



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MINISTRY OF DEFENCE
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

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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 2016 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 2017

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.
Tender Board Exemptions:	To free from an obligation (Tender Board Regulations) to which others are subjected.
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).

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MINISTRY OF DEFENCE
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

1. REPORT ON THE FINANCIAL STATEMENTS

1.1 INTRODUCTION

This report on the accounts of the Ministry of Defence for the financial year ended 31 March 2016 is presented to the National Assembly in accordance with the terms of Article 127(2) of the Constitution of the Republic of Namibia and provisions set out in the State Finance Act, 1991(Act 31 of 1991), as amended.

I have audited the accompanying financial statements of the Ministry of Defence for the year ended 31 March 2016. These financial statements comprise the following statements submitted for the year then ended:

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

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

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

1.2 MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

1.3 AUDITOR'S RESPONSIBILITY

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

Powers and duties

Section 25(1) (c) of the State Finance Act, 1991, 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.

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

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

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

1.4 KEY AUDIT FINDINGS

1.4.1 EXPENDITURE

1.4.1.1 Unauthorised expenditure

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

Although Treasury approval was obtained to utilise certain expected savings for the defrayal of expenditure through virements during the year, the following four (04) subdivisions were exceeded with a total amount of N\$ 76 521 695.81 which is unauthorised in terms of Section 6(a)(iii) of the State Finance Act, Act 31 of 1991:

Main Division	Sub-division	Unauthorised expenditure
		N\$
01: Office of the Minister	001	2 139 939.27
03: Training	002	571 680.31
05: 21 st Guard Battalion	103	345 000.00
04: National army	107	73 465 076.23
Total		76 521 695.81

It is recommended that the Accounting Officer should put measures in place to avoid over-spending and ensures that planned activities are implemented within the approved budget. Furthermore, if specific activities are expected to exceed the budgeted funds due to unforeseen circumstances, funds should be viremented from activities where savings are expected.

1.4.1.2 Underexpenditure

The Accounting Officer reported an under expenditure of N\$ 370 704 095.19, which is 5.28% of the total appropriated budget. However, no explanation was provided whether all objectives of the Ministry were met as per the requirement of Circular D12/2016 of the Auditor – General and also did not comply with Treasury institutions DC0202.

The Accounting Officer should indicate whether all objectives of the Ministry were met in relation to the expenditure.

It is recommended that the Accounting Officer should comply with circular D12/2016 of the Auditor-General the Treasury Instruction DC 0202 which stipulates that when drawing up draft estimates, Accounting Officers and their Financial Advisers shall take note of and guard against requesting more funds than can reasonably be spent.

Management comment

In his comment on the draft report, the Accounting Officer indicated that the underexpenditure was caused by the late recruitment of the one thousand (1000) recruits in the force.

1.4.2 Outstanding Commitments

The Accounting Officer reported nil outstanding commitments at the end of the financial year under review. However, the Fund Distribution Certificate Report indicates a total of fifty-four (54) outstanding commitments with a total amount of N\$ 54 806 402.09. Which is a contravention of Treasury Instruction DG 0208. This trend was reported in the 2014/2015 financial year audit report in which the Accounting Officer refers to it as an oversight that all outstanding commitments were not cancelled. Despite the Accounting Officer giving this explanation, similar issues were found in the year under review.

It is recommended that the Accounting Officer should comply with the Treasury Instruction DG 0208 which stipulates that *“Accounting Officers shall regularly draw up a report from the commitment register in respect of all orders placed but not yet carried out by the suppliers. All these cases shall immediately be taken up with the supplier (s) in writing in order to be able to effect payment before the end of March.”*

Management comment

In his comment on the draft report, the Accounting Officer indicated that he confirms that a nil statement was reported but it appears that there is a system error.

1.4.3 Late submission of annual statements

The Accounting Officer failed to submit the following statements as required by Circular D12/2016 of the Auditor – General, despite several reminders. By the time these statements were submitted it was very late for the auditors to verify them:

Statement	Description	Due date	Reminder date	Date submitted
Statement 33	Points Keeping Stock and Annual Stock Taking	31 July 2016	04 /08/2016 & 14/10/2016	18/11/2016
Statement 34	Stores & Depots	31 July 2016	04 /08/2016 & 14/10/2016	18/11/2016
Statement 36	Vehicles	31 July 2016	04 /08/2016 & 14/10/2016	18/11/2016

It is therefore recommended that the Accounting Officer should explain why these statements were not submitted in time as required by Circular D12/2016 of the Auditor -General.

1.4.4 Bank Accounts

The Accounting Officer reported the following closing balances on the bank accounts held at various commercial banks as at 31 March 2016. However, the audit found differences as illustrated in the table below:

Banking Institution	Amount reported	Amount as per bank statement	Difference
Stanbic Bank, Zambia	US\$ 54 864.78	US\$ 62 221.94	US\$ 7 357.16
COMMERZBANK, Germany	€ 138 287.61	€ 137 398.06	€ 889.55
Stanbic Bank, Tanzania	US\$ 29 951.53	US\$ 39 767.89	US\$ 9 816.36

The audit further found that the Ministry has operated bank accounts with the following balances, however the Accounting Officer failed to report them as required by Circular D12/2016 of the Auditor-General:

Banking Institution	Balance at 31 March 2016
Banko de Fomento, Angola	AKZ 2 938 157.53
First Rand Bank, India	INR 2 252 302.21
UniCredit Bank, Russia	US\$ 337 300.97
Stanbic Bank, Tanzania	TZS 47 932 166.12
Bank of China ,Beijing	US\$ 47 119.17
Commercial Bank of Ethiopia	ETB 264 055.55

This is a contravention of Treasury Instruction BB 0101 (i), which has resulted in a misrepresentation.

The Accounting Officer should explain the differences. In addition, it is recommended that the Accounting Officer should comply with Circular D12/2016 of the Auditor-General and report all bank accounts. Furthermore, it is recommended that the Accounting Officer should comply with Treasury Instruction BB 0101 which stipulates that an Accounting Officer who, under Section 8 of the Act , is charged with the general financial administration of a vote and state moneys under his control, shall be responsible for the accuracy of the accounting records, accounts and other financial documents under his control.

Management comment

In his comment on the draft report, the Accounting Officer indicated that he regrets the error and the Ministry will ensure that information is carefully verified before being submitted.

1.4.5 Exemption from normal Tender Board procedure

The Accounting Officer reported actual expenditure on Travel and Subsistence Allowance of N\$ 60 318 028.16. However, the exemption register kept by the Ministry to track and control the expenditure incurred under exemptions has only reflected an amount of N\$ 9 872 800.20, leaving a difference of N\$ 50 445 227.96 unexplained.

It is recommended that the Accounting Officer should explain the difference and adhere to Treasury Instruction BB 0101 that indicates that an Accounting Officer who, under Section 8 of the Act, is charged with the general financial administration of a vote and state moneys under his control, shall be responsible for the accuracy of the accounting records, accounts and other financial documents under his control.

1.4.6 Suspense Accounts

The audit found the following differences between the suspense accounts and the source documents:

Suspense Account	Amount in General Ledger	Amount in source documents	Difference
	N\$	N\$	N\$
Bills Payable	(15 526 983.06)	(16 274 018.68)	747 035.62
Rejection Account	764 152.17	269 441.36	494 710.81
S&T Advance suspense account	2 315 945.21	2 133 378.54	182 566.67

Despite improvement in the efforts by the Ministry to reconcile the suspense accounts and reduce the balances, differences were still found between the suspense accounts and the reconciled amount. The reconciliations performed during the year under review could not explain these differences.

It is recommended that the Accounting Officer should ensure that suspense accounts are properly reconciled.

Management comment

In his comment on the draft report, the Accounting Officer indicated that the Ministry is not able to explain those differences which are also known by the Ministry of Finance.

1.5 ACKNOWLEDGEMENT

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

1.6 BASIS FOR QUALIFIED AUDIT OPINION

My opinion has been qualified due to the following:

- Outstanding Commitments – Paragraph 1.4.2
- Late submission of annual statements – Paragraph 1.4.3
- Bank Accounts – Paragraph 1.4.4

1.7 QUALIFIED AUDIT OPINION

I certify that I have audited the financial statements of the Ministry of Defence for the financial year ended 31 March 2016 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, except for the possible effects of the matters described in the basis for Qualified Audit Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Ministry of Defence as at 31 March 2016 and its financial performance and its receipts and payments for the year then ended in accordance with Section 12 & 13 of the State Finance Act, Act 31 of 1991.

2. ADDITIONAL REPORTING RESPONSIBILITIES

2.1 Other Matters

Attention is drawn to the management on the following matter(s) that relate to my responsibility in the audit of the financial statements, and excluding matters already disclosed by the Ministry of Defence in the financial statements:

2.1.1 Audit Committee

The audit found that the Ministry did not establish an Audit Committee to date. It is further noted that in the absence of the Audit Committee, there are no appropriate structures to receive the audit reports and to monitor and review the effectiveness of the internal audit division.

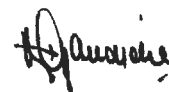
It is recommended that the Accounting Officer should ensure that an Audit Committee is appointed to oversee developments and improvement of the internal audit division's mandate which will contribute to the attainment of the strategic objectives of the Ministry.

2.1.2 Risk Management Policy

Risk management is the process of identifying vulnerabilities and threats to the Ministry's resources and deciding what counter measures, if any, to take in order to reduce risk to an acceptable level. The audit noted that management has not yet come up with a documented risk management policy and how risks will be mitigated.

It is recommended that the Accounting Officer should ensure that a risk management policy is developed and implemented to mitigate the risks.

WINDHOEK, March 2017



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

1. AUDITED FINANCIAL STATEMENTS

1.1 Appropriation account

2015/2016						2014/2015
Service	Authorised expenditure	Actual expenditure	Variations		Actual expenditure	
			Under-expenditure/ (Excess)	Percent-age		
N\$	N\$	N\$	N\$	%	N\$	
01. Office of the Minister:						
Original budget	10 296 000					
Less: Virements	(997 000)					
Less: Suspension	(1 678 000)	7 621 000	7 556 033.16	64 966.84	0.85	4 070 975.06
02. Administration:						
Original budget	1 249 755 000					
Plus: Virement	305 987 463					
Less: Suspension	(74 844 567)	1 480 897 896	1 386 374 691.77	94 523 204.23	6.38	1 546 207 838.96
03. Training:						
Original budget	462 553 000					
Less: Virement	(330 000)					
Less: Suspension	(5 011 774)	457 211 226	442 989 861.41	14 221 364.59	3.11	396 395 147.89
04. Namibian Army:						
Original budget	3 761 787 000					
Less: Virement	(138 900 000)					
Less: Suspension	(63 609 542)	3 559 277 458	3 413 759 040.36	145 518 417.64	4.09	3 299 335 279.13
05. 21st Guard Battalion:						
Original budget	509 361 000					
Less: Virement	(46 850 000)					
Less: Suspension	(11 692 535)	450 818 465	436 531 516.35	14 286 948.65	3.17	362 660 212.46
06. Namibian Air Force:						
Original budget	478 417 000					
Less: Virement	(38 850 000)					
Less: Suspension	(13 813 216)	425 753 784	393 802 945.78	31 950 838.22	7.50	373 902 683.74
07. Military Hospital:						
Original budget	136 035 000					
Plus: Virement	3 140 000					
Less: Suspension	(6 985 492)	132 189 508	114 954 570.14	17 234 937.86	13.04	98 892 869.93
08. Namibian Navy:						
Original budget	511 507 000					
Less: Virement	(83 200 000)					
Less: Suspension	(18 915 861)	409 391 139	378 980 976.57	30 410 162.43	7.43	346 768 308.65
09. Defence Attaché:						
Original budget	109 640 000					
Less: Suspension	(7 536 476)	102 103 524	79 610 269.27	22 493 254.73	22.03	54 891 918.25
Total:		7 025 264 000	6 654 559 904.81	370 704 095.19	5.28	6 483 125 234.07

1.2 Standard subdivisions

Subdivision	2015/2016			2014/2015
	Authorised expenditure	Actual expenditure	Under-expenditure/ (Excess)	Actual expenditure
	N\$	N\$	N\$	N\$
Operational:				
Current expenditure: Personnel				
001. Remuneration	3 248 581 000	3 220 849 672.05	27 731 327.95	3 200 285 034.30
002. Employer's contribution to GIPF and MPOOBPF	413 343 000	408 376 025.85	4 966 974.15	413 105 034 .76
003. Other conditions of services	137 967 488	110 141 613.90	27 825 874.10	103 816 692.33
004. Improvement of remuneration structure	415 120	-	415 120.00	-
005. Employers contribution to the Social Security	8 404 000	4 815 141.13	3 588 858.87	-
Total	3 808 710 608	3 744 182 452.93	64 528 155.07	3 717 206 761 .39
Current Expenditure: Goods and Services				
021. Travel and subsistence expenses	72 360 000	60 318 028.16	12 041 971.84	54 542 536.64
022. Materials and supplies	692 880 512	600 158 866.69	92 721 645.31	418 864 479.76
023. Transport	202 761 591	139 305 919.69	63 455 671.31	140 210 482.31
024. Utilities	161 643 000	144 592 943.69	17 050 056.31	120 774 695.93
025. Maintenance expenses	190 758 000	184 036 727.24	6 721 272.76	127 311 802.66
026. Property rental and related charges	17 850 000	16 368 225.77	1 481 774.23	17 031 834.66
027. Other services and expenses	127 625 099	122 280 144.61	5 344 954.39	94 338 121.43
Total	1 465 878 202	1 267 060 855.85	198 817 346.15	973 073 953.39
Current expenditure: Subsidies, grants and other transfers				
041. Membership fees and subscriptions: International	450 000	430 432.11	19 567.89	158 863.65
042. Membership fees and subscriptions: Domestic	70 000	37 135.66	32 864.34	17 200.00
043. Government organisations	1 500 000	1 408 282.77	91 717.23	580 311.69
044. Individuals and non-profit organisations	14 744 000	14 744 000.00	-	15 000 000.00
Total	16 764 000	16 619 850.54	144 149.46	15 756 375.34
Total: Current expenditure	5 291 352 810	5 027 863 159.32	263 489 650.68	4 706 037 090.12
Capital expenditure: Acquisition of assets				
101. Furniture and office equipment	36 262 996	32 225 106.09	4 037 889.91	25 574 634.01
102. Vehicles	32 211 686	28 196 853.83	4 014 832.17	57 482 049.58
103. Operational equipment, machinery and plant	1 011 411 508	927 948 871.08	83 462 636.92	1 089 802 424.19
Total	1 079 886 190	988 370 831.00	91 515 359.00	1 172 859 107.78
Total: Operational expenditure	6 371 239 000	6 016 233 990.32	355 005 009.68	5 878 896 197.90
Development:				
Capital expenditure: Acquisition of assets				
103. Operational equipment, machinery and plant	450 000 000	434 409 250.07	15 590 749.93	373 224 627.17
105. Feasibility studies, design and supervision	1 500 000	1 487 896.46	12 103.54	2 853 581.21
107. Construction, renovation and improvements	202 525 000	202 428 767.96	96 232.04	228 150 827.79
Total: Development expenditure	654 025 000	638 325 914.49	15 699 085.51	604 229 036.17
GRAND TOTAL	7 025 264 000	6 654 559 904.81	370 704 095.19	6 483 125 234.07

1.3 Departmental revenue

Revenue for the year is as follows:

Revenue head	Estimate	Actual revenue 2015/2016	More/(Less) than estimated	Actual revenue 2014/2015
	N\$	N\$	N\$	N\$
Ministerial fines	350 000	483 269.23	133 269.23	440 612.93
Sale of serviceable stores and equipment	100 000	-	(100 000.00)	-
Lost equipment and stores	50 000	2 100.00	(47 900.00)	4 331.21
Miscellaneous	112 381 467	1 262 724.40	(111 118 742.60)	1 943 735.36
Private telephone calls	5 000	900.00	(4 100.00)	5 404.04
Total	112 886 467	1 748 993.63	(111 137 473.37)	2 394 083.54

1.4 Notes to the financial statements

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

(i) Underexpenditure

Main Division 02: Administration (N\$ 94 523 204.23- 6.38%)

The underexpenditure under this main division is mainly under goods & other services and the acquisition of Capital Assets. As a cost saving measure and to reduce expenditure, the Ministry of Defence reprioritized its activities under these two expenditure categories, which resulted in the underexpenditure. Some of the measures included the reduction of local and foreign travelling, the prioritising of training and the minimising of the procurement of materials & supplies and furniture & office equipment. This exercise was meant to address the recruits, but the recruitment was also delayed, resulting in the underspending.

Another reason for the under spending under the main division, of which the Ministry of Finance is aware of, is that the amount of N\$ 156 million both from arms and ammunition and transport for aircraft spare parts being contractual payments in favour of Polytechnologies, a Chinese company, was returned by the Bank of New York after closing of the financial year.

Main Division 03: Training (N\$ 14 221 364.59 – 3.11%)

The under spending under this main division was mainly as a result of the abovementioned measures introduced, as well as the delayed receipts of invoices of the supply of rations to the Military school from its supplier August 26 Logistics (Pty) Ltd. Another factor influencing the underexpenditure was the delayed intake of 1,000 military recruits, which also had a ripple effect for the under spending on salaries, transport, rations and uniforms for the recruits. The delay in the recruitment process impacted the other main divisions of Army, Air Force and Navy negatively when recruits that finished training are allocated to these three services late.

Main Division 04: Army (N\$ 145 518 417.64 – 4.09%)

The under spending of 4.09% under this Main Division is the result of the decisions not to undertake any United Nations (UN) or African Union (AU) peacekeeping operations during the 2015/2016 financial year and the postponement of the training exercises. The Army also experienced the delay in the receipt of invoices for the supply of rations to all Military bases under the Army from its supplier August 26 Logistics (Pty) Ltd. The delayed recruitment of 1,000 recruits as explained under Main Division 03: Training also resulted in the underexpenditure under this main division.

Main Division 05: 21st Guard Battalion (N\$ 14 286 948.65 – 3.17%)

The underexpenditure under this main division is directly the result of the cost saving measures introduced by the Ministry of Defence, specifically on goods and other services, as well as the delayed receipt of invoices for the supply of rations to the 21st Guard Battalion.

Main Division 06: Air Force (N\$ 31 950 838.22 – 7.50%)

Main division 06 underspend with 7.50% mainly as a result of the delay in the recruitment process as recruits could not report in the month they were supposed to report and budgetary provision was already made. Additionally, the number of foreign experts deputed to the Air Force was reduced before the end of the financial year.

Main Division 07: Military Hospital (N\$ 17 234 937.86 – 13.04%)

The highly specialised careers in the field of Medicine made recruitment and appointments of medical professional very difficult to replace outgoing professionals at the Military Hospital because of retirement, resignations, inter-ministerial transfers and deaths, therefore the under spending on personnel expenditure under this main division. In addition, contractors failed to complete the following work at the Military Hospital before the end of the financial year; renovations of the hall, installation of the incinerator, the fencing of the TB clinic, the refrigerator temperature adjustment at the mortuary, the supply of the anaesthesia and sonar machine, as well as renovation and construction at Peter Mweshihange Military Health Centre.

Main Division 08: Navy (N\$ 30 410 162.43 – 7.43%)

The under spending on this main division is as stated under main divisions 02 and 03. Additionally, the Navy ordered uniforms from Brazil through the August 26 Textile Company. However, there was a delay in the production of the uniforms due to an error in the design of the uniform. The service of the Navy's vessels was also delayed because of the unavailability of the spare and service parts in Namibia and had to be sourced from the country of origin.

Main Division 09: Defence Attaché (N\$ 22 493 254.73 – 22.03%)

The Main Division recorded an under spending of 22.03% because of the delayed deployment and accreditation of the Defence Attaché to Tanzania, Washington and Cuba by the host nations. The process took longer than anticipated and negatively influenced expenditure on the related sub divisions. Finally, the exchange rate fluctuations between the international currencies where our Defence attaché's are located and the Namibia Dollar also resulted in the underexpenditure.

1.4.2 Departmental revenue: Explanation of variations exceeding N\$ 200 000

(i) Over-estimation

Miscellaneous

The reduced revenue collected on the Miscellaneous revenue heading, was mainly because the Ministry of Defence expected increased participation in the United Nation's Peace Keeping Operations (UNIMAG) for the provision of Staff officers and Military observers.

2 GENERAL INFORMATION

2.1 Compensation Payments (Valid claims against the state)

The Accounting Officer reported that a total amount of N\$ 311 624.70 was spent for compensation payments to third parties against the Ministry with the relevant Treasury authorization.

2.2 Bank Accounts

The Ministry operated the following bank accounts approved by Treasury. The Accounting Officer submitted a statement listing the bank accounts with the following closing balances as at 31 March 2016:

Name of the Account	Banking Institution	Balance at 31 March 2016 (Debit)/Credit
Ministry of Defence Funds (Call Account)	First National Bank, Windhoek, Namibia	N\$ 164 912.63
August 26 Trust Account	Nedbank of Namibia, Windhoek	N\$ 6 043 355.28
Namibia Defence Attaché Account	Commercial Bank of Ethiopia, Addis Ababa	US\$ 123 655.35
Embassy of the Republic of Namibia	Bank of China, Beijing, China	RMB 596 010.69
Namibia Defence Adviser Account	First National Bank of South Africa, Pretoria	ZAR 222 144.97
Embassy of Namibia (MOD)	Stanbic Bank Congo, Kinshasa	US\$ 184 137.53
Permanent Mission of Namibia to the United Nations	JP Morgan Chase Bank, United Nations, New York	US\$ 212 591.85
Namibia Defence Attaché Account	Commerzbank, Berlin, Germany	€ 138 287.61
Namibia Defence Attaché Account	Banco de Fomento, SARM, Luanda, Angola	US\$ 97 769.66
Embassy of the Republic of Namibia	UniCredit Bank, Russia	RUR 921 701.22
Namibian High Commission	Stanbic Bank, Harare, Zimbabwe	US\$ 74 653.24
Embassy of the Republic of Namibia	First National Bank, Botswana, Gaborone	P 703 190.06
High Commission of Namibia	Royal Bank of Scotland, New Delhi, India	US\$ 64 609.54
Embassy of the Republic of Namibia	Banco do Brasil, Brazil	US\$ 583 816.30
Namibian High Commission	Standard Chartered Bank, Zambia	US\$ 54 864.78
High Commission of the Republic of Namibia	Stanbic Bank, Dar es Salaam, Tanzania	US\$ 29 951.53

2.3. Capital projects

The Accounting Officer reported the following development projects of the Ministry for the year under review as follows:

Project Name	Approved total Budget	Total expenditure at 31/03/2015 (a)	Approved appropriation for the year 2015/2016	Actual expenditure per ledger for the year 2015/2016 (b)	Total actual expenditure at 31/03/2016 (c=a+b)	Expected year of completion
Leopards Valley Military Base	N\$ 800 900 000	N\$ 207 824 372.17	N\$ 80 000 000	N\$ 25 083 018.82	N\$ 232 907 390.99	01/04/2025
Keetmanshoop Military Base	241 466 000	122 538 439.64	7 000 000	6 985 245.87	129 523 685.51	01/04/2020
Walvis Bay Naval Base	395 550 000	279 921 433.01	20 475 000	14 881 030.20	294 802 463.21	31/03/2025
Research and Development	6 657 655 000	3 027 474 838.51	450 000 000	434 409 250.07	3 461 884 088.58	30/03/2030
Karibib Airport Air Force Base	348 450 000	182 682 622.72	20 500 000	13 385 801.47	196 068 424.19	31/03/2020
Feasibility study, design and supervision of Military Bases	24 725 000	8 289 610.91	1 500 000	1 487 896.46	9 777 507.37	31/03/2030
Oshivelo Army Battle School	395 750 000	36 285 339.08	6 500 000	6 498 449.54	42 783 788.62	31/03/2030
Gobabis Military Base	551 184 000	48 331 282.96	5 000 000	4 943 913.30	53 275 196.26	31/03/2025
Oluno Military Base	573 034 000	112 059 617.74	21 050 000	18 112 550.15	130 172 167.89	31/03/2030
Otiwarongo Military Base	545 434 000	44 690 443.33	10 000 000	8 721 252.32	53 411 695.65	31/03/2025
Rehabilitation of old bases	615 250 000	143 270 271.34	20 000 000	93 465 076.23	236 735 347.57	31/03/2030
General Military Referral Hospital	800 000 000	17 355 849.29	3 000 000	1 871 721.76	19 227 571.05	30/03/2020
Osona Military Base	115 000 000	18 245 505.93	3 000 000	2 930 278.15	21 175 784.08	31/03/2023
Mpacha Military Base	545 434 000	17 068 030.48	6 000 000	5 550 429.15	22 618 459.63	01/04/2030
Total	12 609 832 000	4 266 037 657.11	654 025 000	638 325 914.49	4 904 363 570.60	

2.4 Bursaries and Study Assistance

The Accounting Officer reported that a total amount of N\$ 34 324 100.79 was spent on study assistance for staff members undertaking qualifying and short courses.

2.5 Suspense accounts

The Accounting Officer reported five (5) suspense accounts with outstanding balances at the end of the financial year, three (3) with debit balances and two (2) with credit balances.

Suspense account	Debit/(Credit)
	N\$
S&T Advance Suspense Account	2 315 945.21
Rejection Account	764 152.17
Bills Payable	(15 526 983.06)
RD Cheques	1 000.00
Electronic Fund Transfer Clearing Account (EFT)	(1 276.17)

2.6 Exemption from normal Tender Board procedures

The Accounting Officer reported approved Tender Exemptions amounting to N\$ 705 712 400 for the following goods and services for the period under review:

Exemption number	Description	Approved exemptions	Actual expenditure	Difference
E1/5-1/2015	Travel and subsistence expenses	N\$ 61 265 000	N\$ 60 318 028.16	N\$ 946 971.84
	Materials and supplies	100 000 000	18 595 685.80	81 404 314.20
	Transport	120 000 000	33 431 053.63	86 568 946.37
	Utilities	161 933 400	8 090 025.38	153 843 374.62
	Maintenance expenses	100 000 000	14 147 030.63	85 852 969.37
	Property rental	45 000 000	2 074 102.09	42 925 897.91
	Other services & expenses	100 000 000	76 157 984.64	23 842 015.36
	Grants, contributions and other transfers	17 514 000	502 759.82	17 011 240.18
	Total	705 712 400	213 316 670.15	492 5 729.85

2.7 Miscellaneous Revenue

Miscellaneous Revenue comprised of the following:

Description	Amount
	N\$
Manual Journals	591 915.59
Payroll	133 211.68
Miscellaneous receipts	537 597.13
Total	1 262 724.40

2.8 Donations

The Accounting Officer reported the following donations with the necessary Treasury approval:

Donor	Item	Value
		N\$
Federal Republic of Germany	Motor vehicle	654 249.24
United States of America	Medical equipment	35 522.60
Federal Republic of Germany	Mobile Cellular Phones	5 000.00
Federal Republic of Germany	Motor Vehicle	154 675.00
Federal Republic of Germany	Medical equipment	1 218 323.10
Germany Advisory Group	Motor Vehicle	350 000.00
Total		2 417 769.94

WINDHOEK, 2016-10-24

**PETRUS SHIVUTE
ACCOUNTING OFFICER**