



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MINISTRY OF DEFENCE
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

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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 2019 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 2020

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 without or suspend any amount in an estimate of expenditure).
Virement:	Moving of budgeted funds from one account to another account within the same budget of the same office/ministry/agency. The utilization of a saving under one main division/sub division of a vote to defray an excess under another existing division of the same vote.
Unauthorised Expenditure:	Expenditure that exceeds the amount appropriated (budgeted) for a vote, main division or subdivision.
Underexpenditure:	Saving on the budget.
Miscellaneous Revenue:	All revenue collected and not having a specified revenue code.
Commitments:	Funds reserved to acquire goods or services from a supplier.
Suspense accounts:	Is an account opened in the books of Government that records movement of transactions of a temporarily nature, for example salary deductions of housing instalments.
S&T Advance Suspense Account:	A suspense account reflecting the outstanding subsistence and travel advances.
Rejection Account:	A suspense account reflecting names and balances of all persons/companies that owe the money to the State.
Budget:	Is an estimation of the revenue and expenses over a specified future period of time 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)
Key performance indicator (KPI):	A measurable value used to monitor and demonstrates how effectively an organization is achieving key business objectives.
International Standards of Supreme Audit Institutions (ISSAI):	Professional standards and best practice guidelines for public sector auditors, officially authorised and endorsed by the International Organisation of Supreme Audit Institutions (INTOSAI).
Types of Audit Opinions:	<p>Unqualified Opinion. In an unqualified report, the auditors conclude that the financial statements of your O/M/A's present fairly its affairs in all material aspects.</p> <p>Qualified Opinion. An auditor's report is qualified when there is either a limitation of scope in the auditor's work, or when there is a disagreement with management regarding application, acceptability or adequacy of accounting policies.</p> <p>Disclaimer Opinion. Auditors do not express an opinion on the financial position of a firm because they have not completed an examination of its accounts or the examination is not broad enough in scope to enable them to form an opinion.</p> <p>Adverse Opinion. The Financial statements of an O/M/A's do not fairly present its actual financial position and the required information was either not disclosed, or (if disclosed) was inadequately disclosed or was inaccurate.</p>
Reasonable Assurance:	It is when the audit conclusion is expressed positively, conveying that, in the auditor's opinion, the subject matter is or is not compliant in all material respects or, where relevant, that the subject matter information provides a true and fair view, in accordance with the applicable criteria.
Limited Assurance:	It is when the audit conclusion states that, based on the procedures performed; nothing has come to the auditor's attention to cause the auditor to believe that the subject matter is not in compliance with the criteria.
Direct reporting engagement:	It is when an auditor measures or evaluates the subject matter against the criteria. The auditor is responsible for producing the subject matter information. The auditor selects the subject matter and criteria, taking into consideration risk and materiality. By measuring the subject matter evidence against the criteria, the auditor is able to form a conclusion.

Attestation engagement:	It is when a responsible party (the entity) measures the subject matter against the criteria and presents the subject matter information, on which you, the auditor, then gather sufficient and appropriate audit evidence to provide a reasonable basis for forming a conclusion.
Subject matter:	Refers to the information, condition or activity that is measured or evaluated against certain criteria.
Materiality:	Is a concept or convention relating to the importance or significance of an amount, transaction, or discrepancy that affects the decision of the user.
OMA:	Office/Ministry/Agency
VAT	Value Added Tax
NDF	Namibia Defence Force

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS
OF THE MINISTRY OF DEFENCE
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

1. SECTION A: FINANCIAL AUDIT

1.1 DISCLAIMER OF OPINION

I have audited the financial statements of the Ministry of Defence for the financial year ended 31 March 2019 provided by the Accounting Officer as attached in Annexure A. These financial statements comprise the Appropriation account, Standard subdivisions, Departmental revenue, Notes to the financial statements and General information for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

1.2 BASIS FOR DISCLAIMER OF OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements in Namibia and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is not sufficient and appropriate to provide a basis for my opinion. My opinion has been disclaimed due to the following:

1.2.1 Scope limitation

The auditors could not audit total expenditure of N\$ 506 399 999.01, under operational equipment, machinery and plant due to restrictions and the withdrawal of the access of auditors to the Military equipment and operational military bases by the Accounting Officer.

It is recommended that the Accounting Officer should explain why these restrictions were imposed in contradiction with the State Finance Act, 1991(Act 31 of 1991), Section 26(1) which states that the Auditor-General or his delegate shall have access to all books, accounts, registers or statements which are to be kept in terms of any law in connection with the collection, receipt, custody, banking, payments or issue of money, equipment and stores by only stationary institutions.

Management comment

In his comment on the draft report, the Accounting Officer indicated that "access to military equipment and operational military bases for all civilians including auditors remains restricted until such a time the Ministry

receives a response from His Excellency, the President of the Republic of Namibia, based on the formal request for exemption submitted by the Honourable Minister of Defence”.

1.2.2 Outstanding commitments

The Accounting Officer reported outstanding commitments amounting to N\$ 29 706 011.37, back dating from the 2013/2014 financial year to the year under review. From 2013/2014 -2017/2018 financial years, the Accounting Officer reported no outstanding commitments. Treasury granted approval for these outstanding commitments to be paid.

It is recommended that the Accounting Officer should explain why these outstanding commitments were not reported and/or cleared during the respective financial years.

Management comment

In his comment on the draft report, the Accounting Officer indicated that he agrees with the finding and it was impossible to report outstanding commitments because some invoice amounts are not known and suppliers did not submit invoices on time for payment.

1.2.3 Bursaries and study assistance

The Accounting Officer reported that a total amount of N\$ 10 490 209.02 was spent on study assistance, assessment fees and incidental allowances for staff members undertaking qualifying courses. However, the general ledger reflects that a total amount of N\$ 12 172 482.47 was incurred. This has resulted in an unexplained difference of N\$ 1 682 273.45.

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

1.2.4 Bills payable

The Bills payable suspense account reflects a debit balance of N\$ 410 541.09, whereas this suspense account should have a credit balance. It was reported in the 2017/2018 financial year that, the Bills payable suspense account also reflected a debit balance of N\$ 920 785.34, however, no improvement is evident.

It is recommended that the Accounting Officer should explain this debit balance.

Management comment

In his comment on the draft report, the Accounting Officer indicated that the Ministry issued a letter of concern on this matter to the Ministry of Finance, but the Ministry of Finance did not respond at the time of writing this report.

1.2.5 Outstanding subsistence advances

The Accounting Officer reported that the Debit balance List had an outstanding amount of N\$ 15 941.91 as at 31 March 2019 and the S&T advance suspense account had a closing balance of N\$ 473 826.41 resulting

in an unexplained difference of N\$ 457 884.50. In the 2016/2017 and 2017/2018 financial years, similar findings were reported. Despite this finding raised in the reports, no improvement is evident.

The reconciliation that was performed does not indicate a breakdown of what makes up the difference of N\$ 457 884.50.

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

Management comment

In his comment on the draft report, the Accounting Officer indicated that the Ministry issued a letter of concern on this matter to the Ministry of Finance, but the Ministry of Finance did not respond at the time of writing this report.

1.3 KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I have determined that there were no key audit matters to communicate in my report.

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

2.1 COMPLIANCE TO LAWS AND REGULATIONS

SUBJECT MATTER: Financial performance and the use of appropriated funds

I have audited the financial performance and the use of appropriated funds of the Ministry of Defence for the financial year ended 31 March 2019.

2.2 Description of the subject matter information and audit scope

The audit aimed to determine whether the Ministry of Defence's financial performance and the use of appropriated funds is in compliance with the Appropriation Act, 2018 (Act 4 of 2018); Appropriation Amendment Act, 2018 (Act 15 of 2018); State Finance Act, 1991 (Act 31 of 1991), Public Procurement Act, 2015 (Act 15 of 2015); Treasury Instructions and Public Procurement Regulations during the financial year ended 31 March 2019.

2.3 Audit objective

The objective of this compliance audit is to verify and assess whether the Ministry of Defence has complied with all laws and regulations that have an impact on the financial statements in accordance with the ISSAIS. This audit is an attestation engagement where the Ministry presented the subject matter information on which the auditor then gathered sufficient and appropriate audit evidence to provide reasonable assurance in forming an opinion. In forming an opinion, the findings and recommendations are taken into consideration.

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

2.4 Audit criteria

The audit criteria of this compliance audit are derived from the following laws and regulations stated below:

- Appropriation Act, 2018 (Act 4 of 2018);
- Appropriation Amendment Act, 2018 (Act 15 of 2018);
- State Finance Act, 1991 (Act 31 of 1991);
- Public Procurement Act, 2015 (Act 15 of 2015);
- Treasury Instructions; and
- Public Procurement Regulations.

2.5 Summary of methods applied

I have audited the financial statements for the financial year ended 31 March 2019 submitted by the Accounting Officer in order to determine whether this information complied with laws and regulation that governs them.

2.6 BASIS FOR QUALIFIED AUDIT OPINION

My opinion has been qualified due to the following:

2.6.1 Unauthorised expenditure

The unauthorised expenditure mentioned below 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) One (1) main division was exceeded with an amount of N\$ 2 040 682.45, which is unauthorised in terms of Section 6 (a)(ii) of the Act, and
- (ii) Although Treasury approval was obtained to utilise certain expected savings for the defrayal of expenditure through virements during the year, two (2) subdivisions were exceeded with a total amount of N\$ 127 229 262.31 which is unauthorised in terms of Section 6 (a)(iii) of the Act. Despite the matter being raised in previous audit reports, no improvement is evident.

It is recommended that the Accounting Officer should put measures in place to avoid overspending and ensures that planned activities are implemented within the approved budget.

Management comment

In his comment on the draft report, the Accounting Officer indicated that he agrees with the findings.

2.6.2 Vehicles

- (a) The audit found the following vehicles issued from the Ministry of Defence Quarter Master to the Disposal Park since these vehicles conditions were regarded as unserviceable. The vehicles were received by the Disposal Park with a receipt voucher. However, the auditors were not provided with the destruction certificates nor the Treasury approvals for the disposal of the following vehicles, which is contrary to Treasury Instruction KA 1001 which states that *“notwithstanding contrary to any legal provisions, the Treasury’s permission shall be obtained for disposal of all movable State property on recommendation of the board”*:

Vehicle description
Nissan Pick-up (NDF 2238)
Toyota Hilux (NDF 2252)

2.6.3 Foreign bank accounts

- (a) A Defence Attaché was appointed on 21 January 2014 and accredited to the Democratic Republic of Congo for a period of four years commencing on 01 March 2014 to 28 February 2018. During the year under review, there was no one appointed as a Defence attaché. This Mission has a bank account which is held at Standard Bank, Kinshasa. The closing balance at the end of the 2017/2018 financial year was US\$ 28 438.83. The audit found that a total expenditure of US\$ 17 496.60 was incurred even though there was no Defence Attaché based in the Democratic Republic of Congo, during the

2018/2019 financial year. The auditors were not provided with documents on what the funds were spend on in the absence of an Attaché at the mission.

It is recommended that the Accounting Officer should explain the expenditure incurred.

- (b) The Accounting Officer, during the 2017/2018 financial year, reported a Defence Attaché account held at Stanbic Bank with a closing balance of USD 28 438.83, however, for the year under review, the Accounting Officer reported an opening balance of USD 28 438.83 under the Trust Merchant Bank, SA, RD Congo, without any Treasury approval for the closure of the Stanbic bank account as well as the opening of the Trust Merchant Bank bank account.

It is strongly recommended that the Accounting Officer should comply with State Finance Act, section 4 (a) which stipulate that *“An accounting officer may, with the authorisation of the Treasury, open an account at the Bank or any commercial bank into which all state moneys received by the Accounting Officer and as determined by Treasury, shall be deposited, and from which all expenditure shall be defrayed and all payments shall be made as the Treasury may determine”*. It is also recommended that the Accounting Officer should provide the Treasury authorization for operating the Trust Merchant bank accounts.

- (c) The audit found that an amount of USD 1 093.00 was debited on 13 March 2019 in respect of “Spouse Allowance” from the Trust Merchant Bank S.A account. No evidence was provided to substantiate the cost incurred as the Defence Attaché who was accredited to that mission term ended in February 2018. No proof was provided for any Defence Attaché being appointed during the period under review.

Management comment

In his comment on the draft report, the Accounting Officer indicated that the Ministry takes note of the finding and will, with the advice from the Ministry of International Relations and Corporation, propose to despatch a team of internal auditors to the Office of the Defence Attaché to investigate the findings and submit an independent report to the Auditor-General.

2.6.4 Stocktaking

The Accounting Officer reported that stocktaking was undertaken at stock points of the Ministry as required by Treasury Instruction KA0901. However, the amounts reported by the Accounting Officer are not in agreement with the amounts in the stocktaking report as follows:

Description	Amount reported by Accounting Officer	Amount as per stocktaking report	Difference
	N\$	N\$	N\$
Total value of stores	7 161 612 421.68	7 387 648 874.07	226 036 452.39
Surplus	582 044.99	531 094.99	(50 950.00)
Shortages/Deficiencies	1 176 986.89	1 204 146.89	27 160.00
Obsolete/Redundant	24 317 178.75	25 429.47	(24 291 749.28)
Total			201 720 913.11

The Accounting Officer is required to explain why he did not comply with Treasury Instruction BB 0101 (i) which stipulate 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 takes note of the finding and it should be noted that the amounts reported by the Accounting Officer was done in accordance with Treasury Instruction KA 1501, while the amount in the stock taking reports was done in accordance with Treasury Instruction KA 0905 providing that the Accounting Officer indeed complied with Treasury Instruction BC 0101(c). The difference between the two statements will be investigated and reported in a separate submission.

2.6.5 Debt to Government

The Accounting Officer is required to submit a statement of debt owed to the State for the financial year under review. However, the Accounting Officer did not, for the second consecutive year, submit the statement in accordance with the reporting requirement of Circular D12/2018 of the Auditor-General, despite training being provided to MoD officials.

It is recommended that the Accounting Officer should explain why Treasury Instruction EA 0500 was not complied with.

Management comment

The Accounting Officer indicated that he takes note of the recommendation, however because of staff shortages and volume of deductions per month, the exercise to record and reconcile all deductions become impossible as there is no dedicated staff to fulfil this responsibility.

2.6.6 Exemption from normal procurement procedures

Section 4(1) of the Public Procurement Act, 2015 (Act 15 of 2015), states that the Minister may for a specified/unspecified period issue a general/specific exemption from the application of certain provisions that are not practical/appropriate for the procurement, hiring, letting or disposal of security related goods, works, services and property by the Namibian Defence Force (NDF). However, the audit found that an amount of N\$ 5 000 000 was spent on small arms ammunitions for the NDF and payment for these goods were made from subdivision: support for non-profit organisations. It was also found that the supplier paid VAT to the amount of N\$ 652 149.95 whilst the sub division refers to support for non-profit organisation.

It is recommended that the Accounting Officer should provide the exemption if any was granted by the Minister of Finance. In addition, the Accounting Officer should also explain for which non-profit organisations the ammunition was procured or why payment for ammunition was made from this sub division: Support for non-profit organisations.

Management comment

The Accounting Officer explained that the Ministry procures small arms ammunition for a project for the exclusive rights and use by the force.

2.7 QUALIFIED OPINION ON THE SUBJECT MATTER

In my opinion, except for the matters described in the Basis for Qualified opinion, in all material respects, the Ministry of Defence's financial performance and the use of appropriated funds, is in compliance in all material respects, with the State Finance Act, 1991(Act 31 of 1991), Appropriation Act, 2018(Act 4 of 2018), Appropriation Amendment Act, 2018 (Act 15 of 2018), Public Procurement Act, 2018 (Act 15 of 2015), Treasury Instructions and the Public Procurement Regulations.

2.8 AUDIT OF PERFORMANCE INFORMATION

The auditors requested information for the Key Performance Indicator audit. The Accounting Officer refused to provide this information to the auditors which resulted in audit scope limitation and which is contrary to Section 26(1) (1)(b) of the State Finance Act, Act 31 of 1991, which states that (b) *“the Auditor-General or any competent person employed in the office of the Auditor-General (i) shall have access to all books, vouchers, other documents, money, stamps, securities, forms having a face or potential value, equipment stores and other movable goods owned or leased by the State or the statutory institution concerned, in the possession or under the control of any person and which the Auditor-General deems necessary for an investigation, examination and audit in terms of this Act”*;

It is strongly recommended that the Accounting Officer should explain why he did not to comply with Section 26 (1) (1) (b).State Finance Act.

Management comment

In his response on the request for the said information, the Accounting Officer indicated that the requested information is withheld, asset inspection of military equipment at military bases will not be allowed and access to operational military bases is withdrawn, except access to the Ministry of Defence and Defence Headquarters.

3. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management of the Ministry of Defence 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 legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The management is also responsible for ensuring adherence to the State Finance Act, 1991(Act 31 of 1991), Appropriation Act, 2018 (Act 4 of 2018), Appropriation Amendment Act, 2018 (Act 15 of 2018), Public Procurement Act, 2018 (Act 15 of 2015), Treasury Instructions and the Public Procurement Regulations and to ensure that effective and efficient internal controls are implemented to enable compliance to the law that governs the performance information.

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.
- From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.
- It is also my responsibility to express an opinion on whether the financial performance and the use of appropriated funds is, in all material respect is in compliance with the Appropriation Act, 2018 (Act 4 of 2018), Appropriation Amendment Act, 2018 (Act 15 of 2018), State Finance Act, 1991 (Act 31 of 1991), Public Procurement Act, 2015 (Act 15 of 2015), Treasury Instructions and Public Procurement Regulations. I have conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the audited entity is in compliance with the authorities that govern the audited entity in the execution of its roles and responsibilities.

5. GENERAL INFORMATION

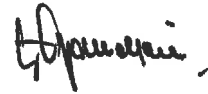
The financial statements, notes to the financial statements and general information provided by the Accounting Officer are attached as Annexure A (Appropriation account, Standard sub-divisions, Departmental revenue, notes to the financial statements and general information).

The accounts were submitted timeously by the Accounting Officer to the Auditor-General on 30 October 2019 in terms of Section 13 of the State Finance Act, 1991.

6. ACKNOWLEDGEMENT

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

WINDHOEK, MARCH 2020



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

1. AUDITED FINANCIAL STATEMENTS

1.1 Appropriation account

		2018/2019				2017/2018
Service		Authorised expenditure	Actual expenditure	Variations		Actual expenditure
				Under-expenditure/ (Excess)	Percentage	
	N\$	N\$	N\$	N\$	%	N\$
01. Office of the Minister:						
Original budget	2 692 000					
Additional budget	650 000					
Plus: Virement	1 405 000	4 747 000	4 376 469.33	370 530.67	7.81	2 838 880.29
02. Administration:						
Original budget	1 308 932 000					
Plus: Virement	60 050 000					
Additional budget	123 850 000	1 492 832 000	1 494 872 682.45	(2 040 682.45)	(0.14)	972 895 036.25
03. Training:						
Original budget	378 761 000					
Less: Virement	(67 120 000)	311 641 000	307 314 019.63	4 326 980.37	1.39	396 205 415.45
04. Namibian Army:						
Original budget	3 001 489 000					
Less: Virement	(33 720 000)	2 967 769 000	2 954 308 998.16	13 460 001.84	0.45	3 266 921 193.55
05. 21st Brigade:						
Original budget	426 896 000					
Less: Virement	(12 250 000)	414 646 000	411 152 930.72	3 493 069.28	0.84	459 500 923.59
06. Namibian Air Force:						
Original budget	336 179 000					
Plus: Virement	8 050 000	344 229 000	342 450 088.15	1 778 911.85	0.52	370 446 443.22
07. Military Hospital:						
Original budget	100 010 000					
Plus: Virement	9 135 000	109 145 000	105 754 922.34	3 390 077.66	3.11	104 349 597.57

ANNEXURE A (continued)

2018/2019					2017/2018	
Service	Authorised expenditure	Actual expenditure	Variations		Actual expenditure	
			Under-expenditure/ (Excess)	Percentage		
N\$	N\$	N\$	N\$	%	N\$	
08. Namibian Navy:						
Original budget	357 949 000					
Plus: Virement	20 550 000	378 499 000	374 569 857.54	3 929 142.46	1.04	377 744 565.55
09. Defence Attaché:						
Original budget	46 707 000					
Plus: Virement	13 900 000	60 607 000	46 474 317.35	14 132 682.65	23.32	62 919 143.98
Total:	6 084 115 000	6 041 274 285.67	42 840 714.33	0.70	6 013 821 199.45	

ANNEXURE A (continued)

1.2 Standard subdivisions

Subdivision	2018/2019			2017/2018
	Authorised expenditure	Actual expenditure	Under-expenditure/ (Excess)	Actual expenditure
	N\$	N\$	N\$	N\$
Operational:				
Current expenditure: Personnel				
001. Remuneration	3 851 979 000	3 835 398 320.26	16 580 679.74	3 924 835 312.67
002. Employer's contribution to the GIPF and M.P.O.O.B.P.F.	494 316 000	492 301 272.39	2 014 727.61	507 975 008.06
003. Other conditions of service	167 680 000	145 889 504.12	21 790 495.88	146 642 050.24
005. Employer's contribution to the Social Security	19 437 000	19 013 352.26	423 647.74	16 348 538.44
Total	4 533 412 000	4 492 602 449.03	40 809 550.97	4 595 800 909.41
Current Expenditure: Goods and Services				
021. Travel and subsistence expenses	10 000 000	8 339 691.91	1 660 308.09	4 804 260.21
022. Materials and supplies	277 642 000	277 635 641.47	6 358.53	318 142 088.21
023. Transport	68 000 000	67 863 639.56	136 360.44	35 318 112.87
024. Utilities	179 081 000	179 009 067.92	71 932.08	139 402 664.02
025. Maintenance expenses	8 000 000	7 995 092.87	4 907.13	2 599 620.02
026. Property rental and related charges	12 600 000	12 481 615.81	118 384.19	18 530 536.31
027. Other services and expenses	43 500 000	43 499 355.19	644.81	277 006 607.79
Total	598 823 000	596 824 104.73	1 998 895.27	795 803 889.43
Current expenditure: Subsidies, grants and other transfers				
043. Government organisations	-	-	-	869 024.77
044. Individuals and non-profit organisations	-	-	-	103 652 965.94
049. Support for non-profit organisations	10 000 000	10 000 000.00	-	-
Total	10 000 000	10 000 000.00	-	104 521 990.71
Total: Current expenditure	5 142 235 000	5 099 426 553.76	42 808 446.24	5 496 126 789.55
Capital expenditure: Acquisition of assets				
103. Operational equipment, machinery and plant	506 400 000	506 399 999.01	0.99	75 871 850.17
Total	506 400 000	506 399 999.01	0.99	75 871 850.17
Total: Operational expenditure	5 648 635 000	5 605 826 552.77	42 808 447.23	5 571 998 639.72
Development:				
Capital expenditure: Acquisition of assets				
103. Operational equipment, machinery and plant	227 000 000	226 987 557.52	12 442.48	262 997 965.26
105. Feasibility studies, design and supervision	2 000 000	1 992 336.70	7 663.30	1 678 165.26
107. Construction, renovation and improvements	206 480 000	206 467 838.68	12 161.32	177 146 429.21
Total: Development expenditure	435 480 000	435 447 732.90	32 267.10	441 822 559.73
GRAND TOTAL	6 084 115 000	6 041 274 285.67	42 840 714.33	6 013 821 199.45

1.3 Departmental revenue

Revenue for the year is as follows:

Revenue head	Estimate	Actual revenue 2018/2019	More/(less) than estimated	Actual revenue 2017/2018
	N\$	N\$	N\$	N\$
Ministerial fines (714)	550 000	527 191.96	(22 808.04)	707 911.82
Ministerial fines (775)	-	-	-	(7 829.53)
Sale of serviceable stores and equipment	125 000	-	(125 000.00)	-
Lost equipment and stores	80 000	-	(80 000.00)	5 435.20
Miscellaneous	2 500 000	5 145 777.16	2 645 777.16	348 488.55
Private telephone calls	5 000	-	(5 000.00)	-
Unclaimed cheques	-	37 840.02	37 840.02	9 688 514.44
Total	3 260 000	5 710 809.14	2 450 809.14	10 742 520.48

1.4 NOTES TO THE FINANCIAL STATEMENTS

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

Underexpenditure

Main division 01: Office of the Minister (N\$ 370 530.67 - 7.81%)

The underexpenditure under this main division is the result of the implementation of the provisions of the administrative directive No. 01/2017 dated 01 February 2018 issued by the Prime Minister with regard to travel and subsistence allowance. The implementation of the administrative directive realised underexpenditure of 23.2% on subsistence and travel allowance for the Office of the Minister, which resulted in the underexpenditure of 7.81% on the main division.

Main division 07: Military Hospital (N\$ 3 390 077.66 - 3.11%)

The highly specialised careers in the field of Medicine made recruitment and appointment of Medical professionals very difficult to replace outgoing professionals at the Military Hospitals because of retirements, resignations, inter-ministerial transfer and deaths. Therefore, an underexpenditure of 2.76% on the personnel expenditure category for the main division was realised.

In addition, implementation of the provisions of the administrative Directive No. 01/2017 dated 01 February 2018 as issued by the Prime Minister with regard to travel and subsistence allowance realised an additional underspending of 78.32% which resulted in the under expenditure of 3.11% of the main division.

Main division 09: Defence Attaché (N\$ 14 132 682.65 - 23.32%)

The underexpenditure under this main division is the result of the fact that the Ministry of Finance refused to pay the quarter 4 (January –March 2019) payment request from some of the Defence Attaché's. When the payment requests were resubmitted for processing, the Ministry of Finance delayed the payment until the financial year closed. It is against this background that the main division underspent with 23.32%

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

(i) Underestimation

Miscellaneous revenue

The increase on the miscellaneous revenue head was because of the clearing/reconciliation of the rejection suspense account for the 2016/2017 and 2017/2018 financial years.

2 GENERAL INFORMATION

2.1 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 2019:

Name of account	Banking Institution	Balance as at 31 March 2019 (Debit)/Credit
Ministry of Defence Funds (Call Account)	First National Bank, Windhoek, Namibia	N\$ 5 668 545.15
August 26 Trust Account	Nedbank of Namibia, Windhoek	N\$ 6 464 702.80
Namibia Defence Attaché Account	Commercial Bank of Ethiopia, Addis Ababa	US\$ 62 178.54
	Commercial Bank of Ethiopia, Addis Ababa	ETB 107 875.05
Embassy of the Republic of Namibia	Bank of China, Beijing, China	US\$ 187 413.05
	Bank of China, Beijing, China	CNY 229 768.04
Embassy of the Republic of Namibia	Banco do Brasil, Brazil	US\$ 847 468.03
	Banco do Brasil, Brazil	R\$ 103 615.31
Namibia Defence Adviser Account	First National Bank of South Africa, Pretoria	ZAR 1 536 194.24
Embassy of Namibia (MOD)	TMB Trust Merchant Bank S.A, D.R. Congo	US\$ 10 942.23
Permanent Mission of Namibia to the United Nations	Bank of America, Merrill Lynch	US\$ 131 642.85
Namibia Defence Attaché Account	Commerzbank, Berlin, Germany	€ 66 870.73
Namibia Defence Attaché Account	Banco de Fomento, SARL, Luanda, Angola	US\$ 15 385.56
	Banco de Fomento, SARL, Luanda, Angola	AKZ 1 576 422.02
Embassy of the Republic of Namibia	UniCredit Bank, Russia	US\$ 222 111.73
	UniCredit Bank, Russia	RUR 1 170 718.08
Namibian High Commission	Stanbic Bank, Harare, Zimbabwe	US\$ 8 991.34
Embassy of the Republic of Namibia	First National Bank, Botswana, Gaborone	P 369 409.13
High Commission of Namibia	Royal Bank of Scotland, New Delhi, India	US\$ 29 766.19
	Royal Bank of Scotland, New Delhi, India	INR 716 476.70
Namibian High Commission	Standard Chartered Bank, Zambia	US\$ 13 941.80
	Stanbic Chartered Bank, Zambia	ZMW 223 623.78
High Commission of the Republic of Namibia	Stanbic Bank, Dar es Salaam, Tanzania	US\$ 58 433.55
	Stanbic Bank, Dar es Salaam, Tanzania	TZS 14 835 670.27
Embassy of Namibia, Defence	Banco Metropolitano, Havana, Cuba	€ 246 535.89
	Banco Metropolitano, Havana, Cuba	CUC 13 753.71
Embassy of Namibia, Defence Attachè Office	Bank of America, N.A, Washington	US\$ 3 188.24

2.2 Capital projects

The following expenditure was incurred on the development projects of the Ministry of Defence during the financial year under review:

Project name	Approved total budget	Total expenditure as at 31/03/2018	Approved appropriation 2018/2019	Actual expenditure 2018/2019	Total expenditure as at 31/03/2018	Expected year of completion
	N\$	N\$	N\$	N\$	N\$	
Upgrading of Leopards Valley Military Base	800 900 000	319 284 304.06	85 000 000	20 433 395.79	339 717 699.85	01/04/2025
Construction of Keetmanshoop Military Base	241 466 000	140 459 370.30	12 000 000	1 753 060.00	142 212 430.30	01/04/2025
Construction of Walvis Bay Naval Base	395 550 000	312 318 830.21	16 000 000	5 070 090.53	317 388 920.74	31/03/2025
Research and Development	6 657 655 000	3 989 966 707.32	227 000 000	226 987 557.52	4 216 954 264.84	31/03/2030
Construction of Karibib Airport Air Force Base	348 450 000	211 663 742.35	18 000 000	6 479 197.07	218 142 939.42	31/03/2035
Feasibility study, design and supervision of Military Bases	24 725 000	13 155 448.81	2 000 000	1 992 336.70	15 147 785.51	31/03/2030
Construction of Oshivelo Army Battle School	395 750 000	48 954 468.06	4 000 000	1 331 708.73	50 286 176.79	31/03/2030
Construction of Gobabis Military Base	551 184 000	56 617 983.61	2 000 000	-	56 617 983.61	31/03/2025
Construction of Oluno Military Base	573 034 000	145 511 424.46	14 000 000	5 191 531.59	150 702 956.05	31/03/2030
Upgrading and renovation of Ojjiwarongo Military Base	-	62 275 862.80	-	-	62 275 862.80	31/03/2025
Rehabilitation of old bases countrywide	615 250 000	417 701 582.24	40 480 000	162 834 203.96	580 535 786.20	31/03/2030
Construction of General Military Referral Hospital	800 000 000	39 809 371.59	-	-	39 809 371.59	30/03/2020
Upgrading of Osona Military Base	-	23 005 718.29	-	-	23 005 718.29	31/03/2023
Construction of Mpacha Military Base	545 434 000	28 066 573.86	15 000 000	3 374 651.01	31 441 224.87	01/04/2030
Total	11 949 398 000	5 808 791 387.96	435 480 000	435 447 732.90	6 244 239 120.86	

2.3 Aircraft

The Accounting Officer reported that the Ministry incurred a total amount of N\$ 294 988 110.67 on Aircraft fuel and maintenance during the year under review.

2.4 Suspense accounts

The Accounting Officer reported eight (8) suspense accounts with outstanding balances at the end of the financial year, six (6) with debit balances and two (2) with credit balances as at 31 March 2019:

Suspense account	Debit/(Credit)
	N\$
Receipt suspense	13 944.99
RD cheques	1 000.00
S&T advance suspense account	473 826.41
Rejection account	1 492 865.06
Bills payable	410 541.09
Social Security	170.37
Defence Force Foundation	(1 640.00)
Pension Fund (GIPF)	(52 571.71)

2.5 Miscellaneous revenue

The Accounting Officer reported that miscellaneous revenue comprised of the following:

Description	Amount
	N\$
Manual journals	4 982 751.42
Payroll	49 602.24
Miscellaneous receipts	113 423.50
Total	5 145 777.16

2.6 Donations

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

Donor	Item	Value
		N\$
Germany Armed Forces Technical Advisory Group	Motor Vehicle, Trailers & Medical equipment's	2 305 650.50
Lt. General E.D. Ndaitwah	Books	61 258.80
Total		2 366 909.30

2.7 Internal inspections

The Accounting Officer reported that the Ministry conducted nine (9) inspections.

2.8 Relief of distress

The Accounting Officer reported that the Ministry rendered assistance towards relief of distress to three (3) institutions.

2.9 Vehicles on hand (Own Fleet)

The Accounting Officer reported that the Ministry had one thousand and seventeen (1 017) vehicles on hand as at 31 March 2019.

2.10 Suspensions of funds

The Accounting Officer reported that the Ministry suspended N\$ 500 000.00 from the vote during the Mid-Term Budget review.

2.11 Virements

The Accounting Officer reported that the Ministry had viremented a total amounting of N\$ 125 500 000.00 during the year under review.

2.12 Wellness

The Accounting Officer reported that the Ministry incurred expenditure amount to N\$ 8 750.65 in respect of Wellness activities.

2.13 Compensation payments

The Accounting Officer reported that the Ministry incurred expenditure on claims against the State to the amount of N\$ 337 414.34 for the year under review.

WINDHOEK, 2019-10-30

**R. ADM PETER VILHO
ACCOUNTING OFFICER**