



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

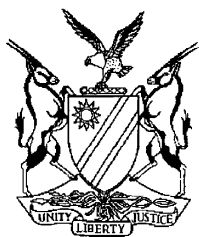
MINISTRY OF MINES & ENERGY

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

Published by authority

Price (Vat excluded) N\$ 22.40
Report 1061

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 Mines and Energy for the financial year ended 31 March 2011 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 2012

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL
ON THE ACCOUNTS OF THE
MINISTRY OF MINES AND ENERGY
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2011**

1. INTRODUCTION

1.1 Report

This report on the accounts of the Ministry of Mines and Energy for the financial year ended 31 March 2011 is presented to the National Assembly in accordance with Article 127(2) of the Constitution of the Republic of Namibia and Section 27(1) of the State Finance Act, 1991(Act 31 of 1991), as amended.

1.2 Powers and duties

Section 25(1)(c) of the State Finance Act, 1991, provides that the Auditor-General should satisfy himself that:

- (a) all reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;
- (b) all reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and
- (c) the expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, Section 26(1)(b)(iv) of the State Finance Act, 1991, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

2. FINANCIAL STATEMENTS

The appropriation accounts were submitted to the Auditor-General in terms of Section 13 of the State Finance Act, 1991

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

3. SCOPE OF THE AUDIT

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

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

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

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

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

4. AUDIT OBSERVATIONS

4.1 MAIN ISSUES/FINDINGS IDENTIFIED BY THE AUDIT

4.1.1 Expenditure

The total budget of the Ministry was underspend with an amount of N\$ 20 631 931.93 (11.65%). However, the under-mentioned unauthorised expenditure occurred during the financial year and is reported as such in terms of Section 27(6)(a) of the State Finance Act, 1991.

Although Treasury approval was obtained to utilise certain expected savings for defrayal of excess expenditure by means of virements during the year, one subdivision had an unauthorised expenditure of N\$ 365.38. This excess expenditure is contrary to the stipulations of Section 6(a) (iii) of the Act.

4.1.2 Virements

Differences between the virements as approved by the Treasury and the appropriation accounts are listed below:

| Main Division | Approved by Treasury | Appropriation account | Differences |
|----------------------|-----------------------------|------------------------------|--------------------|
| | N\$ | N\$ | N\$ |
| 02 – Administration | 495 000 | 293 600 | (201 400) |
| 03 – Mining | (135 000) | (130 6000) | 4 400 |
| 05 – Energy | (300 000) | (103 000) | 197 000 |

The Accounting Officer explained the difference as a request of N\$ 495 000 to be viremented, but by the time the transfer was approved, only N\$ 293 600 was available.

4.1.3 Tender Board Exemptions

During the financial year Tender Board exemption amounted to N\$ 14 603 971.93. The actual expenditure could not be verified because they were provided late by the Accounting Officer. The approved exempted amounts are as follows:

| Exemption | Amount (N\$) |
|------------------|----------------------|
| | N\$ |
| E1/7-1/2010 | 14 017 000.00 |
| E1/7-4/2010 | 62 500.00 |
| E1/7-9/2010 | 198 471.93 |
| E1/7-10/2010 | 326 000.00 |
| Total | 14 603 971.93 |

It is recommended that a register should be kept for all payments in respect of deviations from normal tender procedures.

4.1.4 Suspense accounts

Twenty (20) suspense accounts had outstanding balances at the end of the financial year, ten (10) with debit balances and ten (10) with credit balances.

The following suspense accounts had balances of more than N\$ 100 000.00 as at 31 March 2011:

| Description | Balance Debit/(Credit) |
|--|-----------------------------------|
| | N\$ |
| Receipt Suspense | (46 661 490.54) |
| Norad – Energy Sector Corporation for 1998/99 | (489 530.24) |
| Rejection Account | (330 559.48) |
| Bills Payable | (18 009 879.03) |
| Salary interface Control Account | 1 590 588.67 |
| Mining Claims | (16 862 814.38) |
| Prospecting Rights | 741 120.48 |

It is recommended once again that the Accounting Officer should take the necessary steps to reconcile all suspense accounts at all times in order to clear or reduce the balances of suspense accounts to a reasonable level by the end of each financial year and reconcile its records with that of the Ministry of Finance on a regular basis to avoid differences.

The Accounting Officer's response is as follows:

Receipts Suspense Account

An amount of N\$ 47 154 158.88 (N\$ 40 707 039.46 and N\$ 6 447 119.42) was meant for Diamond Royalties and Other Mineral Royalties, but instead they appeared in the Ministry of Finance's suspense account (direct deposit). Ministry of Finance did not detect the error on time, until after the journal cut-off time. When they detected the error, they requested for the relevant income account for the amount to be journalised to the right account. However, the journal passed by the Ministry of Finance was wrongly passed, because they allocated the above mentioned amounts to Receipt suspense account instead of Diamond Royalties and Other Mineral Royalties. The error could only be rectified in April 2011.

Norad- Energy Sector Corporation, Rejection Account, Mining Claims and Prospecting Rights

This project came to an end and the balance remained unspent which was carried over to the financial year under review. This amount was supposed to be transferred to the state account and this process was not done on time, therefore the balance remained in the suspense account.

Bills Payable

This amount is a result of outstanding cheques issued and not banked or cashed as at 31 March 2011.

Salary interface Control Account

This amount is a result of a double payment to Electro Hinsch Contracting Pty (Ltd) and Millenium Construction Company. This Ministry is waiting for refunds from the two companies and a journal will be passed to clear the balance.

Mining Claims

There are applications pending, waiting to be considered or turned down causing the balance.

Prospecting Rights

There are applications pending, waiting to be approved or turned down, and causing the balance.

5. ACKNOWLEDGEMENT

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

6. AUDIT OPINION

I certify that I have audited the financial statements of the Ministry of Mines and Energy for the year ended 31 March 2011 in accordance with the terms of Article 127(2) of the Namibian Constitution and Section 25(1) of the State Finance Act, Act 31 of 1991.

In my opinion the financial statements fairly represent the receipts and payments of Vote 15 for the year ended 31 March 2011, and in all material respects the receipts and payments have been applied for the purpose intended by the National Assembly and conform to the authorities which govern them.

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

OFFICE OF THE AUDITOR-GENERAL
BPI Building, 6th floor
269 Independence Avenue
Private Bag 13299
WINDHOEK
NAMIBIA

ANNEXURE A

1. FINANCIAL STATEMENTS

1.1 Appropriation account

| Service | 2010/2011 | | VARIATIONS | | 2009/2010 | |
|-----------------------------------|------------------------|--------------------|-----------------------------|----------------------|--------------------|-----------------------|
| | Authorized expenditure | Actual expenditure | Under expenditure/ (Excess) | Percentage | Actual expenditure | |
| 01. Office of the Minister | N\$ | N\$ | N\$ | N\$ | % | N\$ |
| Original budget | 3 817 000 | 3 817 000 | 3 068 079.56 | 748 920.44 | 19.62 | 2 899 005.40 |
| 02. Administration | | | | | | |
| Original budget | 21 026 000 | | | | | |
| Plus: Virement | 293 600 | 21 319 600 | 19 265 941.02 | 2 053 658.98 | 9.63 | 16 591 972.45 |
| 03. Mining | | | | | | |
| Original budget | 14 426 000 | | | | | |
| Less: Virement | (130 600) | 14 295 400 | 11 199 315.49 | 3 096 084.51 | 21.66 | 11 410 089.45 |
| 04. Geological Survey | | | | | | |
| Original budget | 36 339 000 | | | | | |
| Less: Virement | (20 000) | 36 319 000 | 30 660 887.02 | 5 658 112.98 | 15.58 | 36 411 289.94 |
| 05. Energy | | | | | | |
| Original budget | 94 051 000 | | | | | |
| Less: Virement | (103 000) | 93 948 000 | 85 275 400.36 | 8 672 599.64 | 9.23 | 78 429 106.58 |
| 06. Diamond Affairs | | | | | | |
| Original budget | 7 502 000 | | | | | |
| Less: Virement | (40 000) | 7 462 000 | 7 059 444.62 | 402 555.38 | 5.39 | 8 047 575.47 |
| TOTAL | | 177 161 000 | 156 529 068.07 | 20 631 931.93 | 11.65 | 153 789 039.30 |

ANNEXURE A (continued)

1.2 Standard subdivisions

| | 2010/2011 | | | 2009/2010 |
|---|------------------------|-----------------------|----------------------|-----------------------|
| | Authorized expenditure | Actual expenditure | Under expenditure | Actual expenditure |
| Operational | N\$ | N\$ | N\$ | N\$ |
| Current expenditure: Personnel | | | | |
| 001. Remuneration | 40 881 000 | 36 051 440.36 | 4 829 559.64 | 31 326 613.98 |
| 002. Employer's contribution to staff's pension fund | 4 977 000 | 3 843 312.00 | 1 133 688.00 | 3 482 525.94 |
| 003. Other conditions of service | 663 000 | 217 122.09 | 445 877.91 | 224 964.76 |
| Total | 46 521 000 | 40 111 874.45 | 6 409 125.55 | 35 034 104.68 |
| Current expenditure: Goods and other services | | | | |
| 021. Travel and subsistence expenses | 5 276 400 | 4 930 195.80 | 346 204.20 | 4 674 229.14 |
| 022. Materials and supplies | 1 110 800 | 1 010 399.79 | 100 400.21 | 993 209.23 |
| 023. Transport | 2 664 000 | 2 460 767.90 | 203 232.10 | 2 015 611.09 |
| 024. Utilities | 4 639 000 | 3 816 192.93 | 822 807.07 | 4 034 164.67 |
| 025. Maintenance | 1 981 900 | 1 962 941.30 | 18 958.70 | 913 056.56 |
| 027. Other services and expenses | 3 172 500 | 2 629 949.50 | 542 550.50 | 3 607 422.08 |
| Total | 18 844 600 | 16 810 447.22 | 2 034 152.78 | 16 237 692.77 |
| Total Current Expenditure | 65 365 600 | 56 922 321.67 | 8 443 278.33 | 51 271 797.45 |
| Subsidies and current transfers | | | | |
| 041. Membership fees and subscriptions: International | | | | |
| 045. Public and Departmental Enterprises and Private Industries | 347 700 | 120 779.02 | 226 920.98 | 198 378.50 |
| | 100 000 | 100 000.00 | - | 1 457 719.93 |
| Total | 447 700 | 220 779.02 | 226 920.98 | 1 656 098.43 |
| Capital expenditure: Acquisition of assets | | | | |
| 101. Furniture and office equipment | 469 700 | 423 963.67 | 45 736.33 | 1 216 671.58 |
| 102. Vehicles | 326 000 | 319 738.57 | 6 261.43 | 818 382.18 |
| Total | 795 700 | 743 702.24 | 51 997.76 | 2 035 053.76 |
| Total: Operational Expenditure | 66 609 000 | 57 886 802.93 | 8 722 197.07 | 54 962 949.64 |
| Development: | | | | |
| Capital Expenditure: Goods and other services | | | | |
| 022. Materials and supplies | 10 529 000 | 10 378 939.49 | 150 060.51 | 8 308 030.67 |
| 027. Other services and expenses | 12 048 998 | 9 998 320.33 | 2 050 677.67 | 23 245 247.90 |
| Total | 22 577 998 | 20 377 259.82 | 2 200 738.18 | 31 553 278.57 |
| Development Capital expenditure: Acquisition of assets | | | | |
| 101. Furniture and office equipment | 1 461 002 | 1 401 002.00 | 60 000.00 | 50 000.00 |
| 103. Operational equipment, machinery & plants | 3 380 000 | 1 890 343.37 | 1 489 656.63 | 2 534 823.09 |
| 105. Feasibility studies, design & supervision | 11 289 000 | 7 005 920.05 | 4 283 079.95 | 11 851 260.25 |
| 107. Construction, renovation & improvement | 68 724 000 | 64 881 579.90 | 3 842 420.10 | 51 995 652.22 |
| 131. Government Organizations | 2 970 000 | 2 970 000.00 | - | 700 000.00 |
| 134. Abroad | 150 000 | 116 160.00 | 33 840.00 | 141 075.52 |
| Total | 87 974 002 | 78 265 005.32 | 9 708 996.68 | 67 272 811.08 |
| Total: Development expenditure | 110 552 000 | 98 642 265.14 | 11 909 735.00 | 98 826 089.65 |
| GRAND TOTAL | 177 161 000 | 156 529 068.07 | 20 631 931.93 | 153 789 039.30 |

1.3 Departmental revenue

Revenue for the year is as follows:

| Revenue heading | Estimate | Actual revenue 2010/2011 | More/(Less) than estimated | Actual revenue 2009/2010 |
|----------------------------------|------------------|--------------------------|----------------------------|--------------------------|
| | N\$ | N\$ | N\$ | N\$ |
| Geological services | 510 000 | 228 501.84 | (281 498.16) | 317 698.30 |
| Oil exploration fees-Rental fees | 9 000 000 | 11 253 188.16 | 2 253 188.16 | 6 024 822.96 |
| Miscellaneous | 210 000 | 892 816.54 | 682 816.54 | 200 241.73 |
| TOTAL | 9 720 000 | 12 374 506.54 | 2 654 506.54 | 6 542 762.99 |

1.4 Notes to the financial statements

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

(i) Underexpenditure

Main division 01- Office of the Minister (N\$ 748 920.44 - 19.62%)

The under spending of N\$ 233 000.00 was as a result of a high anticipated leave gratuity on possible resignations and retirement, but no cases of the above were recorded. This also translates into the under spending on different fiscal employees' contributions such as G.I.P.F and M.P.O.O.B.P.F. The under spending of N\$ 68 674.44 occurred as a result of cancelled trips due to unforeseen circumstances.

Main division 02 – Administration and Finance (N\$ 2 053 658.98 - 9.63%)

The underexpenditure was as a result of not filling the position of Deputy Director IT, due to its technical nature the Ministry could not attract a suitable candidate.

The underexpenditure of N\$ 218 314.86 is as a result of a high anticipated resignation and retirement, but few cases were recorded during the financial year.

The underexpenditure of N\$ 785 569.08 was as a result of water and electricity bills inflation which were forecasted higher than the actual bills.

Main Division 03- Mining (N\$ 3 096 084.51 - 21.66%)

The bulk amount was attributed to budgeted remuneration for positions that were not filled in the Small Scale Mining division and the Mines Safety and Services divisions respectively. The situation also affected contribution to G.I.P.F. These statements apply specifically to where large amounts of unspent funds occurred.

The underexpenditure is attributed to fewer meetings of the Mineral Ancillary Rights Commissioners, resulting in a low board fees payment.

Main Division 04- Geological Survey (N\$ 5 658 112.98 - 15.58%)

The underexpenditure was attributed to non-filling of posts and fewer resignation cases within the Directorate. The technical nature of the Directorate and low salary offers by government is but some of the contributing factors.

The underexpenditure was a result of the unfilled position the Regional Geosciences which led to under expenditure from travel and subsistence and transport. Unfilled positions caused less spending on material and supplies, utilities and furniture and office equipment. Exchange rate fluctuations contributed to the under-spending for journal subscriptions.

Main Division 05-Energy (N\$ 8 672 599.64 - 9.23%)

The underexpenditure was attributed to non-filling of positions and the fact that applicants (engineers) are required to be registered with the Engineering Council which delays the recruitment process. The under expenditure was attributed to the heavy rains received in most parts of the country delaying the implementation of earmarked projects. The under expenditure was attributed to fewer computer repair cases since the staff members provided with new computers.

The underexpenditure is attributed to a high staff turnover, envisaged training for most staff members that did not take place. The under expenditure is attributed to a delay in invoicing from the World Energy Council leading to the Ministry not meeting the foreign transfer deadline.

Main Division 06- Diamond Affairs (N\$ 402 555.38 - 5.39%)

The underexpenditure was attributed to the non-filling of the Deputy Director post, which was delayed by the security clearance of the recommended candidate. The underexpenditure was attributed to the postponement of trips. The underexpenditure was attributed to the implementation of strict controls over vehicles resulting in few cases of vehicle repair and maintenance.

1.4.2 Departmental revenue: Explanations of deviations exceeding N\$ 100 000.00

(i) Over - estimated

Geological Services

Due to the low exploration activities in the financial year, demand for geological services such as maps, digital data, publications and analysis was lower than expected.

Miscellaneous

Due to a low sales of Petroleum licenses, selling of the Mineral Act, Diamond Act and the Mineral License maps

(ii) Under - estimated

Oil Exploration Rental fees

The Ministry received many exploration license applications.

2. GENERAL INFORMATION

2.1 Development projects

The following were the development projects of the Ministry:

| Nature of project | Approved total budget | Total expenditure at 31/03/10* | Approved appropriation 2010/2011* | Actual expenditure as per ledger 2010/2011 | Total expenditure at 31/03/111* | Expected year of completion |
|--|-----------------------|--------------------------------|-----------------------------------|--|---------------------------------|-----------------------------|
| | N\$ | N\$ | N\$ | N\$ | N\$ | |
| Renovations of the MME Headquarters | 3 610 000 | 978 114.28 | 2 213 000 | 2 208 187.57 | 3 186 301.85 | 31 Mar 2012 |
| Small Scale Mining | 17 000 000 | 7 180 454.90 | 3 000 000 | 2 401 238.15 | 9 581 693.05 | 31 Mar 2012 |
| High Resolution Airborne Geophysics | 39 301 000 | 52 517 527.00 | 2 000 000 | 1 790 881.78 | 54 308 408.78 | 31 Mar 2013 |
| Geological Sample Storage and Database | 3 340 000 | 4 573 692.17 | 1 000 000 | 500 000.00 | 5 073 692.17 | 31 Mar 2012 |
| Seismological Network | 4 310 000 | 3 266 155.41 | 4 800 000 | 4 716 384.28 | 7 982 539.69 | 31 Mar 2012 |
| Regional Geochemical Sampling Survey Airborne | 53 892 000 | 2 465 196.00 | 338 998 | 198 997.20 | 2 664 193.20 | 31 Mar 2012 |
| Electromagnetic Survey | 6 650 000 | 6 527 239.36 | 6 000 000 | 6 000 365.38 | 12 527 604.74 | 31 Mar 2013 |
| Geo-Laboratories Upgrading and Staff Training | 8 666 000 | 4 059 440.52 | 3 151 002 | 3 051 002.02 | 7 110 442.54 | 31 Mar 2013 |
| Remote Sensing and Database | 5 362 000 | 2 431 451.61 | 1 800 000 | 396 641.28 | 2 828 092.89 | 30 Mar 2012 |
| Gravity Survey | 7 050 000 | - | 50 000 | - | - | 31 Mar 2012 |
| Ground Geophysical Equipment | 3 250 000 | 1 722 744.58 | 450 000 | 399 311.32 | 2 122 055.90 | 31 Mar 2013 |
| Off-Grid Electrification and REEE Revolving Fund | 23 904 000 | 12 227 728.05 | 9 952 000 | 9 952 000.00 | 22 179 728.05 | - |
| Rural Electrification | 420 800 000 | 117 042 290.80 | 64 280 000 | 57 363 465.71 | 174 405 756.51 | 31 Mar 2015 |
| Hydropower Development | 46 888 000 | 5 974 363.32 | 5 730 000 | 5 230 024.24 | 11 204 387.56 | - |
| Promotion of renewable Energy Efficiency | 1 880 000 | 869 074.77 | 517 000 | 392 034.45 | 1 261 109.22 | 31 Mar 2012 |
| Renewable Energy and Energy Efficiency institute | 4 800 000 | 3 200 000.00 | 3 470 000 | 2 970 000.00 | 6 170 000.00 | 31 Mar 2012 |
| Environmental Monitoring of Active and abandoned Mines | 1 130 000 | - | 250 000 | - | - | On-going |
| Operation GSN | | | | | | |
| Environmental and Mechanics Lab | 2 380 000 | - | 1 540 000 | 412 892.84 | 412 892.84 | On-going |
| Total | 654 213 000 | 225 035 472.77 | 110 542 000 | 97 983 426.22 | 323 018 898.99 | |

*The capital project statement submitted by the Ministry is incorrect. The total expenditure at 31 March 2010, Approved appropriation, and Total expenditure at 31 March 2011 for all the projects were wrongly reflected on the statement.

2.2 Subsistence Advances

The outstanding balance for subsistence advance at 31 March 2011 was N \$ 66 090.38 in respects of twenty (20) cases.

2.3 Bursary and Study Assistance

The Ministry assisted four (4) students with study assistance with a total amount of N\$ 31 190.00 at 31 March 2011.

WINDHOEK, 2011-10-31

**J. IITA
ACCOUNTING OFFICER**