



**AUDIT OF THE FUND ACCOUNTABILITY  
STATEMENT OF THE MILLENNIUM CHALLENGE  
CORPORATION (MCC) RESOURCES MANAGED BY  
THE MILLENNIUM CHALLENGE ACCOUNT (MCA) –  
NAMIBIA UNDER THE COMPACT AGREEMENT  
DATED JULY 28, 2008 BETWEEN THE MCC AND THE  
GOVERNMENT OF THE REPUBLIC OF NAMIBIA FOR  
THE PERIOD JULY 1, 2011 TO DECEMBER 31, 2011**

**INDEPENDENT AUDITOR'S REPORT**

**MCA - NAMIBIA MANAGED OPTION PERIOD FOUR  
FUNDS**

**DECEMBER 31, 2011**

**FINANCIAL AUDIT OF MILLENNIUM CHALLENGE CORPORATION (MCC)  
RESOURCES MANAGED BY MILLENNIUM CHALLENGE ACCOUNT (MCA) -  
NAMIBIA**

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**ORGANISATION INFORMATION**

Postal address: P.O. Box 23005  
Windhoek  
Namibia

Auditors: PricewaterhouseCoopers  
Namibia

Bankers: First National Bank  
Namibia

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Board of Directors  
Millennium Challenge Account - Namibia  
PO Box 23005  
Windhoek  
Namibia

Dear Sirs/Madam

**MILLENNIUM CHALLENGE ACCOUNT – NAMIBIA**

**AUDIT OF THE FUND ACCOUNTABILITY STATEMENTS OF THE MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES MANAGED BY THE MILLENNIUM CHALLENGE ACCOUNT (MCA) – NAMIBIA UNDER THE COMPACT AGREEMENT DATED JULY 28, 2008 BETWEEN THE MCC AND THE GOVERNMENT OF THE REPUBLIC OF NAMIBIA FOR THE PERIOD JULY 1, 2011 TO DECEMBER 31, 2011**

We have audited the Fund Accountability Statements of Millennium Challenge Account – Namibia for the MCA - Namibia Managed Option Period Four ended December 31, 2011. Actual cost incurred and audited for the period July 1, 2011 to December 31, 2011 is US\$ 21,033,797 and consists out of the following:

- Total project related costs amounting to US\$ 16,981,337 as reflected on the Fund Accountability Statement, page 12;
- Total programme management and admin costs amounting to US\$ 4,052,460 as reflected on the Fund Accountability Statement, page 13.

We have pleasure in enclosing the audit report.

We trust that you will find the above in order.

Yours faithfully

A handwritten signature in blue ink, appearing to be 'C van der Merwe', with a long horizontal line extending to the right.

**Carl van der Merwe**  
**Partner: Assurance – International Development Associations**

**Date: 13 June 2012**

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Managing Partner: R Nangula Uaandja  
Assurance Partners: Stephen D Vlijoen, Carl P van der Merwe, Louis van der Riet (Chief Operating Officer), Ansie EJ Rossouw, Seretta N Lombaard

**FINANCIAL AUDIT OF MILLENNIUM CHALLENGE CORPORATION (MCC)  
RESOURCES MANAGED BY MILLENNIUM CHALLENGE ACCOUNT (MCA) -  
NAMIBIA**

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**Summary**

**Program background**

The United States of America through the Millennium Challenge Corporation (“MCC”) and the Republic of Namibia (the “Government” or “GRN”) through the National Planning Commission (“NPC”) have entered into a Millennium Challenge Compact for Millennium Challenge Account assistance to help facilitate poverty reduction through economic growth in Namibia (the “Compact”) in the amount of approximately US\$ 304,477,816 (“MCC funding”).

The objective of the Compact program is to increase the competence of the Namibian workforce (knowledge, skills and attitude) and increase the productivity of agricultural and non-agricultural enterprises in rural areas. The Compact program includes three main projects that will be implemented over a five year period namely:

1. The Educational Project: US\$ 144,9 million;
2. The Tourism Project: US\$ 66,9 million; and
3. The Agricultural Project: US\$ 46,9 million.

**Educational Project**

Under the Education Project funded by MCC the following activities and sub-activities were audited and reviewed during Option Period Four:

- A. Improving the Quality of General Education - Design/Supervisions for the Upgrading of General Schools;
- B. Vocational and Skills Training;
- C. Improving Access to and Management of Textbooks;
- D. Regional Study and Resource Centers – Design/Supervisions of RSRC’s;
- E. Access to Tertiary Education Finance; and
- F. N/A.

**Tourism Project**

Under the Tourism Project funded by MCC the following activities and sub-activities were audited and reviewed during Option Period Four:

- A. Improving Management and Infrastructure in Etosha National Park – Etosha Change Management 1, Design/Supervision for ENP Infrastructure, ENP Resettlement, Road Maintenance Equipment, Wildlife Relocation Equipment, Implementing Agreement with Ministry of Environment and Tourism & HIV/AIDS Workplace Program;
- B. Marketing Namibia in Tourism – National Tourism Board Website & Implementing Agreement with the National Tourism Board; and

**FINANCIAL AUDIT OF MILLENNIUM CHALLENGE CORPORATION (MCC)  
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- C. Ecotourism Development for Communal Conservancies – Conservancy Needs Assessment, Grant to Namibia Association of Community Based Natural Resource Management Support Organisations (NACSO) & Multiple Implementation Policies.

**Agricultural Project**

Under the Agricultural Project funded by MCC the following activities and sub-activities were audited and reviewed during Option Period Four:

- A. Land Access and Management – Renovation/Upgrading NARIS building, Land Reform and Resettlement, Supervision Consultancy of NARIS building, Communal Land Support Service Provider, Community Based Rangeland and Livestock Trading & Water and Livestock Infrastructure;
- B. Livestock – Environmental Impact Assessment with DVS for Livestock Support; and
- C. Indigenous Natural Products – Market Information Dissemination and Devil’s Claw CP Training

The recipient does not prepare general purpose financial statements, does not have a MCC authorized indirect cost rate and no cost sharing contributions.

Prior period audit findings and recommendations for Millennium Challenge Account - Namibia (MCA - Namibia) were followed up and the results are presented on page 6.

**Financial audit**

A financial audit has been performed on the MCC funds managed by Millennium Challenge Account – Namibia (MCA – Namibia) for Option Period Four ended December 31, 2011.

*Audit objectives*

The audit was performed in accordance with U.S. Government Auditing Standards with the following objectives:

1. Express an opinion on whether the Fund Accountability Statements for the MCC-funded programs presents fairly, in all material respects, revenues received, costs incurred, and commodities and technical assistance directly procured by MCC for the period audited in conformity with the terms of the agreements and generally accepted accounting principles or other comprehensive basis of accounting (including the cash receipts and disbursements basis and modifications of the cash basis).
2. Evaluate and obtain a sufficient understanding of the recipient's internal control related to the MCC-funded programs, assess control risk, and identify reportable conditions, including material internal control weaknesses.
3. Perform tests to determine whether the recipient complied, in all material respects, with agreement terms and applicable laws and regulations related with MCC-funded programs. All material instances of non-compliance and all illegal acts that have occurred or are likely to have occurred should be identified.

**FINANCIAL AUDIT OF MILLENNIUM CHALLENGE CORPORATION (MCC)  
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*Audit scope*

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis of our opinion.

In planning and performing our audit of the Fund Accountability Statements of MCA - Namibia for the MCA – Namibia Option Period Four funds ended December 31, 2011 we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

As part of obtaining reasonable assurance about whether the Fund Accountability Statements are free of material misstatement, we performed tests of MCA - Namibia's compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The audit has been performed without any limitations on the scope of audit procedures.

*Pre-audit steps*

Pre-audit steps performed as applicable to the MCC-funded Namibian program included:

1. Review of the Compact or pre-Compact agreement between MCC and MCA - Namibia;
2. Review of supplemental agreements between MCC and the Government of The Republic of Namibia, between MCA - Namibia and its agents (e.g., Fiscal Agent and Procurement Agent), and plans called for under the Compact, pre-Compact and/or supplemental agreement. Plans and procedures supplementing such plans might include: Governance Agreement, Bank Agreement(s), Disbursement Agreement, Fiscal Accountability Plan, Financial Plan, Procurement Plan, Procurement Guidelines, Implementing Entity Agreement(s), M&E Plan, Implementation Plan(s), and Work Plans for the relevant Project or Project Activity;
3. Review of the agreements between MCA - Namibia and contractors and grantees, and any other entities implementing Compact funded activities on MCA - Namibia's behalf;
4. Review of implementation letters, and written procedures approved by MCC and/or MCA - Namibia;
5. Review of sub-agreements between MCA - Namibia or other implementing entities and their sub-implementing entities; and
6. All program financial and progress reports; charts of accounts; organizational charts; accounting systems descriptions; procurement policies and procedures; and receipt, warehousing and distribution procedures for materials, as necessary, to successfully complete the required work.

## **Audit results**

### **Independent Auditor's Report on the Fund Accountability Statements**

The results of our tests disclosed no questionable costs as detailed in the Fund Accountability Statements.

### **Independent Auditor's Report on Internal Control**

The results of our internal control tests disclosed the following material weaknesses in the internal controls:

1. As part of our controls testing on the procurement process, we noted purchase orders that were not signed by the supplier as indicated in the procurement procedures.
2. During our testing of payroll controls we noted that there were timesheet that were completed inaccurately, and that these time sheets were signed-off as being reviewed.

These findings have been disclosed in detail in the Auditor's Report on Internal Control.

### **Independent Auditor's Report on Compliance**

The results of our compliance tests disclosed no material instances of non-compliance:

#### **Common Payment System**

We have reviewed all payment ledgers via CPS and payment detail reports to determine that those payments were made in accordance with policies and procedures for CPS. Also, all payment request forms have been reviewed regarding those requests that were made and approved by authorized persons stated in the Fiscal Accountability Plan, and payment amounts have been reconciled with vendors' invoices and payment detail reports. We have scrutinized amounts in payment detail reports with the accounting records of MCA - Namibia and assessed the Millennium Challenge Corporation payment deadline.

The Millennium Challenge Corporation (MCC) makes payments directly to vendors contracted with partner-country Millennium Challenge Account (MCA) accountable entities to implement activities under the MCC-funded compacts.

The Common Payment System (CPS) is:

1. A payment system that uses the U.S. Department of Treasury's International Treasury System (ITS) and the Secure Payment System (SPS). All U.S. bank payments utilize SPS and all non U.S. bank payments utilize ITS.
2. A MCC system implemented by the National Business Centre (NBC), our Financial Services Provider.

CPS enables MCA (through NBC and Treasury) to pay vendors directly. Vendors can expect a payment from U.S. Treasury in US\$ or local currency. The vendor may specify if they prefer a wire transfer (originating from U.S. Treasury) or a local bank check. The payments will originate from the U.S. Treasury, not the host country government.

MCA – Namibia utilises CPS to effect payments to vendors contracted in. MCA – Namibia did comply with the Policies and Procedures for the CPS dated July 31, 2008.

## **Indirect Cost Rate**

Indirect cost rates do not apply to the Compact Funding and therefore are not applicable.

## **Follow-up on Prior Audit Recommendations**

Prior period audit finding and recommendation for Millennium Challenge Account - Namibia (MCA - Namibia) were followed up and the results are as follows:

### **Compliance**

- *Prior period finding # 1: **Salary Sacrifice***

#### Condition:

During our audit procedures performed, we noted that there was a reduction in three employees' (Listed below) basic salary in order to accommodate for housing allowances or car allowances. This is considered to be a salary sacrifice, and results in non-compliance with the Income Tax Act.

<b>Employee Name</b>	<b>Basic Salary before sacrifice</b>	<b>Allowance/ Increase in Allowance</b>	<b>New basic Salary</b>
Mrs E Kaveru	52,862.22	10,367.89	42,494.33
Ms J Meroro	12,683.95	1,900.00	10,783.95
Ms ST Nangol	38,006.00	8,000.00	30,006.00

#### Criteria:

*Please note that the Income Tax Act, Act 24 of 1981, contains an anti-avoidance section, Section 95, that enables the Directorate of Inland Revenue to disregard the implications of a transaction or scheme if it can be proven that:*

- such transaction or scheme had been entered into to avoid or postpone the payment of any duty or levy imposed by the Act; AND*
- it was entered into or carried out by means or in a manner which would not normally be employed in the entering into or carrying out of a transaction, operation or scheme of the nature of the transaction, operation or scheme in question OR has created rights or obligations which would not normally be created between persons dealing at arm's length under a transaction, operation or scheme of nature of the transaction, operation or scheme in question; AND*
- was entered into or carried out solely or mainly for the purposes of the avoidance or the postponement of liability for the payment of any tax duty or levy.*

*The Directorate of Inland Revenue can at its sole discretion impose Section 95 on any transaction or scheme, which will place the onus of proof on the taxpayer to prove that any/all of the requirements noted above will not be applicable to the transaction or scheme.*

#### Cause:

Management was not aware of this requirement.



Effect:

Should Inland Revenue notice the decrease in the employees' basic salaries, penalties and interest will be charged to the employee and/or employer. This has no financial implications for MCA-Namibia. It will affect the employee in that he/she now has to pay over more tax at the end of the fiscal year.

Recommendation:

We recommend that the employee's salary should be structured from the beginning to include a housing allowance, even though the person does not have a rental agreement or mortgage bond. This allowance should then be taxed 100% and the 1/3 tax benefit should not be deducted until the person provides management with proof of the actual expense.

The other option is to wait until the person's next salary increase and to apply the increase as a housing allowance instead of adding the amount to the basic salary.

Current period follow up:

Reviewed this period's VIP report and no instances of salary sacrifice has been noted, thus the issue has been resolved.

**FINANCIAL AUDIT OF MILLENNIUM CHALLENGE CORPORATION (MCC)  
RESOURCES MANAGED BY MILLENNIUM CHALLENGE ACCOUNT (MCA) -  
NAMIBIA**

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**Statement of Management's Responsibilities**

Management is required to maintain adequate accounting records and are responsible for the content and integrity of the Fund Accountability Statements and related financial information included in this report. It is their responsibility to ensure that the Fund Accountability Statements fairly present the state of affairs of MCA - Namibia as at the end of the financial period. The external auditors are engaged to express an independent opinion on the Fund Accountability Statements.

The Fund Accountability Statements is prepared in accordance with *U.S. Government Auditing Standards* issued by the Comptroller General of the United States and is based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

Management acknowledge that they are ultimately responsible for the system of internal financial control established by MCA - Namibia and place considerable importance on maintaining a strong control environment. To enable management to meet these responsibilities, management set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout MCA - Namibia and all employees are required to maintain the highest ethical standards in ensuring MCA - Namibia's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in MCA - Namibia is on identifying, assessing, managing and monitoring all known forms of risk across MCA - Namibia. While operating risk cannot be fully eliminated, the organisation endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

Management are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Fund Accountability Statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditors are responsible for independently reviewing and reporting on MCA - Namibia's Fund Accountability Statements. The Fund Accountability Statements have been examined by MCA - Namibia's external auditors and their report is presented on pages 11 to 12.

The Fund Accountability Statements set out on pages 11 to 22 were approved and authorised for issue by management and are signed on their behalf by:

  
.....  
**Penny Akwenye**  
CEO

20/06/12  
.....  
**Date**



## INDEPENDENT AUDITOR'S REPORT – FUND ACCOUNTABILITY STATEMENT

Board of Directors  
Millennium Challenge Account - Namibia  
PO Box 23005  
Windhoek  
Namibia

We have audited the Fund Accountability Statements of Millennium Challenge Account (MCA) - Namibia for the MCA – Namibia managed Option Period Four funds ended December 31, 2011. The Fund Accountability Statements is the responsibility of Millennium Challenge Account – Namibia’s management. Our responsibility is to express an opinion on the Fund Accountability Statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit of the Fund Accountability Statements in accordance with *U.S. Government Auditing Standards* issued by the Comptroller General of the United States. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statements is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We do not have a continuing education program that fully satisfies the requirements set forth in Chapter 3, paragraph 3.46 of *U.S. Government Auditing Standards*. Our current program does not provide for continuing education and training. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirement.

We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 3, paragraph 3.55 of *U.S. Government Auditing Standards*, since no such program is offered by professional organizations in Namibia. We believe that the effects of this departure from *U.S. Government Auditing Standards* is not material because we participate in the PricewaterhouseCoopers worldwide internal quality control review program which requires our office to be subject, every three years, to an extensive quality control review by partners and managers from other affiliate offices.

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*PricewaterhouseCoopers, 344 Independence Avenue, Windhoek, P O Box 1571, Windhoek, Namibia  
Practice Number 9406, T: 264 (61) 284 1000, F: +264 (61) 284 1001, www.pwc.com/na*

Managing Partner: R Nangula Uaandja  
Assurance Partners: Stephen D Viljoen, Carl P van der Merwe, Louis van der Riet (Chief Operating Officer), Ansie EJ Rossouw, Seretta N Lombaard



## **INDEPENDENT AUDITOR'S REPORT (continued)**

In our opinion, the Fund Accountability Statements referred to above present fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by Millennium Challenge Corporation (MCC) for the MCA – Namibia managed 6 month Option Period Four funds ended December 31, 2011 in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 1 to the Fund Accountability Statements.

In accordance with *U.S. Government Auditing Standards*, we have also issued our report dated June 20, 2012, on our consideration of Millennium Challenge Account - Namibia's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *U.S. Government Auditing Standards* and should be read in conjunction with this Independent Auditor's Report in considering the results of our audit.

This report is intended for the information of MCA - Namibia and MCC. However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

A handwritten signature in blue ink, appearing to read 'A. van der Merwe', is written over a horizontal line.

**Registered Accountants and Auditors**

**Chartered Accountants**

**Per: Carl van der Merwe**

**Partner**

**Windhoek – 20 June 2012**

**FINANCIAL AUDIT OF MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES  
MANAGED BY MILLENNIUM CHALLENGE ACCOUNT (MCA) - NAMIBIA**

**FUND ACCOUNTABILITY STATEMENT - COMPACT FUNDING**

July 1, 2011 to December 31, 2011

	<u>Budget</u> US\$	<u>Actual Costs</u>		<u>Questioned Costs</u>		<u>Notes</u>
		<u>Prior Period</u> US\$	<u>Actual</u> US\$	<u>Cumulative</u> US\$	<u>Ineligible</u> US\$	
<b><u>REVENUE</u></b>						
<b><u>Funds From MCC</u></b>						
CPS (USD / Banks in US)	7,640,104.17	5,188,165.48	2,451,938.69	7,640,104.17	-	-
CPS (USD / Banks outside US)	17,620,818.93	13,598,742.19	4,022,076.74	17,620,818.93	-	-
CPS(Non-USD/Banks outside US)	31,949,261.12	19,919,973.85	12,029,287.27	31,949,261.12	-	-
MCA Namibia Local Account(NAD)	8,271,775.39	5,321,739.00	2,950,036.39	8,271,775.39	-	-
MCA Namibia Special Account(USD)	259,996.15	259,996.15	-	259,996.15	-	-
<b><u>Funds from GRN</u></b>						
Government Tax Programme Reimbursement	4,843,430.75	3,441,152.04	1,402,278.71	4,843,430.75	-	-
<b><u>Exchange gains/losses</u></b>						
Exchange gains/(losses)	40,200.20	120,209.81	-80,009.61	40,200.20	-	-
Revaluation gains/(losses)	-678,544.67	-4,254.65	-674,290.02	-678,544.67	-	-
	<b>69,947,042.04</b>	<b>47,845,723.87</b>	<b>22,101,318.17</b>	<b>69,947,042.04</b>	-	-
<b><u>PROJECT COSTS INCURRED</u></b>						
<b>1 Education Project</b>						
A Improve the Quality of Education in Schools	41,797,489.94	8,582,362.29	7,022,752.16	15,605,114.45	-	2
B Vocational and Skills Training	5,375,284.22	655,561.46	844,258.50	1,499,819.96	-	3
C Improving Access to and Management of Textbooks	5,146,405.48	5,339,156.11	17,518.80	5,356,674.91	-	4
D Regional Study and Resource Centres	8,358,738.26	1,285,453.93	1,838,450.95	3,123,904.88	-	5
E Access to Tertiary Education Finance (Capacity for Essential Skills)	471,970.12	-	125,300.00	125,300.00	-	-
F						
Cross Project Support (HIV/AIDS Mgmt. Strengthening to HAMU)	809,141.35	9,056.96	-9,056.96	-	-	-
	<b>61,959,029.38</b>	<b>15,871,590.75</b>	<b>9,839,223.45</b>	<b>25,710,814.20</b>	-	-

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MANAGED BY MILLENNIUM CHALLENGE ACCOUNT (MCA) - NAMIBIA**

**FUND ACCOUNTABILITY STATEMENT - COMPACT FUNDING**

July 1, 2011 to December 31, 2011

	<u>Budget</u> US\$	<u>Actual Costs</u>		<u>Questioned Costs</u>		<u>Notes</u>	
		<u>Prior Period</u> US\$	<u>Actual</u> US\$	<u>Cumulative</u> US\$	<u>Ineligible</u> US\$		<u>Unsupported</u> US\$
<b>2 Tourism Project</b>							
A Improving Management and Infrastructure in Etosha National Park	5,862,764.34	4,356,447.75	487,923.49	4,844,371.24	-	-	6
B Marketing Namibia in Tourism	4,950,986.36	1,136,312.56	915,740.33	2,052,052.89	-	-	7
C Ecotourism Development for Communal Conservancies	7,750,303.90	2,395,145.31	1,494,218.90	3,889,364.21	-	-	8
	<b>18,564,054.60</b>	<b>7,887,905.62</b>	<b>2,897,882.72</b>	<b>10,785,788.34</b>	-	-	
<b>3 Agriculture Project</b>							
A Land Access and Management	13,807,028.45	6,114,942.11	2,028,609.38	8,143,551.49	-	-	9
B Livestock (IEA with DVS for livestock support)	9,313,660.33	2,553,581.11	1,341,477.70	3,895,058.81	-	-	10
C Indigenous Natural Products	5,040,536.06	1,212,627.85	874,144.23	2,086,772.08	-	-	11
	<b>28,161,224.85</b>	<b>9,881,151.07</b>	<b>4,244,231.31</b>	<b>14,125,382.38</b>	-	-	
<b>TOTAL PROJECT RELATED COSTS</b>	<b>108,684,308.83</b>	<b>33,640,647.44</b>	<b>16,981,337.48</b>	<b>50,621,984.92</b>	-	-	
<b><u>PROGRAM MANAGEMENT AND ADMIN COSTS</u></b>							
<b>Salaries</b>							
Personnel Expenses	7,493,392.00	6,693,679.73	2,303,475.33	8,997,155.06	-	-	
<b>Travel and transportation</b>							
Travel expenses	317,660.00	268,246.63	89,108.03	357,354.66	-	-	12
Vehicle and Transport Expenses	170,975.00	42,179.48	21,354.84	63,534.32	-	-	
<b>Capital expenditure</b>							
Fixed Assets Acquisition	1,041,515.00	452,413.37	90,457.07	542,870.44	-	-	13
<b>Maintenance</b>							
Repairs and maintenance	147,378.00	82,896.62	5,807.64	88,704.26	-	-	

**FINANCIAL AUDIT OF MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES  
MANAGED BY MILLENNIUM CHALLENGE ACCOUNT (MCA) - NAMIBIA**

**FUND ACCOUNTABILITY STATEMENT - COMPACT FUNDING**

July 1, 2011 to December 31, 2011

	<u>Budget</u> US\$	<u>Prior Period</u> US\$	<u>Actual Costs</u>		<u>Questioned Costs</u>		<u>Notes</u>
			<u>Actual</u> US\$	<u>Cumulative</u> US\$	<u>Ineligible</u> US\$	<u>Unsupported</u> US\$	
<b>Financial Management and Procurement</b>							
Fiscal Agents Fees	1,420,208.75	1,425,722.95	221,357.47	1,647,080.42	-	-	18
Procurement Agent Fees	1,174,904.00	1,145,623.05	-	1,145,623.05	-	-	18
<b>Other Direct Costs</b>							
Audit fees and Expenses	272,193.00	102,554.27	7,034.78	109,589.05	-	-	
Bank Charges	12,120.00	12,108.13	4,065.24	16,173.37	-	-	
Communication Expenses	230,908.00	188,292.59	50,213.18	238,505.77	-	-	
Consulting Fees	389,441.00	404,737.63	69,210.71	473,948.34	-	-	14
Insurance	25,882.00	-	17,941.45	17,941.45	-	-	
Meetings Expenses	115,555.00	57,985.16	15,076.28	73,061.44	-	-	15
Miscellaneous Expenses	102,281.00	38,622.91	4,437.97	43,060.88	-	-	
Monitoring and Evaluation Expenses	3,636,001.38	679,386.54	954,568.43	1,633,954.97	-	-	
Office Lease Expenses	348,521.00	280,731.27	77,458.66	358,189.93	-	-	
Office Supplies and Expenses	94,595.00	75,396.04	11,058.98	86,455.02	-	-	
Procurement Costs - Advertisement & Panel	148,388.00	171,763.98	32,830.38	204,594.36	-	-	
Public Relation Outreach Expenses	238,048.00	124,627.10	23,751.50	148,378.60	-	-	16
Recruitment and Training Expenses	281,523.00	168,752.57	46,351.35	215,103.92	-	-	17
Utilities Expenses	53,347.00	31,438.89	6,900.32	38,339.21	-	-	
<b>TOTAL PROGRAM MANAGEMENT AND ADMIN COSTS</b>	<b>17,714,836.13</b>	<b>12,447,158.91</b>	<b>4,052,459.61</b>	<b>16,499,618.52</b>	-	-	
<b>TOTAL COSTS INCURRED</b>	<b>126,399,144.96</b>	<b>46,087,806.35</b>	<b>21,033,797.09</b>	<b>67,121,603.44</b>			
Eliminate: Government Tax Programme Reimbursement	4,843,430.75	3,441,152.04	1,402,278.71	4,843,430.75			21
<b>NET SURPLUS/(DEFICIT) FOR THE PERIOD</b>	<b>-61,295,533.67</b>	<b>-1,683,234.52</b>	<b>-334,757.63</b>	<b>-2,017,992.15</b>	-	-	
<b>RECONCILIATION OF OUTSTANDING FUNDS</b>	-	3,057,120.77	478,696.74	3,535,817.51	-	-	19
<b>RETAINED EARNINGS</b>	-	1,766,974.48	1,067,521.08	2,834,495.56			
<b>FUNDS BALANCE</b>	<b>-61,295,533.67</b>	<b>3,140,860.73</b>	<b>1,211,460.19</b>	<b>4,352,320.92</b>	-	-	

**FINANCIAL AUDIT OF MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES  
MANAGED BY MILLENNIUM CHALLENGE ACCOUNT (MCA) - NAMIBIA**

**FUND ACCOUNTABILITY STATEMENT - COMPACT FUNDING**

**July 1, 2011 to December 31, 2011**

**1. Basis of preparation**

The fund accountability statement has been prepared in accordance with the *OIG Guidelines* and on a cash receipts and payment basis. On this revenue is recognised when received rather than when earned, and expenditures are recognised when paid rather than when incurred. The fund accountability statement has been prepared on the historical cost basis, and incorporates the principal accounting policies set out below.

**1.1 Cash and cash equivalents**

For the purposes of the fund accountability statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

**1.2 Revenue recognition**

MCA - Namibia uses the cash basis of accounting. Revenue is recognized in the Fund Accountability Statement at the date it is received. Interest on bank balance is recognized when credited to the programme bank account

**1.3 Expense recognition**

Expenses are recognised in the fund accountability statement when they are paid rather than when they are incurred.

**1.4 Translation of currency**

The operational currency is in Namibian Dollars. The presentation currency is in US Dollar (US\$). Figures have been translated at the following exchange rates.

Receipts and expenditure is translated at the ruling exchange rate at receipt or payment date of the disbursements or expenditure.

Average exchange rate for the period:

US\$ 1 = N\$ 7.57

	<b>Actual</b>	<b>Cumulative</b>
	<b>US\$</b>	<b>Prior Periods</b>
	<b>US\$</b>	<b>US\$</b>
<b>Notes to the fund accountability statement</b>		
<b>2 Education Project</b>		
<b>A - Improving the Quality of General Education Activity</b>		
Design/EIA/Supervision General Schools	859,491.74	3,439,874.17
Construction of General Schools	5,859,688.78	5,049,450.21
Furniture & Equipment for General Schools	31,698.39	-
Maintenance training, education, admin	76,098.61	8,677.00
Continuing Professional Development Unit Grant - University of Namibia	57,599.64	-
Continuing Professional Development Unit Technical Advisor	54,000.00	-
Senior Technical Advisor to Ministry of Education	48,800.00	-
Textbook Procurement Technical Assistance to National Institute for Educational Development (NIED)	35,375.00	-
COE Equipment	-	84,360.91
	<b>7,022,752.16</b>	<b>8,582,362.29</b>
<b>3 Education Project</b>		
<b>B - Vocational and Skills Training Activity</b>		
CS NTA establish an NTF (base)	632,022.92	477,594.24
Business Arts and Crafts Centre	20,102.33	-
Tourism Vocational Training Courses	192,133.25	145,512.85
Grant Management: Tourism Vocational Training	-	17,516.20
COSDEC Training and Development - Research	-	14,938.17
	<b>844,258.50</b>	<b>655,561.46</b>



**FINANCIAL AUDIT OF MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES  
MANAGED BY MILLENNIUM CHALLENGE ACCOUNT (MCA) - NAMIBIA**

**FUND ACCOUNTABILITY STATEMENT - COMPACT FUNDING**

July 1, 2011 to December 31, 2011

	<b>Actual</b>	<b>Cumulative</b>
	<b>US\$</b>	<b>Prior Period</b>
	<b>US\$</b>	<b>US\$</b>
<b>4 Education Project</b>		
<b>C- Improving Access to and Management of Textbooks</b>		
CS - Baseline Study	-	255,394.00
Goods: Textbook Procurement	-	5,083,762.11
Textbook Management Training	17,518.80	-
	<u>17,518.80</u>	<u>5,339,156.11</u>
<b>5 Education Project</b>		
<b>D- Regional Study and Resource Centres</b>		
Design and Supervision/EA of RSRC's	91,875.19	1,285,453.93
Works Contract: 1 RSRCs	1,746,575.76	-
	<u>1,838,450.95</u>	<u>1,285,453.93</u>
<b>6 Tourism Project</b>		
<b>A- Improving Management and Infrastructure in Etosha National Park</b>		
Etosha Change Management 1	89,625.10	348,642.41
Tourism Carrying Capacity	23,462.00	-
CS: EIA Household Survey ENP	-	375,150.13
Design/EA/Supervision for ENP infrastructure	126,094.65	3,174.72
CS: Etosha NP Resettlement	-	1,966.02
Road Maintenance Equipment	1,263.52	1,906,312.02
Wildlife Relocation Equipment	-	1,449,536.66
Implementing Agreement - MET	36,695.66	231,106.78
GIS based equipment infrastructure database	210,782.56	24,165.81
HIV/AIDS Workplace Program	-	16,393.20
	<u>487,923.49</u>	<u>4,356,447.75</u>
<b>7 Tourism Project</b>		
<b>B- Marketing Namibia in Tourism</b>		
Development Implementation Marketing North America	450,000.00	600,000.00
National Tourism Board Website	403,647.85	394,589.86
Implementing Entity Agreement - MET	62,092.48	141,722.70
	<u>915,740.33</u>	<u>1,136,312.56</u>
<b>8 Tourism Project</b>		
<b>C- Ecotourism Development for Communal Conservancies</b>		
Conservancy Needs Assessment/EA	-	522,398.07
CS: Conservancy TA Service Providers	836,002.75	1,714,841.73
Grants: Conservancy Fund #1	563,959.50	43,392.96
Grants: Conservancy Fund #2	-	43,295.01
Grant to NASCO	45,361.23	54,923.67
CS: Multiple Consultants - Implementation Policies	48,895.42	16,293.87
	<u>1,494,218.90</u>	<u>2,395,145.31</u>
<b>9 Agriculture Project Project</b>		
<b>A- Land Access and Management</b>		
CS: Comm Land Supp Service Provider	606,517.43	2,032,845.57
IEA Land Reform and Resettlement	-	58,630.90
Communication	30,997.90	-
Supervision Consultancy Naris Building	-	5,389.98
Renovation/Upgrading NARIS Building	-88,604.91	160,406.03
CS: Comm-B asked Rangeland and Livestock TA	1,374,717.41	3,849,204.71
Civil Works: Water and Livestock	89,431.28	1,889.26
Environmental Social Assessment	15,550.27	6,575.66
	<u>2,028,609.38</u>	<u>6,114,942.11</u>
<b>10 Agriculture Project Project</b>		
<b>B - Livestock Activity</b>		
Design/EA for veterinary infrastructure	579,854.57	78,769.70
Super/EMP Implementing veterinary infrastructure	301,634.41	-
IEA with DVS for livestock support	31,238.60	81,738.86
Veterinary Infrastructure	-142,867.72	178,375.96
Quarantine	-79,064.11	95,797.23
Traceability Equipment	350,146.72	1,882,333.78
Marketing Issues	-	183,139.71
Livestock Market	300,535.23	53,425.87
	<u>1,341,477.70</u>	<u>2,553,581.11</u>

**FINANCIAL AUDIT OF MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES  
MANAGED BY MILLENNIUM CHALLENGE ACCOUNT (MCA) - NAMIBIA**

**FUND ACCOUNTABILITY STATEMENT - COMPACT FUNDING**

**July 1, 2011 to December 31, 2011**

	<b>Actual</b>	<b>Cumulative</b>
	<b>US\$</b>	<b>Prior Period</b>
	<b>US\$</b>	<b>US\$</b>
<b>11 Agriculture Project Project</b>		
<b>C- Indigenous Natural Products</b>		
PPO Capacity Building	427,395.14	864,966.37
Primary Production Improvement Grant	42,777.76	3,682.62
R&D Contr.INP Innovation Facility	313,591.80	216,557.35
Grants: INP Innovation Fund	32,414.53	845.65
Market information dissemination	30,617.37	80,784.50
Consultancy Services: IPTT/NBRI	25,914.08	3,946.51
Market information	-	4,307.71
Logistical Travel Cost IPTT	1,433.55	-
Devil's Claw CP & Training	-	37,537.14
	<b>874,144.23</b>	<b>1,212,627.85</b>
<b>12 MCA Namibia Administration - Travel Expenses</b>		
Travel Expenses Education	13,327.06	34,572.13
Travel Expenses Tourism	16,208.71	36,764.67
Travel Expenses Agriculture	16,466.76	54,306.41
Travel Expenses Program Admin and Management	22,759.99	126,758.49
Travel Expenses Monitoring and Evaluation	6,577.23	9,582.41
Travel Expenses ESA	8,894.32	3,658.52
Travel Expenses Infrastructure	4,873.96	2,604.00
	<b>89,108.03</b>	<b>268,246.63</b>
<b>13 MCA Namibia Administration - Capital Expenditure</b>		
Furniture	6,174.95	72,594.14
Computer Equipment	22,326.28	143,919.49
Office Equipment	5,975.57	61,908.58
Motor Vehicles	-	169,870.19
Other Assets	809.34	4,120.97
Software and Licences	55,170.93	-
	<b>90,457.07</b>	<b>452,413.37</b>
<p>During the year under review the programme acquired fixed assets and expensed them in the fund accountability statement. A detailed fixed asset register is maintained by MCA - N and is available for inspection at the offices of MCA - N in Windhoek.</p>		
<b>14 MCA Namibia Administration - Consulting Fees</b>		
Consulting Fees Education	16,871.51	38,611.87
Consulting Fees Tourism	22,078.35	49,593.07
Consulting Fees Agriculture	18,794.30	62,962.98
Consulting Fees Program Admin and Management	7,499.97	238,268.33
Consulting Fees Monitoring and Evaluation	-	4,562.78
Consulting Fees ESA	3,966.58	10,738.60
	<b>69,210.71</b>	<b>404,737.63</b>
<b>15 MCA Namibia Administration - Meeting Expenses</b>		
Meeting Expenses Education	4,804.02	10,644.43
Meeting Expenses Tourism	2,839.73	7,093.99
Meeting Expenses Agriculture	20.91	8,790.22
Meeting Expenses Program Admin and Management	6,496.60	21,040.45
Meeting Expenses Monitoring and Evaluation	130.09	-
Meeting Expenses MCA Board	73.82	8,747.69
Meeting Expenses ESA	711.11	1,282.63
Meeting Expenses Infrastructure	-	385.75
	<b>15,076.28</b>	<b>57,985.16</b>
<b>16 MCA Namibia Administration - Public Relation Outreach Expense</b>		
Public Relation Outreach Expense Education	1,527.99	31,822.99
Public Relation Outreach Expense Tourism	4,548.31	38,709.04
Public Relation Outreach Expense Agriculture	5,852.84	13,094.02
Public Relation Outreach Expense Program Admin and Management	11,822.36	40,396.40
Public Relation Outreach Expense Monitoring and Evaluation	-	604.65
	<b>23,751.50</b>	<b>124,627.10</b>

**FINANCIAL AUDIT OF MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES  
MANAGED BY MILLENNIUM CHALLENGE ACCOUNT (MCA) - NAMIBIA**

**FUND ACCOUNTABILITY STATEMENT - COMPACT FUNDING**

**July 1, 2011 to December 31, 2011**

	<b>Actual</b>	<b>Cumulative</b>
	<b>US\$</b>	<b>Prior Period</b>
		<b>US\$</b>
<b>17 MCA Namibia Administration - Recruitment Training Expense</b>		
Recruitment Training Expense Education	-	13,933.29
Recruitment Training Expense Tourism	14,927.96	3,446.01
Recruitment Training Expense Agriculture	1,218.93	4,747.50
Recruitment Training Expense Program Admin and Management	23,789.59	130,135.67
Recruitment Training Expense Monitoring and Evaluation	-	16,490.10
Recruitment Training Expense ESA	6,414.87	-
	<b>46,351.35</b>	<b>168,752.57</b>
<b>18 Financial Management and Procurement Controls</b>		
Fiscal Agent Base	221,357.47	1,425,722.95
Procurement Agent Base	-	1,145,623.05
	<b>221,357.47</b>	<b>2,571,346.00</b>
<b>19 Reconciliation of outstanding funds</b>		
Other Receivables	2,603.71	3,131.43
VAT Recoverables	678,890.08	775,030.09
Project Advances	-	70,974.23
Other Payables	257,165.24	-446,532.53
Interest to be transferred to Treasury	-15,077.06	-18,571.95
Eliminate: Government Tax Programme Reimbursement	-1,402,278.71	-3,441,152.04
	<b>-478,696.74</b>	<b>-3,057,120.77</b>
<b>20 Cash and cash equivalents</b>		
Petty Cash	475.19	342.39
Local Account (NAD)	189,958.59	46,870.33
Special Account FNB (USD)	726.40	59,702.12
MCA Namibia Program Reimbursement Account	660,180.56	4,249.71
MCA Namibia VAT Reimbursement Account	1,506,105.38	1,074,690.47
	<b>2,357,446.12</b>	<b>1,185,855.02</b>
<b>21 Elimination of Government Tax Programme Reimbursement</b>		
Program reimbursements	1,402,278.71	3,441,152.04
Cumulative - Prior Period & Actual	4,843,430.75	
Total reimbursement over Compact term	11,376,066.00	
Outstanding amount still to be reimbursed	6,532,635.25	

According to attachment IV of the tax agreement between the Millennium Challenge Corporation and the Government of the Republic of Namibia, the Republic of Namibia agreed to pay MCA - Namibia the amount of US\$ 11,376,066. This represents the amount of revenue estimated to be generated over the Compact term from the collection of income tax.

This amount is eliminated as it does not represent funds received from MCC and should not be included in the final budgeted amount of US\$ 304,477,816

**FINANCIAL AUDIT OF MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES  
MANAGED BY MILLENNIUM CHALLENGE ACCOUNT (MCA) - NAMIBIA**

**FUND ACCOUNTABILITY STATEMENT - 609(g) FUNDING**

July 1, 2011 to December 31, 2011

	<u>Budget</u> US\$	<u>Actual Costs</u>		<u>Questioned Costs</u>		<u>Notes</u>	
		<u>Prior Period</u> US\$	<u>Actual MCA - N</u> US\$	<u>Cumulative</u> US\$	<u>Ineligible</u> US\$		<u>Unsupported</u> US\$
<b><u>REVENUE</u></b>							
<b><u>Funds From MCC</u></b>							
CPS (USD / Banks in US)	3,246,400.00	2,982,822.91	--	2,982,822.91	--	--	6
CPS (USD / Banks outside US)	--	--	--	--	--	--	
CPS (Non-USD / Banks outside US)	--	--	--	--	--	--	
MCA Namibia Local Account (NAD)	--	--	--	--	--	--	
MCA Namibia Special Account (USD)	--	--	--	--	--	--	
MCA Namibia Imprest Fund Account (NAD)	--	83,706.15	--	83,706.15	--	--	
<b><u>Funds from GRN</u></b>							
Government Tax Payments	--	--	--	--	--	--	
<b><u>Exchange gains/losses</u></b>							
Exchange gains/(losses)	--	--	--	--	--	--	
	<b>3,246,400.00</b>	<b>3,066,529.06</b>	<b>-</b>	<b>3,066,529.06</b>	<b>--</b>	<b>--</b>	
<b><u>PROJECT COSTS INCURRED</u></b>							
A Improve the Quality of Education in Schools (Design/EA/Supervision for General Schools)	--	--	--	--	--	--	
B Vocational and Skills Training	--	--	--	--	--	--	
C Improving Access to and Management of Textbooks	--	--	--	--	--	--	
D Regional Study and Resource Centres (Design/EA/Supervision of RSRCs)	--	--	--	--	--	--	
E Access to Tertiary Education Finance	--	--	--	--	--	--	
F Cross Project Support (HIV/AIDS Mgmt. Strengthening to HAMU)	--	--	--	--	--	--	
	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	

**FINANCIAL AUDIT OF MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES  
MANAGED BY MILLENNIUM CHALLENGE ACCOUNT (MCA) - NAMIBIA**

**FUND ACCOUNTABILITY STATEMENT - 609(g) FUNDING**

**July 1, 2011 to December 31, 2011**

	<u>Budget</u> US\$	<u>Actual Costs</u>			<u>Questioned Costs</u>		<u>Notes</u>
		<u>Prior Period</u> US\$	<u>Actual MCA - N</u> US\$	<u>Cumulative</u> US\$	<u>Ineligible</u> US\$	<u>Unsupported</u> US\$	
<b>2 Tourism Project</b>							
A Improving Management and Infrastructure in Etosha National Park	--	--	--	--	--	--	
B Marketing Namibia in Tourism	--	--	--	--	--	--	
C Ecotourism Development for Communal Conservancies	--	--	--	--	--	--	
	--	--	--	--	--	--	
<b>3 Agriculture Project</b>							
A Land Access and Management	--	--	--	--	--	--	
B Livestock (IEA with DVS for livestock support)	--	--	--	--	--	--	
C Indigenous Natural Products	--	--	--	--	--	--	
	--	--	--	--	--	--	
<b>TOTAL PROJECT RELATED COSTS</b>	--	--	--	--	--	--	
<b><u>PROGRAM MANAGEMENT AND ADMIN COSTS</u></b>							
<b>Salaries</b>							
Personnel Expenses	272,244.00	204,300.42	--	204,300.42	--	--	
<b>Travel and transportation</b>							
Travel expenses	--	2,878.15	--	2,878.15	--	--	2
Vehicle and Transport Expenses	--	--	--	--	--	--	
<b>Capital expenditure</b>							
Fixed Assets Acquisition	201,629.00	53,011.55	--	53,011.55	--	--	3

**FINANCIAL AUDIT OF MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES  
MANAGED BY MILLENNIUM CHALLENGE ACCOUNT (MCA) - NAMIBIA**

**FUND ACCOUNTABILITY STATEMENT - 609(g) FUNDING**

**July 1, 2011 to December 31, 2011**

	<u>Budget</u> US\$	<u>Prior Period</u> US\$	<u>Actual Costs</u>		<u>Questioned Costs</u>		<u>Notes</u>
			<u>Actual MCA - N</u> US\$	<u>Cumulative</u> US\$	<u>Ineligible</u> US\$	<u>Unsupported</u> US\$	
<b>Maintenance</b>							
Repairs and maintenance	--	670.66	--	670.66	--	--	2
<b>Financial Management and Procurement</b>							
Fiscal Agents Fees	375,000.00	292,179.50	--	292,179.50	--	--	6
Procurement Agent Fees	375,000.00	292,179.50	--	292,179.50	--	--	6
<b>Other Direct Costs</b>							
Audit fees and Expenses	--	--	--	--	--	--	
Communication Expenses	10,430.00	14,128.81	--	14,128.81	--	--	6
Consulting Fees	329,131.00	462,537.30	--	462,537.30	--	--	6
Meetings Expenses	-	670.80	--	670.80	--	--	2
Miscellaneous Expenses	10,526.00	3,864.00	--	3,864.00	--	--	6
Office Lease Expenses	61,387.00	85,386.54	--	85,386.54	--	--	
Office Supplies and Expenses	-	4,667.47	--	4,667.47	--	--	2
Procurement Costs - Advertisement & Panel	-	7,776.51	--	7,776.51	--	--	2
Public Relation Outreach Expenses	--	--	--	--	--	--	-
Recruitment and Training Expenses	-	22,543.66	--	22,543.66	--	--	2
Utilities Expenses	1,053.00	523.12	--	523.12	--	--	
Environmental and Social Oversight	1,610,000.00	1,609,316.00					6
<b>TOTAL PROGRAM MANAGEMENT AND ADMIN C</b>	<b>3,246,400.00</b>	<b>3,056,633.99</b>	<b>--</b>	<b>3,056,633.99</b>	<b>--</b>	<b>--</b>	<b>2</b>
<b>TOTAL COSTS INCURRED</b>	<b>3,246,400.00</b>	<b>3,056,633.99</b>	<b>--</b>	<b>3,056,633.99</b>	<b>--</b>	<b>--</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE PERIOD</b>	<b>--</b>	<b>9,895.07</b>	<b>--</b>	<b>9,895.07</b>	<b>--</b>	<b>--</b>	
<b>RECONCILIATION OF OUTSTANDING FUNDS</b>	<b>--</b>	<b>(9,885.00)</b>	<b>--</b>	<b>(9,885.00)</b>	<b>--</b>	<b>--</b>	<b>4</b>
<b>RETAINED EARNINGS</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	
<b>FUNDS BALANCE</b>	<b>--</b>	<b>10.07</b>	<b>--</b>	<b>10.07</b>	<b>--</b>	<b>--</b>	<b>5</b>

**FINANCIAL AUDIT OF MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES  
MANAGED BY MILLENNIUM CHALLENGE ACCOUNT (MCA) - NAMIBIA**

**FUND ACCOUNTABILITY STATEMENT - 609(g) FUNDING**

**July 1, 2011 to December 31, 2011**

**1. Basis of preparation**

The fund accountability statement has been prepared in accordance with *U.S. Government Auditing Standards* and on a cash receipts and payment basis. On this revenue is recognised when received rather than when earned, and expenditures are recognised when paid rather than when incurred. The fund accountability statement has been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

**1.1 Cash and cash equivalents**

For the purposes of the fund accountability statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

**1.2 Revenue recognition**

MCA - Namibia uses the cash basis of accounting, revenue is recognized in the Fund Accountability Statement at the date it is received. Interest on bank balance is recognized when credited to the programme bank account.

**1.3 Expense recognition**

Expenses are recognised in the fund accountability statement when they are paid rather than when they are incurred.

**1.4 Translation of currency**

The operational currency is in Namibian Dollars. The presentation currency is in US Dollar (US\$). Figures have been translated at the following exchange rates.

Receipts and expenditure is translated at the exchange rate at which disbursements have been received.

Average exchange rate for the prior period:

US\$ 1 = N\$ 7.67

	Actual	Cumulative
	US\$	Prior Period
	US\$	US\$

**Notes to the fund accountability statement**

- 2** These line items incurred expenses for which no budget is listed on the Fund Accountability Statement. However, the total program management and admin costs that were incurred is below the total budgeted amount.

**3 Fixed asset acquisition**

Computer Equipment	--	23,470.58
Office Equipment	--	12,204.97
Furniture & Fittings	--	17,336.00
	--	<b>53,011.55</b>

During the prior period the programme acquired fixed assets and expensed them in the fund accountability statement.

A detailed fixed asset register is maintained by MCA - N and is available for inspection at the offices of MCA - N in Windhoek.

**FINANCIAL AUDIT OF MILLENNIUM CHALLENGE CORPORATION (MCC) RESOURCES  
MANAGED BY MILLENNIUM CHALLENGE ACCOUNT (MCA) - NAMIBIA**

**FUND ACCOUNTABILITY STATEMENT - 609(g) FUNDING**

**July 1, 2011 to December 31, 2011**

	<b>Actual</b>	<b>Cumulative</b>
	<b>US\$</b>	<b>Prior Period</b>
	<b>US\$</b>	<b>US\$</b>
<b>4 Reconciliation of outstanding funds</b>		
VAT Recoverables	--	9,657.00
Interest to be transferred to Treasury	--	228.00
	<b>--</b>	<b>9,885.00</b>
<b>5 Cash and Cash Equivalents</b>		
Petty Cash	--	2.07
Imprest Fund Account (NAD)	--	8.00
	<b>--</b>	<b>10.07</b>
<b>6 MCA - N and MCC managed funds</b>		
		<b>Cumulative Prior Period</b>
	<b>MCA - N</b>	<b>MCC</b>
	<b>Managed</b>	<b>Managed</b>
<u>FUNDS FROM MCC</u>		
CPS (Non-USD/Banks outside U.S.)	<u>328,294.91</u>	<u>2,654,528.00</u>
<u>PROGAM MANAGEMENT AND ADMIN COSTS</u>		
Fiscal Agent Fees	--	292,179.50
Procurement Agent Fees	--	292,179.50
Communication Expenses	7,753.81	6,375.00
Consulting Fees	65,458.30	397,079.00
Office Lease Expenses	27,987.46	57,399.00
Environmental and Social Oversight	--	1,609,316.00
	<u>101,199.57</u>	<u>2,654,528.00</u>

MCC managed funds are presented for completeness purposes. These funds are unaudited. Above is a breakdown of the line items which consist both out of MCA -N managed funds and MCC managed funds. For the line items not listed here, the total balance is managed by MCA - N.





## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Board of Directors  
Millennium Challenge Account - Namibia  
PO Box 23005  
Windhoek  
Namibia

We have audited the Fund Accountability Statements of Millennium Challenge Account - Namibia for the MCA – Namibia managed Option Period Four funds ended December 31, 2011, and have issued our report on it dated June 20, 2012.

Except as discussed in the following paragraphs, we conducted our audit in accordance with *U.S. Government Auditing Standards* issued by the Comptroller General of the United States. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statements are free of material misstatement.

We do not have a continuing education program that fully satisfies the requirements set forth in Chapter 3, paragraph 3.46 of *U.S. Government Auditing Standards*. Our current program does not provide for continuing education and training. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirement.

We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 3, paragraph 3.55 of *U.S. Government Auditing Standards*, since no such program is offered by professional organizations in Namibia. We believe that the effects of this departure from *U.S. Government Auditing Standards* is not material because we participate in the PricewaterhouseCoopers worldwide internal quality control review program which requires our office to be subject, every three years, to an extensive quality control review by partners and managers from other affiliate offices.

The management or those charged with governance of Millennium Challenge Account - Namibia is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the agreements; and transactions are recorded properly to permit the preparation of the Fund Accountability Statement in conformity with the basis of accounting described in Note 1 to the Fund Accountability Statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes

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Practice Number 9406, T: 264 (61) 284 1000, F: +264 (61) 284 1001, www.pwc.com/na*

Managing Partner: R Nangula Uaandja  
Assurance Partners: Stephen D Viljoen, Carl P van der Merwe, Louis van der Riet (Chief Operating Officer), Ansie EJ Rossouw, Seretta N Lombaard

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL (continued)**

in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the Fund Accountability Statement of Millennium Challenge Account - Namibia for the MCA – Namibia managed Option Period Four funds ended December 31, 2011, in accordance with *U.S. Government Auditing Standards*, we considered Millennium Challenge Account - Namibia internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statements, but not for the purpose of expressing an opinion on the effectiveness of the organisation's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Fund Accountability Statement will not be prevented, or detected and corrected on a timely basis.

We identified the following deficiencies in internal control that we consider to be a material weakness, as defined above:

1. As part of our controls testing on the procurement process, we noted purchase orders that were not signed by the supplier as stipulated in the procurement procedures.
2. During our testing of payroll controls we noted that there were timesheet that were completed inaccurately, and that these time sheets were signed-off as being reviewed.

For detailed findings, refer to the schedule of audit findings pages 26 - 28.

This report is intended for the information of Millennium Challenge Account - Namibia and the Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

A handwritten signature in blue ink, appearing to read 'A. van der Merwe', with a stylized flourish at the end.

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**Registered Accountants and Auditors  
Chartered Accountants**

**Per: Carl van der Merwe  
Partner**

**Windhoek – 20 June 2012**

## MCA – NAMIBIA SCHEDULE OF AUDIT FINDINGS

Period July 1, 2011 to December 31, 2011

### I. INTERNAL CONTROL

#### 1) Purchase orders not signed

##### Description of the matter:

##### Condition:

During the testing of controls over purchases we noted that the Purchase Orders listed below exceeded the N\$ 15,000 threshold but was not signed by the supplier as stipulated in the procurement procedures and as stipulated on the Purchase Order.

Nr	Contract code / Agreement Nr:	Date	Details	Agreement Amount
4	MCAN/COM/4A19004-b	10/08/2011	Omnitel Namibia	N\$ 17,480.00
6	MCAN/COM/1A01007-8	07/09/2011	Waltons	N\$ 696,464.5
9	MCAN/COM/4A04001-aw	30/09/2011	XL The Travel Professionals	N\$ 37,406.00
14	MCAN/COM/4A12001-j	06/10/2011	Arebbusch	N\$ 22,044.00
23	MCAN/COM/3C01002(i) and (ii)	08/12/2011	Container World	N\$ 185,150
24	MCAN/COM/ITQ/4A11012-A	20/12/2011	Namtrans	N\$ 27,450

##### Criteria:

As per the MCA – Namibia procurement procedures and as indicated on the purchase order form, management should ensure that all purchase orders above the N\$ 15,000 threshold be signed by the supplier in order to ensure the supplier are fully aware of the terms of the order and that no discrepancy arise subsequent to the goods/services being provided by the supplier.

##### Effect:

All though this will have no financial impact on the Fund Accountability Statement, it is still an indication that the internal controls approval process has a weakness, and this can lead to discrepancies and misinterpretation by suppliers regarding the terms and/or the price of the goods/services.

##### Recommendation:

We recommend that management ensure that all Purchase Orders exceeding the threshold set at N\$ 15,000 be signed by the respective supplier and that the supplier fully understand and agrees to the terms and the price of the Purchase Order.

##### Management's Comments

Discussed the matter with the procurement manager on 17/02/2012 and he indicated that this was an administrative oversight.

## **2) Incorrect completion of time sheets**

### **Description of the matter:**

#### Condition:

During the testing of payroll controls we noted that there were time sheets that were completed inaccurately. The monthly time sheet contained days outside of the relevant month which was crossed thus creating the impression that its part of that specific month.

The other incidents relates to the 16 October 2011 to 15 November 2011 period where the 14<sup>th</sup> of November 2011 was shaded and this created the impression that the 14th of November 2011 was a public holiday. Because of this a few of the time sheets did not cross that day out as a working day and this actually indicates that the employee did not work that day.

These time sheets were approved even though they were completed incorrectly. This seems to indicate that the time sheets are approved without due consideration and thorough analysis.

#### Criteria:

Correct completion and approval of time sheets is a USAID as well as a MCC requirement in order to properly monitor employees of MCA – Namibia.

#### Effect:

As employees are paid a fixed salary and receive no remuneration for any overtime worked. The incorrect completion of the time sheets will have no financial effect on the Fund Accountability Statement of MCA – Namibia, but it is an indication that the internal controls put in place with regards to time sheets do not function effectively.

#### Recommendation:

We recommend that management review time sheets with due care and diligence to ensure that they are accurately completed.

Time sheets should also be adjusted to include only the weeks that fall within the specific month and pay cycle to avoid the possibility of confusion between different pay cycles.

#### Management's Comments

Discussed the matter with MCA – Namibia's Financial Manager on 22/02/2012 and the following was noted:

During the pay cycle period of October/November 2011, Monday November 14th 2011 was erroneously blocked as a weekend and 3 employees did not tick it since it was blocked.

These people were present on the Monday and they have now subsequently ticket the day as present. HR has been requested to ensure that only weekends and public holidays are blocked.

With regards to the days appearing on the timesheet that fall outside the specific pay cycle month, it was noted that all days are marked including the days outside the pay cycle. The current time sheet has 5 weeks and staff are only supposed to fill in/ utilize 4 weeks. Therefore one week in the current sheet is redundant. To avoid confusion HR has been requested to change the time sheet so that it only has 4 weeks in each period which corresponds to the pay cycle.



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

Board of Directors  
Millennium Challenge Account - Namibia  
PO Box 23005  
Windhoek  
Namibia

We have audited the Fund Accountability Statements of Millennium Challenge Account – Namibia for the MCA – Namibia managed Option Period Four funds ended December 31, 2011 and have issued our report on it dated June 20, 2012. We have not reviewed the separate cost-sharing schedule as cost sharing is not applicable to Millennium Challenge Account - Namibia.

Except as discussed in the following paragraphs, we conducted our audit in accordance with *U.S. Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statements are free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the Fund Accountability Statements amounts.

We do not have a continuing education program that fully satisfies the requirements set forth in Chapter 3, paragraph 3.46 of *U.S. Government Auditing Standards*. Our current program does not provide for continuing education and training. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirements.

We did not have an external quality control review by an unaffiliated audit organization as required by Chapter 3, paragraph 3.55 of *U.S. Government Auditing Standards*, since no such program is offered by professional organizations in Namibia. We believe that the effects of this departure from *U.S. Government Auditing Standards* is not material because we participate in the PricewaterhouseCoopers worldwide internal quality control review program which requires our office to be subject, every three years, to an extensive quality control review by partners and managers from other affiliate offices.

Compliance with the terms and conditions of the Compact and related Agreements and laws and regulations applicable to Millennium Challenge Account - Namibia is the responsibility of Millennium Challenge Account - Namibia's management. As part of obtaining reasonable assurance about whether the Fund Accountability Statements are free of material misstatement, we performed tests of Millennium Challenge Account - Namibia's compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

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Assurance Partners: Stephen D Viljoen, Carl P van der Merwe, Louis van der Riet (Chief Operating Officer), Ansie EJ Rossouw, Seretta N Lombaard

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE (continued)**

Material instances of non-compliance are failures to follow requirements or violations of agreement terms and laws and regulations that cause us to conclude that the aggregation of misstatements resulting from those failures or violations are material to the Fund Accountability Statements.

The results of our compliance tests disclosed no instances of non-compliance that are required to be reported here under *U.S. Government Auditing Standards*.

This report is intended for the information of Millennium Challenge Account - Namibia and the Millennium Challenge Corporation (MCC). However, upon release by MCC, this report is a matter of public record and its distribution is not limited.



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**Registered Accountants and Auditors**

**Chartered Accountants**

**Per: Carl van der Merwe**

**Partner**

**Windhoek – 20 June 2012**