



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**

**MINISTRY OF FINANCE**

**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

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**REPUBLIC OF NAMIBIA**



**TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY**

I have the honour to submit herewith my report on the accounts of the Ministry of Finance for the financial year ended 31 March 2017 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

**WINDHOEK, April 2018**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



## DEFINITIONS

<p><b>Types of Audit Opinions:</b></p>	<p><b>Unqualified Opinion.</b> In an unqualified report, the auditors conclude that the financial statements of your O/M/A's present fairly its affairs in all material aspects.</p> <p><b>Qualified Opinion.</b> An auditor's report is qualified when there is either a limitation of scope in the auditor's work, or when there is a disagreement with management regarding application, acceptability or adequacy of accounting policies.</p> <p><b>Disclaimer Opinion.</b> Auditor's do not express an opinion on the financial position of a firm because they have not completed an examination of its accounts or the examination is not broad enough in scope to enable them to form an opinion.</p> <p><b>Adverse Opinion.</b> The financial statements of an O/M/A's do not fairly present its actual financial position and the required information was either not disclosed, or (if disclosed) was inadequately disclosed or was inaccurate.</p>
<p><b>Treasury:</b></p>	<p>Financial authority in public service. (The department of Government that has control over the collection, management and disbursement of public revenue).</p>
<p><b>Vote:</b></p>	<p>Represents an Office/Ministry/Agency.</p>
<p><b>Appropriation Act:</b></p>	<p>Estimate of expenditure and revenue for a particular financial year presented to the National Assembly, the Act passed by Parliament.</p>
<p><b>Appropriation Account:</b></p>	<p>Government Income and Expenditure statement, showing on receipt side the estimated budgeted amounts and on expenditure side the actual expenditure amounts and the difference thereof.</p>
<p><b>Standard sub-division:</b></p>	<p>Government balance account, showing balances incurred on each account/activity.</p>
<p><b>Suspension:</b></p>	<p>Reduction on budget (Treasury may from time to time withhold or suspend any amount in an estimate of expenditure).</p>
<p><b>Virement:</b></p>	<p>Moving of budgeted funds from one account to another account within the same budget of the same Office/Ministry/Agency. The utilization of a saving under one main division/sub division of a vote to defray an excess under another existing division of the same vote.</p>
<p><b>Unauthorised Expenditure:</b></p>	<p>Expenditure that exceeds the amount appropriated (budgeted) for a vote, main division or subdivision.</p>
<p><b>Underexpenditure:</b></p>	<p>Saving on the budget.</p>
<p><b>Miscellaneous Revenue:</b></p>	<p>All revenue collected and not having a specified revenue code.</p>
<p><b>Tender Board Exemptions:</b></p>	<p>To free from an obligation (Tender Board Regulations) to which others are subjected.</p>
<p><b>Commitments:</b></p>	<p>Funds reserved to acquire goods or services from a supplier.</p>
<p><b>Suspense accounts:</b></p>	<p>Is an account opened in the books of Government that records movement of transactions of a temporarily nature, for example salary deductions of housing instalments.</p>
<p><b>S&amp;T Advance Suspense Account:</b></p>	<p>A suspense account reflecting the outstanding subsistence and travel advances.</p>



<b>Rejection Account:</b>	A suspense account reflecting names and balances of all persons/companies that owe money to the State.
<b>Budget:</b>	Is an estimation of the revenue and expenses over a specified future period of time specified.
<b>Subsistence Advance:</b>	Payment given in advance to an employee to reimburse accommodation, meal and incidental expenses, while on an official assignment.
<b>Performance Information:</b>	Measurement of an individual, group, organization, system or component which is collected, analysed and reported. (Includes Strategic plans, annual plans, performance agreements and personal development plans)
<b>Materiality:</b>	Is a concept or convention relating to the importance or significance of an amount, transaction, or discrepancy that effects the decision of the user.





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**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
MINISTRY OF FINANCE  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

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**1. REPORT ON THE FINANCIAL STATEMENTS**

**1.1 INTRODUCTION**

This report on the accounts of the Ministry of Finance for the financial year ended 31 March 2017 is presented to the National Assembly in accordance with the terms of Article 127(2) of the Constitution of the Republic of Namibia and Section 27(1) of the State Finance Act, 1991 (Act 31 of 1991), as amended.

I have audited the accompanying financial statements of the Ministry of Finance for the financial year ended 31 March 2017. These financial statements comprise the following statements submitted for the year ended:

- Appropriation account;
- Standard subdivisions;
- Departmental revenue;
- Notes to the financial statements; and
- General information.

The appropriation account was submitted by the Accounting Officer to the Auditor-General in terms of Section 13 of the State Finance Act, 1991 (Act 31 of 1991).

The financial statements, notes to the financial statements and general information supplied by the Accounting Officer are attached as Annexure A.

**1.2 MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 12 and 13 of the State Finance Act, 1991 (Act 31 of 1991) and other legislation, and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**1.3 AUDITOR'S RESPONSIBILITY**

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

## **Powers and Duties**

Section 25(1)(c) of the State Finance Act, 1991 (Act 31 of 1991), provides that the Auditor-General should satisfy himself that:

- (a) all reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;
- (b) all reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and
- (c) the expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, Section 26(1)(b)(iv) of the State Finance Act, 1991 (Act 31 of 1991), empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinion.

## **1.4 KEY AUDIT FINDINGS**

### **1.4.1 Unauthorized expenditure**

The following unauthorized expenditure occurred during the financial year and is hereby reported as such in terms of Section 27(6)(a) of the State Finance Act, 1991 (Act 31 of 1991):

- (i) The total budget of the vote is exceeded with N\$ 6 595 007.47 (0.20%). This amount is unauthorized in terms of Section 6(a)(i) of the Act;
- (ii) Two (2) main divisions were exceeded with a total amount of N\$ 40 450 142.58. This amount is unauthorised in term of Section 6(a)(ii) of the Act; and

- (iii) Although Treasury authorization was obtained to utilize certain expected savings for the defrayal of expenditure by way of virements during the year, fifteen (15) operational subdivisions were exceeded by a total amount of N\$ 46 505 594.21. These excesses are unauthorized in terms of Section 6(a)(iii) of the Act.

Although the Accounting Officer provided explanations for unauthorized expenditure, it is recommended that the Accounting Officer should put control measures in place to avoid unauthorized expenditure in future.

#### **Management comment**

In her response on the draft report, the Accounting Officer indicated that the monthly preparation of management accounts, early reconciliation of accounts will be conducted. The findings will become part of the performance agreement of the Director of Administration and audit committee will be operationalised.

#### **1.4.2 Virements**

Treasury Instruction DE 0401 states that an “*Accounting Officer shall keep a meticulous record of virements which were granted in respect of their votes, as, after the books have been closed for the financial year concerned they must indicate the effect on the estimated amounts on the appropriation accounts (whether an increase or decrease)*”. However, differences were noted between virements authorised by Treasury and the virements reflected in the Appropriation Account thus resulting in a management misrepresentation.

Differences were noted between virements authorised by Treasury and the virements reflected in the Appropriation Account as follows:

<b>Main division</b>	<b>Appropriation account</b>	<b>Authorized virements</b>	<b>Difference</b>
	N\$	N\$	N\$
02: Administration	(7 475 130)	(5 977 050)	(1 498 080)
04: Inland Revenue	4 205 363	4 281 363	(76 000)
05: Economic Policy Advisory Services	367 997	68 133	299 864
06: Customs and Excise	(4 703 515)	(5 552 326)	848 811
08: Medical Aid Scheme	(4 746 194)	19 848 822	(15 102 628)
09: Tender Board	(2 858 224)	(2 754 952)	(103 272)
10. Budget Management and Control	3 192 694	2 677 286	515 408
13. Information Technology	22 674 603	(1 933 682)	20 740 921

It is therefore recommended that the Accounting Officer should provide an explanation for the differences and ensure that Treasury Instruction DE 0401 is complied with.

#### **Management comment**

In her response on the draft report, the Accounting Officer indicated that the differences occur because the appropriation account figure is the effect of what has been vimented irrespective of whether the funds are from within the main division or not. Whereas the authorised virement considers the net effect of movement to/from a Main division from what has been vimented.

### 1.4.3 Outstanding Subsistence advances

Treasury Instruction FD 0702, states that “the Accounting Officer should keep auxiliary registers (superfluous) to enable the Ministry to reconcile the suspense accounts placed under their control with the respective ledger accounts”. However, the audit found that the outstanding subsistence advance balance reflected two different amounts as follows:

Debit balance list	Subsistence and travel advance suspense account	Difference
N\$ 163 659.97	N\$ 2 024 506.66	N\$ (1 860 846.69)

It is recommended that the Accounting Officer should explain the differences and should adhere to Treasury Instruction FD 0702.

#### Management comment

In her response on the draft report, the Accounting Officer indicated that the balance on the S&T advance suspense account is mainly attributed to entries that the Ministry has attempted to get reconciled that comes from 2006/07 to the 2010/11 financial year. Differences between the debit and debit balance list and subsistence advance suspense accounts were mainly caused by direct claims processed, which were taken and offset the balance in the debit balance list and not in the ledger.

### 1.4.4 Budget

The State Finance Act, 1991 (Act 31 of 1991) Section 13(1)(a)(b), states that “*the Permanent Secretary shall as soon as practicable, but not later than six months after the end of a financial year, prepare an appropriation account in respect of each main division of each vote specifying on the receipts side thereof, the amount mentioned in the estimate of expenditure but with such adjustments and on the expenditure side thereof the amount actually expended and transmit such appropriation account to the Accounting Officer concerned before expiry of the said period of six months*”. However, the audit found that the revised estimates differ from the Appropriation Account as per the table below, which resulted in misrepresentation of the financial statements:

Main division	Budget Book	Appropriation Account	Difference
	N\$	N\$	N\$
02. Administration	139 639 620	139 639 000	620
08. Medical Aid Scheme	2 126 296 666	2 326 297 000	200 000 334

It is recommended that the Accounting officer should adhere to State Finance Act, 1991 (Act 31 of 1991) Section 13(1)(a)(b) and should ensure that the revised budget is correctly reflected in the Appropriation account.

#### Management comment

In her response on the draft report, the Accounting Officer indicated that the difference in the budget book figure and the appropriation account is due to the rounding off figure however, the difference was never corrected at the time of printing of the budget book as this ought to have been done by Treasury.

#### **1.4.5 Annual Stocktaking**

Treasury Instructions KA 0901 states that “*stores, equipment and livestock shall be subjected to stocktaking at least once each financial year and the Accounting Officer shall submit a report thereon to Treasury for approval as soon as possible after the stocktaking, but in any case within 30 days after the end of the financial year concerned*”. However, the Accounting Officer reported thirty-four (34) stocktaking points, but only provided twelve (12) stocktaking reports for audit purposes. This resulted in an audit scope limitation. In addition, Treasury approval was not obtained for stocktaking conducted for three consecutive years.

It is recommended that the Accounting Officer should obtain Treasury approval timely as required by Treasury Instruction KA 0901 and submit all stocktaking reports for audit purposes.

#### **Management comment**

In her response on the draft report, the Accounting Officer indicated that the submission to Treasury was on time but there were misunderstandings between the Director of Administration and Deputy Director of Auxiliary Services hence the non-approval of the submission.

#### **1.4.6 Audit Committee and risk management**

It was found that the Ministry has a non- functional Audit Committee and does not have a risk management policy in place despite recommendations made by my Office in the prior years’ management letters, and no developments were made to date to ensure the establishment and functioning of the Audit Committee and developing and implementing a risk management policy.

In the absence of an Audit Committee and a risk management policy:

- Internal audit reports are not reviewed independently to ensure management responses are implemented and that recommendations made by the internal and external auditors on material findings/concerns are addressed; and
- The effectiveness of the Internal Audit Department is not reviewed and monitored, thus resulting in a lack of developing and improving the Internal Audit Departments’ mandate.
- Errors and fraud might not be prevented, detected and timely corrected.

It is recommended that the Accounting Officer should ensure that a functional Audit Committee is established to monitor and review the work of the Internal Audit Department and to ensure implementation of audit recommendations. The Ministry should develop and implement a risk management framework to ensure that the Ministry makes efforts to manage risks appropriately to maximise potential opportunities and minimise the adverse effects of risks.

### **1.5 ACKNOWLEDGEMENT**

The assistance and co – operation of the management and staff of the Ministry of Finance during the audit is appreciated.

## **1.6 UNQUALIFIED AUDIT OPINION**

I certify that I have audited the financial statements of the Ministry of Finance for the year ended 31 March 2017 in accordance with the terms of Article 127(2) of the Namibian Constitution and Section 25(1) of the State Finance Act, 1991 (Act 31 of 1991).

In my opinion, the financial statements present fairly in all material respects, the financial position of the Ministry of Finance as at 31 March 2017 and its financial performance and its receipts and payments for the year then ended in accordance with the terms of Article 127(2) of the Namibian Constitution and Section 25(1) of the State Finance Act, 1991 (Act 31 of 1991).



**WINDHOEK, April 2018**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



## 1. AUDITED FINANCIAL STATEMENTS

## 1.1 Appropriation account

2016/2017						2015/2016
Service	Authorized expenditure	Actual expenditure	Variations		Actual expenditure	
			Under-expenditure/ (Excess)	Percentage		
N\$	N\$	N\$	N\$	%	N\$	
<b>01. Office of the Minister:</b>						
Original budget	4 560 000.00					
Plus: Virement	100 013.00					
Less: Suspension	(182 444.47)	4 477 568.53	4 201 031.25	276 537.28	6.18	4 346 412.88
<b>02. Administration:</b>						
Original budget	139 639 000.00					
Less: Virement	(7 475 130.00)					
Less: Suspension	(2 776 677.17)	129 387 192.83	119 570 061.06	9 817 131.77	7.59	117 597 385.94
<b>03. Internal Audit:</b>						
Original budget	7 520 000.00					
Less: Virement	(911 685.00)					
Less: Suspension	(197 293.01)	6 411 021.99	6 237 879.86	173 142.13	2.70	7 050 653.78
<b>04. Inland Revenue:</b>						
Original budget	260 315 000.00					
Plus: Virement	4 205 363.00					
Less: Suspension	(41 334 303.66)	223 186 059.34	235 453 288.95	(12 267 229.61)	(5.50)	220 154 395.97
<b>05. Economic Policy Advice:</b>						
Original budget	9 911 000.00					
Plus: Virement	367 997.00					
Less: Suspension	(50 000.00)	10 228 997.00	9 939 562.04	289 434.96	2.83	8 211 833.81
<b>06. Customs and Excise:</b>						
Original budget	245 696 000.00					
Less: Virement	(4 703 515.00)					
Less: Suspension	(8 019 000.26)	232 973 484.74	261 156 397.71	(28 182 912.97)	(12.10)	317 320 785.45
<b>07. Public Private Partnership Management:</b>						
Original budget	3 449 000.00					
Less: Virement	(67 781.00)					
Less: Suspension	(188 198.75)	3 193 020.25	3 176 119.57	16 900.68	0.53	2 218 931.15

## ANNEXURE A (continued)

2016/2017						2015/2016
Service	Authorized expenditure	Actual expenditure	Variations		Actual expenditure	
			Under-expenditure/ (Excess)	Percentage		
N\$	N\$	N\$	N\$	%	N\$	
<b>08. Medical Aid</b>						
<b>Scheme:</b>						
Original budget	2 326 297 000.00					
Less: Virement	(4 746 194.00)					
Less: Suspension	(727 479.02)	2 320 823 326.98	2 320 420 612.01	402 714.97	0.02	2 115 750 134.02
<b>09. Tender Board:</b>						
Original budget	10 369 000.00					
Less: Virement	(2 858 224.00)					
Less: Suspension	(151 743.00)	7 359 033.00	6 659 928.92	699 104.08	9.50	7 795 433.98
<b>10. Budget Management and Control:</b>						
Original budget	214 980 000.00					
Plus: Virement	3 192 694.00					
Less: Suspension	(43 138 272.64)	175 034 421.36	156 791 169.49	18 243 251.87	10.42	453 873 489.14
<b>11. Expenditure and Financial Management:</b>						
Original budget	37 592 000.00					
Less: Virement	(317 413.00)					
Less: Suspension	(616 604.89)	36 657 982.11	34 545 119.22	2 112 862.89	5.76	40 988 852.60
<b>12. Asset, Cash and Debt Management:</b>						
Original budget	181 604 000.00					
Less: Virement	(9 460 728.00)					
Less: Suspension	(114 989 320.40)	57 153 951.60	55 879 877.16	1 274 074.44	2.23	282 250 274.40
<b>13. Information Technology:</b>						
Original budget	48 966 000.00					
Plus: Virement	22 674 603.00					
Less: Suspension	(400 008.00)	71 240 595.00	70 690 614.96	549 980.04	0.77	101 042 034.64
<b>GRAND TOTAL</b>		<b>3 278 126 654.73</b>	<b>3 284 721 662.20</b>	<b>(6 595 007.47)</b>	<b>(0.20)</b>	<b>3 678 600 617.76</b>

## 1.2 Standard subdivisions

Subdivision	2016/2017			2015/2016
	Authorized expenditure	Actual expenditure	Under-expenditure/ (Excess)	Actual expenditure
	N\$	N\$	N\$	N\$
<b>Operational:</b>				
<b>Current expenditure: Personnel</b>				
001. Remuneration	431 674 244.00	472 821 004.57	(41 146 760.57)	449 346 217.55
002. Employer's contribution to G.I.P.F	53 591 039.00	53 102 625.30	488 413.70	50 381 391.51
003. Other conditions of service	3 365 269.00	4 356 934.66	(991 665.66)	3 171 670.28
004. Improvement of remuneration structure	2.00	-	2.00	-
005. Employers contribution to Social Security	179 162.00	245.69	178 916.31	78.31
<b>Total</b>	<b>488 809 716.00</b>	<b>530 280 810.22</b>	<b>(41 471 094.22)</b>	<b>502 899 357.65</b>
<b>Current expenditure: Goods and other services</b>				
021. Travel and subsistence allowances	12 512 457.44	10 405 316.47	2 107 140.97	19 076 228.93
022. Materials and supplies	11 503 211.00	10 643 681.71	859 529.29	13 304 170.44
023. Transport	11 820 000.00	10 376 576.04	1 443 423.96	10 282 129.84
024. Utilities	69 986 856.00	65 539 348.19	4 447 507.81	48 772 775.77
025. Maintenance expenses	71 723 838.00	70 580 972.13	1 142 865.87	95 378 669.84
026. Property rental and related charges	9 689 736.00	8 762 401.09	927 334.91	5 586 809.78
027. Other services and expenses	126 540 980.29	124 091 679.39	2 449 300.90	159 997 338.78
<b>Total</b>	<b>313 777 078.73</b>	<b>300 399 975.02</b>	<b>13 377 103.71</b>	<b>352 398 123.38</b>
<b>Current expenditure: Membership fees and subscriptions</b>				
041. International	13 416 024.00	11 643 197.29	1 772 826.71	15 107 940.64
<b>Total</b>	<b>13 416 024.00</b>	<b>11 643 197.29</b>	<b>1 772 826.71</b>	<b>15 107 940.64</b>
<b>Current expenditure: Subsidies, grants and other transfers</b>				
043. Government organisation	174 557 352.00	156 075 676.88	18 481 675.12	685 267 302.45
044. Individuals and non-profit organisations	2 254 563 715.00	2 254 563 713.41	1.59	2 061 432 765.15
045. Public and departmental enterprises	-	-	-	155 056.32
<b>Total</b>	<b>2 429 121 067.00</b>	<b>2 410 639 390.29</b>	<b>18 481 676.71</b>	<b>2 746 855 123.92</b>
<b>Total: Current expenditure</b>	<b>3 245 123 885.73</b>	<b>3 252 963 372.82</b>	<b>(7 839 487.09)</b>	<b>3 617 260 545.59</b>
<b>Capital expenditure: Acquisition of assets</b>				
101. Furniture and office equipment	17 958.00	17 957.22	0.78	18 495 643.39
103. Operational equipment	-	-	-	33 000.40
<b>Total</b>	<b>17 958.00</b>	<b>17 957.22</b>	<b>0.78</b>	<b>18 528 643.79</b>
<b>Total: Operational expenditure</b>	<b>3 245 141 843.73</b>	<b>3 252 981 330.04</b>	<b>(7 839 486.31)</b>	<b>3 635 789 189.38</b>
<b>Lending and equity participation</b>				
175. Equity participation: Joint ventures and domestic enterprises	26 404 811.00	26 442 665.59	(37 854.59)	-
176. Equity participation: Nampower and others	-	-	-	21 612 212.77
<b>Total</b>	<b>26 404 811.00</b>	<b>26 442 665.59</b>	<b>(37 854.59)</b>	<b>21 612 212.77</b>

## ANNEXURE A (continued)

Subdivision	2016/2017			2015/2016
	Authorized expenditure	Actual expenditure	Under-expenditure/ (Excess)	Actual expenditure
	N\$	N\$	N\$	N\$
<b>Development:</b>				
<b>Capital expenditure: Acquisition of assets</b>				
107. Construction, renovation and improvement	6 580 000.00	5 297 666.57	1 282 333.43	21 199 215.61
<b>Total: Development expenditure</b>	<b>6 580 000.00</b>	<b>5 297 666.57</b>	<b>1 282 333.43</b>	<b>21 199 215.61</b>
<b>GRAND TOTAL</b>	<b>3 278 126 654.73</b>	<b>3 284 721 662.20</b>	<b>(6 595 007.47)</b>	<b>3 678 600 617.76</b>

### 1.3 Departmental revenue

Revenue for the year is as follows:

Revenue head	Estimate	Actual revenue 2016/2017	More/(Less) than estimated	Actual revenue 2015/2016
	N\$	N\$	N\$	N\$
Members' contribution to Government				
Employees Medical Aid Scheme	455 109 280	383 582 104.33	(71 527 175.67)	351 860 479.12
Sale of tender documents	1 663 695	2 605 780.00	942 085.00	3 650 644.25
Auction sales (Customs)	500 000	3 596 712.08	3 096 712.08	-
Warehouse rent (Customs)	100 000	334 108.07	234 108.07	97 153.87
Collateral losses	20 000	59 450.00	39 450.00	330 700.00
Special attendance	742 914	1 151 206.00	408 292.00	786 491.15
Miscellaneous	-	6 846 558.17	6 846 558.17	9 639 003.68
Export levy (Customs)	7 472 192	97 902.74	(7 374 289.26)	572 320.00
Additional duty (Customs)	4 500 000	996 383.04	(3 503 616.96)	650 381.18
Licence fees (Customs)	24 353	11 316.00	(13 037.00)	27 732.00
Provisional payments (Customs)	-	23 883 090.76	23 883 090.76	45 912 902.65
Departmental fines	-	1 000.03	1 000.03	-
Environmental levy (Customs)	-	67 356 444.57	67 356 444.57	-
Hostel fees	-	5 000.00	5 000.00	-
<b>TOTAL</b>	<b>470 132 434</b>	<b>490 527 055.79</b>	<b>20 394 621.79</b>	<b>413 527 807.90</b>

## 1.4 Notes to the financial statements

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

#### Underexpenditure

##### **Main division 01 – Office of the Minister (N\$ 276 537.28 – 6.18%)**

The main division 01 underspend by 6.18% during the year under review.

The underexpenditure on Remuneration is attributed to the fact that there was an allocation of funds for salaries earmarked for the Special Economic Advisor to the Minister that could only be assigned to the Office in the last quarter. A planned trip for the Minister was delegated to a senior staff member to attend on behalf of the Honourable Minister and the Deputy Minister, due to other commitments resulting in underexpenditure.

##### **Main division 02 – Administration (N\$ 9 817 131.77 – 7.59%)**

The main division underspend by 7.59% during the year under review.

The underexpenditure on Remuneration is attributed to the fact that the personnel expenditure included a provision for the employment of cleaners who could only be employed in the new financial year. In addition, the position of Director Administration became vacant due to the promotion of the incumbent. An underexpenditure on other conditions of service is attributed to the fact that only one person resigned during the financial year under review.

The Ministry of Works and Transport requested the Ministry to honour some bills that were not rented by this Ministry as they experienced some budget shortfalls. The Ministry therefore sought internal funds to accommodate these obligations, but this could not be utilized fully as some of the invoices to settle these bills were submitted in 2017/18 financial year.

The underexpenditure on other service and expenses, was due to a planned training of Managers on leadership and change management which could not take place as originally planned.

##### **Main division 03 – Internal Audit (N\$ 173 142.13 - 2.70%)**

The main division underspend by 2.70% during the year under review.

The underexpenditure was mainly attributed to a vacancy of Internal Auditor in the division that could not be filled during the financial year. This also impacted on the underexpenditure under the Employee and Employer's Contribution to the Government Institution Pension Fund (GIPF).

##### **Main division 05 - Economic Policy Advisory Services (N\$ 289 434.96 - 2.83%)**

The main division underspend by 2.83% during the year under review.

The underexpenditure was due to vacant position in the Directorate. The position of Deputy Director for Fiscal, Monetary Policy and Financial Market Development became vacant following the promotion of the Deputy Director to a position of Senior Technical Economic Advisor to the Minister in September.

### **Main division 09 - Tender Board (N\$ 699 104.08 - 9.50%)**

The main division underspend by 9.50% during the year under review.

The underexpenditure on Remuneration and Employer's Contribution to the Government Institutions Pension Fund (GIPF) is attributed to the vacancies left by the procurement experts as well as other staff members who were promoted to other Ministries during the financial year under review. Some planned activities such as workshops and other stakeholder's engagements related activities were postponed due to the fact that the regulations to operationalize the Public Procurement Act were not ready.

### **Main division 10 - Budget Management and Control (N\$ 18 243 251.87 - 10.42%)**

The main contributing factor for the underexpenditure is the Contingency Provision budgeted under this main division.

No further request for funding from contingency provision was received in the last quarter of the financial year, hence the underexpenditure.

### **Main division 11 - Expenditure and Financial Management (N\$ 2 112 862.89 - 5.76%)**

The main division underspend by 5.76% during the year under review.

Under spending in excess of 3.22% was mainly attributed by three (3) vacant positions within the Directorate that could not be filled during the year under review. No budgetary allocation made to the Consultant reviewing the State Finance Act in 2016/2017 then an allocation for bank charges was shared to pay the Consultant in Euro currency. Hence the overexpenditure, due to the fluctuations of exchange rate (weak Namibian Currency against Euro currency at the time of payment).

The underexpenditure was also due to subscription membership fees to commonwealth of learning, which was over-estimated.

### **Main division 12 - Assets, Cash and Debt Management (N\$ 1 274 074.44 - 2.23%)**

The main division underspend by 2.23% during the year under review. The amount paid to the Rating Agencies was lower than budgeted for due to currency fluctuation. There was no issuance of Euro Bond in the International markets, extra charges that Government incur through this process was not realized therefore the underexpenditure.

### **Over-expenditure**

#### **Main division 04 – State Revenue (N\$ 12 267 229.61 - 5.50%)**

The main division over-expenditure of 5.50% during the year under review attributed to personal expenditure as detailed below:

The over-expenditure was a result of the request for suspension on budgeted vacancies during the 2016/17 Mid-term budget review. However, the amount suspended was overestimated thus resulting in overspending on this main division.

**Main division 06 - Customs and Excise (N\$ 28 182 912.97 - 12.10%)**

Main division 06 overall overspend by 12.10% during the year under review.

The over-expenditure was a result of the performance of overtime for the year under review, and budget revisions of 2015/16 to the extent that overtime payments could not be honoured in the financial year 2015/16.

**1.4.2 Departmental Revenue: Explanations of variances exceeding NS 200 000.**

**(i) Over-estimated**

**Export Levy (N\$ 7 374 289.26)**

An export levy was introduced to discourage the exportation of some specified locally produced commodities in their raw format for the purpose of promoting value addition. There was a decrease in demand of animals on hoof (e.g. to South Africa), hides and skins due to the economic downturn, as well as the severe drought in the preceding years that restricted production during the period 2016/2017. Thus, the reduction in the actual revenue collected during the year under review.

**Additional Duty (Customs) (N\$ 3 503 616.96)**

Additional duty is levied on some specified items such as pasta for the protection of the local infant industry. The reversal of additional duty on milk resulted in the reduction of the total revenue collected from the original estimated amount.

**Members' contribution to the Medical Aid (N\$ 71 527 175.67)**

The Public Service Employee Medical Aid Scheme is a voluntary scheme and the actuals for the 2015/2016 financial year serve as the basis for the projections in the 2016/2017 estimates, and this cannot with certainty give what is expected to be received as the actual revenue is determined by the movement between the two options. During 2016/2017 the contribution on the membership fees did not increase but significant increases were observed between the two newly introduced options as many officials are now opting for the high option.

**(ii) Underestimated**

**Miscellaneous revenue (N\$ 6 846 558.17)**

During the 2016/17 financial year an amount of N\$ 5 557 565.90 was allocated to miscellaneous account. The amount of N\$ 65 089 820 was paid on 23 March 2016 to Bank Windhoek for the issuance of the Letter of Credit to an international company in Uganda. This amount was paid out of the contingency provision. The transactions was concluded at the actual amount of N\$ 59 924 340 which was paid under the Forward Exchange contract at the exchange rate of 16.6300. This was a forward exchange contract with Bank Windhoek at the time of delivery, and the payment resulted into saving of N\$ 5 557 565.90 because the exchange rate stood at 15.3100. The amount of N\$ 65 089 820 was paid on the 23 March 2016, which falls in the 2015/16 financial year. However, the actual delivery and settlement of the exchange contract took place in the 2016/17 financial year.

**Auction sales (N\$ 3 096 712.08)**

The auction sales collections depend on the number of detained goods and the price value upon auction. In the financial year under review, auctions of high values including vehicles took place at Walvis Bay.

**Warehouse Rent (N\$ 234 108.07)**

When estimating this revenue, it normally is based on the trend. The market and certain situation can change especially that if some of the goods are not collected by their owners during the year under review, hence, an increase in warehouse rent.

**Special Attendance (N\$ 408 292.00)**

Revenue under this items is mainly collected from duties performed outside official workings hours for customs clearance purposes. The revenue depends on the number of call outs, number of officers allocated and hours of attendance to a specific consignment/activity normally at owner's premises. This means that there were more call outs in the financial year under review which resulted in more being collected.

**Environment Levy (N\$ 67 356 444.57)**

Environment levy was introduced on 11 July 2016; after the closure of the preparation/estimation process, hence a zero estimate balance. The levy was introduced to curb carbon and other emissions to environmental degradation/pollution.

**Provisional payments (N\$ 23 883 090.76)**

This revenue was part of the Southern African Customs Union (SACU) transfers and was reversed to be part of non-tax revenue as of 2015/16, hence no estimates existed during 2016/17 as the budget process for the three (3) year rolling budget (2016/17 to 2018/19) was finalized then.

**Sale of Tender documents (N\$ 942 085.00)**

The Ministry anticipated less sales of Tender documents because of the economic situation, however the actual collections prove to be different because bidders speculated more than the usual, largely due to the training done last year.



## 2. GENERAL INFORMATION

### 2.1 Capital projects

The following were the development projects of the Ministry:

Nature of the project	Approved total budget	Total expenditure as at 31/03/2016	Approved appropriation 2016/2017	Actual expenditure 2016/2017	Total expenditure as at 31/03/2017	Expected year of completion
	N\$	N\$	N\$	N\$	N\$	N\$
Omahenene Border Post Housing Office	68 321 000	22 065 622.23	659 000	655 001.38	22 720 623.61	31/03/17
Additional Offices at MOF Head Office	123 900 000	131 917 036.84	1 037 000	-	131 917 036.84	31/03/16
Noordoewer Border Post: New Admin Facility	-	28 743 183.55	3 800 000	3 758 628.92	32 501 812.47	-
Walvisbay Regional Revenue Office Additions	4 124 000	3 009 680.88	1 084 000	884 036.27	3 893 717.15	31/03/14
<b>Total</b>	<b>196 345 000</b>	<b>185 735 523.50</b>	<b>6 580 000.00</b>	<b>5 297 666.57</b>	<b>191 033 190.07</b>	

### 2.2 Suspense accounts

The final ledger shows sixteen (16) suspense accounts with balances at the end of the financial year of which nine (9) had debit balances and seven (7) with credit balances as follows:

Description	Debit/(Credit)
	N\$
Receipt suspense	(457 871.66)
Receipt suspense customs	6 096 220.29
Receipt suspense IRD	378 773 453 .11
RD cheques	43 852.04
RD suspense customs	95 920.46
RD suspense IRD	44 925.01
S&T advance suspense account	2 024 506.66
Rejection account	2 164 683.48
Bills Payable	(56 195 411.25)
Electronic fund transfer clearing account	(82 139.07)
Social security	651.00
Salary interface control account	46 136.13
Pension Fund: GIPF	(931.72)
Pension Fund: Political office bearers	(535.42)
Debt establishment	(288.63)
Electronic Banking	(238 352 146 .69)

### 2.3 Tender Board exemption

Tender Board granted the followings annual exemptions for goods and services amounting to N\$ 339 903 000 for the financial year under review:

<b>Exemption number</b>	<b>Description</b>	<b>Approved exemption</b>	<b>Actual expenditure</b>	<b>Difference</b>
		N\$	N\$	N\$
E1/17-1/2016	Annual exemption:			
	Travel and subsistence allowances	8 847 000	1 919 748.35	6 927 251.65
	Materials and supplies	13 500 000	6 548 184.86	6 951 815.14
	Transport	7 820 000	6 072 164.95	1 747 835.05
	Utilities	56 061 000	52 502 125.96	3 558 874.04
	Maintenance expenses	50 000 000	6 932 640.90	43 067 359.10
	Property rental and related charges	6 543 000	7 775 956.72	(1 232 956.72)
	Other services and expenses	24 250 000	18 534 158.05	5 715 841.95
	Membership fees and subscriptions	13 506 000	-	13 506 000.00
	Subsidies and other transfers	133 376 000	-	133 376 000.00
	Equity Participation	26 000 000	-	26 000 000.00
<b>Total</b>		<b>339 903 000</b>	<b>100 284 979.79</b>	<b>239 618 020.21</b>

WINDHOEK, 2017-10-17

**MS. E. B. SHAFUDAH**  
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