



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MINISTRY OF DEFENCE

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

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

I have the honour to submit herewith my report on the accounts of the Ministry of Defence for the financial year ended 31 March 2012 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, 31 March 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL
ON THE ACCOUNTS OF THE
MINISTRY OF DEFENCE
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2012**

1. INTRODUCTION

1.1 Report

This report on the accounts of the Ministry of Defence for the financial year ended 31 March 2012 is presented to the National Assembly in accordance with the terms of Article 127(2) of the Constitution of the Republic of Namibia and Section 27(1) of the State Finance Act, 1991 (Act 31 of 1991), as amended.

1.2 Powers and duties

Section 25(1)(c) of the State Finance Act, 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, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

2. FINANCIAL STATEMENTS

The appropriation accounts were submitted to the Auditor-General 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.

3. SCOPE OF THE AUDIT

3.1 The Accounting Officer of the Ministry in co-operation with the Permanent Secretary of the Ministry of Finance is responsible for the preparation of the financial statements and for ensuring the regularity of the financial transactions therein. It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly. The audit included:

- (a) examination on a test basis of evidence relevant to the amounts, disclosure and regularity of financial transactions included in the financial statements; and

- (b) evaluation of the overall adequacy of the presentation of information in the financial statements.

3.2 The audit was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence to give reasonable assurance that -

- (a) the financial statements are free from material misstatement, whether caused by error, fraud or other irregularity;
- (b) in all material respects, the expenditure and income have been applied to the purposes intended by the legislature; and
- (c) the financial transactions conform to the authorities that govern them.

4. AUDIT OBSERVATIONS

4.1 MAIN ISSUES/FINDINGS IDENTIFIED BY THE AUDIT

4.1.1 Unauthorised expenditure

The under mentioned unauthorised expenditure occurred during the financial year and is reported as such in terms of Section 27(6)(a) of the State Finance Act, 1991 (Act 31 of 1991).

- (i) The total vote was exceeded by an amount of N\$ 11 233 644.79 (0.34%). This excess expenditure is unauthorised in terms of Section 6(a)(i) of the Act.
- (ii) Six (6) main divisions were exceeded by an amount of N\$ 23 239 100.32 which is unauthorised in terms of Section 6(a)(ii) of the Act.
- (iii) Although Treasury approval was obtained to utilise certain expected savings for the defrayal of excess expenditure through virements during the year, thirty (30) subdivisions were exceeded by a total amount of N\$ 18 545 849.90 which is unauthorised in terms of Section 6(a)(iii) of the Act.

4.1.2 Suspense accounts

The final ledger shows thirteen (13) suspense account balances of the Ministry as at 31 March 2011 of which seven (07) had credit balances and six (06) had debit balances. The following accounts were in excess of N\$ 100 000:

Suspense account	Debi/(Credit)t
	N\$
Receipt Suspense	245 174.79
Defence Attaché abroad	14 699 599.96
S & T Advance Suspense Account	243 775.12
Rejection Account	31 509 677.33
Bills Payable	(12 195 413 .79)
Electronic Fund Transfer Clearing Account (EFT)	368 090.06
FIS	(6 350 425.67)

It is recommended that the Accounting Officer should take all necessary steps to reconcile and reduce the balances on the accounts.

4.1.3 Bank accounts

The bank statements, bank reconciliation as well as the income and expenditure statements for the following Bank Accounts were not provided for audit purposes.

Name of Account	Banking Institution	Balance on 31 March 2012 (Debit)/ Credit
		N\$
Ministry of Defence Funds(Call Account)	FNB Namibia	6 886 096.20
Ministry of Defence Funds(32 Days Call Acc)	FNB Namibia	154 446.25
August 26 Trust Acc	Nedbank of Namibia	28 909 776.23

It is recommended that the Accounting Officer provides the outstanding statements for the above listed bank accounts.

5. ACKNOWLEDGEMENT

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

6. EMPHASIS OF MATTER

Attention is drawn to the management on the following matters that relate to my responsibility in the audit of the financial statements:

- a) Paragraph 4.1.1 Unauthorised expenditure. Unauthorised expenditure in terms of Section 27(6)(a) of the State Finance Act.

7. BASIS FOR QUALIFIED OPINION

The ministry failed to carry out reconciliations on suspense accounts and bank accounts.

The reconciliations are important in order to account for all transactions that need to be transferred to the relevant vote account or revenue account to ensure completeness thereof. Similar recommendations were made during previous financial years, however the situation remains unchanged.

The Ministry also failed to provide bank statements for four (4) bank accounts operated by them, resulting in a scope limitation affecting the audit opinion.

8. QUALIFIED AUDIT OPINION

I certify that I have audited the financial statements of the Ministry of Defence for the financial year ended 31 March 2012 in accordance with the terms of Article 127(2) of the Namibian Constitution and Section 25(1) of the State Finance Act of 1991.

In my opinion, except for the effect of the matters discussed in the Basis for qualified opinion paragraph, the financial statements fairly represent the receipts and payments of vote 08 for the year ended 31 March 2012, and in all material respects the receipts and payments have been applied to the purposes intended by the National Assembly and conform to the authorities which govern them.

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

OFFICE OF THE AUDITOR-GENERAL
269 Independence Avenue
Private Bag 13299
WINDHOEK
NAMIBIA

ANNEXURE A

1. FINANCIAL STATEMENTS

1.1 Appropriation account

Service	2011/2012					2010/2011
	Authorised expenditure	Actual expenditure	Variations		Actual expenditure	
			Under-expenditure/ (Excess)	Percent -age		
N\$	N\$	N\$	N\$	%	N\$	
01. Office of the Minister:						
Original budget	8 160 000					
Less: Virement	(1 532 040)	6 627 960	6 596 865.34	31 094.66	0.47	5 442 869.46
02. Administration:						
Original budget	398 072 000					
Less: Virement	(28 270 835)	369 801 165	370 097 659.43	(296 494.43)	(0.08)	387 475 224.69
03. Training:						
Original budget	133 300 000					
Plus: Virement	58 598 481	191 898 481	201 387 452.72	(9 488 971.72)	(4.94)	177 546 737.22
04. Namibian Army:						
Original budget	1 955 431 000					
Plus: Virement	88 490 105	2 043 921 105	2 045 445 673.02	(1 524 568.02)	(0.07)	1 901 366 066.99
05. 21st Guard:						
Original budget	156 700 000					
Plus: Virement	51 705 295	208 405 295	208 503 077.84	(97 782.84)	(0.05)	148 156 454.82
06. Namibian Air Force:						
Original budget	184 300 000					
Plus: Virement	8 416 601	192 716 601	192 741 265.18	(24 664.18)	(0.01)	159 687 338.18
07. Military Hospital:						
Original budget	89 500 000					
Less: Virement	(36 909 761)	52 590 239	52 777 308.06	(187 069.06)	(0.36)	52 010 978.58
08. Namibian Navy:						
Original budget	150 300 000					
Plus: Virement	27 179 800	177 479 800	177 136 146.12	343 653.88	0.19	142 637 473.92

ANNEXURE A (continued)

Appropriation account (continued)

2011/2012					2010/2011	
Service	Authorised expenditure	Actual expenditure	Variations		Actual expenditure	
			Under-expenditure/ (Excess)	Percentage		
	N\$	N\$	N\$	%	N\$	
09. Defence Attaché						
Original budget	50 600 000					
Less: Virement	(30 300 000)	20 300 000	20 288 843.08	11 156.92	0.05	32 030 050.54
Total:	3 263 740 646	3 274 974 290.79	(11 233 644.79)	(0.34)	3 006 353 194.40	

ANNEXURE A (continued)

1.2 Standard subdivisions

Subdivision	2011/2012			2010/2011
	Authorised expenditure	Actual expenditure	Under-expenditure/ (Excess)	Actual expenditure
	N\$	N\$	N\$	N\$
Operational				
Current expenditure: Personnel				
001. Remuneration	1 646 865 670	1 655 239 362.18	(8 373 692.18)	1 351 684 292.53
002. Employer's contribution to GIPF and MPOOBPF	212 242 762	213 844 712.01	(1 601 950.01)	229 810 643.21
003. Other conditions of service	51 088 314	57 701 610.53	(6 613 296.53)	68 272 998.89
Total	1 910 196 746	1 926 785 684.72	(16 588 938.72)	1 649 767 934.63
Current expenditure: Goods and other services				
021. Travel and subsistence expenses	34 945 000	34 687 400.23	257 599.77	21 539 536.72
022. Materials and supplies	233 510 900	233 032 238.07	478 661.93	235 790 475.12
023. Transport	112 985 000	112 753 429.88	231 570.12	103 297 596.27
024. Utilities	75 973 000	75 959 337.87	13 662.13	71 701 709.52
025. Maintenance	145 684 500	145 679 553.80	4 946.20	91 994 540.86
026. Property rental and related charges	7 600 000	7 579 655.99	20 344.01	7 783 473.58
027. Other services and expenses	58 111 000	58 012 496.84	98 503.16	53 143 769.29
Total	668 809 400	667 704 112.68	1 105 287.32	585 251 101.36
Current expenditure: Subsidies, grants and other transfers				
041. International	388 000	384 849.75	3 150.25	146 315.10
042. Domestic	32 000	32 000.00	-	-
043. Government organisations	490 000	489 966.90	33.10	400 000.00
044. Individual and non-profit organisation	6 600 000	6 599 987.45	12.55	5 996 821.44
Total	7 510 000	7 506 804.10	3 195.90	6 543 136.54
Total: Current expenditure	2 586 516 146	2 601 996 601.50	(15 480 455.50)	2 241 562 172.53
Capital expenditure: Acquisition of assets				
101. Furniture and office equipment	17 796 000	17 618 839.71	177 160.29	14 497 128.33
102. Vehicles	62 200 000	62 085 957.53	114 042.47	23 466 577.61
103. Operational equipment, machinery and plant	113 182 500	113 133 679.18	48 820.82	185 859 622.13
Total	193 178 500	192 838 476.42	340 023.58	223 823 328.07
Total: Operational expenditure	2 779 694 646	2 794 835 077.92	(15 140 431.92)	2 465 385 500.60

ANNEXURE A (continued)

Standard subdivisions (continued)

Subdivision	2011/2012			2010/2011
	Authorised Expenditure	Actual expenditure	Under-expenditure/ (Excess)	Actual expenditure
	N\$	N\$	N\$	N\$
Development				
Capital expenditure: Acquisition of assets				
103. Operational equipment, machinery and plant	343 046 000	339 162 158.24	3 883 841.76	432 656 542.87
105. Feasibility studies, design and supervision	1 000 000	999 693.21	306.79	-
107. Construction, renovation and improvements	140 000 000	139 977 361.42	22 638.58	108 311 150.93
Total: Development expenditure	484 046 000	480 139 212.87	3 906 787.13	540 967 693.80
GRAND TOTAL	3 263 740 646	3 274 974 290.79	(11 233 644.79)	3 006 353 194.40

1.3 Departmental revenue

Revenue for the year is as follows:

Revenue heading	Estimate	Actual revenue 2011/2012	More/(Less) than estimated	Actual revenue 2010/2011
	N\$	N\$	N\$	N\$
Ministerial fines	800 000	350 191.65	(449 808.35)	436 570.03
Ministerial fines administration	-	(38 876.00)	(38 876.00)	(2 559.58)
Sale of serviceable stores and equipment	40 000	-	(40 000.00)	-
Lost equipment and stores	20 000	13 759.61	(6 240.39)	6 037.69
Unclaimed cheques	-	-	-	4 365.38
Private telephone calls	5 000	-	(5 000.00)	0.00
Hiring of helicopters	300 000	-	(300 000.00)	0.00
Miscellaneous	650 000	1 315 022.85	665 022.85	303 429.50
Auction Sales (Customs)				96 462.00
Total	1 815 000	1 640 098.11	(174 901.89)	844 305.02

1.4 Notes to the financial statements

1.4.1 Appropriation account: Explanations of variations exceeding 2% between the authorised and actual expenditure.

Over-expenditure

Main division 03: Training (N\$ 9 488 971.72 – 4.94%)

The reason for the over expenditure under this main division can be attributed to the general salary increments which contributed to the increase in personnel spending as a result of the underfunding of such increments by the Ministry of Finance.

The additional amount of N\$ 137 377 646 allocated to the Ministry in respect of the salary increments was said to have been calculated by the Office of the Prime Minister. This amount was not adequate enough to cover for an 8% salary increment and the Ministry was requested to cover the remaining 2% within its budget, which the Ministry could also not do taken in consideration the annual internal promotion of staff and a directive from Cabinet to line Ministries to recruit as matter of urgency unemployment children of the Liberation Struggle. These children were also trained by the Ministry placing a further burden on its already strained resources.

A letter was written to inform the Treasury of the shortfall in additional funding to which Treasury never responded and the matter was also discussed in the Financial Advisors meeting without any success to lighten the burden on the Ministry.

1.4.2 Departmental revenue: Explanation of variations exceeding N\$ 100 000.

(i) Over-estimation

Ministerial Fines

The Ministry collected less revenue in respect of ministerial fines and this can mainly be attributed to a decrease in fines imposed during Court Martials proceedings as fewer members were found guilty during trials as was originally anticipated.

Hiring of Helicopters

The Ministry's Helicopter was deployed to the flood in the northern regions, and as a result thereof could not make the helicopter available for any need that may arise for the use thereof by any other Ministries, Offices Agencies or Private Institutions, hence the fact that no revenue were collected during this financial year.

(ii) Underestimated

Miscellaneous

More revenue was received than was originally anticipated as a result of the fact that the Ministry use this account for any other revenue not accommodated in other revenue sources from UN operations, etc. Revenue generated from activities on the Mangetti Farm after the transfer of the operation of the farm to a new service provider were journalised to this revenue code to close the revolving suspense account opened for the operation of the farm as a trade account.

2. GENERAL INFORMATION

2.1 Deviation from normal Tender Board procedures

Tender exemption (E1/5-1/2011) amounting to N\$ 280 000 000 was granted for the following goods and services for the period under review:

Service	Amount	Actual expenditure	Difference
	N\$	N\$	N\$
Travel and subsistence	28 200 000	42 625 000.00	(14 425 000.00)
Material and supplies	50 000 000	56 047 644.34	(6 047 644.34)
Transport	25 000 000	35 806 177.15	(10 806 177.15)
Utilities	73 200 000	44 444 983.66	28 755 016.34
Maintenance	40 000 000	41 389 932.88	(1 389 932.88)
Property rental	11 600 000	8 115 125.22	3 484 874.78
Other services & expenses	50 000 000	45 505 827.44	4 494 172.56
Current transfers	2000 000	967 568.11	1 032 431.89
Total	280 000 000	274 902 258.80	5 097 741.20

2.2 Bank accounts

The aim of the bank accounts is to assist the Ministry to carry out the smooth transfer of daily allowances of members who serve outside the country and have completed their tour of duty, to cover expenses in respect of the Defence Intelligence Confidential Services and for the Defence attaché.

The Ministry operated the followings bank accounts approved by Treasury. The closing balances as at 31 March 2012 were reported as follows:

Name of the account	Banking institution	Balance at 31 March 2012 (Debit)/Credit
Ministry of Defence Funds (Call Account)	First National Bank Namibia	6 886 096.20
Ministry of Defence Funds (32 Days' Notice Account)	First National Bank Namibia	154 446.25
August 26 Trust Account	Nedbank of Namibia	28 909 776.23
Namibia Defence Attaché account	Commercial Bank Ethiopia	US 308 374.59
Embassy of Namibia	Bank China	US 73 977.14
Namibia Defence Adviser Account	First National Bank of South Africa	R 34 009.15
Embassy of Namibia (MOD)	Stanbic Bank Congo, Kinshasa	US 36 987.66
Permanent Mission of Namibia to the United Nations	JP Morgan Chase Bank	US 29 253.56
Namibia Defence Attaché account	CommerzBank Berlin, Germany	EURO 54 745.11
Namibia Defence Attaché account	Banco de Fomento, SARL,Luanda	US 250 389.99
Namibia Defence Attaché account	UniCredit Bank,Russia	RUR 85 411.96
Embassy of the Republic of Namibia	StanBic bank,Harare,Zimbabwe	US 23 190.20
Namibia Defence Attaché account	First National Bank Botswana, Gaborone	New accounts will only start operating as from April/May 2013
Namibia Defence Attaché account	Royal Bank of Scotland, New Delhi, India	

2.3 Cost of Damages to Government Vehicles

The Accounting Officer reported that 66 Vehicle accident were reported, the damages were estimated to be N\$ 762 353.09, however this amount could not be verified as no supporting documents were provided.

2.4 Donations/Grants received

The Ministry received the following Donations/Grants during the period under review.

No	Donor	Purpose of the Donation	Nature	Value
01.	German Government	To strengthen the NDF mobile field hospital and workshop at Military School	Various equipment	N\$ 16 955.67
02.	German Government	To strengthen the NDF mobile field hospital and workshop at Military School	10 Trucks and 4 Trailers	840 000.00
	TOTAL			856 955.67

2.5 Capital Projects

The following were the development projects of the Ministry for the financial year under review.

Project Name	Approved Total Budget	Approved Appropriation 2011/2012	Total expenditure at 31/03/2011	Actual Expenditure 2011/2012	Total Expenditure at 31/03/2012	Expected Year of completion
Leopards Valley Military Base	N\$ 575 184	N\$ 15 000 000	N\$ 65 032 047.28	N\$ 14 998 093.70	N\$ 80 030 140.98	01/04/2020
Keetmanshoop Military Base	241 466	7 500 000	72 453 645.92	7 481 666.99	79 953 312.91	01/04/2020
Walvis Bay Naval Base	295 550	38 600 000	151 261 420.80	38 599 948.65	189 861 369.45	31/03/2020
Research and Development Karibib	5 657 655	343 046 000	1 769 971 373.13	339 162 158.24	2 109 133 531.37	01/03/2030
Airport Air force Base	348 450	20 000 000	84 278 904.03	20 000 000.00	104 278 717.56	31/03/2020
Feasibility study, design Oshivelo	24 725	1 000 000	1 699 946.71	999 693.21	2 699 639.92	31/03/2020
Army Battle School Gobabis	395 750	4 200 000	4 849 464.81	4 199 939.99	9 049 404.80	31/03/2020
Military Base Rehabilitation of old Bases	551 184	6 400 000	16 974 989.89	6 399 842.67	23 374 832.56	31/03/2020
Oluno Military Base	615 250	30 800 000	45 095 322.24	30 799 973.01	75 895 295.25	31/03/2020
	573 034	17 500 000	21 643 800.13	17 497 896.41	39 141 696.54	31/03/2020
Total	9 278 248	484 046 000	2 233 260 914.94	480 139 212.87	2 713 400 127.81	