



REPUBLIC OF NAMIBIA



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

Published by authority

Price (Vat excluded) N\$ 44.00
Report no: 66/2018

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 2017 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, April 2018

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

DEFINITIONS

| | |
|---|--|
| <p>Types of Audit Opinions:</p> | <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. Auditor's do not express an opinion on the financial position of a firm because they have not completed an examination of its accounts or the examination is not broad enough in scope to enable them to form an opinion.</p> <p>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> |
| <p>Treasury:</p> | <p>Financial authority in public service. (The department of Government that has control over the collection, management and disbursement of public revenue).</p> |
| <p>Vote:</p> | <p>Represents an Office/Ministry/Agency.</p> |
| <p>Appropriation Act:</p> | <p>Estimate of expenditure and revenue for a particular financial year presented to the National Assembly, the Act passed by Parliament.</p> |
| <p>Appropriation Account:</p> | <p>Government Income and Expenditure statement, showing on receipt side the estimated budgeted amounts and on expenditure side the actual expenditure amounts and the difference thereof.</p> |
| <p>Standard sub-division:</p> | <p>Government balance account, showing balances incurred on each account/activity.</p> |
| <p>Suspension:</p> | <p>Reduction on budget (Treasury may from time to time withhold or suspend any amount in an estimate of expenditure).</p> |
| <p>Virement:</p> | <p>Moving of budgeted funds from one account to another account within the same budget of the same Office/Ministry/Agency. The utilization of a saving under one main division/sub division of a vote to defray an excess under another existing division of the same vote.</p> |
| <p>Unauthorised Expenditure:</p> | <p>Expenditure that exceeds the amount appropriated (budgeted) for a vote, main division or subdivision.</p> |
| <p>Underexpenditure:</p> | <p>Saving on the budget.</p> |
| <p>Miscellaneous Revenue:</p> | <p>All revenue collected and not having a specified revenue code.</p> |
| <p>Tender Board Exemptions:</p> | <p>To free from an obligation (Tender Board Regulations) to which others are subjected.</p> |
| <p>Commitments:</p> | <p>Funds reserved to acquire goods or services from a supplier.</p> |
| <p>Suspense accounts:</p> | <p>Is an account opened in the books of Government that records movement of transactions of a temporarily nature, for example salary deductions of housing instalments.</p> |
| <p>S&T Advance Suspense Account:</p> | <p>A suspense account reflecting the outstanding subsistence and travel advances.</p> |

| | |
|---------------------------------|--|
| Rejection Account: | A suspense account reflecting names and balances of all persons/companies that owe money to the State. |
| Budget: | Is an estimation of the revenue and expenses over a specified future period of time specified. |
| 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 |
| 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. |

Table of Contents

| | | |
|---------|---|----------|
| 1. | REPORT ON THE FINANCIAL STATEMENTS | 1 |
| 1.1 | INTRODUCTION | 1 |
| 1.2 | MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS | 1 |
| 1.3 | AUDITOR’S RESPONSIBILITY | 1 |
| 1.4 | KEY AUDIT FINDINGS | 2 |
| 1.4.1 | EXPENDITURE..... | 2 |
| 1.4.1.1 | Unauthorised expenditure..... | 2 |
| 1.4.1.2 | Virements | 3 |
| 1.4.1.3 | Accidents - Cost of damages | 3 |
| 1.4.1.4 | Donations..... | 4 |
| 1.4.1.5 | Losses and Damages..... | 4 |
| 1.4.1.6 | Aircraft Maintenance..... | 4 |
| 1.4.1.7 | Appropriation account and Standard Sub-divisions | 4 |
| 1.4.1.8 | Outstanding Subsistence Advances | 5 |
| 1.4.1.9 | Risk Management Policy..... | 6 |
| 1.5 | ACKNOWLEDGEMENT..... | 6 |
| 1.6 | BASIS FOR QUALIFIED AUDIT OPINION..... | 6 |
| 1.7 | QUALIFIED AUDIT OPINION | 6 |
| | ANNEXURE A | 7 |
| 1. | AUDITED FINANCIAL STATEMENTS | 7 |
| 1.1 | APPROPRIATION ACCOUNT | 7 |
| 1.2 | STANDARD SUBDIVISIONS | 9 |
| 1.3 | DEPARTMENTAL REVENUE | 10 |
| 1.4 | NOTES TO THE FINANCIAL STATEMENTS..... | 10 |
| 1.4.1 | Appropriation account: Explanations of variations exceeding 2% between the authorised and actual expenditure..... | 10 |
| 1.4.2 | Departmental revenue: Explanation of variations exceeding N\$ 200 000..... | 11 |
| 2. | GENERAL INFORMATION..... | 12 |
| 2.1 | COMPENSATION PAYMENTS (VALID CLAIMS AGAINST THE STATE)..... | 12 |
| 2.2 | BANK ACCOUNTS | 12 |
| 2.3 | CAPITAL PROJECTS | 13 |
| 2.4 | BURSARIES AND STUDY ASSISTANCE | 14 |
| 2.5 | SUSPENSE ACCOUNTS | 14 |
| 2.6 | EXEMPTION FROM NORMAL TENDER BOARD PROCEDURES | 14 |
| 2.7 | MISCELLANEOUS REVENUE | 15 |
| 2.8 | DONATIONS..... | 15 |
| 2.9 | FIXED PROPERTY BOUGHT | 15 |
| 2.10 | INTERNAL INSPECTION..... | 15 |

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

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 2017 is presented to the National Assembly in accordance with the terms of Article 127(2) of the Constitution of the Republic of Namibia and 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 2017. These financial statements comprise of 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, 1991 (Act 31 of 1991).

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

1.2 MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 12 & 13 of the State Finance Act, 1991(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 the 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/herself 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.

- (i) The total budget was exceeded with an amount of N\$ 185 244 084.07, which is unauthorised in terms of Section 6(a)(i) of the Act;
- (ii) Five main divisions were exceeded with an amount of N\$ 211 647 600.87, which is unauthorised in terms of Section 6(a)(ii) of the Act; and
- (iii) Although Treasury approval was obtained to utilise certain expected savings for the defrayal of expenditure through virements during the year, twenty (20) subdivisions were exceeded with a total amount of N\$ 371 222 943.80 of which nineteen (19) were operational subdivision and one (1) developmental subdivision which is unauthorised in terms of Section 6(a)(iii) of the State Finance Act, 1991 (Act 31 of 1991)

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.

Management comment

In his response on the draft report, the Accounting Officer indicated that the Ministry informed the Ministry of Finance on 31 March 2017 of the differences between the funds distribution certificates (FDC) and the general ledger which is supposed to be integrated of which no action was taken.

1.4.1.2 Virements

The following virements for the respective main divisions as reflected in the appropriation account do not agree with the virements approved by Treasury:

| Main Division | Appropriation account | Approved virements | Difference |
|------------------------|------------------------------|---------------------------|--------------------|
| | N\$ | N\$ | N\$ |
| 02 - Administration | (87 431 625) | (86 247 625) | (1 184 000) |
| 03 - Training | 91 786 625 | 84 159 625 | 7 627 000 |
| 04 - Army | (25 692 000) | (24 064 000) | (1 628 000) |
| 06 - Air Force | 26 832 500 | 30 326 500 | (3 494 000) |
| 07 - Military Hospital | 4 208 125 | 5 843 125 | (1 635 000) |
| 08 - Navy | (5 021 125) | (2 421 125) | (2 600 000) |
| Total | 4 682 500 | 7 596 500 | (2 914 000) |

This issue has been reported four (4) consecutive financial years, 2012/2013, 2013/2014, 2014/2015 and 2015/2016. In his previous responses, the Accounting Officer indicated that internal control measures have been put in place to prevent this from happening in future, however no improvement has taken place.

It is recommended that the Accounting Officer should comply with Treasury Instruction DE 0401 which stipulates that *“Accounting Officer shall keep a meticulous record of virements which were granted in respect of their votes, as, after the books have been closed for the financial year concerned they must indicate the effect on the estimated amounts on the appropriation accounts (whether an increase or decrease).”*

1.4.1.3 Accidents - Cost of damages

The Accounting Officer reported that vehicles repaired by 31st March 2017 amounted to N\$ 1 211 702.66. However, the vouchers that were provided for audit purposes amounted to N\$ 586 131.70. This has resulted in an unexplained difference of N\$ 625 570.96.

It is recommended that the Accounting Officer should explain the discrepancies. It is further 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 (i) the accuracy of the accounting records, accounts and other financial documents under his control and the establishment and maintenance of effective systems of internal auditing and control of state moneys, other property of the state and securities”.*

1.4.1.4 Donations

The Ministry of Defence received a donation of vehicles from the German Armed Forces Technical Advisory Group to Military School worth N\$ 1 698 630.51. However, these vehicles were not disclosed as donated items, in addition, there was no Treasury approval provided for audit purposes.

It is recommended that the Accounting Officer should comply with the Treasury Instruction MA 0101 which stipulates that *“Treasury authorisation shall be obtained before any donations to the state or grant in aid whether in cash or in kind, movable, as well as immovable is accepted”*.

Management comment

In his responses on the draft report, the Accounting Officer indicated that some vehicles were not included in the Treasury authorisation request and also not reported, which was an oversight by the Director of Logistics.

1.4.1.5 Losses and Damages

Circular D12/2016 of the Auditor-General requires the Accounting Officer to report on the Losses/Damages through irregularities or through unavoidable causes within a financial year. The Accounting Officer did not report these Losses and Damages in accordance with Circular D12/2016. However, the audit found a total number of twenty-one (21) motor vehicle accidents occurred in the financial year under review which were due to unauthorised use resulting in an estimated damage cost of N\$ 129 991.91. Furthermore, the Ministry is yet to repair seventy-five (75) vehicles at an estimated cost of N\$ 775 054.35 as a result of unauthorised use.

It is recommended that the Accounting Officer should comply with the reporting requirements of circular D12/2016 of the Auditor-General.

Management comment

In his response on the draft report, the Accounting Officer indicated that he noted the recommendation.

1.4.1.6 Aircraft Maintenance

The Accounting Officer has reported direct expenditure incurred during the year under review amounting to N\$ 198 084 909.17 for Maintenance (Spare parts) of the aircrafts. However, the audit could only verify a total amount of N\$ 60 056 935.29 from the expenditure vouchers presented for audit purposes. This has resulted in an unexplained difference of N\$ 138 027 973.88.

It is recommended that the Accounting Officer should explain the difference and should furnish the required expenditure vouchers in support of the difference.

1.4.1.7 Appropriation account and Standard Sub-divisions

Treasury Instructions DL 0102 – DL 0109 set out the standardised codes and the expenditure under which they belong and Treasury Instruction BC 0301(m) requires a Financial Adviser to check the correctness of the annual appropriation accounts of the votes under his control and other final accounts and statements as required by the Auditor-General. However, it is noted with concern that the General Ledger’s reports such as the Trial Balance and Standard sub-divisions are showing major variances, especially for sub-divisions 021 Travel and Subsistence expenses and 101 Furniture and Office equipment as follows:

| Description | Standard Subdivision | Trial Balance (Authorised Expenditure) | Difference |
|--|---------------------------------|---|-------------------|
| | N\$ | N\$ | N\$ |
| Travel and subsistence allowance - 021 | 50 788 619.73 | 50 946 691.73 | (158 072.00) |
| Furniture and office equipment – 101 | 17 029 824.20 | 17 975 262.20 | (945 438.00) |

An unexplained difference amounting to N\$ 1 103 510.00 was detected between the authorised expenditure in the appropriation account amounting to N\$ 5 946 745 232.18 and the authorised expenditure in the standard subdivision amounting to N\$ 947 848 742.18. These two amounts balances should always be the same.

It is recommended that the Accounting Officer should always scrutinize the financial statements for correctness and report any discrepancies to the Ministry of Finance before the closing of the books for rectification in order to avoid misstatement of the financial statements.

Management comment

In his response on the draft report, the Accounting Officer indicated that the differences were reported to the Ministry of Finance – Treasury on 10 March 2017 and no action was taken by Treasury or any response was received.

1.4.1.8 Outstanding Subsistence Advances

Treasury Instructions HB 0505 requires that a claim for subsistence and other anticipated expenditure should be submitted within 30 days after a person returned to his headquarters and monthly by a person who is elsewhere for a long period. If there are differences between the advance and claim it should be repaid immediately. In addition, Treasury Instruction HB0506 states that where a person neglects to submit a claim, a salary deduction be made and shall not exceed 25% of his/her monthly salary.

The Accounting Officer reported that the Debit balance list had an outstanding amount of N\$ 1 859 726.75 as at 31 March 2017 and the S&T Advance Suspense Account had a closing balance of N\$ 2 050 078.01 resulting in an unexplained difference of N\$ 190 351.26.

It is recommended that the Accounting Officer should adhere to Treasury Instructions HB 0505 and HB 0506.

Management comment

In his response on the draft report, the Accounting Officer indicated that the recovery and clearance of outstanding S&T is a continuous function of the Directorate of Finance to ensure compliance to Treasury instructions HB0505 and HB0506.

1.4.1.9 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 risk 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.

Management comment

In his response on the draft report, the Accounting Officer indicated that the development of Ministerial Risk Management Policy is in progress.

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:

- Unauthorised expenditure – Paragraph 1.4.1.1
- Virements – Paragraph 1.4.1.2
- Accidents-Cost of Damages – Paragraph 1.4.1.3
- Donation – Paragraph 1.4.1.4
- Aircraft Maintenance – Paragraph 1.4.1.6

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 2017 in accordance with the terms of Article 127(2) of the Namibian Constitution and Section 25(1) of the State Finance Act, 1991 (Act 31 of 1991).

In my opinion, 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 2017 and its financial performance and its receipts and payments for the year then ended in accordance with Section 12 and 13 of the State Finance Act, 1991 (Act 31 of 1991).



WINDHOEK, April 2018

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

1. AUDITED FINANCIAL STATEMENTS

1.1 Appropriation account

| 2016/2017 | | | | | | 2015/2016 |
|------------------------------------|------------------------|--------------------|--------------------------------|-----------------|--------------------|------------------|
| Service | Authorised expenditure | Actual expenditure | Variations | | Actual expenditure | |
| | | | Under-expenditure/ (Excess) | Percent-age | | |
| N\$ | N\$ | N\$ | N\$ | % | N\$ | |
| 01. Office of the Minister: | | | | | | |
| Original budget | 9 800 000.00 | | | | | |
| Less: Virements | (1 847 000.00) | | | | | |
| Less: Suspension | (3 916 978.00) | 4 036 022.00 | 3 816 464.95 | 219 557.05 | 5.44 | 7 556 033.16 |
| 02. Administration: | | | | | | |
| Original budget | 1 250 759 000.00 | | | | | |
| Less: Virement | (87 431 625.00) | | | | | |
| Less: Suspension | (249 369 443.00) | 913 957 932.11 | 922 123 756.41 | (8 165 824.30) | (0.89) | 1 386 374 691.77 |
| 03. Training: | | | | | | |
| Original budget | 426 149 000.00 | | | | | |
| Plus: Virement | 91 786 625.00 | | | | | |
| Less: Suspension | (2 329 026.20) | 515 606 598.80 | 554 268 119.21 | (38 661 520.41) | (7.50) | 442 989 861.41 |
| 04. Namibian Army: | | | | | | |
| Original budget | 3 383 783 000.00 | | | | | |
| Less: Virement | (25 692 000.00) | | | | | |
| Less: Suspension | (228 775 496.70) | 3 129 315 503.30 | 3 229 065 790.81 | (99 750 287.51) | (3.19) | 3 413 759 040.36 |
| 05. 21st Brigade | | | | | | |
| Original budget | 459 832 000.00 | | | | | |
| Plus: Virement | 12 550 500.00 | | | | | |
| Less: Suspension | (46 286 235.00) | 426 096 265.00 | 456 005 828.43 | (29 909 563.43) | (7.02) | 436 531 516.35 |
| 06. Namibian Air Force: | | | | | | |
| Original budget | 435 946 000.00 | | | | | |
| Plus: Virement | 26 832 500.00 | | | | | |
| Less: Suspension | (42 227 930.04) | 420 550 569.96 | 400 044 795.61 | 20 505 774.35 | 4.88 | 393 802 945.78 |
| 07. Military Hospital: | | | | | | |
| Original budget | 115 477 000.00 | | | | | |
| Plus: Virement | 4 208 125.00 | | | | | |
| Less: Suspension | (11 650 618.00) | 108 034 507.00 | 102 413 879.93 | 5 620 627.07 | 5.20 | 114 954 570.14 |

ANNEXURE A (continued)

| 2016/2017 | | | | | 2015/2016 |
|-----------------------------|-------------------------|-------------------------|-----------------------------|-----------------|-------------------------|
| Service | Authorised expenditure | Actual expenditure | Variations | | Actual expenditure |
| | | | Under-expenditure/ (Excess) | Percentage | |
| | N\$ | N\$ | N\$ | N\$ | N\$ |
| 08. Namibian Navy: | | | | | |
| Original budget | 419 668 000.00 | | | | |
| Less: Virement | (5 021 125.00) | | | | |
| Less: Suspension | (63 611 148.00) | 351 035 727.00 | 386 196 132.22 | (35 160 405.22) | (10.02) |
| | | | | | 378 980 976.57 |
| 09. Defence Attaché: | | | | | |
| Original budget | 99 125 000.00 | | | | |
| Less: Virement | (15 386 000.00) | | | | |
| Less: Suspension | (5 626 892.99) | 78 112 107.01 | 78 054 548.68 | 57 558.33 | 0.07 |
| | | | | | 79 610 269.27 |
| Total: | 5 946 745 232.18 | 6 131 989 316.25 | (185 244 084.07) | (3.12) | 6 654 559 904.81 |

ANNEXURE A (continued)

1.2 Standard subdivisions

| Subdivision | 2016/2017 | | | 2015/2016 |
|---|-------------------------|-------------------------|--------------------------------|-------------------------|
| | Authorised expenditure | Actual expenditure | Under-expenditure/ (Excess) | Actual expenditure |
| | N\$ | N\$ | N\$ | N\$ |
| Operational: | | | | |
| Current expenditure: Personnel | | | | |
| 001. Remuneration | 3 345 415 514.96 | 3 631 548 961.05 | (286 133 446.09) | 3 220 849 672.05 |
| 002. Employer's contribution to the GIPF and M.P.O.O.B.P.F. | 464 113 000.00 | 427 674 365.39 | 36 438 634.61 | 408 376 025.85 |
| 003. Other conditions of service | 109 294 000.00 | 114 128 240.43 | (4 834 240.43) | 110 141 613.90 |
| 004. Improvement of remuneration structure | 375.00 | - | 375.00 | - |
| 005. Employer's contribution to the Social Security | 16 898 000.00 | 13 989 658.17 | 2 908 341.83 | 4 815 141.13 |
| Total | 3 935 720 889.96 | 4 187 341 225.04 | (246 786 094.65) | 3 744 182 452.93 |
| Current Expenditure: Goods and Services | | | | |
| 021. Travel and subsistence expenses | 50 946 691.73 | 47 993 895.88 | 2 952 795.85 | 60 318 028.16 |
| 022. Materials and supplies | 446 265 000.00 | 414 231 257.48 | 32 033 742.52 | 600 158 866.69 |
| 023. Transport | 153 036 601.00 | 153 937 083.41 | (900 482.41) | 139 305 919.69 |
| 024. Utilities | 130 463 000.00 | 130 292 402.31 | 170 597.69 | 144 592 943.69 |
| 025. Maintenance expenses | 161 706 253.00 | 160 893 843.87 | 812 409.13 | 184 036 727.24 |
| 026. Property rental and related charges | 19 476 000.00 | 19 425 540.64 | 50 459.36 | 16 368 225.77 |
| 027. Other services and expenses | 117 532 294.64 | 117 435 763.86 | 96 530.78 | 122 280 144.61 |
| Total | 1 079 425 840.37 | 996 215 891.57 | 35 216 052.92 | 1 267 060 855.85 |
| Current expenditure: Subsidies, grants and other transfers | | | | |
| 041. Membership fees and subscriptions: International | 400 000.00 | 393 722.38 | 6 277.62 | 430 432.11 |
| 042. Membership fees and subscriptions: Domestic | - | - | - | 37 135.66 |
| 043. Government organisations | 975 000.00 | 895 916.27 | 79 083.73 | 1 408 282.77 |
| 044. Individuals and non-profit organisations | 15 481 000.00 | 15 481 000.00 | - | 14 744 000.00 |
| Total | 16 856 000.00 | 16 770 638.65 | 85 361.35 | 16 619 850.54 |
| Total: Current expenditure | 5 032 002 730.33 | 5 248 321 651.14 | (216 318 920.81) | 5 027 863 159.32 |
| Capital expenditure: Acquisition of assets | | | | |
| 101. Furniture and office equipment | 17 975 262.20 | 13 077 404.33 | 4 897 857.87 | 32 225 106.09 |
| 102. Vehicles | 25 781 401.00 | 23 976 086.40 | 1 805 314.60 | 28 196 853.83 |
| 103. Operational equipment, machinery and plant | 390 739 248.00 | 384 008 917.75 | 6 730 330.25 | 927 948 871.08 |
| Total | 434 495 911.20 | 421 062 408.48 | 13 433 502.72 | 988 370 831.00 |
| Total: Operational expenditure | 5 466 498 641.53 | 5 669 384 059.62 | (198 051 177.66) | 6 016 233 990.32 |
| Development: | | | | |
| Capital expenditure: Acquisition of assets | | | | |
| 103. Operational equipment, machinery and plant | 285 576 000.00 | 265 084 653.48 | 20 491 346.52 | 434 409 250.07 |
| 105. Feasibility studies, design and supervision | 1 800 000.00 | 1 699 776.18 | 100 223.82 | 1 487 896.46 |
| 107. Construction, renovation and improvements | 193 974 100.65 | 195 820 826.97 | (1 846 726.32) | 202 428 767.96 |
| Total: Development expenditure | 481 350 100.65 | 462 605 256.63 | 18 744 844.02 | 638 325 914.49 |
| GRAND TOTAL | 5 947 848 742.18 | 6 131 989 316.25 | (184 140 574.07) | 6 654 559 904.81 |

1.3 Departmental revenue

Revenue for the year is as follows:

| Revenue head | Estimate | Actual revenue 2016/2017 | More/(Less) than estimated | Actual revenue 2015/2016 |
|--|--------------------|--------------------------|----------------------------|--------------------------|
| | N\$ | N\$ | N\$ | N\$ |
| Ministerial fines | 360 000 | 477 748.61 | 117 748.61 | 483 269.23 |
| Sale of serviceable stores and equipment | 110 000 | - | (110 000.00) | - |
| Lost equipment and stores | 60 000 | 8 062.00 | (51 938.00) | 2 100.00 |
| Miscellaneous | 123 081 588 | 17 257 764.21 | (105 823 823.79) | 1 262 724.40 |
| Private telephone calls | 5 000 | - | (5 000.00) | 900.00 |
| Total | 123 616 588 | 17 743 574.82 | (105 873 013.18) | 1 748 993.63 |

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 01: Office of the Minister (N\$ 219 557.05 - 5.44%)

The underexpenditure under Main Division 01 was as a result of the provision made for the appointment of a special advisor to the Minister of Defence. The special advisor to the Minister was appointed by His Excellency the President, and the ministry was unaware when the appointment will be made. The Ministry was obliged to make provision for this appointment, hence the underexpenditure of 5.44% on the personnel expenditure category against the total budget of the main division 01.

Main Division 06: Air Force (N\$ 20 505 774.35 – 4.88%)

Main Division 06 under spent with 4.88% mainly as a result of the delay in the recruitment process as recruits could not report in the month they were supposed to report to the different services, and for which budgetary provision was already made. Therefore an underexpenditure of 5.19% on personnel expenditure category against the total budget for the main division 06 was realised.

Main Division 07: Military Hospital (N\$ 5 620 627.07 – 5.20%)

The highly specialised careers in the field of medicine made recruitment and appointment of medical professionals very difficult to replace outgoing professional at the Military Hospitals because of retirements, resignations, inter-ministerial transfer and deaths. Therefore the under spending of 4.77% on the personnel expenditure category against the total budget for the main division 07 was realised.

(ii) Over-expenditure

Main Division 03: Training (N\$ 38 661 520.41 – 7.50%)

The overspending under Main Division 03 was as the result of the budget suspensions done by the Ministry of Finance for the 2016/2017 financial year, over and above the amount proposed by the Ministry of Defence. The total amount suspended by the Ministry of Finance on the personnel expenditure category of the Ministry of Defence amounts to N\$ 355 131 695.00 resulting in a -7.50% overexpenditure on the personnel expenditure category against the total budget for this main division 03.

Main Division 04: National Army (N\$ 99 750 287.51 - -3.19%)

The overspending under Main Division 04 was as a result of the budget suspensions done by the Ministry of Finance for the 2016/2017 financial year, over and above the amount proposed by the Ministry of Defence. The total amount suspended by the Ministry of Finance on the personnel expenditure category of the Ministry of Defence amounts to N\$ 355 131 695.00 resulting in a -4.93% overexpenditure on the personnel expenditure category against the total budget for this main division 04.

Main Division 05: 21st Guard Battalion (N\$ 29 909 563.43 – 7.02%)

The overspending under Main Division 04 was as a result of the budget suspensions done by the Ministry of Finance for the 2016/2017 financial year, over and above the amount proposed by the Ministry of Defence. The total amount suspended by the Ministry of Finance on the personnel expenditure category of the Ministry of Defence amounts to N\$ 355 131 695.00 resulting in a -7.17% over-expenditure on the personnel expenditure category against the total budget for this main division 05.

Main Division 08: Namibian Navy (N\$ 35 160 405.22 – 10.02%)

The overspending under Main Division 04 was as the result of the budget suspensions done by the Ministry of Finance for the 2016/2017 financial year, over and above the amount proposed by the Ministry of Defence. The total amount suspended by the Ministry of Finance on the personnel expenditure category of the Ministry of Defence amounts to N\$ 355 131 695.00 resulting in a -10.02% over-expenditure on the personnel expenditure category against the total budget for this main division 08.

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

(i) Over-estimation

Miscellaneous Revenue

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. However, only limited participation was possible during the financial year.

2. GENERAL INFORMATION

2.1 Compensation Payments (Valid claims against the state)

The Accounting Officer reported that a total amount of N\$ 1 125 035.32 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 bank statement balances as at 31 March 2017:

| Name of the Account | Banking Institution | Amount (Debit)/Credit |
|--|--|-----------------------|
| Ministry of Defence Funds (Call Account) | First National Bank, Windhoek, Namibia | N\$ 90 335.03 |
| August 26 Trust Account | Nedbank of Namibia, Windhoek | N\$ 3 176 540.01 |
| Namibia Defence Attaché Account | Commercial Bank of Ethiopia, Addis Ababa | US\$ 139 605.19 |
| Embassy of the Republic of Namibia | Bank of China, Beijing, China | US\$ 133 825.58 |
| Namibia Defence Adviser Account | First National Bank of South Africa, Pretoria | ZAR 629 144.23 |
| Embassy of Namibia (MOD) | Stanbic Bank Congo, Kinshasa | US\$ 148 141.66 |
| Permanent Mission of Namibia to the United Nations | JP Morgan Chase Bank, United Nations, New York | US\$ 113 208.99 |
| Namibia Defence Attaché Account | Commerzbank, Berlin, Germany | € 170 023.97 |
| Namibia Defence Attaché Account | Banco de Fomento, SARL, Luanda, Angola | US\$ 80 177.87 |
| Embassy of the Republic of Namibia | UniCredit Bank, Russia | US\$ 23 561.50 |
| Namibian High Commission | Stanbic Bank, Harare, Zimbabwe | US\$ 121 913.23 |
| Embassy of the Republic of Namibia | First National Bank, Botswana, Gaborone | P 1 445 212.80 |
| High Commission of Namibia | Royal Bank of Scotland, New Delhi, India | US\$ 32 480.74 |
| Embassy of the Republic of Namibia | Banco do Brasil, Brazil | US\$ 1 240 085.24 |
| Namibian High Commission | Standard Chartered Bank, Zambia | US\$ 8 636.04 |
| High Commission of the Republic of Namibia | Stanbic Bank, Dar es Salaam, Tanzania | US\$ 28 617.44 |
| Embassy of Namibia, Defence | Banco Metropolitano, Havana, Cuba | US\$ 92 097.24 |
| Embassy of Namibia, Defence Attaché Office | Bank of America, N.A, Washington | US\$ 100 977.48 |

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 31/03/2016 | Approved appropriation for the year 2016/2017 | Actual expenditure per ledger for the year 2016/2017 | Total actual expenditure at 31/03/2017 | Expected year of completion |
|---|-----------------------|---------------------------------|---|--|--|-----------------------------|
| Upgrading of Leopards Valley Military Base | N\$ 800 900 000 | N\$ 232 907 390.99 | N\$ 44 000 000.00 | N\$ 38 968 336.00 | N\$ 271 875 726.99 | 01/04/2025 |
| Construction of Keetmanshoop Military Base | 241 466 000 | 129 523 685.51 | 13 000 000.00 | 7 670 787.67 | 137 194 473.18 | 01/04/2020 |
| Construction of Walvis Bay Naval Base | 395 550 000 | 294 802 463.21 | 14 400 000.00 | 9 108 809.51 | 303 911 272.72 | 31/03/2025 |
| Research and Development | 6 657 655 000 | 3 461 884 088.58 | 285 576 000.00 | 265 084 653.48 | 3 726 968 742.0 | 30/03/2030 |
| Construction of Karibib Airport Air Force Base | 348 450 000 | 196 068 424.19 | 10 800 000.00 | 10 183 443.60 | 206 251 867.79 | 31/03/2020 |
| Feasibility study, design and supervision of Military Bases | 24 725 000 | 9 777 507.37 | 1 800 000.00 | 1 699 776.18 | 11 477 283.55 | 31/03/2030 |
| Construction of Oshivelo Army Battle School | 395 750 000 | 42 783 788.62 | 10 800 000.00 | 2 873 861.64 | 45 657 650.26 | 31/03/2030 |
| Construction of Gobabis Military Base | 551 184 000 | 53 275 196.26 | 7 200 000.00 | 3 342 787.35 | 56 617 983.61 | 31/03/2025 |
| Construction of Oluno Military Base | 573 034 000 | 130 172 167.89 | 10 800 000.00 | 7 984 382.20 | 138 156 550.09 | 31/03/2030 |
| Upgrading and renovation of Otjiwarongo Military Base | 545 434 000 | 53 411 695.65 | 13 000 000.00 | 8 780 092.50 | 62 191 788.15 | 31/03/2025 |
| Rehabilitation of old bases countrywide | 615 250 000 | 236 735 347.57 | 31 600 000.00 | 81 368 045.31 | 318 103 392.88 | 31/03/2030 |
| Construction of General Military Referral Hospital | 800 000 000 | 19 227 571.05 | 29 274 100.65 | 20 581 800.54 | 39 809 371.59 | 30/03/2020 |
| Upgrading of Osona Military Base | 115 000 000 | 21 175 784.08 | 3 400 000.00 | 1 435 022.33 | 22 610 806.41 | 31/03/2023 |
| Construction of Mpacha Military Base | 545 434 000 | 22 618 459.63 | 5 700 000.00 | 3 523 458.32 | 26 141 917.95 | 01/04/2030 |
| Total | 12 609 832 000 | 4 904 363 570.60 | 481 350 100.65 | 462 605 256.63 | 5 366 968 827.23 | |

2.4 Bursaries and Study Assistance

The Accounting Officer reported that a total amount of N\$ 26 424 220.02 was spent on study assistance for staff members undertaking qualifying and short courses.

2.5 Suspense accounts

The Accounting Officer reported seven (7) suspense accounts with outstanding balances at the end of the financial year, three (3) with debit balances and four (4) with credit balances as follows:

| Suspense account | Debit/(Credit) |
|---|----------------|
| | N\$ |
| Social Security | (162.00) |
| S&T Advance Suspense Account | 2 050 078.01 |
| Rejection Account | 1 146 343.87 |
| Bills Payable | (6 352 599.28) |
| RD Cheques | 1 000.00 |
| Electronic Fund Transfer Clearing Account (EFT) | (366 098.20) |
| Defence Force Foundation | (20 013.55) |

2.6 Exemption from normal Tender Board procedures

The Accounting Officer reported approved Tender Exemptions amounting to N\$ 577 452 000 for the following goods and services for the period under review:

| Exemption number | Description | Approved exemptions | Actual expenditure | Difference |
|------------------|---|---------------------|-----------------------|-----------------------|
| | | N\$ | N\$ | N\$ |
| E1/5-1/2016 | Travel and subsistence expenses | 57 274 000 | 47 993 895.88 | 9 280 104.12 |
| | Materials and supplies | 100 000 000 | 28 679 971.78 | 71 320 028.22 |
| | Transport | 70 000 000 | 30 154 246.52 | 39 845 753.48 |
| | Utilities | 145 405 000 | 6 977 079.12 | 138 427 920.88 |
| | Maintenance expenses | 70 000 000 | 11 903 331.00 | 58 096 669.00 |
| | Property rental | 39 292 000 | 5 311 301.28 | 33 980 698.72 |
| | Other services and expenses | 80 000 000 | 74 578 551.27 | 5 421 448.73 |
| | Grants, contributions and other transfers | 15 481 000 | 1 040 578.00 | 14 440 422.00 |
| | Total | 577 452 000 | 206 638 954.85 | 370 813 045.15 |

2.7 Miscellaneous Revenue

Miscellaneous Revenue comprised of the following:

| Description | Amount |
|------------------------|----------------------|
| | N\$ |
| Manual Journals | 50 334.68 |
| Payroll | 453 575.43 |
| Miscellaneous receipts | 16 753 854.10 |
| Total | 17 257 764.21 |

2.8 Donations

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

| Donor | Item | Value |
|--|--------------------------------------|----------------------|
| | | N\$ |
| British Support Team | 112 Books | 87 520.20 |
| United States of America-ITECH | Motor Vehicle | 140 000.00 |
| German Armed Forces Technical Advisory Group | Motor Vehicles and various equipment | 3 906 446.50 |
| Total | | 14 133 966.70 |

2.9 Fixed Property Bought

The Ministry bought four (4) properties worth N\$ 10 712 294.85 during the year under review.

2.10 Internal Inspection

The Accounting Officer has reported that the Ministry has conducted nine (9) inspections from a total of thirty four (34) inspection points.

WINDHOEK, 2017-10-18

R. ADM PETER VILHO
ACCOUNTING OFFICER

