



**REPUBLIC OF NAMIBIA**



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

# **MINISTRY OF MINES & ENERGY**

**FOR THE FINANCIAL YEARS ENDED 31 MARCH 2014**

# 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 2014 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 Ministry of Mines and Energy in terms of Section 27(4) of the Act.

**WINDHOEK, April 2015**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

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FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014**

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**1. REPORT ON THE FINANCIAL STATEMENTS**

**1.1 INTRODUCTION**

This report on the accounts of the Ministry of Mines and Energy for the financial year ended 31 March 2014 is presented to the National Assembly in accordance with the terms of Article 127(2) of the Constitution of the Republic of Namibia and provisions set out in the State Finance Act, 1991(Act 31 of 1991), as amended.

I have audited the accompanying financial statements of the Ministry of Mines and Energy for the financial year ended 31 March 2014. These financial statements comprise the following statements submitted for the year then ended:

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

The appropriation accounts were submitted timeously by the Accounting Officer to the Auditor-General on 15 October 2014 in terms of Section 13 of the State Finance Act, 1991.

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

**1.2 MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

**1.3 AUDITOR'S RESPONSIBILITY**

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

**Powers and duties**

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

- (a) All reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;
- (b) All reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and

(c) The expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

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

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

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

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

## **1.4 KEY AUDIT FINDINGS**

### **1.4.1 Expenditure**

The total budget of the Ministry was underspend with an amount of N\$ 3 026 217.07 (1.12%).

### **1.4.2 Virements**

The approved virements were wrongly reflected on three (3) of the Ministry's main divisions in the Appropriation account. The main divisions were affected as follows:

<b>Main division</b>	<b>Authorised virements</b>	<b>Appropriation account</b>	<b>Difference</b>
	N\$	N\$	N\$
01 - Office of the Minister	(253 000)	(248 000)	5 000
04 - Geological Survey	(9 003 635)	1 021 199	(7 982 436)
05 - Energy	12 556 002	2 531 968	10 024 034

It is therefore highly recommended that the Accounting Officer should ensure that reconciliations are carried out to ensure the correctness of virement amounts.

### 1.4.3 Suspense accounts

The final ledger shows seventeen (17) suspense accounts balances of which ten (10) had credit balances and seven (7) debit balances as at 31 March 2014. The following suspense accounts were in excess of N\$ 100 000:

Suspense account	Debit/(Credit)
	N\$
Receipt suspense	164 032.02
S&T advance suspense account	159 916.15
Rejection account	(210 494.36)
Bills Payable	(6 482 650.89)
Mining claims	(854 478.86)
Prospecting rights	(16 568 359.15)

It is recommended 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.

### 1.4.4 Bank accounts

The bank statements, reconciliation statements, income and expenditure statements of the following bank accounts were not provided for audit purposes:

Account name	Bank
Diamond Valuation Fund	First National Bank
Geological Survey Infrasound	Standard Bank
National Energy Fund	Bank Windhoek

The Accounting Officer should submit the bank statements as well as other requested documents for audit purposes.

### 1.4.5 Deviations from normal tender procedures

The actual figures provided for the deviations from normal Tender Board procedures for acquiring goods and services did not correspond to the supporting documents (FDC report) which were provided for audit purposes.

It is recommended that the Accounting Officer should submit reconciled supporting documents to ensure that correct amounts are disclosed in the financial statements.

## 1.5 ACKNOWLEDGEMENT

The assistance and cooperation of management and staff of the Ministry of Mines and Energy during the audit is appreciated.

## **1.6 UNQUALIFIED AUDIT OPINION**

I certify that I have audited the financial statements of the Ministry of Mines and Energy for the financial year ended 31 March 2014 in accordance with the terms of Article 127(2) of the Namibian Constitution and Section 25(1) of the State Finance Act, 1991 (Act 31 of 1991).

In my opinion, the financial statements present fairly in all material respects, the financial position of the Ministry of Mines and Energy as at 31 March 2014 and its financial performance and its cash flows for the year then ended in accordance with the State Finance Act, 1991 (Act 31 of 1991).

**WINDHOEK, April 2015**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## 1. AUDITED FINANCIAL STATEMENTS

## 1.1 Appropriation Account

		2013/2014			2012/2013	
Service		Authorized expenditure	Actual expenditure	Variations		Actual expenditure
				Under-expenditure/ (Excess)	Percentage	
		N\$	N\$	N\$	%	N\$
<b>01. Office of the Minister:</b>						
Original budget	4 477 000					
Less: Virement	(248 000)	4 229 000	4 127 638.99	101 361.01	2.40	4 293 452.75
<b>02. Administration:</b>						
Original budget	33 551 000					
Plus : Virement	2 596 147	36 147 147	35 959 998.10	187 148.90	0.52	27 212 547.58
<b>03. Mining:</b>						
Original budget	61 188 000					
Less : Virement	(7 263 800)					
Less: Suspension	(14 000 000)	39 924 200	38 253 569.03	1 670 630.97	4.18	29 277 120.71
<b>04. Geological Survey:</b>						
Original budget	37 771 000					
Plus: Virement	1 021 199	38 792 199	38 304 162.33	488 036.67	1.26	27 717 767.28
<b>05. Energy:</b>						
Original budget	131 477 000					
Plus : Virement	2 531 968	134 008 968	133 733 717.72	275 250.28	0.21	78 016 832.43
<b>06. Diamond Affairs:</b>						
Original budget	16 398 000					
Less : Virement	(1 550 000)	14 848 000	14 686 026.07	161 973.93	1.09	12 204 451.28
<b>07. Petroleum Affairs:</b>						
Original budget	-					
Plus : Virement	2 912 486	2 912 486	2 770 670.69	141 815.31	4.87	-
<b>TOTAL</b>		<b>270 862 000</b>	<b>267 835 782.93</b>	<b>3 026 217.07</b>	<b>1.12</b>	<b>178 722 172.03</b>



## ANNEXURE A (continued)

## 1.2 Standard subdivisions

Subdivision	2013/2014			2012/2013
	Authorized expenditure	Actual expenditure	Under-expenditure/ (Excess)	Actual expenditure
	N\$	N\$	N\$	N\$
<b>Operational:</b>				
<b>Current expenditure: Personnel</b>				
001. Remuneration	62 357 160	61 944 960.63	412 199.37	47 767 807.58
002. Employer's contribution to GIPF	6 753 850	6 742 995.97	10 854.03	5 398 980.07
003. Other conditions of service	465 790	441 653.32	24 136.68	628 109.49
<b>Total</b>	<b>69 576 800</b>	<b>69 129 609.92</b>	<b>447 190.08</b>	<b>53 794 897.14</b>
<b>Current expenditure: Goods and other services</b>				
021. Travel and subsistence expenses	7 351 153	6 722 013.12	629 139.88	7 678 958.42
022. Materials and supplies	1 427 000	1 327 202.47	99 797.53	1 244 767.21
023. Transport	3 701 200	3 609 384.85	91 815.15	3 337 930.29
024. Utilities	4 787 000	4 773 761.49	13 238.51	4 855 993.47
025. Maintenance	2 881 200	2 860 053.71	21 146.29	2 347 819.44
027. Other services and expenses	5 962 800	5 844 963.87	117 836.13	6 027 791.66
<b>Total</b>	<b>26 110 353</b>	<b>25 137 379.51</b>	<b>972 973.49</b>	<b>25 493 260.49</b>
<b>Current expenditure: Membership fees and subscriptions</b>				
041. International	2 930 210	2 926 393.81	3 816.19	3 347 841.92
<b>Total:</b>	<b>2 930 210</b>	<b>2 926 393.81</b>	<b>3 816.19</b>	<b>3 347 841.92</b>
<b>Current expenditure: Subsidies, grants and other transfers</b>				
045. Public and departmental enterprises and private industries	10 659 000	10 659 000.00	-	5 000 000.00
<b>Total</b>	<b>10 659 000</b>	<b>10 659 000.00</b>	<b>-</b>	<b>5 000 000.00</b>
<b>Total: Current expenditure</b>	<b>109 276 363</b>	<b>107 852 383.24</b>	<b>1 423 979.76</b>	<b>87 635 999.55</b>
<b>Capital expenditure: Acquisition of assets</b>				
101. Furniture and office equipment	1 397 034	1 386 063.33	10 970.67	987 027.60
102. Vehicles	2 180 000	2 171 852.11	8 147.89	1 230 030.14
103. Operational equipment, machinery and plants	8 603	-	8 603.00	-
<b>Total:</b>	<b>3 585 637</b>	<b>3 557 915.44</b>	<b>27 721.56</b>	<b>2 217 057.74</b>
<b>Total: Operational expenditure</b>	<b>112 862 000</b>	<b>111 410 298.68</b>	<b>1 451 701.32</b>	<b>89 853 057.29</b>
<b>Development:</b>				
<b>Capital expenditure: Goods and other services</b>				
022. Materials and supplies	19 750 000	19 750 000.00	-	4 250 000.00
027. Other services and expenses	17 280 000	17 177 367.72	102 632.28	10 186 920.63
<b>Totals</b>	<b>37 030 000</b>	<b>36 927 367.72</b>	<b>102 632.28</b>	<b>14 436 920.63</b>
<b>Capital expenditure: Acquisition of assets</b>				
103. Operational equipment, machinery and plants	9 391 000	8 087 277.72	1 303 722.28	13 102 676.60
105. Feasibility studies, design and supervision	18 329 000	18 326 784.08	2 215.92	10 046 074.77
107. Construction, renovation and improvement	52 050 000	51 901 193.25	148 806.75	50 583 442.74
131. Government organizations	41 200 000	41 182 861.48	17 138.52	700 000.00
<b>Total</b>	<b>120 970 000</b>	<b>119 498 116.53</b>	<b>1 471 883.47</b>	<b>74 432 194.11</b>
<b>Total : Development expenditure</b>	<b>158 000 000</b>	<b>156 425 484.25</b>	<b>1 574 515.75</b>	<b>88 869 114.74</b>
<b>GRAND TOTAL</b>	<b>270 862 000</b>	<b>267 835 782.93</b>	<b>3 026 217.07</b>	<b>178 722 172.03</b>

### 1.3 Departmental Revenue

Revenue for the year is as follows:

Revenue head	Estimate	Actual revenue 2013/2014	More/(Less) than estimated	Actual revenue 2012/2013
	N\$	N\$	N\$	N\$
Miscellaneous	220 000	226 469.49	6 469.49	1 337 657.24
Geological Services	280 000	287 717.86	7 717.86	276 662.43
Oil Exploration-Rental Fees	24 317 067	34 840 504.51	10 523 437.51	25 046 859.02
<b>TOTAL</b>	<b>24 817 067</b>	<b>35 354 691.86</b>	<b>10 537 624.86</b>	<b>26 661 178.69</b>

### 1.4 Notes to the financial statements

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

##### (i) Underexpenditure

##### Main division 01 – Office of the Minister (N\$ 101 361.01 – 2.40%)

The underexpenditure on this main division was caused by other conditions of service which was budgeted to cater for employees who go on retirement or resignation, however no such cases were recorded during the said period, and this resulted in underexpenditure. It is important to note that it is difficult to foresee how many employees have got the intention to retire/resign during a specific financial year except those employees who are going on normal retirement. Funds should be available in order to fund expenses should they occur.

The other contributing factor under this main division was on the travel and subsistence allowances which resulted in an underexpenditure due to the trips that were cancelled.

##### Main division 03 – Mining (N\$ 1 670 630.97 – 4.18%)

The underexpenditure resulted from expenditure related to subsistence and travelling allowances. The Ministry detected that the Funds Distribution Certificate (FDC) Report and the General ledger (GL) were not updated with inputs from Daily Subsistence and Travel system. This resulted in the Daily Subsistence and Travel system indicating insufficient funds whereby advances and claims were unable to go through; however the General Ledger is indicating underexpenditure on the same main division.

A consultant had to be paid to undertake small scale projects in the 2013/2014 financial year. Procedurally, the company had to send the invoice to the Ministry of Works and Transport for recommendation before the payment was submitted to the line ministry. However, the invoice was received late in March 2014 and the Ministry could not process the payment due to the limited time before the closure of the financial year. This resulted in an under expenditure on this main division.

The Ministry requested an amount of N\$ 714 700 to be suspended during 2013/2014 financial year. National Planning Commission recommendation was obtained, however approval from Treasury was not granted, hence an underexpenditure occurred.

##### Main division 07 – Petroleum Affairs (N\$ 141 815.31 – 4.87%)

The underexpenditure in main division seven (7) was due to the fact that the directorate came into effect during the third quarter of the financial year. The establishment was implemented with staff members from main division five (5), and the staff members were translated without changing their pay points. Staff members were

paid under main division five (5) instead of main division seven (7) and this contributed to the underexpenditure. Some of the scheduled trips were cancelled and this affected the execution rate under subsistence and travelling allowances.

The invoice for Association of International Petroleum Negotiation Subscription was received late during March 2014, while the deadline for foreign payments had already passed. Therefore, the payment could not be effected. This resulted in an underexpenditure on membership fees and subscriptions.

### Departmental Revenue: Explanation of variations exceeding N\$ 100 000

#### (i) Underestimated

#### Oil exploration – Rental fees

The Oil exploration sector has shown more interest by lodging more applications than earlier predicted, which resulted in more application fees being paid to the Government.

## 2. GENERAL INFORMATION

### 2.1 Commissions and Special Committees

The Ministry incurred an amount of N\$ 77 082 in respect of the Commissions and Special Committees during the year under review.

### 2.2 Bursaries and Study Assistance

During the financial year under review, the Ministry awarded bursaries and study assistance to seven (7) staff members amounting to N\$ 148 320.99.

### 2.3 Fund and Bank accounts

The Ministry operated the following fund and bank accounts:

Account Name	Bank	Closing balance as at 31/03/2014
		N\$
OGEMP Solar Revolving Fund	First National Bank	17 001 467.90
Mineral Development Fund of Namibia	First National Bank	1 467 123.24
Mineral Development Fund of Namibia	First National Bank	633 535.23
Mineral Development Fund of Namibia	First National Bank	85.06
Diamond Valuation Fund	First National Bank	64 712.91
Diamond Board of Namibia	Bank Windhoek	8 700 898.58
Geological Survey Infrasound	Standard Bank	415 959.10
OGEMP Solar Revolving Fund	First National Bank	4 604 925.57
OGEMP Solar Revolving Fund	First National Bank	9 271 412.21
National Energy Fund	Bank Windhoek	200 916 583.42
National Energy Fund	Bank Windhoek	91 033 414.91
National Energy Fund	Bank Windhoek	65 297 860.32

### 2.4 HIV/AIDS activities

Expenditure in respect of HIV/AIDS awareness amounted to N\$ 131 061 for the financial year under review.

## 2.5 Capital Projects

The following were development projects of the Ministry for the financial year.

Project	Approved total budget	Total expenditure at 31/03/2013	Approved appropriation 2013/2014	Actual expenditure 2013/2014	Total expenditure at 31/03/2014	Expected year of completion
	N\$	N\$	N\$	N\$	N\$	
Renovation of the Ministry of Mines and Energy buildings	13 050 000	5 708 231.71	5 600 000	5 564 924.41	11 273 156.12	01/03/2015
Construction of a Ministerial Regional Office in Swakop	40 050 000	1 544 397.25	2 200 000	2 197 517.50	3 741 914.75	01/03/2015
Regional Geological Mapping	25 000 000	1 122 088.42	4 500 000	4 451 825.80	5 573 914.22	31/03/2017
Small Scale Mining	114 970 000	19 511 420.25	8 341 000	7 052 543.03	26 563 963.28	01/04/2014
High Resolution Airborne Geographics	192 000 000	58 625 987.67	2 300 000	2 294 243.44	60 920 231.11	31/03/2017
Geological Sample Storage and Database	14 020 000	7 445 607.69	2 735 000	2 734 992.92	10 180 600.61	31/03/2016
Regional Geochemical Sampling Survey	67 376 000	5 255 929.76	1 700 000	1 699 999.98	6 955 929.74	31/03/2020
Airborne Electromagnetic Survey	45 000 000	19 751 556.29	6 000 000	5 952 657.20	25 704 213.49	31/03/2017
Geo-laboratories upgrading and staff training	29 486 000	8 159 744.56	1 100 000	1 100 000.00	9 259 744.56	31/03/2020
Environmental Monitoring of active and abandoned Mine	1 450 000	657 374.00	95 000	93 648.38	751 022.38	31/03/2016
Seismological Network	17 298 000	8 896 639.25	250 000	138 752.26	9 035 391.51	31/03/2017
Ground Geophysical Equipment	4 000 000	3 264 929.82	150 000	134 734.69	3 399 664.51	31/03/2017
Off-Grid Electrification and Solar Revolving Fund	129 160 000	28 179 728.05	19 500 000	19 500 000.00	47 679 728.05	31/03/2029
Rural Electrification	740 848 000	322 828 304.57	85 000 000	84 982 244.68	407 810 549.25	30/03/2015
Major Power Project Development	58 316 000	12 2847 031.28	14 329 000	14 327 400.71	26 611 431.99	30/03/2020
Tsumkwe Energy project	5 000 000	-	3 000 000	2 999 999.25	2 999 999.25	31/03/2015
Renewable Energy and Energy Efficiency Institute	14 990 000	8 570 000.00	1 200 000	1 200 000.00	9 770 000.00	31/03/2016
<b>Total</b>	<b>1 512 014 000</b>	<b>511 805 970.57</b>	<b>158 000 000</b>	<b>156 425 484.25</b>	<b>668 231 454.82</b>	

**ANNEXURE A (continued)**

**2.6 Tender Board exemptions**

The Tender Board approved deviations from normal Tender Board procedures for acquiring goods and services comprising of the following:

<b>Exemption</b>	<b>Goods/Services</b>	<b>Amount</b>
		N\$
E1/7-1/2013	Annual exemption 2013/2014	45 207 000.00
E1/7-2/2013	Reconstruct Ministry of Mines and Energy front entrance upgrade	379 814.50
E1/7-3/2013	Reconstruct the front entrance of the Ministry of Mines and Energy front entrance	800 000
E1/7-4/2013	Purchasing of shares	756 750.22
E1/7-5/2013	Construction of medium voltage and installation of low voltage networks, streetlights and connection of Government building	2 876 842.00
E1/7-6/2013	Purchase Geophysical equipment and accessories.	300 000.00
E1/7-7/2013	Acquire and install high performance software package for X-ray diffractometer	270 000.00
E1/7-8/2013	Specialized laboratory training on XRFS for laboratory staff members.	200 000.00
E1/7-9/2013	Purchase certified reference materials for calibratin of analytical equipment	200 000.00
E1/7-10/2013	Field module to the Geoscience Information Management System	270 000.00
E1/7-11/2013	Specialised interpretation of Geophysical data and tailor-made intrepid and Geomodeler software training	548 688.00
E1/7-12/2013	Acquire technical services from a specialist for the Hardap Interpretation Project	640 964.00
E1/7-14/2013	Pilot project – Geotechnical	320 000.00
E1/7-15/2013	Purchase a trailer for the pump	80 000.00
E1/7-16/2013	Upgrading of electrical distribution substation in the northern regional electricity distribution area	29 000 000.00
E1/7-17/2013	Repair of network infrastructure at Ministry of Mines and Energy	2 800 000.00
E1/7-18/2013	Construction of medium voltage and low voltage reticulation networks, streetlights and connection of government buildings in Omusati region	3 615 000.00
E1/7-19/2013	Translation of Calueque Dam Rehabilitation documents from Portuguese to English	500 000.00
E1/7-20/2013	Upgrading of electrical distribution substation in the central northern regional electricity distribution area	27 000 000.00
<b>TOTAL</b>		<b>115 765 060.72</b>