



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**

**MINISTRY OF DEFENCE**

**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020**

Published by authority

Price (Vat excluded) N\$ 42.00

Report no: 47/2021



**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 2020 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

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

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**WINDHOEK, MARCH 2021**



## Table of Content

1.	SECTION A: FINANCIAL AUDIT .....	1
1.1	QUALIFIED OPINION .....	1
1.2	BASIS FOR QUALIFIED OPINION .....	1
1.3	KEY AUDIT MATTERS .....	2
1.4.1	OUTSTANDING SUBSISTENCE ADVANCES .....	3
2.	SECTION B: COMPLIANCE AUDIT AND AUDIT OF PERFORMANCE INFORMATION .....	4
2.1	COMPLIANCE TO LAWS AND REGULATIONS .....	4
2.2	DESCRIPTION OF THE SUBJECT MATTER INFORMATION AND AUDIT SCOPE .....	4
2.3	AUDIT OBJECTIVE .....	4
2.4	AUDIT CRITERIA .....	4
2.5	SUMMARY OF METHODS APPLIED .....	4
2.6	BASIS FOR UNQUALIFIED AUDIT OPINION .....	5
2.6.1	UNAUTHORISED EXPENDITURE .....	5
2.6.2	FOLLOW-UP AUDIT ON FOREIGN BANK ACCOUNT .....	5
2.7	UNQUALIFIED OPINION ON THE SUBJECT MATTER .....	6
3.	RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS .....	6
4.	AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS .....	7
5.	GENERAL INFORMATION .....	8
6.	ACKNOWLEDGEMENT .....	8
1.	AUDITED FINANCIAL STATEMENTS .....	9
1.1	APPROPRIATION ACCOUNT .....	9
	ANNEXURE A ( <i>CONTINUED</i> ) .....	10
	ANNEXURE A ( <i>CONTINUED</i> ) .....	11
1.2	STANDARD SUBDIVISIONS .....	11
	ANNEXURE A ( <i>CONTINUED</i> ) .....	12
1.3	DEPARTMENTAL REVENUE .....	12
1.4	NOTES TO THE FINANCIAL STATEMENTS .....	12
1.4.1	APPROPRIATION ACCOUNT: EXPLANATIONS OF VARIATIONS EXCEEDING 2% .....	12
	ANNEXURE A ( <i>CONTINUED</i> ) .....	13
2	GENERAL INFORMATION .....	13
2.1	BANK ACCOUNTS .....	13
2.2	CAPITAL PROJECTS .....	14
2.3	AIRCRAFT .....	15
2.5	MISCELLANEOUS REVENUE .....	15
2.6	DONATIONS TO GOVERNMENT .....	15
2.7	INTERNAL INSPECTIONS .....	15
2.8	RELIEF OF DISTRESS .....	16
2.9	VEHICLES ON HAND .....	16
2.10	SUSPENSIONS .....	16
2.11	OUTSTANDING COMMITMENTS .....	16
2.12	STORES AND DEPOTS .....	16
2.13	LOSSES AND DAMAGES .....	16
2.14	WELLNESS .....	16



## DEFINITIONS

<b>Treasury:</b>	Financial authority in public service. (The department of Government that has control over the collection, management and disbursement of public revenue).
<b>Vote:</b>	Represents an Office/Ministry/Agency.
<b>Appropriation Act:</b>	Estimate of expenditure and revenue for a particular financial year presented to the National Assembly, the Act passed by Parliament.
<b>Appropriation Account:</b>	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.
<b>Standard sub-division:</b>	Government Balance account, showing balances incurred on each account/activity.
<b>Suspension:</b>	Reduction on budget (Treasury may from time without or suspend any amount in an estimate of expenditure).
<b>Virement:</b>	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.
<b>Unauthorised Expenditure:</b>	Expenditure that exceeds the amount appropriated (budgeted) for a vote, main division or subdivision.
<b>Underexpenditure:</b>	Saving on the budget.
<b>Miscellaneous Revenue:</b>	All revenue collected and not having a specified revenue code.
<b>Commitments:</b>	Funds reserved to acquire goods or services from a supplier.
<b>Suspense accounts:</b>	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.
<b>S&amp;T Advance Suspense Account:</b>	A suspense account reflecting the outstanding subsistence and travel advances.
<b>Rejection Account:</b>	A suspense account reflecting names and balances of all persons/companies that owe the money to the State.
<b>Budget:</b>	Is an estimation of the revenue and expenses over a specified future period of time specified.
<b>Subsistence Advance:</b>	Payment given in advance to an employee to reimburse accommodation, meal and incidental expenses, while on an official assignment.

<b>Performance Information:</b>	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)
<b>Key performance indicator (KPI):</b>	A measurable value used to monitor and demonstrates how effectively an organization is achieving key business objectives.
<b>International Standards of Supreme Audit Institutions (ISSAI):</b>	Professional standards and best practice guidelines for public sector auditors, officially authorised and endorsed by the International Organisation of Supreme Audit Institutions (INTOSAI).
<b>Types of Audit Opinions:</b>	<p><b>Unqualified Opinion.</b> 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><b>Qualified Opinion.</b> 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><b>Disclaimer Opinion.</b> Auditors do not express an opinion on the financial position of a OMA 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><b>Adverse Opinion.</b> 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>
<b>Reasonable Assurance:</b>	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.
<b>Limited Assurance:</b>	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.
<b>Direct reporting engagement:</b>	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.



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



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

---

**1. SECTION A: FINANCIAL AUDIT**

**1.1 QUALIFIED OPINION**

I have audited the financial statements of the Ministry of Defence for the financial year ended 31 March 2020, provided by the Accounting Officer as attached in Annexure A. These financial statements comprise the Appropriation account, Standard subdivisions, Departmental revenue for the year then ended and notes to the financial statements.

In my opinion, except for the effects of the matters described in the Basis for Qualified Audit Opinion paragraph, the financial statements of the Ministry of Defence as at 31 March 2020 are prepared, in all material respect in accordance with Section 12 & 13 of the State Finance Act, 1991 (Act 31 of 1991) and relevant legislation.

**1.2 BASIS FOR QUALIFIED OPINION**

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

**1.2.1 August 26 Holding Company (Pty) LTD**

The audit found that the Ministry incurred salary expenses on behalf of August 26 Holdings (Pty) LTD, amounting to N\$ 3 808 996.60 during the year under review. The auditors have queried the relationship between the Ministry and August 26 Holding Company (Pty) Ltd. However, the Accounting Officer responded that "*the companies listed by the auditors do not receive any funding or are not subsidized from the State Revenue fund*". The auditors were not provided with satisfactory answers why the Ministry has to pay salary expenses on behalf of August 26 Holding Company (Pty) Ltd, while it has indicated that there is no relationship with the said company. Furthermore, no Treasury approval was provided for audit purposes as required by Section 17 (b) of the State Finance Act, 1991, which states that no payment shall be made as charge to the State Revenue Fund without the authorisation of the Treasury.

The Accounting Officer should explain why the expenses were incurred despite the Ministry's insistence that there is no relations between the Ministry and the said company. Furthermore the Accounting Officer should ensure that Treasury approval is obtained as required by Section 17(b) of the State Finance Act, 1991.

Section 17 of the State Finance Act requires the Accounting Officer to obtain Treasury approval before making such a payment.

**Management comment**

The Accounting Officer indicated that the Ministry paid N\$ 3 808 996.60 to the August 26 Holding Company Ltd as part of the retrenchment plan of the August 26 Textile (PTY) Ltd and August 26 Shoe Factory (PTY) Ltd as per Cabinet Decision with the subject: "Organisational Re-alignment Plan for the August 26 Group"

**1.2.2 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 third consecutive year, submit the statement in accordance with the reporting requirement of Circular D12/2018 of the Auditor-General, despite training being provided to the Ministry's officials.

It is recommended that the Accounting Officer should provide the statement for audit purposes in the required format.

The Accounting Officer reported debt to Government amounting to N\$ 5 874 236.57 as at 31 March 2020, However, she did not provide the amounts repaid during the financial year neither Treasury approval was provided for audit purposes in respect of debts that is recoverable beyond twelve (12) months.

It is recommended that the Accounting Officer should provide this information for audit purposes.

**Management comment**

In her comment, the Accounting Officer indicated that the Ministry agrees with the finding and that the Ministry recovered debts through monthly deductions from staff salaries but unfortunately the deductions were not recorded or reported.

**1.3 KEY AUDIT MATTERS**

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

**1.4 EMPHASIS OF MATTERS**

Attention is drawn to the management on the following matters that relate to my responsibility in the audit of the financial statements, as disclosed by the Ministry of Defence in the financial statements. My opinion is not modified in respect of these matters:

#### **1.4.1 Outstanding subsistence advances**

The Accounting Officer reported that the Debit balance List had an outstanding amount of N\$ 7 229.00 as at 31 March 2020. However, the S&T advance suspense account is not in agreement with the Debit balance list which had a closing balance of N\$ 466 563.52. This has resulted in an unexplained difference of N\$ 459 334.52.

It is recommended that the Accounting Officer should explain the difference and should indicate what measures will be put in place to avoid differences in balances.

#### **Management comment**

The Accounting Officer indicated that a letter was issued to the Ministry of Finance on 28 September 2018 addressing discrepancies that were identified during the reconciliations but no response was received and no corrections were made at the time of writing this 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 2020.

### **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, 2019 (Act 2 of 2019); Appropriation Amendment Act, 2019 (Act 3 of 2019); State Finance Act, 1991 (Act 31 of 1991), Public Procurement Act, 2015 (Act 15 of 2015); Treasury Instructions and Public Procurement Regulations during the financial year ended 31 March 2020.

### **2.3 Audit objective**

The objective of this compliance audit is to verify and assess whether the Ministry of 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, 2019 (Act 2 of 2019);
- Appropriation Amendment Act, 2019 (Act 3 of 2019);
- State Finance Act, 1991 (Act 31 of 1991);
- Public Procurement Act, 2015 (Act 15 of 2015);
- Treasury Instructions; and
- Public Procurement Regulations.

### **2.5 Summary of methods applied**

I have audited the financial statements for the financial year ended 31 March 2020 submitted by the Accounting Officer in order to determine whether this information complied with laws and regulations that governs them.

## **2.6 BASIS FOR QUALIFIED AUDIT OPINION**

### **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) The total Vote of the Ministry was overspent with an amount of N\$ 70 117 089.05(1.19%), which is unauthorised in terms of Section 6 (a)(i) of the Act.
- (ii) All nine (9) main divisions of the Ministry were overspent with N\$ 70 117 089.05, which is unauthorised in terms of Section 6 (a)(ii) of the Act.
- (iii) Although Treasury approval was obtained to utilise certain expected savings for the defrayal of expenditure through virements during the year, fourteen (14) main divisions were exceeded with a total amount of N\$ 87 023 824.66 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.
- (iv) The above mentioned unauthorised expenditure have been incurred by the Ministry, however the Accounting Officer reported a nil statement in this regard.

It is recommended that the Accounting Officer should put measures in place to avoid overspending and should ensure that planned activities are implemented within the approved budget. Correct information should be submitted for audit purposes.

#### **Management comment**

The Accounting Officer indicated that the Ministry agrees with the finding and that the overspending was caused by the payment of salaries and related allowances.

### **2.6.2 Follow-up audit on foreign bank account**

During the 2018/2019 audit, a Defence Attaché was appointed on 21 January 2014 and accredited to the Democratic Republic of Congo for a period of four years from 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 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 spent on in the absence of an Attaché at the mission.

During the 2018/2019 audit, it was 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.

In response to the 2018/2019 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.

The follow-up audit found the findings above findings remain the same and the Accounting Officer did not provide a feedback report for audit purposes as indicated in the Accounting Officer's response on the previous report.

#### **Management comment**

The Accounting Officer indicated that the Ministry could not dispatch a team of internal auditors to investigate the finding due to travel restrictions.

### **2.7 QUALIFIED OPINION ON THE SUBJECT MATTER**

In my opinion, except for the matters described in the Basis for Qualified, in all material respects, the Ministry of Defense'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, 2019 (Act 2 of 2019), Appropriation Amendment Act, 2019 (Act 3 of 2019), Public Procurement Act, 2015 (Act 15 of 2015), Treasury Instructions and the Public Procurement Regulations.

### **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, 2019 (Act 2 of 2019), Appropriation Amendment Act, 2019 (Act 3 of 2019), Public Procurement Act, 2015 (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 matter are outlined under Section 25 (1) (c), Section 26 (1) and Section 27 (3) of the State Finance Act, 1991 (Act 31 of 1991).

As part of an audit in accordance with the International Standards for Supreme Audit Institutions, I exercise professional 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 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 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 is to express an opinion on whether the financial performance and the use of appropriated funds is, in all material respect is in compliance with the Appropriation Act, 2019 (Act 2 of 2019), Appropriation Amendment Act, 2019 (Act 3 of 2019), State Finance Act, 1991 (Act 31 of 1991), Public Procurement Act, 2015 (Act 15 of 2015), Treasury Instructions and Public Procurement Regulations. I have conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the audited entity is in compliance with the authorities that govern the audited entity in the execution of its roles and responsibilities.

## **5. GENERAL INFORMATION**

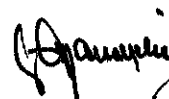
The financial statements, notes to the financial statements and general information provided by the Accounting Officer are attached as Annexure A (Appropriation account, Standard subdivisions, Departmental revenue, notes to the financial statements and general information).

The accounts were submitted timeously by the Accounting Officer to the Auditor-General on 16 October 2020 in terms of Section 13 of the State Finance Act, 1991 (Act 31 of 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 2021**



**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

1. AUDITED FINANCIAL STATEMENTS

ANNEXURE A

1.1 Appropriation account

		2019/2020				2018/2019
Service	N\$	Authorised expenditure	Actual expenditure	Variations		Actual expenditure
				Under-expenditure/ (Excess)	Percentage	
		N\$	N\$	N\$	%	N\$
<b>01. Office of the Minister:</b>						
Original budget	3 624 000					
Additional budget	350 000	3 974 000	4 072 982.76	(98 982.76)	(2.49)	4 376 469.33
<b>02. Administration:</b>						
Original budget	1 444 111 000					
Plus: Virement	144 912 000	1 586 023 000	1 597 250 348.93	(11 227 348.93)	(0.71)	1 494 872 682.45
<b>03. Training:</b>						
Original budget	312 552 000					
Less: Virement	(17 000 000)	295 552 000	297 510 005.22	(1 958 005.22)	(0.66)	307 314 019.63
<b>04. Namibian Army:</b>						
Original budget	2 881 339 000					
Additional budget	25 162 000					
Less: Virement	(113 262 000)					
Less: Suspension	(26 795 000)	2 766 444 000	2 792 528 214.58	(26 084 214.58)	(0.94)	2 954 308 998.16
<b>05. 21<sup>st</sup> Brigade:</b>						
Original budget	413 026 000					
Less: Virement	(12 366 000)	400 660 000	405 797 398.33	(5 137 398.33)	(1.28)	411 152 930.72
<b>06. Namibian Air Force:</b>						
Original budget	335 125 000					
Less: Virement	(1 024 000)	334 101 000	337 224 524.11	(3 123 524.11)	(0.93)	342 450 088.15
<b>07. Military Hospital:</b>						
Original budget	101 538 000					
Plus: Virement	2 200 000	103 738 000	104 098 042.44	(360 042.44)	(0.35)	105 754 922.34

## ANNEXURE A (continued)

2019/2020					2018/2019	
Service	N\$	Authorised expenditure	Actual expenditure	Variations		Actual expenditure
				Under-expenditure/ (Excess)	Percent - age	
		N\$	N\$	N\$	%	N\$
<b>08. Namibian Navy:</b>						
Original budget	357 370 000					
Less: Virement	(2 810 000)	354 560 000	376 001 305.45	(21 441 305.45)	(6.05)	374 569 857.54
<b>09. Defence Attaché:</b>						
Original budget	39 132 000					
Less: Virement	(1 000 000)	38 132 000	38 818 267.23	(686 267.23)	(1.80)	46 474 317.35
<b>Total:</b>		<b>5 883 184 000</b>	<b>5 953 301 089.05</b>	<b>(70 117 089.05)</b>	<b>(1.19)</b>	<b>6 041 274 285.67</b>

## ANNEXURE A (continued)

## 1.2 Standard subdivisions

Subdivision	2019/2020			2018/2019
	Authorised expenditure	Actual expenditure	Under-expenditure/ (Excess)	Actual expenditure
	N\$	N\$	N\$	N\$
<b>Operational:</b>				
<b>Current expenditure: Personnel</b>				
001. Remuneration	3 633 293 000	3 712 516 536.63	(79 223 536.63)	3 835 398 320.26
002. Employer's contribution to the GIPF and M.P.O.O.B.P.F.	474 551 000	473 549 575.70	1 001 424.30	492 301 272.39
003. Other conditions of service	183 200 000	179 352 095.85	3 847 904.15	145 889 504.12
005. Employer's contribution to the Social Security	18 540 000	18 238 350.40	301 649.60	19 013 352.26
<b>Total</b>	<b>4 309 584 000</b>	<b>4 383 656 558.58</b>	<b>(74 072 558.58)</b>	<b>4 492 602 449.03</b>
<b>Current expenditure: Goods and services</b>				
021. Travel and subsistence expenses	10 110 000	9 799 320.90	310 679.10	8 339 691.91
022. Materials and supplies	274 589 000	272 717 639.10	1 871 360.90	277 635 641.47
023. Transport	98 138 000	96 412 739.22	1 725 260.78	67 863 639.56
024. Utilities	174 142 000	169 935 265.77	4 206 734.23	179 009 067.92
025. Maintenance expenses	17 000 000	16 894 896.33	105 103.67	7 995 092.87
026. Property rental and related charges	4 700 000	4 696 044.36	3 955.64	12 481 615.81
027. Other services and expenses	37 600 000	36 940 872.47	659 127.53	43 499 355.19
<b>Total</b>	<b>616 279 000</b>	<b>607 396 778.15</b>	<b>8 882 221.85</b>	<b>596 824 104.73</b>
<b>Current expenditure: Subsidies, grants and other transfers</b>				
049. Support for non-profit organisations	2 000 000	2 000 000.00	-	10 000 000.00
<b>Total</b>	<b>2 000 000</b>	<b>2 000 000.00</b>	<b>-</b>	<b>10 000 000.00</b>
<b>Total: Current expenditure</b>	<b>4 927 863 000</b>	<b>4 993 053 336.73</b>	<b>(65 190 336.73)</b>	<b>5 099 426 553.76</b>
<b>Capital expenditure: Acquisition of assets</b>				
103. Operational equipment, machinery and plant	580 000 000	583 565 831.59	(3 565 831.59)	506 399 999.01
<b>Total</b>	<b>580 000 000</b>	<b>583 565 831.59</b>	<b>(3 565 831.59)</b>	<b>506 399 999.01</b>
<b>Total: Operational expenditure</b>	<b>5 507 863 000</b>	<b>5 576 619 168.32</b>	<b>(68 756 169.02)</b>	<b>5 605 826 552.77</b>
<b>Development:</b>				
<b>Capital expenditure: Acquisition of assets</b>				
103. Operational equipment, machinery and plant	140 045 000	141 408 402.47	(1 363 402.47)	226 987 557.52
105. Feasibility studies, design and supervision	1 000 000	998 582.10	1 417.90	1 992 336.70
107. Construction, renovation and improvements	234 276 000	234 274 936.16	1 063.84	206 467 838.68
<b>Total: Development expenditure</b>	<b>375 321 000</b>	<b>376 681 920.73</b>	<b>(1 360 920.73)</b>	<b>435 447 732.90</b>
<b>GRAND TOTAL</b>	<b>5 883 184 000</b>	<b>5 953 301 089.05</b>	<b>(70 117 089.05)</b>	<b>6 041 274 285.67</b>

ANNEXURE A (continued)

**1.3 Departmental revenue**

Revenue for the year is as follows:

Revenue head	Estimate	Actual revenue 2019/2020	More/(less) than estimated	Actual revenue 2018/2019
	N\$	N\$	N\$	N\$
Ministerial fines	550 000	590 640.69	40 640.69	527 191.96
Sale of serviceable stores and equipment	125 000	-	(125 000.00)	-
Lost equipment and stores	80 000	-	(80 000.00)	-
Miscellaneous	2 500 000	2 339 693.49	(160 306.51)	5 145 777.16
Private telephone calls	5 000	-	(5 000.00)	-
<b>Total</b>	<b>3 260 000</b>	<b>2 930 334.18</b>	<b>(329 665.82)</b>	<b>5 672 969.12</b>

**1.4 NOTES TO THE FINANCIAL STATEMENTS**

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

**Over-expenditure**

**Main division 01: Office of the Minister (N\$ 98 982.76 – 2.49%)**

The Ministry did not make budgetary provision for the payment of leave gratuity and severance allowance under other conditions of service. The main division is in excess due to leave gratuity and severance allowance that was paid to the former Minister and Deputy Minister who retired on 21 March 2020.

**Main division 08: Navy (N\$ 21 441 305.45 – 6.05%)**

The entire votes' allocation for personnel expenditure is under budgeted due to budget constraints. This main division's overspending is as a result of salary and housing allowance payments made to the members at the Namibian Navy. For this reason, no re-allocation could be done as all main divisions were already in excess and no additional budget was given during the Mid-Term budget review although the forecasted overspending was presented.

In overall, the Ministry projected the overspending and the Ministry of Finance was approached to avail additional funds but due to the economic situation in the country, the Ministry of Finance could not allocate additional funds resulting in the vote overspending its appropriated funds.

## 2 GENERAL INFORMATION

ANNEXURE A (continued)

### 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 2020:

Name of account	Banking institution	Balance as at 31 March 2020 (Debit)/Credit
Ministry of Defence Funds (Call account)	First National Bank, Windhoek, Namibia	N\$ 2 474 004.46
August 26 Trust account	Nedbank of Namibia, Windhoek	N\$ 15 942 881.80
Namibia Defence attaché account	Commercial Bank of Ethiopia, Addis Ababa	US\$ 22 928.50
Embassy of the Republic of Namibia	Commercial Bank of Ethiopia, Addis Ababa	ETB 346 068.52
Embassy of the Republic of Namibia	Bank of China, Beijing, China	US\$ 77 484.26
Embassy of the Republic of Namibia	Bank of China, Beijing, China	CNY 206 615.59
Namibia Defence adviser account	Banco do Brasil, Brazil	US\$ 600 260.10
Embassy of Namibia (MOD)	Banco do Brasil, Brazil	R\$ 87 370.49
Permanent Mission of Namibia to the United Nations	First National Bank of South Africa, Pretoria	ZAR 409 311.76
Namibia Defence Attaché Account	TMB Trust Merchant Bank S.A, D.R. Congo	US\$ 505.04
Namibia Defence Attaché Account	Bank of America, Merrill Lynch	US\$ 24 109.69
Embassy of the Republic of Namibia	Commerzbank, Berlin, Germany	€ 19 724.09
Namibian High Commission	Banco de Fomento, SARL, Luanda, Angola	US\$ 57 169.57
Embassy of the Republic of Namibia	Banco de Fomento, SARL, Luanda, Angola	AKZ 687 853.23
High Commission of Namibia	UniCredit Bank, Russia	US\$ 40 896.53
Namibian High Commission	UniCredit Bank, Russia	RUR 399 303.08
High Commission of the Republic of Namibia	Stanbic Bank, Harare, Zimbabwe	US\$ 25 995.27
Embassy of Namibia, Defence	First National Bank, Botswana, Gaborone	P 42 852.98
Embassy of Namibia, Defence Attaché Office	Royal Bank of Scotland, New Delhi, India	US\$ 6 524.88
	Royal Bank of Scotland, New Delhi, India	INR 415 443.67
	Standard Chartered Bank, Zambia	US\$ 42 004.89
	Stanbic Chartered Bank, Zambia	ZMW 159 585.93
	Stanbic Bank, Dar es Salaam, Tanzania	US\$ 18 858.54
	Stanbic Bank, Dar es Salaam, Tanzania	TZS 20 400 680.19
	Banco Metropolitano, Havana, Cuba	€ 27 121.09
	Banco Metropolitano, Havana, Cuba	CUC 74 348.43
	Bank of America, N.A, Washington	US\$ 4 060.94

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 31/03/2019	Approved appropriation 2019/2020	Actual expenditure 2019/2020	Total expenditure as at 31/03/2020	Expected year of completion
	N\$	N\$	N\$	N\$	N\$	
Upgrading of Leopards Valley Military Base	920 000 000	339 717 699.85	145 000 000	102 499 915.08	442 217 614.93	01/04/2025
Construction of Keetmanshoop Military Base	241 466 000	142 212 430.30	3 000 000	1 438 641.94	143 651 072.24	01/04/2025
Construction of Walvis Bay Naval Base	395 550 000	317 388 920.74	3 000 000	1 496 324.74	318 885 245.48	31/03/2025
Research and Development	6 657 655 000	4 216 954 264.84	140 045 000	141 408 402.47	4 358 362 667.31	31/03/2030
Construction of Karibib Airport Air Force Base	348 450 000	218 142 939.42	20 000 000	14 927 175.91	233 070 115.33	31/03/2035
Feasibility study, design and supervision of Military Bases	24 725 000	15 147 785.51	1 000 000	998 582.10	16 146 367.61	31/03/2030
Construction of Oshivelo Army Battle School	395 750 000	50 286 176.79	5 000 000	-	50 286 176.79	31/03/2030
Construction of Gobabis Military Base	551 184 000	56 617 983.61	-	-	56 617 983.61	31/03/2025
Construction of Oluno Military Base	573 034 000	150 702 956.05	4 000 000	2 292 185.01	152 995 141.06	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	580 535 786.20	43 776 000	101 874 936.73	682 410 722.93	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	31 441 224.87	15 000 000	9 745 756.75	41 186 981.62	01/04/2030
<b>Total</b>	<b>12 068 498 000</b>	<b>6 244 239 120.86</b>	<b>375 321 000</b>	<b>376 681 920.73</b>	<b>6 620 921 041.59</b>	



### 2.3 Aircraft

The Accounting Officer reported that the Ministry incurred a total amount of N\$ 228 682 785.81 on aircraft fuel and maintenance during the year under review.

### 2.4 Suspense accounts

The Accounting Officer reported nine (9) suspense accounts with outstanding balances at the end of the financial year, six (6) with debit balances and three (3) with credit balances as at 31 March 2020:

Suspense account	Debit/(Credit)
	N\$
Receipt suspense	(2 254.16)
RD cheques	1 000.00
S&T advance suspense account	466 563.53
Rejection account	1 195 845.58
Bills payable	(511 612.02)
Social Security Commission	306.29
Electronic Funds Transfer Clearing Account (EFT)	(258 185.64)
Debt establishment	1 343.76
Pension funds: GIPF	1.30

### 2.5 Miscellaneous revenue

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

Description	Amount
	N\$
Manual journals	1 998 062.11
Payroll	83 508.65
Miscellaneous receipts	203 031.37
Cleared payables	55 091.36
<b>Total</b>	<b>2 339 693.49</b>

### 2.6 Donations to Government

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	3 880 492.67

### 2.7 Internal inspections

The Accounting Officer reported that eight (8) out of ten (10) internal inspections were conducted.

## **2.8 Relief of distress**

The Accounting Officer reported that the Ministry rendered assistance towards relief of distress to the Office of the Prime Minister through the Directorate of Disaster Risk Management.

## **2.9 Vehicles on hand**

The Accounting Officer reported that the Ministry had nine hundred and twenty one (921) vehicles (own fleet) on hand and four (4) pool vehicles as at 31 March 2020.

## **2.10 Suspensions**

The Accounting Officer reported that the Ministry suspended N\$ 1 633 000.00 from the vote during the Mid-Term Budget review.

## **2.11 Outstanding commitments**

The Accounting Officer reported that the Ministry had outstanding commitments for the year under review amounting to N\$ 42 310 313.91.

## **2.12 Stores and depots**

The Accounting Officer reported that the value of stock on hand at its stores and depots amounted to N\$ 4 178 546 017.27 for the year under review.

## **2.13 Losses and damages**

The Accounting Officer reported losses and damages amounting to N\$ 1 929 552.46 for the year under review.

## **2.14 Wellness**

The Accounting Officer reported that during the year under review, no materials or equipment were procured due to financial constraints.

## **2.15 Fixed property bought**

The Accounting Officer reported the payment of transfer fees amounting to N\$ 52 601.00 in respect of a farm bought on 11 November 2017.

**2.16 Bursaries and study assistance**

The Accounting Officer reported that during the year under review, the Ministry spent N\$ 3 982 847.00 on bursaries and study assistance.

**2.17 Stocktaking**

The Accounting Officer reported a total of fifty one (51) stock points where stocktaking was conducted. The following values were reported:

<b>Description</b>	<b>Value</b>
	N\$
Stock on hand	130 862 440 558.54
Surplus	218 987.96
Shortage	83 440.61
Obsolete	4 888 730.11

**WINDHOEK, 2020-10-16**

**Comm (Rtd) TREPINE P. KAMATI  
ACCOUNTING OFFICER**

