



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MINISTRY OF FINANCE

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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 2020 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, MARCH 2021

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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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.

Limited Assurance:	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.
Direct reporting engagement:	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.

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MINISTRY OF FINANCE
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

1. SECTION A: FINANCIAL AUDIT

1.1 UNQUALIFIED AUDIT OPINION

I have audited the financial statements of the Ministry of Finance for the financial year ended 31 March 2020, 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.

In my opinion, the financial statements of the Ministry of Finance as at 31 March 2020 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 BASIS FOR UNQUALIFIED AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements in Namibia, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide an unqualified opinion.

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. I have determined that there were no key audit matters to communicate in my report.

1.4 OTHER INFORMATION

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and accordingly, I do 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 have audited the financial performance and the use of appropriated funds of the Ministry of Finance for the financial year ended 31 March 2020.

2.2 DESCRIPTION OF THE SUBJECT MATTER INFORMATION AND AUDIT SCOPE

The audit aimed to determine whether the Ministry of Finance is financial performance and the use of appropriated funds is in compliance, in all material respects, with the Appropriation Act, 2019 (Act 2 of 2019), Appropriation Amendment Act, 2019 (Act 3 of 2019), 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 2020.

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 the ISSAIS. 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.

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, 2019 (Act 2 of 2019);
- Appropriation Amendment Act, 2019 (Act 3 of 2019);
- State Finance Act, 1991 (Act 31 of 1991);
- Public Procurement Act, 2015 (Act 15 of 2015);
- Treasury Instructions; and
- Public Procurement Regulations.

2.5 SUMMARY OF METHODS APPLIED

I have audited the financial statements for the financial year ended 31 March 2020 submitted by the Accounting Officer, in order to determine whether this information complied with the laws and regulations that governs them. The audit team conducted interviews with management and those charged with governance and document reviews were also carried out.

2.6. KEY AUDIT FINDINGS

2.6.1 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\$ 343 701 971.94 (7.81%). 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\$ 380 676 952.93. 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, eight (8) operational subdivisions were exceeded by a total amount of N\$ 387 468 898.25. This excess is unauthorized in terms of Section 6(a)(iii) of the Act.

Although explanations were provided for the unauthorized expenditure, it is recommended that the Accounting Officer should ensure control measures are strengthened to avoid unauthorized expenditure in future.

Management comment

The Accounting Officer indicated that the Ministry takes note of the recommendation and commits to ensure the strengthening of control measures in order to avoid future unauthorised expenditure.

2.6.2 Suspense accounts

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 following audit findings were noted:

2.6.2.1 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\$ 113 426.44	N\$ 1 639 445.56	N\$ 1 526 019.12

The Accounting Officer explained that the difference of N\$ 1 526 019.12 is rolling over from the previous years' that have not been reconciled to date. Investigations were still in process with reconciling the suspense account, but since reconciliation dates back from previous years, it is a tedious, slow and continuous exercise.

2.6.2.2 Bills payable

The Bills payable suspense account reflected a debit balance of N\$ 10 304 312.60, whereas this suspense account should have a credit balance.

The Accounting Officer explained that Inland Revenue tax refunds were paid during the decommissioning of the Taxlive System. Transactions were previously omitted from Bills Payable, the credit amount of N\$ 235 889 212.39 was passed (Journal dated 25 February 2020). The Financial Intelligence Centre (FIC) payment of N\$ 28 923 000 (debit) which was paid on 28 January 2019, which was only reconciled in July 2019, as it was wrongly debited to the Inland Revenue Department (IRD) account. The duplication of stale cheques that was done by Treasury was corrected (an amount of N\$ 634 729.68). The debit balance of N\$ 10 304 312.60 is still being investigated as a result of previous years' stale payments and rolling balances.

2.6.2.3 Receipt suspense

The following receipt suspense accounts reflected credit balances whereas these suspense accounts should have debit balances as follows:

Suspense account	Balance as at 31 March 2020 Debit/(Credit)
	N\$
Receipt suspense	(3 084 871.46)
Receipt suspense (Customs)	(20 611 113.64)
Receipt suspense (IRD)	(434 687 508.58)

The Accounting Officer explained the credit balances as follows:

Receipt suspense: The balance is due to cash collections, direct deposits and district collections for the 2017/2018, 2018/2019 and 2019/2020 financial years, and the Ministry is waiting on source documents to clear the balances. Interventions to collect manual receipts from the regions could not take place due to the Corona (Covid 19) pandemic, however, Inland Revenue staff members got access to print the receipts on the system.

Receipt suspense (Customs): Deposits amounting to N\$ 1 928 028.60 in transit for the month ended 31 March 2020 were recorded in the cash book but only deposited and cleared at the beginning of April 2020, in the new financial year. An excess amount of N\$ 111 824.20 paid on the 19 October 2019 by a supplier had to be refunded. A wrong payment of N\$ 50 000.00 paid on 24 October 2019 by Express Forward had to be refunded.

Receipt suspense (IRD): The closing credit balance of N\$ 434 687 508.58 consisted of payments which were paid into the General Revenue Account and Inland Revenue Department (IRD) Value Added Tax (VAT) Dedicated Account, but did not have references or details in order to be posted to their respective tax accounts. When an Electronic Funds Transfer (EFT) is paid and does not have necessary tax details for allocation, Inland Revenue contacts the commercial banks through the Bank of Namibia (BON) for provision of missing tax details. This process was done, but unfortunately not all the tax details were provided by the closure of the financial year, and thus the credit was still on the receipt suspense (IRD).

2.6.2.4 Zero balance suspense

The Ministry had outstanding balances on the following nine (9) suspense accounts as at 31 March 2020 whereas these suspense accounts should have zero balances at year end:

Suspense account	Balance as at 31 March 2020 Debit/(Credit)
	N\$
Electronic fund transfer clearing account (EFT)	482 134.87
Electronic fund transfer clearing account (EFT- IRD)	(33 951 399.20)
Social security	(977.30)
Salary interface control account	(4 550.06)
Pension Fund: GIPF	(153 936.63)
Standard Bank (Windhoek)	3 622.92
First National Bank (Windhoek)	4 806.42
Debt establishment	11.37
Electronic banking	(272 571 059.83)

The Accounting Officer explained the balances as follows:

Electronic fund transfer clearing account (EFT): The Daily Subsistence Allowance (DSA) batches for 31 July 2018 amounting to N\$ 174 236.96 and 09 November 2018 amounting to N\$ 876 726.50 was posted to the General Ledger. The balance merely consisted of DSA load rejections and payables unpaid, not repaid in the 2019/2020 financial year.

Electronic fund transfer clearing account (EFT- IRD): Tax refunds of N\$ 33 907 657.92 were requested to be paid out on 31 March 2020, however, approval was not granted by Treasury. The tax refunds were only paid in the 2020/2021 financial year. Rejected refunds amounting to N\$ 43 741.28 were not cleared, load reports were not available. A journal will be passed in the 2020/2021 financial year.

Electronic banking: Government Institution Pension Fund (GIPF) payment was issued in March 2020 but only paid in the next financial year on 03 April 2020. The phase out of cheques had an effect on the accounting entries as the initial transaction was charged against Bills Payable and the reconciled payment charge against the EFT suspense control account that caused an amount of N\$ 9 483 310.09 debit to the EFT suspense without a credit entry (credit entry is an account to the Bills Payable). A correction journal will be passed in the 2020/2021 financial year. The Institutions payments of April 2016 amounting to N\$ 64 478 920.81 was not accounted in the EFT suspense account. Silnam is in the process to investigate to pass correction journals in the 2020/2021 financial year. Pension contributions are issued in the 2019/2020 financial year and paid in the 2020/2021 financial year.

Recommendation for all suspense accounts

It is recommended that the Accounting Officer should take note of Treasury Instruction FD 0702 and ensure reconciliation is timely performed in future to ensure balances are correctly reflected at the end of the financial year. The Accounting Officer should indicate how far the reconciliation process is as it was indicated (during 2018/2019 financial year) that it would have been finalised by the end of the 2019/2020 financial year.

Management comment

The Accounting Officer indicated that the Ministry takes note and will start with the process of planning to clear the aging balances in due course.

2.7 UNQUALIFIED 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, 2019 (Act 2 of 2019) and Appropriation Amendment Act, 2019 (Act 3 of 2019).

3. AUDIT OF PERFORMANCE INFORMATION

I have audited the performance information of the Ministry of Finance for the financial year ended 31 March 2020.

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, performance information was tested 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 and Financial Management.

3.5 CONCLUSION ON THE SUBJECT MATTER

The audit revealed a satisfactory outcome for the Key Performance Indicator (KPI), the percentage (%) of non-tax revenue collected and accounted for, for the strategic objective "to promote macro-economic stability" regarding compliance, usefulness, reliability, existence, timeliness, presentation, measurability, relevance, consistency, accuracy, validity and completeness sub-criteria and thus the Ministry is commended on that.

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), Public Procurement Regulations, Appropriation Act, 2019 (Act 2 of 2019), Appropriation Amendment Act, 2019 (Act 3 of 2019) and Treasury Instructions and ensure that effective and efficient internal controls are implemented to enable compliance to the laws and regulations 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 AND COMPLIANCE AUDIT

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.

My powers and duties towards auditing and reporting on the financial statements and compliance to the subject matter are outlined under Section 25(1)(c), Section 26(1) and Section 27(3) of the State Finance Act, 1991 (Act 31 of 1991).

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 used 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 auditors' 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.
- I 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.
- I also 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 auditor's 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 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, 2019 (Act 2 of 2019), Appropriation Amendment Act, 2019 (Act 3 of 2019), 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.

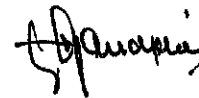
6. GENERAL INFORMATION

The appropriation account was submitted timeously by the Accounting Officer to the Auditor-General on 30 October 2020 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.

7. ACKNOWLEDGEMENT

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

WINDHOEK, MARCH 2021



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

1. AUDITED FINANCIAL STATEMENTS

1.1 Appropriation account

2019/2020					2018/2019	
Service	Authorized expenditure	Actual expenditure	Variations		Actual expenditure	
			Under-expenditure/ (Excess)	Percentage		
N\$	N\$	N\$	N\$	%	N\$	
01. Office of the Minister:						
Original budget	4 357 000					
Plus: Virement	1 802 000	6 159 000	5 642 234.49	516 765.51	8.39	5 030 913.06
02. Administration:						
Original budget	688 472 000					
Less: Virement	(124 913 021)	563 558 979	554 436 320.66	9 122 658.34	1.62	331 991 930.87
03. Internal Audit:						
Original budget	6 292 000					
Less: Virement	(90 000)	6 202 000	6 073 586.93	128 413.07	2.07	5 999 074.60
04. Inland Revenue:						
Original budget	251 787 000					
Less: Virement	(1 983 363)					
Less: Suspension	(15 149 000)	234 654 637	229 477 487.30	5 177 149.70	2.21	221 130 163.57
05. Economic Policy Advisory Services:						
Original budget	11 181 000					
Less: Virement	(1 308 937)	9 872 063	9 631 694.91	240 368.09	2.43	8 898 949.13
06. Customs and Excise:						
Original budget	338 396 000					
Plus: Virement	6 725 000					
Less: Suspension	(12 000 000)	333 121 000	314 207 383.55	18 913 616.45	5.68	305 214 365.81
07. Public Private Partnership Management:						
Original budget	5 109 000					
Less: Virement	(2 322 000)	2 787 000	2 623 102.56	163 897.44	5.88	2 865 070.77

Appropriation account (continued)

ANNEXURE A (continued)

		2019/2020			2018/2019	
Service		Authorized expenditure	Actual expenditure	Variations		Actual expenditure
				Under-expenditure/ (Excess)	Percentage	
	N\$	N\$	N\$	N\$	%	N\$
08. Medical Aid						
Scheme:						
Original budget	2 440 421 000					
Additional budget	19 496 000					
Plus: Virement	37 517 771	2 497 434 771	2 876 841 494.04	(379 406 723.04)	(15.19)	2 672 164 951.74
09. Procurement						
Policy Unit:						
Original budget	30 275 000					
Less: Virement	(22 636 254)	7 638 746	7 374 260.20	264 485.80	3.46	5 211 910.21
10. Budget Management and Control:						
Original budget	341 662 000					
Plus: Virement	118 107 002	459 769 002	457 785 384.51	1 983 617.49	0.43	440 198 392.91
11. Expenditure and Financial Management:						
Original budget	45 958 000					
Less: Virement	(14 205 362)	31 752 638	31 545 044.79	207 593.21	0.65	27 742 359.66
12. Asset, Cash and Debt Management:						
Original budget	173 495 000					
Less: Virement	(8 587 378)	164 907 622	164 651 206.11	256 415.89	0.16	152 773 669.98
13. Information Technology:						
Original budget	71 915 000					
Plus: Virement	11 894 542	83 809 542	85 079 771.89	(1 270 229.89)	1.52	65 843 597.85
GRAND TOTAL		4 401 667 000	4 745 368 971.94	(343 701 971.94)	(7.81)	4 245 065 350.16

ANNEXURE A (continued)

1.2 Standard subdivisions

Subdivision	2019/2020			2018/2019
	Authorized expenditure	Actual expenditure	Under-expenditure/ (Excess)	Actual expenditure
	N\$	N\$	N\$	N\$
Operational:				
Current expenditure: Personnel				
001. Remuneration	510 728 000	490 919 106.51	19 808 893.49	497 060 469.91
002. Employer's contribution to G.L.P.F	58 673 000	57 330 617.02	1 342 382.98	57 666 620.88
003. Other conditions of service	9 111 259	7 503 429.78	1 607 829.22	5 728 076.72
005. Employers contribution to social security	1 609 900	1 516 790.19	93 109.81	1 545 433.58
Total	580 122 159	557 269 943.50	22 852 215.50	562 000 601.09
Current expenditure: Goods and other services				
021. Travel and subsistence allowances	5 783 000	5 264 364.61	518 635.39	4 691 309.79
022. Materials and supplies	11 299 000	11 102 402.28	196 597.72	6 567 376.67
023. Transport	10 497 000	10 451 777.56	45 222.44	9 013 020.83
024. Utilities	63 397 000	59 149 821.00	4 247 179.00	61 859 264.68
025. Maintenance expenses	174 088 665	174 850 432.80	(761 767.80)	122 160 439.75
026. Property rental and related charges	14 407 813	14 407 811.78	1.22	10 577 310.22
027. Other services and expenses	13 886 000	13 813 076.49	72 923.51	29 136 107.78
028. Training course, symposiums and workshops	2 170 000	1 867 152.07	302 847.93	4 263 315.75
029. Printing and advertisements	4 071 365	2 337 634.58	1 733 730.42	6 556 374.70
033. Office refreshments	337 000	331 076.58	5 923.42	261 621.44
036. Property rental and related charges	551 119	551 118.91	0.09	-
040. Security contracts	15 500 000	15 429 574.51	70 425.49	15 657 820.18
Total	315 987 962	309 556 243.17	6 431 718.83	270 743 961.79
Current expenditure: Membership fees and subscriptions				
041. International	15 384 160	15 456 795.93	(72 635.93)	11 492 063.05
Total	15 384 160	15 456 795.93	(72 635.93)	11 492 063.05
Current expenditure: Subsidies, grants and other transfers				
043. Government organisations	-	18 544 018.60	(18 544 018.60)	2 839 080 091.01
046. Subsidies to sub national bodies	452 956 000	444 683 645.40	8 272 354.60	251 847 610.27
047. Subsidies to other extra budgetary bodies	2 877 363 771	3 244 396 281.17	(367 032 510.17)	169 263 725.48
051. Subsidies to public and departmental enterprises and private industries	110 000	110 000.00	-	-
053. Subsidies to state owned enterprises	151 376 000	151 376 000.00	-	118 923 000.00
Total	3 481 805 771	3 859 109 945.17	(377 304 174.17)	3 379 114 426.76
Total: Current expenditure	4 393 300 052	4 741 392 927.77	(348 092 875.77)	4 223 351 052.69
Capital expenditure: Acquisition of assets				
101. Furniture and office equipment	366 948	366 947.74	0.26	527 554.26
126. Capital transfers to other extra budgetary bodies	-	-	-	20 526 718.58
Total	366 948	366 947.74	0.26	21 054 272.84
Total: Operational expenditure	4 393 667 000	4 741 759 875.51	(348 092 875.51)	4 244 405 325.53

1.2 Standard subdivisions (continued)

ANNEXURE A (continued)

Subdivision	2019/2020			2018/2019
	Authorized expenditure N\$	Actual expenditure N\$	Under-expenditure/ (Excess) N\$	Actual expenditure N\$
Development:				
Capital expenditure: Acquisition of assets				
107. Construction, renovation and improvement	8 000 000	3 609 096.43	4 390 903.57	660 024.63
Total: Development expenditure	8 000 000	3 609 096.43	4 390 903.57	660 024.63
GRAND TOTAL	4 401 667 000	4 745 368 971.94	(343 701 971.94)	4 245 065 350.16

1.3 Departmental revenue

Revenue for the year is as follows:

Revenue head	Estimate N\$	Actual revenue 2019/2020 N\$	More/(Less) than estimated N\$	Actual revenue 2018/2019 N\$
Members' contributions to Government				
Employees Medical Aid Scheme	204 630 357	435 808 766.69	231 178 409.69	435 708 614.16
Sale of tender documents	-	765 153.00	765 153.00	868 735.00
Auction sales (Customs)	205 000	2 582 732.11	2 377 732.11	58 400.13
Warehouse rent (Customs)	114 991	481 044.96	366 053.96	158 435.81
Collateral losses	-	80 598.42	80 598.42	556 014.00
Special attendance	610 000	1 141 782.00	531 782.00	741 881.72
Miscellaneous	-	(235 245 762.96)	(235 245 762.96)	15 673 843.21
Redeposit of unclaimed cheques	-	(38 173.76)	(38 173.76)	(3 456.02)
Export levy (Customs)	175 200 000	303 168 283.76	127 968 283.76	294 175 665.23
Additional duty (Customs)	2 300 000	733 811.70	(1 566 188.30)	464 969.45
Licence fees (Customs)	17 300	41 722.77	24 422.77	17 294.41
Provisional payments (Customs)	12 200 000	10 466 265.02	(1 733 734.98)	24 510 167.03
Ministerial fines	-	-	-	300.00
Environmental levy (Customs)	(20 000 000)	94 428 212.49	114 428 212.49	82 817 022.43
TOTAL	375 277 648	614 414 436.20	239 136 788.20	855 747 886.56

1.4 Notes to the financial statements

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

(i) Underexpenditure

Main division 01 - Office of the Minister (N\$ 516 765.51 – 8.39%)

The underexpenditure was on leave gratuity and travel and subsistence allowance. The leave gratuity of one (1) staff member could not be processed before 31 March 2020 as the contract ended on 21 March 2020. In addition the Deputy Minister's term ended on 21 March 2020, hence he was transferred to the National Assembly on the payroll system resulting in his leave gratuity being paid from that main division.

The underexpenditure on daily subsistence allowance was due to the cancellation of trips as a result of Covid 19 lockdown that started during the last quarter of the 2019/2020 financial year.

Despite the abovementioned variances, the main division attained the planned objectives, one of which was to provide political guidance on policy formulation and administration of laws under the Ministry.

Main division 03 - Internal Audit (N\$ 128 413.07 – 2.07%)

An immaterial variance of 2.07% occurred during the financial year and the main division attained all planned objectives.

Main division 04 – Inland Revenue (N\$ 5 177 149.70 – 2.21%)

The underexpenditure was as a result of remuneration, travel and subsistence allowance and membership fees.

The underexpenditure on remuneration was attributed to the resignation and retirement of twenty-two (22) officials during the year under review, resulting in the reduction of Government Institution Pension Fund (GIPF) and social security contributions. Management meetings for quarter four was cancelled causing an underspending on travel and subsistence allowance.

On membership fees, provision was made for the exchange rate fluctuation. Membership fees are made in Euros and British Pounds with the following variation in the 2019/2020 financial year. The Euro had a high of €19.77 and a low of €15.24, whilst the (British Pound) GBP had a high of £22.31 and a low of £17.31. The change in currency was material on membership fees charged; nevertheless, the main division attained all planned objectives.

Main division 05 - Economic Policy Advisory Services (N\$ 240 368.09 – 2.43%)

The variance or underexpenditure was due to a vacant position of the Deputy Director in the Division Financial Education and Consumer Protection/FLI that was only filled effective from 1 July 2020. The main division attained most of the planned objectives.

Main division 06 - Customs & Excise (N\$ 18 913 616.45 – 5.68%)

The underexpenditure was on personnel expenditure and consultancy fees (Consultant for Automated System for Customs Data [ASYCUDA] World upgrade). The vacant position of the Director Customs and Excise was acted upon as it was envisioned that NAMRA was going to be effective in the 2019/2020 financial year. The main division attained all planned objectives with the exception of the upgrading of ASYCUDA World.

Main division 07 - Public Private Partnership Management (N\$ 163 897.44 – 5.88%)

The underexpenditure recorded under the main division was mainly due to the delayed filling of two (2) vacant Economist positions. One (1) under Capacity Building and Outreach division and another for the Project Appraisal division. However, interviews have been conducted during the 2020/2021 financial year and the main division attained all planned objectives.

Main division 09 – Procurement Policy Unit (N\$ 264 485.80 – 3.46%)

The underexpenditure was due to the resignation of staff members and delays in appointments. Travelling was cancelled due to the impact of the Covid-19 Pandemic. The main division attained all planned objectives.

(ii) Over-expenditure

Main division 08 – Medical Aid Scheme (N\$ 379 406 723.04 – 15.19%)

Accurate estimation of Public Service Medical Aid scheme (PSEMAS) service fees has proven to be a challenge over the years. This is mainly due to major contributing factors such as deviations from the applicable rule that applies to PSEMAS. Such deviations come with financial implications that negatively affect the allocated budget. Some PSEMAS patients were overwhelmed by the announcement of the Covid-19 pandemic and as such, they opted to frequently visit their doctors resulting in increased claims on PSEMAS. Consequently the main division experienced a shortfall that could not be catered for within the ministerial budget in February 2020.

The Minister of Finance as an emergency measure took a decision to revoke Section 9 of the State Finance Act, to remedy the situation as Health Service Providers demanded for pay runs of February 2020 and some of March 2020 to be paid before end of March 2020, while others could be paid in April in the 2020/2021 financial year.

PSEMAS has become a threat to fiscal sustainability and as such reforms will be undertaken in the subsequent financial year.

1.4.2 Departmental revenue: Explanations of variances exceeding NS 200 000

(i) Underestimated

Members' contribution to the Government employees medical aid scheme (NS 231 178 409.69)

The difference was attributed to the on-going Public Service Medical aid scheme (PSEMAS) membership verification process.

Sale of Tender documents (NS 765 135)

The increase in revenue came as a result of the amendment of regulations relating to the Public Procurement Act, 2015 (Act of 2015). This amendment amongst others, set standard rates for the purchase of bidding documents, bid security and performance security.

Auction sales (Customs) (NS 2 377 732.11)

The increase resulted from the auction of vehicles and other high value items that were detained mainly at Walvis Bay Customs Office.

Warehouse rent (Customs) (NS 366 053.96)

This was attributed to the number of importers who did not collect impounded items on time from the State warehouses.

Special attendance (NS 531 782.00)

The increase was due to more calls on special attendance for inspections conducted after hours at owners premises.

Export levy (NS 127 968 283.76)

This was attributed to the increase in the export of high value commodities such as diamonds and fish during the period under review.

Environmental levy (Customs) (NS 114 428 212.49)

The increase in revenue was due to the increase in items that attract environmental levy such as vehicles, tyres, bulbs, plastic bags and other items such as lithium batteries and some specific oil.

(ii) Over-estimated

Miscellaneous revenue (NS 235 245 762.96)

The amount of N\$ 235 889 212.39 was for Inland Revenue Department (IRD) refund manual journals passed due to refund batches comprising of Income Tax on Individuals and Value Added Tax which were not uploaded for transferred payments to the Bank of Namibia in December 2018.

ANNEXURE A (continued)

The IT department could not upload the file on the server and forwarded instructions to the Bank of Namibia for actual payment due to unavailability of signatories. However, in January 2019 the batches were resent to IT and thereafter forwarded to Bank of Namibia for payment. Furthermore, the tax live system came to an end and corresponding transactions were not loaded on the bills payable suspense account until after closure of the financial year.

Another refund batch was processed and approved on the tax live system and was paid to the taxpayers. The General Ledger (GL) office posted this transaction after the financial year had closed.

Additional duty (Customs) (N\$ 1 566 188.30)

The amount recorded under Additional Duties was actually collected from Anti-Dumping Duty (ADD). However, the amount was wrongly recorded under Additional Duties because of the confusion between the abbreviation of Anti-Dumping Duty (ADD) and Additional Rate of Duty (ARD) in the Asycuda system. Currently there are no items that attract Additional Rate of Duties and this is being rectified.

Provisional payments (Customs) (N\$ 1 733 734.98)

The decrease was caused by the decrease in the vehicles which are the most items that attracts more provisional payments.

2. GENERAL INFORMATION

2.1 Bank accounts

The Accounting Officer reported that the Ministry operated the following bank accounts:

Account name	Bank	Closing balance as at 31/03/2020
		N\$
ESAAG Annual Conference	First National Bank	60 598.43
Financial Literacy Initiative Training	Bank Windhoek	60 527.57
Financial Literacy Initiative Pool	Bank Windhoek	2 168 966.89
Private Public Partnership	Standard Bank	2 414 054.39

2.2 Compensation payments

The Accounting Officer reported an amount of N\$ 595 895.58 in respect of a compensation payment made during the financial year under review.

2.3 Debt to Government

The Accounting Officer reported debt to the Government amounting to N\$ 382 593.42 for the financial year under review.

2.4 Annual stocktaking

The Accounting Officer reported stocktaking conducted at thirteen (13) stock points, and a total value of stock worth N\$ 10 910 888.00, surpluses worth N\$ 939 920.00, shortages and deficiencies worth N\$ 112 925.00 and obsolete and worn-out items worth N\$ 43 705.00 were reported for the year under review.

2.5 Vehicles

2.5.1 Vehicles on hand (Own fleet)

The Accounting Officer reported two hundred and sixty (260) vehicles on hand with an estimated value of N\$ 26 673 800.00.

2.5.2 Vehicles on hand (Government Garage)

The Accounting Officer reported two (2) vehicles on hand allocated to the Ministry by the Government garage valued at N\$ 490 800.00.

2.5.3 Accidents – Cost of damages

The Accounting Officer reported thirteen (13) vehicle accidents with estimated cost of damages amounting to N\$ 450 625.85 of which three (3) vehicles with estimated damages amounting to N\$ 392 333.75 were written off during the year under review.

2.6 Wellness

The Accounting Officer reported an amount of N\$ 694 599.21 incurred in respect of wellness activities for the year.

2.7 Capital projects

The following were the development projects of the Ministry:

Nature of project	Approved total budget N\$	Total expenditure as at 31/03/2019 N\$	Approved appropriation 2019/2020 N\$	Actual expenditure 2019/2020 N\$	Total expenditure as at 31/03/2020 N\$	Expected year of completion
Construction of staff accommodation at Omahenene Border Post	68 321 000	25 458 948.63	1 500 000	-	25 458 948.63	31 March 2020
Construction of staff housing at Transkalahari Border Post	33 932 000	14 546 493.27	2 000 000	1 977 101.53	16 523 594.80	31 March 2020
Construction of Noordoewer Office Administration	6 796 000	463 741.21	3 000 000	187 210.47	650 951.68	31 March 2021
Nationwide Renovation of MOF facilities	22 433 000	15 885 138.83	1 500 000	1 444 784.43	17 329 923.26	31 March 2020
Total	131 482 000	56 354 321.94	8 000 000	3 609 096.43	59 963 418.37	

2.8 Suspense accounts

The final ledger shows nineteen (19) suspense accounts with balances at the end of the financial year of which eleven (11) had debit balances and eight (8) with credit balances as follows:

Suspense account	Balance as at 31 March 2020 Debit/(Credit) N\$
Receipt suspense	(3 084 871.46)
Receipt suspense (Customs)	(20 611 113.64)
Receipt suspense (IRD)	(434 687 508.58)
Petty cash	3 550.00
RD cheques	43 852.04
RD suspense (Customs)	78 504.46
RD suspense (IRD)	33 604.01
S&T advance suspense account	1 639 445.56
Rejection account	1 555 620.64
Bills payable	10 304 312.60
Electronic fund transfer clearing account (EFT)	482 134.87
Electronic fund transfer clearing account (EFT- IRD)	(33 951 399.20)
Social security	(977.30)
Salary interface control account	(4 550.06)
Pension Fund: GIPF	(153 936.63)
Standard Bank (Windhoek)	3 622.92
First National Bank (Windhoek)	4 806.42
Debt establishment	11.37
Electronic banking	(272 571 059.83)

2.9 Exemption from procurement procedures

The Accounting Officer reported an exemption from procurement procedures for the printing of the 2020/2021 budget books, budget book covers, and the Medium Term Expenditure Framework (MTEF) which amounted to N\$ 1 889 450.00 for the financial year under review.

2.10 Bursaries and study assistance

The Accounting Officer reported an amount of N\$ 11 165.00 paid in respect of study assistance for three (3) staff members.

WINDHOEK, 2020-10-30

**MS. E. B. SHAFUDAH
ACCOUNTING OFFICER**