities whereby the costs implications of these activities were incurred by government.

5.3 Recommendations

Documentary and Literature Review recommendations:

- 1) Migrating from the current compliance framework, State Finance Act, 1991 (Act 31 of 1991), and at the same time introducing and implementing a financial reporting framework which would provide financials that should bear a true reflection of the state of affairs and in addition should eventually assist the Government of Namibia to produce financial statements that would be understandable, and bearing accountability clauses in dealing with unauthorized expenditures.
- 2) Currently the explanations that was provided by the Auditor-General reports stated that the causes for unauthorised expenditures was not beneficial for the public at large and not on mandatory usage of the core functions of the O/M/A's. Therefore it is recommended that if migrating to another financial reporting framework is not possible, addition of accountability and transparency clauses to the existing State Finance Act of 1991 is commendable, if a responsible is held accountable for these expenditures and if it is clear on what these expenditures were used for it will be easier to account and determine whether they were spend on productive and beneficial items and services for the Namibian public citizens, because all items and services have been disclosed as expenditures for example.
- 3) Since existing preventative internal controls in place such as Virementation, Suspension and Additional budgeting, has not been adhered and existing State Finance Act, policies, laws and regulations was not fully complied with and not handled with

integrity, this above-mentioned recommendations, on accountability clause is again commendable whereby the instances of non-compliance giving rise to unauthorised expenditures must be dealt with accordingly and the responsible user of the system be held accountable, for all unauthorized amounts exceeding.

4) For full powers and independency functions it is commendable that the AG as a watchdog in the system, should be provided with the addition of preventative, monitoring, oversight, evaluation and appraisal mechanisms to be developed and implemented in the oversight system. Should the presence of the above measures prevail but not be adhered to, there is a need of it to be strongly enforced and strengthened.

Furthermore, the AG as an independent body, should be granted his/her own independency by having a governing arm through a governing Audit Act. This would enable the AG to implement accountable, authoritative clauses and mechanisms, to strengthen the efficient functionality of the proposed Audit Act. In addition in the absence of the promulgation of an Audit Act in Namibia, the AG should be empowered with certain additional rights in the current authoritative Act (State Finance Act of 1991) on the enforcement of compliance and accountability without any interference from executives.

Survey results recommendations:

5) The current system, Integrated Financial Management System (IFMS) that has been used in preparation of the financial statements and reports, it has been proven through survey responses that it has not been effective, since it allowed unauthorised expenditure occurrences for the study period.. Furthermore, the ineffectiveness of this system has resulted in the built-in control mechanisms not functioning accordingly, and thus created

a high possibility for system over-writes. Thus it is recommend for an immediate actions to be taken on this current financial system (IFMS), whereby a clause, password or accountability control should be introduced or built in to block payments without funds at the commitment phase, to reduce and eliminate the creation of unauthorised expenditure payments..

In addition, the researcher strongly recommends that this system (IFMS) needs to be installed with an audit trail or for a systems audit to be done with immediate effect, which would enable Parliament and the whole government of Namibia to make an important authoritative decision on its future usage, whether to remove, replace and or strengthen the controls within the existing system.

6) As per survey results it was stated, that there exists Act, systems, policies, laws, rules, regulations and procedures directing and regulating the unauthorised expenditures, and it was also stated that the users are aware, but still there is non-compliance. Therefore the researcher would recommend that the users of systems be provided with annual refresher trainings on these laws and regulations, and the Act in particular.

7) It is further recommended that unauthorised expenditures should be recorded in a register upon discovery, to be followed up and investigated, to reveal whether its valid meaning is productive and beneficial to the citizens, and if not; meaning it would be wasteful on operating expenditure for the users and that the responsible user/staff member should be held liable for the costs/expenditure incurred. The action or sanctions should be passed on to the culprits by the Accounting Officers of the O/M/As.

8) There have been basic policies, rules and regulations such as keeping and handling of a commitment register currently in Namibia, and the users/staff members in O/M/As are aware since it was also proven in the survey results. However this practice has not been

adhered to in most O/M/As therefore, it would be an added recommendation that Accounting Officers need to be held accountable for non-compliance with their respective O/M/As, keeping a commitment register, since this register assists the users to control and manage the budget and available funds, and also to ensure that a payment has not been committed with no funds.

9) From the other studies as found by other researchers and used as literature in this study similar causes of unauthorised expenditures were found and thus the researcher would recommend the above solutions and many more as follows:

- Adherence to the practice of integrity and other crucial ethical behaviours in budgeting and financial management;
- Strongly recommending the keeping and usage of a commitment register;
- Strongly recommending the usage of internal control, namely: Virementation to move funds successfully around from one main/sub-division to another for effective realisation of specific projects, activities or programmes;
- To seek authorisation prior to the usage of the budget, to reduce poor budgetary performance and also spending on extra-budgetary activities. Furthermore total honesty in execution would mostly reduce political considerations and influences in the execution of the budget. If no provision was made for a specific cause do not spend on it, the users need to have discipline;
- Involvement and participation of all relevant key stakeholders and budget beneficiaries in the budgeting process to provide their own input in budgeting would allow effectiveness on the execution of budget since what was needed was known prior and

budgeted for, and therefore there would be less possibility for spending on things not budgeted for, reducing the risk of unauthorised expenditures;

- Those charged with governance and top management in O/M/As should ascertain that acts, policies, laws, rules and regulations are consistent throughout the planning, approval and execution of the budget, and if inconsistencies arise, it should be fully documented and known;
- Strongly recommending for full training and annual refresher courses on budgeting and all internal controls and systems surrounding the planning and implementation of budgeting to increase professional, technical knowledge and skills on budgeting and financial management and reduce poor financial skills and applications that would cause unauthorised expenditures;
- Another crucial and important audit oversight that is lacking has been the audit committees. These have been non-functional in most of the O/M/As and the function to scrutinise work performed by both internal auditors and OAG for better effectiveness of audits has also been lacking. Therefore, it has been strongly recommended that the overseeing ministry of these committees, the Ministry of Finance should ensure that each O/M/A should implement the functionality of audit committees.

Accounting officers should take accountability for ensuring reasonable steps to prevent unauthorised, irregular and/or fruitless and wasteful expenditure. Therefore, the researcher strongly recommends that accountability, good stewardship of public (financial) resources and commitment should be practiced by management and operational staff of the O/M/As and not disregarding proper financial management and the supply chain legal framework;

- Legislatures such as the Public Advisory Committee scrutinising the audited reports should ensure that they should be independent and performing their duties with the highest ethical norms, expertise and resources to perform their oversight role;
- Finally, the researcher recommends for each O/M/A to have developed a monitoring and evaluation policy framework and regularly carry out monitoring and evaluation on financial systems and books.

5.4 Areas for future study

This study has resulted that the current dilemma which was the on-going occurrences of unauthorized expenditures was proven and evaluated that it has been there for many years and still an on-going scenario. It was further proven that this dilemma has been caused mainly by non-adherence to existing Act, prescribed policies, laws and regulations, lack of accountability and transparency in existing Act used as the financial reporting framework, and lack of honesty in budgeting and financial management.

The study has provided suitable recommendations as to how these causes can be eliminated, with the current controls in place, but still many human and capital interventions are needed for implementation. Therefore, there will be a definite need for future research and ventures for conducting further research on implementation of some of these recommendations, which still bears the recognition of higher authorities, which are governance structures and policy enactments and amendments. In addition some of the recommendations provided in this study, might need future research bearing the need for more time and budget interventions.

REFERENCES

- Auditor General (2006). *Report of the Auditor-General on the accounts of the Government of Namibia for the Financial Year 2004-05*. RN445/2006. Windhoek: Auditor General.
- Auditor General (2007). *Report of the Auditor-General on the accounts of the Government of Namibia for the Financial Year 2005-06*. RN545/2007. Windhoek: Auditor General.
- Auditor General (2008). *Report of the Auditor-General on the accounts of the Government of Namibia for the Financial Year 2006-07*. RN642/2008. Windhoek: Auditor General.
- Auditor General (2009). *Report of the Auditor-General on the accounts of the Government of Namibia for the Financial Year 2007-08*. RN738/2009. Windhoek: Auditor General.
- Auditor General (2010). *Report of the Auditor-General on the accounts of the Government of Namibia for the Financial Year 2008-09*. RN866/2010. Windhoek: Auditor General.

Auditor General (2011). *Report of the Auditor-General on the accounts of the Government of Namibia for the Financial Year 2009-10*. RN962/2010. Windhoek: Auditor General.

Auditor General (2012). *Report of the Auditor-General on the accounts of the Government of Namibia for the Financial Year 2010-11*. RN1092/2012. Windhoek: Auditor General.

Auditor General (2013). *Report of the Auditor-General on the accounts of the Government of Namibia for the Financial Year 2011-12*. RN96/2013. Windhoek: Auditor General.

Auditor General (2014). *Report of the Auditor-General on the accounts of the Government of Namibia for the Financial Year 2012-13*. RN103/2014. Windhoek: Auditor General.

Auditor General (2015). *Report of the Auditor-General on the accounts of the Government of Namibia for the Financial Year 2013-14*. RN89/2015. Windhoek: Auditor General.

Biwa, B., Kalenga, P., & Zaaruka, B. (2001) *Public expenditure management in Namibia Health and Education sectors – Preliminary Analysis*. (BON Working Paper No.1/02). Windhoek, Namibia: Bank of Namibia Research Department

- Dawood, G., Maphiri, D., & Myrick, D. (2008). *Report for the Office of the President. Assessment of the effectiveness and implementation of the Public Finance Management Act*. [Research Paper]. Office of the President: South Africa.
- de Renzio, P., Seiferling, M., & Wehner, J. (2008). *Budget practices and procedures in Africa*. London School of Economics and Political Science (LSE): Collaborative Africa Budget Reform Initiative (CABRI) and the African Development Bank (AfDB), Canadian International Development Agency (CIDA).
- Duffett, M., Karen E.A. Burns, K. E. A., Kho, M. E., Meade, M. O., Adhikari, N. K. J., Sinuff, T., & Cook, D. J. (2008). A guide for the design and conduct of self-administered surveys. *CMAJ-JAMC*, 17(3). 245-252. Retrieved from <https://aois.co.za/portfolio/africas-public-service-delivery-and-performance-review/>
- Erasmus, L.(2008). *Auditing SA: Financial performance in terms of the PFMA - what does it mean?* [Lecture Notes]. South Africa: Tshwane University of Technology, Department of Public Sector Finance.
- Fourie, D. J. (2007). Financial control measures enhancing good governance. *Journal of Public Administration*, 42(7). School of Public Management and Administration: University of Pretoria, Pretoria.

Fourie, D., & Poggenpoel, W. (2017). Public sector inefficiencies: Are we addressing the root causes?. *South African Journal of Accounting Research*, 31(3), 169-180.

Retrieved from <https://doi.org/10.1080/10291954.2016.1160197>

Inyang, W. S. (2016). Under-Funding the Supreme Audit Institution amidst the rising Unauthorised extra-budgetary expenditures in Nigeria: Is Deliberate Under-Funding a Fraud-concealing Device. *Research Journal of Finance and Accounting*, 7(16). 48-55. Retrieved from <https://www.iiste.org/vol-7-no-15-and-no-16-2016-research-journal-of-finance-and-accounting/>

Inyang, W. S. (2016). A critical literature review: Reasons why illegal extra-budgetary expenditures are incurred by Government Ministries, Departments and Agencies (MDAs) in Nigeria. *Research Journal of Finance and Accounting*, 7(14), 9-11.

Retrieved from [www.iiste.org/ISSN 2222-1697 \(Paper\) ISSN 2222-2847](http://www.iiste.org/ISSN 2222-1697 (Paper) ISSN 2222-2847)

Mulama, L. (2015). Policy Brief Population dynamics, (NPC-02/2015). Windhoek, Namibia: National Planning Commission, Office of the President.

https://www.npc.gov.na/?wpfb_dl=238

Munzhedzi, P. H. (2014). The National Government's Intervention in the Provincial Government: A Case of Limpopo Province in South Africa. *Mediterranean Journal of Social Sciences*, 5(20), 699.

Retrieved from Harry.Munzhedzi@ul.ac.za.

Ochei, L.C. (2012) Effective Strategies for Monitoring and Controlling Overspending in a Cashless Society: Lessons for Citizenship Empowerment. *African Journal of Computing & ICT*, 5 (5).

Public Finance Act, 1991 (Act 1 of 1991),

Policy on Avoidance of Irregular, Unauthorised, Fruitless and Wasteful Expenditure, 07102/113 (2013)

Ramutsheli, M. P., & Janse van Rensburg, J. O. (2015). The root causes for local government's failure to achieve objectives. *Southern African Journal of Accountability and Auditing Research*, 17(2) 107-118.

Sherbourne. R. (2001). *How well does the government budget*. [IPPR Briefing paper. 4]. Retrieved from Institute for Public Policy Research website: <https://ippr.org.na/wp-content/uploads/2010/06/BP4.PDF>

South African Public Finance Management Act, 1 (1999).

State Finance Act, 1991 (Act 31 of 1991).

The Constitution of the Republic of Namibia. (1998). Retrieved from <http://www.orusovo.com/namcon/default.htm>

Treasury Instructions for the Republic of Namibia.

Uukelo, L. K. (2007). *Public finance reforms: Medium Term Expenditure Framework (MTEF) and its efficiency in Namibia*. (Research paper). University of Namibia, Windhoek.

APPENDICES

Appendix A: Questionnaire

QUESTIONNAIRE

Topic: Evaluation of Unauthorised expenditure in central government of Namibia

Dear Mr/Mrs/Ms.....

Thank you in advance for taking your time to partake in this survey.

I am Hedwig Marine Dax-Beukes, a student at Namibia Business School (NBS) at the University of Namibia (UNAM). I am pursuing a Master's degree in Business Administration (Finance). This survey is being conducted to write a thesis in partial fulfilment of the requirements for the Master's degree. The research will be based on finding solutions for the ever existing unauthorised expenses in central government of Namibia, on how to control and reduce them. unauthorised expenditure means overspending/excess/exceeding budgeted funds which is a non-compliance issue to State Finance Act 31 of 1991, which states that the budgeted amount should not be exceedingly above the 2% limit.

This survey will take you less than 10 minutes to complete.

Please be assured that your response will be held anonymous and only be used for its rightful research purpose as well as presented in aggregate.

For any enquiries I am contactable on Mobile Phone: 081 149 0789; Email: beukeshedwig@gmail.com.

NB! Please view audit reports of your respective O/M/A at “website: www.oag.gov.na” selecting Downloads.

Thank you.

PART A – BACKGROUND INFORMATION

1. Please indicate the type of your organisation.

Office Ministry Agency Other

2. What is your job title?

Financial Advisor	
Chief/Senior Accountant	
Director	
Other lease specify:.....	

3. Are you involved in the budget process of your organisation?

Yes	
No	

4. If yes to the above question (3), what is your duty/function?

.....

5. For the past 10 years how did you observe your organisation's total expenditures on budget?

(Tick relevant box)

Unauthorised expenditure on total budget	
Unauthorised expenditure on activities (sub/main-divisions)	
Both	

6. What causes Unauthorised expenditure in your organisation? (Tick relevant box)

No proper budget planning done	
No additional budgeting funds available	
Inflation/Price increases not considered when budgeting	
No budget control instruments in place	
Funds availability check system not used	
No commitment of funds is done	
Increase in operational expenses e.g. travelling allowances, overtime etc.	
Increasing in capital expenses e.g. Building of houses/schools/roads projects e.tc	
Other, please mention:	

PART B: CONTROLLING MECHANISMS

7. What controlling and monitoring mechanisms does your organisation have in place to curb/ reduce Unauthorised expenditures?

Additional budget provisions	
The involvement of junior staff on budgeting process	
Virementation (moving of funds between activities) done properly	
Reconciliation are done regularly	
Making use of commitment register	
Budget control mechanisms on accounting system in place	
Supervisory checks are done regularly	
None of the above	
Other please mention:	

8. Are you aware of policies and regulations on Unauthorised expenditure?

State Finance Act, 31 of 1991	
Treasury Regulations	
Exemptions from normal tender procedures	
Don't know	
Any other please mention:	

9. What financial system does your organisation currently used for the production of financial statements and reports? (Tick the relevant box)

Integrated Financial Management System	
Pastel	
Don't know	
Other please specify	

10. Does the current financial system mentioned above have controlling limits on budget overspending and creation of Unauthorised expenses?

Yes	
No	

11. If yes to above question state briefly how.

.....

.....

.....

Appendix B: Research Permission Letter

Hedwig Marine Dax-Beukes
P.O.Box 3426
Rehoboth
Cell No: 0811490789
09 March 2016

The Permanent Secretary
Office of the Auditor-General
Private Bag 13299
Windhoek

Dear: Mr.G.Menettee
Cc: Ms.E.Dien - IT Deputy Director



RE: Request for soft copies of tabled audit reports for O/M/A's for 2004-2014

I Hedwig Marine Dax-Beukes, chief auditor at the Office of the Auditor-General, enrolled for MBA-Finance in 2013 at the Namibia Business School at UNAM, I am currently busy with my academic research proposal and choose the topic as "*Evaluation of unauthorised expenditure in O/M/A's/Central Government*". Thus I would be needing the tabled audit reports for O/M/A's as from 2004-20014 to do a data analysis for ten years.

Based on the above matter I would like to humbly ask assistance from your staff members on obtaining these audit reports in soft copies if possible and also want to thank you in advance for your assistance.

Yours sincerely

A handwritten signature in blue ink that reads 'Hedwig Marine Dax-Beukes'. The signature is written in a cursive style.

Hedwig Marine Dax-Beukes

Dr.GM

The Rev. Dr. Greenfield Mwakipesile

TID, MBA, HBS | mwakipg@outlook.com

CONTACT

PO Box 99539,
UNAM,
Namibia

LANGUAGE & COPY-EDITING CERTIFICATE

2nd November 2019

RE: LANGUAGE, COPYEDITING AND PROOFREADING OF HEDWIG MARINE DAX'S THESIS FOR THE MASTER OF BUSINESS ADMINISTRATION DEGREE OF THE NAMIBIA BUSINESS SCHOOL OF THE UNIVERSITY OF NAMIBIA

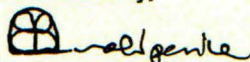
This certificate serves to confirm that I copyedited and proofread HEDWIG MARINE DAX's Thesis for the MASTER OF BUSINESS ADMINISTRATION DEGREE entitled: AN EVALUATION OF UNAUTHORISED EXPENDITURE IN THE CENTRAL GOVERNMENT OF NAMIBIA

I declare that I professionally copyedited and proofread the thesis and removed mistakes and errors in spelling, grammar, and punctuation. In some cases, I improved sentence construction without changing the content provided by the student. I also removed some typographical errors from the thesis and formatted the thesis so that it complies with the University of Namibia's guidelines.

I am a trained language and copy editor and have edited many Postgraduate Diploma, Masters' Thesis, Dissertations and Doctoral Dissertations for students studying with universities in Namibia, Zimbabwe, Swaziland, South Africa and abroad. I have also copy-edited company documents for companies in the region and abroad.

Please feel free to contact me should the need arise.

Yours Sincerely,



The Rev. Dr. Greenfield Mwakipesile



greenfield.mwakipesile



[@mwakipg](https://twitter.com/mwakipg)



+264813901701



Dr. Greenfield
Mwakipesile