



REPUBLIC OF NAMIBIA



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

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

Published by authority

Price (Vat excluded) N\$ 43.00
Report no: 57/2019

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 2018 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.

WINDHOEK, May 2019

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

Table of Contents

1.	SECTION A: FINANCIAL AUDIT	1
1.1	UNQUALIFIED AUDIT OPINION	1
1.2	EMPHASIS OF MATTERS	1
1.2.1	SUSPENSE ACCOUNTS.....	1
1.2.1.1	OUTSTANDING SUBSISTENCE ADVANCES.....	1
1.2.3.2	BILLS PAYABLE	2
1.3	KEY AUDIT MATTERS.....	2
1.4	OTHER MATTERS	2
1.4.1	SUSPENSIONS	2
1.5	OTHER INFORMATION.....	2
2.	SECTION B: COMPLIANCE AUDIT AND AUDIT OF PERFORMANCE INFORMATION	4
2.1.	COMPLIANCE TO LAWS AND REGULATIONS.....	4
2.2	DESCRIPTION OF THE SUBJECT MATTER INFORMATION AND AUDIT SCOPE	4
2.3	AUDIT OBJECTIVE	4
2.4	AUDIT CRITERIA	4
2.5	SUMMARY OF METHODS APPLIED	5
2.6	OPINION ON THE SUBJECT MATTER	5
2.7	KEY AUDIT FINDINGS	5
2.7.1	UNAUTHORIZED EXPENDITURE	5
2.7.2	RESIGNATION AND TERMINATION OF MEMBERSHIP (MEDICAL AID)	5
3.	AUDIT OF PERFORMANCE INFORMATION.....	6
3.1	DESCRIPTION OF THE SUBJECT MATTER INFORMATION AND AUDIT SCOPE	6
3.2	AUDIT OBJECTIVE	6
3.3	AUDIT CRITERIA	7
3.4	SUMMARY OF METHODS APPLIED	7
3.5	CONCLUSION ON THE SUBJECT MATTER	7
3.6	KEY AUDIT FINDINGS	7
3.6.1	INDICATOR: PROGRESS MADE TOWARDS THE RE-ENGINEERING OF THE PSEMAS PROCESSES.....	7
4.	RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS	8
5.	AUDITOR’S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS.....	8
6.	POWERS AND DUTIES	9
7.	GENERAL INFORMATION.....	10
8.	ACKNOWLEDGEMENT	10
ANNEXUTURE A	11	
1.	AUDITED FINANCIAL STATEMENTS	11
1.1	APPROPRIATION ACCOUNT	11
1.2	STANDARD SUBDIVISIONS.....	13
1.3	DEPARTMENTAL REVENUE.....	14
1.4	NOTES TO THE FINANCIAL STATEMENTS.....	15
1.4.1	APPROPRIATION ACCOUNT: EXPLANATIONS OF VARIATIONS EXCEEDING 2% BETWEEN AUTHORIZED AND ACTUAL EXPENDITURE.....	15
1.4.2	DEPARTMENTAL REVENUE: EXPLANATIONS OF VARIANCES EXCEEDING N\$ 200 000	16
2.	GENERAL INFORMATION	18
2.1	BANK ACCOUNT	18
2.2	COMPENSATION PAYMENTS.....	18
2.3	OUTSTANDING COMMITMENTS	18
2.4	OUTSTANDING SUBSISTENCE ADVANCES.....	18
2.5	ANNUAL STOCKTAKING	18
2.6	VEHICLES	18
2.7	WELLNESS	19
2.8	CAPITAL PROJECTS	19
2.9	SUSPENSE ACCOUNTS	19

DEFINITIONS

Treasury:	Financial authority in public service. (The department of Government that has control over the collection, management and disbursement of public revenue).
Vote:	Represents an Office/Ministry/Agency.
Appropriation Act:	Estimate of expenditure and revenue for a particular financial year presented to the National Assembly, the Act passed by Parliament.
Appropriation Account:	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.
Standard sub-division:	Government Balance account, showing balances incurred on each account/activity.
Suspension:	Reduction on budget (Treasury may from time to time withhold or suspend any amount in an estimate of expenditure).
Virement:	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.
Unauthorised Expenditure:	Expenditure that exceeds the amount appropriated (budgeted) for a vote, main division or subdivision.
Underexpenditure:	Saving on the budget.
Miscellaneous Revenue:	All revenue collected and not having a specified revenue code.
Commitments:	Funds reserved to acquire goods or services from a supplier.
Suspense accounts:	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.
S&T Advance Suspense Account:	A suspense account reflecting the outstanding subsistence and travel advances.
Rejection Account:	A suspense account reflecting names and balances of all persons/companies that owe the money to the State.
Budget:	Is an estimation of the revenue and expenses over a specified future period of time.
Subsistence Advance:	Payment given in advance to an employee to reimburse accommodation, meal and incidental expenses, while on an official assignment.

Performance Information:	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).
Key performance indicator (KPI):	A measurable value used to monitor and demonstrates how effectively an organization is achieving key business objectives.
International Standards of Supreme Audit Institutions (ISSAI):	Professional standards and best practice guidelines for public sector auditors, officially authorised and endorsed by the International Organisation of Supreme Audit Institutions (INTOSAI).
Attestation engagement	It is when a responsible party (the entity) measures the subject matter against the criteria and presents the subject matter information, on which you, the auditor, then gather sufficient and appropriate audit evidence to provide a reasonable basis for forming a conclusion.
Subject matter	Refers to the information, condition or activity that is measured or evaluated against certain criteria.
Materiality	Is a concept or convention relating to the importance or significance of an amount, transaction, or discrepancy that affects the decision of the user.
OMA	Office/Ministry/Agency
Types of Audit Opinions:	<p>Unqualified Opinion. 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>Qualified Opinion. 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>Disclaimer Opinion. Auditors 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>Adverse Opinion. 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>
Reasonable Assurance	It is when the audit conclusion is expressed positively, conveying that, in the auditor's opinion, the subject matter is or is not compliant in all material respects or, where relevant, that the subject matter information provides a true and fair view, in accordance with the applicable criteria.

<p>Limited Assurance</p>	<p>It is when the audit conclusion states that, based on the procedures performed; nothing has come to the auditor's attention to cause the auditor to believe that the subject matter is not in compliance with the criteria.</p>
<p>Direct reporting engagement</p>	<p>It is when an auditor measures or evaluates the subject matter against the criteria. The auditor is responsible for producing the subject matter information. The auditor selects the subject matter and criteria, taking into consideration risk and materiality. By measuring the subject matter evidence against the criteria, the auditor is able to form a conclusion.</p>

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MINISTRY OF FINANCE
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018**

1. SECTION A: FINANCIAL AUDIT

1.1 UNQUALIFIED AUDIT OPINION

I certify that I have audited the financial statements of the Ministry of Finance for the financial year ended 31 March 2018, provided by the Accounting Officer as attached in Annexure A. These financial statements comprise the Appropriation Account, Standard Subdivisions, Departmental Revenue, Notes to the Financial Statements and General Information for the year ended, and a summary of significant accounting policies and other explanatory information 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 statement of the Ministry of Finance as at 31 March 2018 are prepared, in all material respects, in accordance with the terms of Article 127(2) of the Namibia Constitution and Section 25(1) of the State Finance Act,1991(Act 31 of 1991).

1.2 EMPHASIS OF MATTERS

Without qualifying my audit opinion on the basis of this paragraph, I draw attention to the following matters that relate to my responsibility in the audit of the financial statements, as disclosed by the Ministry of Finance in the financial statements:

1.2.1 Suspense accounts

1.2.1.1 Outstanding subsistence advances

Differences were noted in the balance of outstanding subsistence advances as follows:

Balance as per Debit Balance List	S&T advance suspense account	Difference
N\$ 326 302.30	N\$ 2 128 356.95	N\$ 1 802 054.65

It is recommended that the Accounting Officer should explain the difference.

Management comment

In her comment on the draft report, the Accounting Officer indicated that the difference is mainly due to a gap that exists between the accounting process in the DSA module and the general ledger.

1.2.3.2 Bills payable

The Bills payable suspense account reflects a debit balance of N\$ 16 565 283.38, whereas this suspense account should have a credit balance. The Accounting Officer explained that through the Emergency Payment System, all Line Ministries manual cheques were credited to the Bills Payable Account of the Ministry of Finance. The debit balance went to the line Ministries.

The Accounting Officer should explain why payments from line Ministries were posted to the Bills payable suspense account of vote nine (9), Ministry of Finance instead of respective line Ministries.

Management comment

In her comment on the draft report, the Accounting Officer indicated that the Ministry has reconciled this account and the matter remains with Treasury to find an amicable solution of resolving this issue as from inception, Treasury should never have created a default entry to change Bills payable of Vote 09 for transactions that relate to all O/M/A's.

1.3 KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there were no key audit matters to communicate in my report.

1.4 OTHER MATTERS

Without qualifying my audit opinion on the basis of this paragraph, I draw attention to the following matters that relate to my responsibility in the audit of the financial statements, and excluding matters already disclosed by the Ministry of Finance in the financial statements:

1.4.1 Suspensions

The Accounting Officer reported a nil statement for suspensions, while the Appropriation Account reflected that an amount of N\$ 206 203 000 was suspended for the financial year under review.

It is recommended that the Accounting Officer should ensure that the suspension is reported as required by Circular D12/2018 of the Auditor-General.

Management comment

In her comment on the draft report, the Accounting Officer indicated that Treasury requested the Ministry to suspend funds on the basis of identified national needs, however the Ministry did not provide any information on suspended amounts as there were no such amount and hence the reporting thereof.

1.5 OTHER INFORMATION

Management is responsible for the other information. The auditor's opinion on the financial statements does not cover the other information and, accordingly, the auditor does not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the

other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. There was no other information in connection with my audit of the financial statements for the year under review.

2. SECTION B: COMPLIANCE AUDIT AND AUDIT OF PERFORMANCE INFORMATION

2.1 COMPLIANCE TO LAWS AND REGULATIONS

SUBJECT MATTER: FINANCIAL PERFORMANCE AND THE USE OF APPROPRIATED FUNDS

I certify that I have audited the financial performance and the use of appropriated funds of Government entities of the Ministry of Finance for the financial year ended 31 March 2018.

2.2 DESCRIPTION OF THE SUBJECT MATTER INFORMATION AND AUDIT SCOPE

The audit aimed to determine whether the Ministry of Finance's financial performance and the use of appropriated funds is in compliance with the Appropriation Act, 2017 (Act 1 of 2017), State Finance Act, 1991 (Act 31 of 1991), Public Procurement Act, 2015 (Act 15 of 2015), Treasury Instructions and Public Procurement Regulations during the financial year ended 31 March 2018. This audit is an attestation engagement where the Ministry presented the subject matter information on which the auditor then gathered sufficient and appropriate audit evidence to provide reasonable assurance in forming an opinion. In forming an opinion, the findings and recommendations are taken into consideration.

2.3 AUDIT OBJECTIVE

The objective of this compliance audit is to verify and assess whether the Ministry of Finance has complied with all laws and regulations that have an impact on the financial statements in accordance with ISSAI 1250.

In addition, the objective of this audit is to verify and assess whether public funds have been used appropriately and lawfully, and to report issues of non-compliance so that corrective action is taken and compliance to laws and regulations is strengthened.

2.4 AUDIT CRITERIA

The audit criteria used in the audit was derived from the following laws and regulations:

- Appropriation Act, 2017 (Act 1 of 2017);
- State Finance Act, 1991 (Act 31 of 1991);
- Public Procurement Act, 2015 (Act 15 of 2015);
- Treasury Instructions;
- Public Procurement Regulations;
- Public Service Staff Rules;
- Tender Board Regulation F/17-6/2006;
- Estimate of Revenue, Income and Expenditure Budget Book 2017/2018-2019/2020; and
- Public Service Employees Medical Aid Scheme of 2017.

2.5 SUMMARY OF METHODS APPLIED

I audited the financial statements for the financial year ended 31 March 2018 submitted by the Accounting Officer, in order to determine whether this information complied with the laws and regulation that governs them. The audit team conducted interviews with management and those charged with governance and document reviews were also carried out.

2.6 OPINION ON THE SUBJECT MATTER

In my opinion, the Ministry of Finance's financial performance and use of appropriated funds is in compliance, in all material respects, with the State Finance Act, 1991 (Act 31 of 1991), Public Procurement Act, 2015 (Act 15 of 2015), Treasury Instructions, Public Procurement Regulations and Appropriation Act, 2017(Act 1 of 2017).

2.7 KEY AUDIT FINDINGS

2.7.1 Unauthorized expenditure

The Accounting Officer reported a nil statement, however, 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):

Although Treasury authorization was obtained to utilize certain expected savings for the defrayal of expenditure by way of virements during the year, three (3) operational subdivisions were exceeded by a total amount of N\$ 66 651.28. These excesses are unauthorized in terms of Section 6(a)(iii) of the Act.

It is recommended that the Accounting Officer should ensure that control measures are put in place to avoid unauthorized expenditure in future.

Management comment

In her response on the draft report, the Accounting Officer indicated that control measures have been put in place to avoid unauthorised expenditure in future.

2.7.2 Resignation and termination of membership (Medical Aid)

The Public Service Staff Rules Chapter D.IX, Section 5.1 states that "a member's membership of PSEMAS terminates on the day his /her services as a staff member terminates". However, the audit, found that some staff members resigned from the Public Service but were still active on the MetHealth system. Although, the department of Medical Aid was informed on the resignation, the Department did not notify Methealth of the changes and as a result, claims from the medical aid were paid for the staff members who terminated their service and made use of the medical aid benefit after their resignation.

The Accounting Officer indicated in her response that:

- There is no interface between the Human Recourses Management System (HRMS), Intergrated Financial Management System (IFMS) and the Medical Aid System, which result in none reconcillation of membership termination. Currently all termination requests are done manually.
- If a staff member resigns and the Medical Aid Directorate does not receive the termination request from the respective line Ministry, the member will carry on to benefit from PSEMAS. As part of PSEMAS

reform, the Ministry of Finance indicated that it is currently busy with the verification of PSEMAS membership project.

- The Ministry is also busy to introduce a biometric system which will interlink the Government system as well as that of the Administrator. During this processes there will be real –time re-registration of PESMAS members and dependants and issuing of biometric smartcard to members and dependants, and intergration of different systems.

It is recommended that the Accounting Officer should put measures and controls in place to ensure that this is not a recurring practice, and in addition, proof of evidence on the recovered amounts should be provided for audit purposes.

Management comment

In her response on the draft report, the Accounting Officer indicated that the Ministry is currently busy with short-to-long term re-forms aimed at harmonising and interfacing different systems.

3. AUDIT OF PERFORMANCE INFORMATION

I certify that I have audited the performance information of the Ministry of Finance for the financial year ended 31 March 2018.

3.1 DESCRIPTION OF THE SUBJECT MATTER INFORMATION AND AUDIT SCOPE

A Performance Management System (PMS) is a systematic process for achievement and improvement in obtaining results from an organization and its staff members by managing performance within an agreed framework consisting of objectives, outputs, key performance indicators (KPIs) and timeliness.

The primary function of the PMS is to enable Offices, Ministries and Agencies (OMAs) to achieve success in National Development Plans (NDP) and provide improvements in service delivery to the public.

The scoping of the key performance indicators was performed, by looking at the high-level statements, which are indicated in the Mandate of the Ministry of Finance and the 2017-2022 Strategic Plan. Key performance indicators were selected based on what would be significant to the intended users and their usefulness in assessing the entity's achievements in terms of its service performance objectives.

3.2 AUDIT OBJECTIVE

The objective of the Key Performance Indicator (KPI) audit is to provide assurance on whether the reported performance information measured against key performance indicators is useful, reliable and evidence-based. Key performance indicators also provide the basis for the (OMAs) to inform the Parliament, the public and other stakeholders on its strategic priorities, programs, and projects.

The objective of this audit is also to provide reasonable assurance to Parliament, members of the general public and other relevant stakeholder whether the reported actual performance has actually occurred and is based on the selected criteria.

3.3 AUDIT CRITERIA

In this audit, I tested the performance information against the following criteria:

- Compliance with legislative requirements;
- Usefulness;
- Reliability;
- Timeliness;
- Existence;
- Presentation;
- Measurability;
- Relevance;
- Consistency;
- Validity;
- Accuracy; and
- Completeness.

3.4 SUMMARY OF METHODS APPLIED

The scoping of the key performance indicators was performed, by looking at the high-level statements, which are indicated in the Mandate of the Ministry of Finance and the Strategic Plan. Key performance indicators were selected based on what would be significant to the intended users and their usefulness in assessing the entity's achievements in terms of its service performance objectives. The scoping on Key performance indicators was conducted on the Directorate of Expenditure & Financial Management and Financial Services.

3.5 CONCLUSION ON THE SUBJECT MATTER

The audit revealed satisfactory outcomes regarding existence, timeliness, presentation, measurability, relevance, consistency and completeness sub-criteria and thus the Ministry is to be complimented on that. However, the accuracy and validity of actual performance information on the selected key performance indicators could not be ascertained except the following indicator and thus cast doubt on the reliability of reported information as highlighted in the audit finding.

3.6 KEY AUDIT FINDINGS

3.6.1 Indicator: Progress made towards the re-engineering of the PSEMAS processes

The indicator was tested for validity and the auditors could not verify the performance information relating to this KPI as it was not provided for audit purposes, even though it has been reported that 80% progress has been made. In addition, the KPI was tested for measurability and the audit found that the KPI is not measurable.

It is strongly recommended that the Accounting Officer should provide an explanation why the performance information such as, minutes of the stakeholders meetings conducted, brown paper processes completed, finalised BPR process report, finalized initiatives with costing report and the final presentation signed off by Accounting Officer relating to the progress made was not provided for audit purpose.

Management comment

In her response on the draft report, the Accounting Officer indicated that the business process reengineering could not be finalised as a result of the anticipated introduction of the Human Capital Management System through NEWPOINT Solution as the business process were to be significantly different and the medical aid system was to be part of the HCMS.

4. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE 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 legislation, and for such internal controls as management determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

The management is also responsible for ensuring adherence to the State Finance Act, 1991 (Act 31 of 1991), Public Procurement Act, 2015 (Act 15 of 2015) and Treasury Instruction and to ensure that effective and efficient internal controls are implemented to enable compliance to the law that governs the performance information.

Those charged with governance are responsible of overseeing the entity's financial reporting process.

5. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit, I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies uses and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- Provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.
- From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.
- It is also my responsibility is to express an opinion on whether the financial performance and the use of appropriated funds is, in all material respect is in compliance with the Appropriation Act,2017 (Act 1 of 2017), State Finance Act, 1991(Act 31 of 1991), Public Procurement Act, 2015 (Act 15 of 2015), Treasury Instructions and Public Procurement Regulations. I have conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the audited entity is in compliance with the authorities that govern the audited entity in the execution of its roles and responsibilities.

6. 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 controls 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.

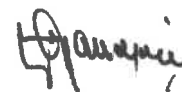
7. GENERAL INFORMATION

The appropriation account was submitted timeously by the Accounting Officer to the Auditor-General on 26 October 2018 in terms of Section 13 of the State Finance Act, 1991. The financial statements, notes to the financial statements and general information supplied by the Accounting Officer are attached as Annexure A.

8. ACKNOWLEDGEMENT

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

WINDHOEK, May 2019



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

1. AUDITED FINANCIAL STATEMENTS

1.1 Appropriation account

		2017/2018			2016/2017	
Service	N\$	Authorized expenditure	Actual expenditure	Variations		Actual expenditure
				Under-expenditure/ (Excess)	Percentage	
	N\$	N\$	N\$	N\$	%	N\$
01. Office of the Minister:						
Original budget	6 449 000.00					
Less: Virement	(2 429 112.00)	4 019 888.00	3 802 007.14	217 880.86	5.42	4 201 031.25
02. Administration:						
Original budget	229 582 000.00					
Plus: Virement	200 394 758.92					
Less: Suspension	(202 000 000.00)	227 976 758.92	223 072 622.74	4 904 136.18	2.15	119 570 061.06
03. Internal Audit:						
Original budget	6 659 000.00					
Less: Virement	(155 780.00)	6 503 220.00	6 422 572.29	80 647.71	1.24	6 237 879.86
04. Inland Revenue:						
Original budget	350 676 000.00					
Less: Virement	(31 759 683.00)					
Less: Suspension	(2 047 000.00)	316 869 317.00	313 632 771.28	3 236 545.72	1.02	235 453 288.95
05. Economic Policy Advisory Services:						
Original budget	10 223 000.00					
Less: Virement	(1 025 146.00)	9 197 854.00	8 932 493.09	265 360.91	2.89	9 939 562.04
06. Customs and Excise:						
Original budget	274 321 000.00					
Plus: Virement	15 006 017.08	289 327 017.08	285 597 303.80	3 729 713.28	1.29	261 156 397.71
07. Public Private Partnership Management:						
Original budget	4 491 000.00					
Less: Virement	(157 010.00)	4 333 990.00	4 078 972.81	255 017.19	5.88	3 176 119.57

ANNEXURE A (continued)

2017/2018						2016/2017
Service	Authorized Expenditure	Actual Expenditure	Variations		Actual Expenditure	
			Under-expenditure/ (Excess)	Percentage		
N\$	N\$	N\$	N\$	%	N\$	
08. Medical Aid						
Scheme:						
Original budget	2 640 118 000.00					
Less: Virement	(11 291 700.00)	2 628 826 300.00	2 621 114 525.98	7 711 774.02	0.29	2 320 420 612.01
09. Tender Board:						
Original budget	11 211 000.00					
Plus: Virement	32 598 000.00	43 809 000.00	43 381 835.88	427 164.12	0.98	6 659 928.92
10. Budget Management and Control:						
Original budget	332 383 000.00					
Plus: Virement	48 282 355.00	380 665 355.00	379 692 166.48	973 188.52	0.26	156 791 169.49
11. Expenditure and Financial Management:						
Original budget	42 516 000.00					
Plus: Virement	9 403 500.00					
Less: Suspension	(2 116 000.00)	49 803 500.00	48 159 364.20	1 644 135.80	3.30	34 545 119.22
12. Asset, Cash and Debt Management:						
Original budget	135 080 000.00					
Plus: Virement	137 962 800.00					
Less: Suspension	(40 000.00)	273 002 800.00	267 743 749.21	5 259 050.79	1.93	55 879 877.16
13. Information Technology:						
Original budget	60 971 000.00					
Plus: Virement	3 171 000.00	64 142 000.00	62 212 585.60	1 929 414.40	3.01	70 690 614.96
GRAND TOTAL		4 298 477 000.00	4 267 842 970.50	30 634 029.50	0.71	3 284 721 662.20

1.2 Standard subdivisions

Subdivision	2017/2018			2016/2017
	Authorized expenditure	Actual expenditure	Under-expenditure/ (Excess)	Actual expenditure
	N\$	N\$	N\$	N\$
Operational:				
Current expenditure: Personnel				
001. Remuneration	501 764 462.08	496 408 428.84	5 356 033.24	472 821 004.57
002. Employer's contribution to G.I.P.F	58 913 291.00	58 291 214.90	622 076.10	53 102 625.30
003. Other conditions of service	5 492 577.00	5 100 024.34	392 552.66	4 356 934.66
005. Employers contribution to social security	1 507 200.00	1 322 709.34	184 490.66	245.69
Total	567 677 530.08	561 122 377.42	6 555 152.66	530 280 810.22
Current expenditure: Goods and other services				
021. Travel and subsistence allowances	7 655 090.00	6 139 694.99	1 515 395.01	10 405 316.47
022. Materials and supplies	12 783 276.00	12 047 585.18	735 690.82	10 643 681.71
023. Transport	8 820 000.00	8 723 881.84	96 118.16	10 376 576.04
024. Utilities	72 354 400.00	71 573 397.71	781 002.29	65 539 348.19
025. Maintenance expenses	96 228 322.00	93 877 300.03	2 351 021.97	70 580 972.13
026. Property rental and related charges	26 678 261.00	26 197 125.68	481 135.32	8 762 401.09
027. Other services and expenses	208 040 415.92	203 839 151.57	4 201 264.35	124 091 679.39
Total	432 559 764.92	422 398 137.00	10 161 627.92	300 399 975.02
Current expenditure: Membership fees and subscriptions				
041. International	30 516 500.00	30 219 330.06	297 169.94	11 643 197.29
Total	30 516 500.00	30 219 330.06	297 169.94	11 643 197.29
Current expenditure: Subsidies, grants and other transfers				
043. Government organisation	3 199 567 508.00	3 187 309 884.26	12 257 623.74	156 075 676.88
044. Individuals and non-profit organisations	-	-	-	2 254 563 713.41
045. Public and departmental enterprises and private industries	40 655 697.00	40 376 916.86	278 780.14	-
Total	3 240 223 205.00	3 227 686 801.12	12 536 403.88	2 410 639 390.29
Total: Current expenditure	4 270 977 000.00	4 241 426 645.60	29 550 354.40	3 252 963 372.82
Capital expenditure: Acquisition of assets				
101. Furniture and office equipment	50 000.00	50 000.00	-	17 957.22
Total	50 000.00	50 000.00	-	17 957.22
Total: Operational expenditure	4 271 027 000.00	4 241 476 645.60	29 550 354.40	3 252 981 330.04
Lending and equity participation				
175. Equity Participation: joint ventures and domestic enterprises	22 450 000.00	22 449 917.41	82.59	26 442 665.59
Total	22 450 000.00	22 449 917.41	82.59	26 442 665.59

ANNEXURE A (continued)

Subdivision	2017/2018			2016/2017
	Authorized expenditure	Actual expenditure	Under-expenditure/ (Excess)	Actual expenditure
	N\$	N\$	N\$	N\$
Development:				
Capital expenditure: Acquisition of assets				
105. Feasibility studies, design and supervision	1 800 000.00	1 284 959.47	515 040.53	-
107. Construction, renovation and improvement	3 200 000.00	2 631 448.02	568 551.98	5 297 666.57
Total: Development expenditure	5 000 000.00	3 916 407.49	1 083 592.51	5 297 666.57
GRAND TOTAL	4 298 477 000.00	4 267 842 970.50	30 634 029.50	3 284 721 662.20

1.3 Departmental revenue

Revenue for the year is as follows:

Revenue head	Estimate	Actual revenue 2017/2018	More/(Less) than estimated	Actual revenue 2016/2017
	N\$	N\$	N\$	N\$
Members' contribution to Government				
Employees Medical Aid Scheme	355 385 380	410 688 920.33	55 303 540.33	383 582 104.33
Over-sale of tender documents	3 650 644	497 540.00	(3 153 104.00)	2 605 780.00
Auction sales (Customs)	-	872 728.12	872 728.12	3 596 712.08
Warehouse rent (Customs)	97 154	51 251.76	(45 902.24)	334 108.07
Collateral losses	179 397	5 916.00	(173 481.00)	59 450.00
Special attendance	746 629	639 512.74	(107 116.26)	1 151 206.00
Miscellaneous	-	33 467 607.17	33 467 607.17	6 846 558.17
Unclaimed cheques	-	33 490 001.19	33 490 001.19	-
Export levy (Customs)	603 941	174 815 862.93	174 211 921.93	97 902.74
Additional duty (Customs)	686 315	2 201 977.27	1 515 662.27	996 383.04
Licence fees (Customs)	27 732	17 100.00	(10 632.00)	11 316.00
Over-guarantee levy payments	25 252 096	-	(25 252 096.00)	-
Provisional payments (Customs)	-	11 780 979.48	11 780 979.48	23 883 090.76
Departmental fines	-	-	-	1 000.03
Environmental levy (Customs)	-	95 299 491.63	95 299 491.63	67 356 444.57
Hostel fees	-	-	-	5 000.00
TOTAL	386 629 288	763 828 888.62	377 199 600.62	490 527 055.79

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 (NS 217 880.86 – 5.42%)

The main division overall underspent by 5.42% during the year under review. The underexpenditure is attributed to personnel expenditure and goods and other services. The Employers Contribution and Social Security was overestimated by 2.38% or N\$ 18 153.17 and the Minister undertook less trips than anticipated and in other instances delegated trips to the Deputy Minister to attend on his behalf, due to other commitments resulting in the underexpenditure.

Main division 02 – Administration (NS 4 904 136.18 – 2.15%)

The main division overall underspent by 2.15% during the year under review. The underexpenditure is attributed to personnel expenditure and goods and other services. The underexpenditure on employers' contribution and social security is attributed to the Director of Administration who got promoted and transferred to another Ministry and the delayed filling of the position thereafter.

Budgetary provision was made for stationeries but due to the new Procurement Act processes, there was no tender adjudication and thus resulted in underexpenditure. Decentralization of the delegated maintenance function from the Ministry of Works to the Regional Councils delayed the maintenance process. The invoice for security services for the month of March 2018 was submitted in April for payment, resulting in the underexpenditure.

Main division 05 - Economic Policy Advisory Services (NS 265 360.91 - 2.89%)

The main division overall underspent by 2.89% during the year under review. The underexpenditure of about 2.88% was on personnel expenditure due to one (1) Economist that was recruited and only assumed duty in the second (2nd) quarter of the year, i.e. effective from 1 August 2017. One (1) Economist resigned effective from 1 December 2017. One (1) Economist recruited only assumed duty in the third (3rd) quarter of the year, i.e. effective from 1 December 2017. A Deputy Director recruited only assumed duty in the fourth (4th) quarter of the year, i.e. effective from 1 January 2018.

Main division 07 – Public Private Partnership Management (NS 255 017.19 – 5.88%)

The main division overall underspent by 5.88% during the year under review. The underexpenditure on remuneration and employer's contribution to the government Institutions Pension Fund (GIPF) is attributed to the fact that there was an allocation for a vacant position during the year under review, however, the position was not filled during that year, as approval was only granted in the subsequent year. The underexpenditure on other conditions of service is attributed to the fact that an allocation was made for the payment of leave gratuity for the Deputy Director; however, payments were only effected in the subsequent financial year.

Main division 11 - Expenditure and Financial Management (N\$ 1 644 135.80 – 3.30%)

The Directorate of Expenditure and Financial Management underspent by 3.30% on the global allocation amount of N\$ 49 803 500, during the year under review as follows:

The under spending on personnel expenditure was mainly attributed by two (2) vacant Accountant positions within the Directorate that could not be filled during the year under review, due to the reason that no clearance was given by the Public Service Commission. One (1) Chief Accountant vacant position was filled late, and budgetary provision was made.

Bank charges paid were less than anticipated, with the total balance amount of N\$ 868 575.15, due to the reduction in bank charges from the commercial banks.

Main division 13 – Information Technology (N\$ 1 929 414.40 – 3.01%)

The main division overall underspent by 3.01% during the year under review. The underexpenditure is attributed to goods and other service as the amount of N\$ 1 691 369.52 was committed to pay for the Oracle Toad Licences, but it was not completed, the service was not rendered within the financial year and the commitment was reversed.

1.4.2 Departmental Revenue: Explanations of variances exceeding N\$ 200 000

Underestimated

Members' contribution to the medical Aid (N\$ 55 303 540.33)

An increase in the total Public Service Employee Medial Aid Scheme active beneficiaries from 290 040 in 2016/2017 financial year to 303 149 active beneficiaries for the 2017/2018 financial year, resulted in the estimated revenue to increase to N\$ 410 688 920.33. Also due to a change in the option to the high option, the estimated revenue increased. Members on the high option increased from 58 531 for 2016/2017 financial year to 64 215 for the 2017/18 financial year.

Auction sales (N\$ 872 728.12)

The auction sales collections depend on the number and value of detained goods and the actual price value upon auction. In the financial year under review, auctions of high values including vehicles took place at Walvis Bay. The Department did not expect the auction to take place during the financial year under review due to logistical issues that normally take long to finalise, that involve the Ministry of Works and Transport, which conducts the Government auctions.

Environment Levy (N\$ 95 299 491.63)

Environment levy was introduced on 11 July 2016; after the closure of the 2017/2018 budget preparation/estimation process and no budget estimate was done that time, hence no budgetary provision was made. The levy was introduced to curb carbon and other emissions that contribute to environmental degradation/pollution.

Export Levy (N\$ 174 211 921.93)

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 an increase in demand of animals on the hoof, hides and skins .e.g. to South Africa. There was also an increase on export of items/products such as diamonds and fish. This resulted in an increase on actual revenue collected during the year under review than the initial estimated figure (amount). The introduction of credit facility accounts encouraged exporters to export more products because they do not need to pay cash at the time they are exporting.

Additional Duty (Customs) (N\$ 1 515 662.27)

Additional duty is levied on some specified items such as pasta for the protection of the local infant industry. Increase in the demand for such products resulted in an increase in the total revenue collected from the original estimated amount.

Provisional payments (N\$ 11 780 979.48)

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 2017/18 as the budget process for the three (3) year rolling budget (2016/17 to 2018/19) was already finalized. This resulted with a zero estimate for this revenue head for the financial year under review.

Miscellaneous revenue (N\$ 33 407 607.17)

Miscellaneous account contains two entries received from the Ministry of Mines and Energy (N\$ 3 000 000) and the Ministry of Works and Transport (N\$ 30 000 000) in response to a request by Treasury.

(i) Unclaimed cheques (N\$ 33 490 001.19)

Unclaimed cheques is not revenue, consequently the Ministry did not make budgetary provision for it. The Accountant General should provide the explanation why unclaimed cheques of all O/M/A's are dumped on Vote O9.

(ii) Over estimated

Sale of Tender documents

The Ministry does not sell Tender documents and this item has been reconsidered and will not form part of estimates going forward.

Guarantee Levy payments

Provision was made to receive funds from State Owned Enterprises (SOE's) but most have requested for waiver and hence no proceeds are received.

2. GENERAL INFORMATION

2.1 Bank account

The Ministry operated the following bank account:

Account name	Bank	Closing balance as at 31/03/2018
Ministry of Finance	Standard bank	N\$ 639 833.11

2.2 Compensation payments

The Accounting Officer reported an amount of N\$ 150 074.01 in respect of two (2) compensation payments (valid claims against the State) during the financial year under review.

2.3 Outstanding commitments

The Accounting Officer reported outstanding commitments amounting to N\$ 1 195 244.33 at the end of the financial year.

2.4 Outstanding subsistence advances

The Accounting Officer reported an amount of N\$ 326 302.30 in respect of outstanding subsistence advances for the year under review.

2.5 Annual stocktaking

The Accounting Officer reported stocktaking conducted at thirteen (13) points of which stock and equipment valued at N\$ 3 983 782.00 are kept. Surpluses worth N\$ 410 870.00, shortages and deficiencies worth N\$ 175 935.00 and obsolete and worn-out items worth N\$ 1 991 219.00 were reported during stocktaking for the year under review.

2.6 Vehicles

2.6.1 Vehicles on hand (Own fleet)

The Accounting Officer reported two hundred and seventy two (272) vehicles on hand valued at N\$ 27 414 600.00.

2.6.2 Vehicles on hand (Government garage)

The Accounting Officer reported seven (7) vehicles on hand allocated to the Ministry by the Government garage.

2.6.3 Accidents: Cost of damages

The Accounting Officer reported eight (8) vehicle accidents for the year under review and two (2) vehicles were written off.

2.7 Wellness

The Accounting Officer reported expenditure amounting to N\$ 13 735.55 in respect of wellness for the commemoration of World Aids Day for the year under review.

2.8 Capital projects

The following were the development projects of the Ministry:

Nature of project	Approved total budget	Total expenditure as at 31/03/2017	Approved appropriation 2017/2018	Actual expenditure 2017/2018	Total expenditure as at 31/03/2018	Expected year of completion
	N\$	N\$	N\$	N\$	N\$	
Construction of staff Housing at Omahene Border Post	68 321 000	22 720 623.61	2 800 000	2 520 967.63	25 241 591.24	31-Mar-17
Transkalahari Border Post Housing	33 932 000	14 436 012.88	400 000	110 480.39	14 546 493.27	31-Mar-16
Construction of Office Block and Staff accommodation at Impalila Island	8 500 000	-	1 500 000	1 058 835.88	1 058 835.88	31-Mar-21
Construction of two (2) Bedroom Houses at Noordoewer Border Post	3 496 000	-	300 000	226 123.59	226 123.59	31-Mar-21
Total	114 249 000	37 156 636.49	5 000 000	3 916 407.49	41 073 043.98	

2.9 Suspense accounts

The final ledger shows seventeen (17) suspense accounts with balances at the end of the financial year of which ten (10) had debit balances and seven (7) with credit balances as follows:

Suspense account	Balance as at 31 March 2018 Debit/(Credit)
	N\$
Receipt suspense	(996 318.41)
Receipt suspense customs	4 530 414.10
Receipt suspense IRD	(5 983 904.57)
RD cheques	43 852.04
RD suspense customs	78 504.46
RD suspense IRD	33 604.01
S&T advance suspense account	2 128 356.95
Rejection account	2 048 135.29
Bills payable	16 565 283.38
Electronic fund transfer clearing account	(60 386.10)
Social security	(1 139.30)
Salary interface control account	43 673.27
Pension Fund: GIPF	(9 597.11)
Pension Fund: Political office bearers	(535.42)
First National Bank (Windhoek)	5 607.10
Debt establishment	(2 088.63)
Electronic Banking	73 533 699.37

WINDHOEK, 2018-10-31

MS. E. B. SHAFUDAH
ACCOUNTING OFFICER

