



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MINISTRY OF MINES AND ENERGY

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 Mines and Energy 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.

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, MARCH 2020

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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 to time withhold 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.
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).
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.
O/M/A	Office/Ministry/Agency
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.

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

1. SECTION A: FINANCIAL AUDIT

1.1 UNQUALIFIED AUDIT OPINION

I have audited the financial statements of the Ministry of Mines and Energy 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 in accordance with the State Finance Act, 1991 (Act 31 of 1991).

In my opinion the financial statements of the Ministry of Mines and Energy as at 31 March 2019, are prepared, in all material respects, 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).

1.2 BASIS FOR UNQUALIFIED AUDIT 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 an unqualified opinion.

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 OTHER INFORMATION

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. There was no other information in connection with my audit of the financial statements for the year under review.

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 Mines and Energy 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 Mines and Energy'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 Ministry of Mines and Energy 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 used in the audit are derived from the following laws and regulations:

- 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 the laws and regulation that governs them. The audit team conducted interviews with management and those charged with governance and document reviews were also carried out.

2.6 KEY AUDIT FINDINGS

2.6.1 Unauthorised expenditure

The following unauthorized expenditure occurred during the financial year and is hereby reported as such in terms of Section 27(6)(a) of the State Finance Act, 1991 (Act 31 of 1991):

Although Treasury authorization was obtained to utilize certain expected savings for the defrayal of expenditure by way of virements during the year, one (1) operational subdivision was exceeded by a total amount of N\$ 35 202.46. This excess is unauthorized in terms of Section 6(a)(iii) of the Act.

It is recommended that the Accounting Officer should ensure control measures are adhered to, to avoid unauthorized expenditure in future.

Management comment

In his comment on the draft report, the Accounting Officer indicated that the Ministry agrees with the finding and will put measures in place to avoid unauthorized expenditure in future.

2.7.2 Underexpenditure

The total budget of the Ministry was underspent with an amount of N\$ 40 191 667.40 (15.98%) and realised underexpenditure on eight (8) main divisions of more than 2%. Although explanations were provided for the variance as required by Circular D12/2018 of the Auditor-General, Treasury Instruction DC 0202 states that *“when drawing up draft estimates Accounting Officers and their Financial Advisors shall take note of and guard against that more funds than can reasonably be spent shall not be requested”*.

It is recommended that the Accounting Officer should comply with Treasury Instruction DC 0202 and should ensure whether all envisaged targets are attained after realizing underexpenditure.

Management comment

In his comment on the draft report, the Accounting Officer indicated that the Ministry did not achieve all the envisaged targets for the year under review. The underexpenditure was mainly caused by administrative constraints in the implementation of the annual procurement plan.

2.7.3 Subsistence advances

Treasury Instruction FD 0702 states that “*the Accounting Officer should keep auxiliary registers (superfluous) to enable the Ministry to reconcile the suspense accounts placed under their control with the respective ledger accounts*”. However, the Accounting Officer reported outstanding subsistence advances amounting to N\$ 361 410.73, while the subsistence and travel advance suspense account indicated a debit balance of N\$ 118 750.05, thus resulting in an unexplained difference of N\$ 242 660.68.

It is recommended that the Accounting Officer should ensure that Treasury Instruction FD 0702 is adhered to.

Management comment

In his comment on the draft report, the Accounting Officer indicated that the Ministry agrees with the finding and will continue with the reconciliations.

2.8 OPINION ON THE SUBJECT MATTER

In my opinion, the Ministry of Mines and Energy financial performance and use of appropriated funds is in compliance, in all material respects, with the State Finance Act, 1991 (Act 31 of 1991), Public Procurement Act, 2015 (Act 15 of 2015), Treasury Instructions, Public Procurement Regulations and Appropriation Act, 2018 (Act 4 of 2018) and Appropriation Amendment Act, 2018 (Act 15 of 2018).

3. AUDIT OF PERFORMANCE INFORMATION

I have audited the performance information of the Ministry of Mines and Energy for the financial year ended 31 March 2019.

3.1 DESCRIPTION OF THE SUBJECT MATTER INFORMATION AND AUDIT SCOPE

A Performance Management System (PMS) is a systematic process for achievement and improvement in obtaining results from an organization and its staff members by managing performance within an agreed framework consisting of objectives, outputs, key performance indicators (KPIs) and timeliness.

The primary function of the PMS is to enable Offices, Ministries and Agencies (OMAs) to achieve success in National Development Plans (NDP) and provide improvements in service delivery to the public.

The scoping of the key performance indicators was performed, by looking at the high-level statements, which are indicated in the Mandate of the Ministry of Mines and Energy and the 2017-2022 Strategic Plan. Key performance indicators were selected based on what would be significant to the intended users and their usefulness in assessing the entity’s achievements in terms of its service performance objectives.

3.2 AUDIT OBJECTIVE

The objective of the Key Performance Indicator (KPI) audit is to provide assurance on whether the reported performance information measured against key performance indicators is useful, reliable and evidence-based. Key performance indicators also provide the basis for the (OMAs) to inform the Parliament, the public and other stakeholders on its strategic priorities, programs, and projects.

The objective of this audit is also to provide reasonable assurance to Parliament, members of the general public and other relevant stakeholder whether the reported actual performance has actually occurred and is based on the selected criteria.

3.3 AUDIT CRITERIA

In this audit, I tested the performance information against the following criteria/sub-criteria:

Compliance with legislative requirements;
Usefulness;
Reliability;
Existence;
Timeliness;
Presentation;
Measurability;
Relevance;
Consistency;
Validity;
Accuracy; and
Completeness.

3.4 SUMMARY OF METHODS APPLIED

The scoping of the key performance indicators was performed, by looking at the high-level statements, which are indicated in the Mandate of the Ministry of Mines and Energy and the Strategic Plan. Key performance indicators were selected based on what would be significant to the intended users and their usefulness in assessing the entity's achievements in terms of its service performance objectives. The scoping on Key performance indicators was conducted on the National Electrification: Directorate of Energy.

3.5 CONCLUSION ON THE SUBJECT MATTER

The selected key performance indicator was tested for compliance with legislative requirements, usefulness, timeliness, consistency, relevance, completeness, existence, measurability and presentation of performance information and tested satisfactory. However, the validity, accuracy, and reliability criteria was not met as supporting documents for the planned action steps in the Annual plan were not provided for audit purposes.

3.6 KEY AUDIT FINDINGS

3.6.1 Percentage (%) rate of national electrification

Documentary proof of the action steps on which this KPI's actual performance was formulated on, such as the preparation of tender documents and advertisement, minutes of the evaluation of tenders, appointment of the contractors, progress report for the supervision of the construction and the processed payment vouchers was not provided for audit purposes, thus resulting in an audit scope limitation.

It is recommended that the Accounting Officer should ensure that the performance information documents for the actual output reported on the overall achievement on the KPIs are provided for audit purposes.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 12 & 13 of the State Finance Act, 1991, (Act 31 of 1991) and 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.

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

Those charged with governance are responsible of overseeing the entity's financial reporting process.

5. 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 a 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 scepticism 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 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.
- 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.
- 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 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.

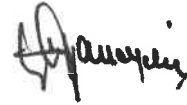
6. GENERAL INFORMATION

The appropriation account was submitted timeously by the Accounting Officer to the Auditor-General on 18 October 2019 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.

7. ACKNOWLEDGEMENT

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

WINDHOEK, MARCH 2020



JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

1. AUDITED FINANCIAL STATEMENTS

1.1 Appropriation account

Service	2018/2019		Variations		2017/2018	
	Authorized expenditure	Actual expenditure	Under-expenditure/ (Excess)	Percentage	Actual expenditure	
	N\$	N\$	N\$	%	N\$	
01. Office of the Minister:						
Original budget	3 925 000					
Plus: Virement	270 699	4 195 699	3 664 283.05	531 415.95	12.67	
					3 880 637.06	
02. Administration:						
Original budget	63 890 000					
Less: Virement	(306 000)					
Less: Suspension	(1 050 000)	62 534 000	42 049 063.19	20 484 936.81	32.76	
					55 005 758.21	
03. Mining:						
Original budget	36 717 000					
Less: Virement	(50 000)					
Less: Suspension	(300 000)	36 367 000	33 423 727.82	2 943 272.18	8.09	
					30 648 294.85	
04. Geological Survey:						
Original budget	57 315 000					
Plus: Virement	452 000					
Less: Suspension	(1 500 000)	56 267 000	49 350 477.26	6 916 522.74	12.29	
					51 624 041.97	
05. Energy:						
Original budget	74 263 000					
Less: Virement	(20 000)					
Less: Suspension	(10 000 000)	64 243 000	60 774 540.39	3 468 459.61	5.40	
					25 178 678.42	
06. Diamond Affairs:						
Original budget	12 725 000	12 725 000	9 605 743.82	3 119 256 .18	24.51	
					9 376 267.26	
07. Petroleum Affairs:						
Original budget:	12 257 000					
Plus: Virement	34 000	12 291 000	10 886 009.43	1 404 990.57	11.43	
					10 576 116.52	
08. Petroleum Fund:						
Original budget:	3 229 000					
Less: Virement	(380 699)	2 848 301	1 525 487.64	1 322 813.36	46.44	
					1 317 174.14	
GRAND TOTAL		251 471 000	211 279 332.60	40 191 667.40	15.98	187 246 968.43

1.2 Standard subdivisions

Subdivision	2018/2019			2017/2018
	Authorized expenditure N\$	Actual expenditure N\$	Under-expenditure/ (Excess) N\$	Actual expenditure N\$
Operational:				
Current expenditure: Personnel				
001. Remuneration	100 371 000	87 922 514.78	12 448 485.22	89 718 010.48
002. Employer's contribution to GIPF	12 718 500	10 732 754.74	1 985 745.26	11 000 907.94
003. Other conditions of service	2 739 500	1 403 369.58	1 336 130.42	1 147 180.20
005. Employers contribution to the social security	271 000	238 359.13	32 640.87	207 606.64
Total	116 100 000	100 296 998.23	15 803 001.77	102 073 705.26
Current expenditure: Goods and other Services				
021. Travel and subsistence expenses	4 161 000	3 587 323.51	573 676.49	2 584 383.30
022. Materials and supplies	2 744 000	954 174.85	1 789 825.15	1 938 147.39
023. Transport	8 084 000	4 532 867.89	3 551 132.11	2 661 021.46
024. Utilities	14 728 000	9 989 815.05	4 738 184.95	8 010 839.31
025. Maintenance expenses	1 202 000	550 168.63	651 831.37	1 150 070.52
027. Other services and expenses	4 169 000	3 822 260.32	346 739.68	9 750 686.31
028. Training course, symposiums & workshops	241 000	230 899.17	10 100.83	-
029. Printing and advertisements	500 000	418 383.28	81 616.72	-
031. Entertainment: Politicians	48 000	47 260.15	739.85	-
033. Office refreshment	150 000	148 774.33	1 225.67	-
040. Security contracts	558 000	258 336.75	299 663.25	-
Total	36 585 000	24 540 263.93	12 044 736.07	26 095 148.29
Current expenditure: Membership Fees and Subscriptions				
041. Membership fees: International	4 302 000	3 463 001.83	838 998.17	2 848 714.38
042. Membership fees: Domestic	11 000	1 900.00	9 100.00	3 322.00
053. Subsidies for State Owned Enterprises	12 000 000	12 000 000.00	-	-
Total	16 313 000	15 464 901.83	848 098.17	2 852 036.38
Total: Operational expenditure	168 998 000	140 302 163.99	28 695 836.01	131 020 889.93
Development:				
Capital expenditure: Acquisition of Assets				
022. Materials and supplies	8 173 000	3 085 988.27	5 087 011.73	5 259 643.70
027. Other services and expenses	13 250 000	10 760 129.01	2 489 870.99	14 243 511.96
Total: Development expenditure	21 423 000	13 846 117.28	7 576 882.72	19 503 155.66
Capital expenditure: Acquisition of Assets				
103. Operational equipment machinery & plant	4 950 000	3 497 513.11	1 452 486.89	1 550 000.00
105. Feasibility studies, design & supervision	8 700 000	8 435 068.71	264 931.29	879 948.18
107. Construction, renovation & improvement	43 900 000	41 698 469.51	2 201 530.49	8 256 917.12
131. Government organisation	3 500 000	3 500 000.00	-	8 000 000.00
TOTAL	61 050 000	57 131 051.33	3 918 948.67	18 686 865.30
Total: Development	82 473 000	70 977 168.61	11 495 831.39	38 190 020.96
GRAND TOTAL	251 471 000	211 279 332.60	40 191 667.40	187 246 968.43

1.3 Departmental revenue

Revenue for the year is as follows:

Revenue head	Estimate 2018/2019	Actual revenue 2018/2019	More/(Less) than estimated	Actual revenue 2017/2018
	N\$	N\$	N\$	N\$
Miscellaneous	230 000	2 463 051.23	2 233 051.23	898 921.15
Geological survey	250 000	28 684 945.59	28 434 945.59	197 683.07
Oil exploration-rental fees	10 000 000	24 040 722.93	14 040 722.93	26 285 997.35
Unclaimed cheques	-	4 940.00	4 940.00	1 576 625.19
Prospecting license and claims	1 900 000	4 538 997.13	2 638 997.13	-
Diamond royalties	1 200 000 000	1 255 108 363.29	55 108 363.29	-
Other mineral royalties	300 000 000	347 036 605.19	47 036 605.19	-
Sale of tender documents	300 000	156 700.00	(143 300.00)	-
Total	1 512 680 000	1 662 034 325.36	149 354 325.36	28 959 226.76

1.4 Notes to the financial statements

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

Underexpenditure

Main division 01: Office of the Minister (N\$ 531 415.95 - 12.67%)

The main contributing factor to the underexpenditure was on personnel expenditure. At the end of the financial year, funds were not utilized as the outstanding issues were not resolved. In addition, funds were viremented from other main divisions to cater for the Office of the Minister's travel and subsistence allowance. However, the Office of the Minister could not spend the full budget as some of the planned trips were cancelled.

Main division 02: Administration (N\$ 20 484 936.81 - 32.76%)

The Ministry experienced a delay in filling of positions such as, two (2) Senior Accountants, two (2) Accountants and one (1) Senior Human Resource Practitioner, which resulted in the underexpenditure on personnel expenditure.

The underexpenditure on materials and supplies, transport, utilities, maintenance expenses, printing and advertisement, security contracts, international membership fees and subscriptions and upgrading and expanding of IT infrastructure resulted from the cancellation of bids. The Ministry faced challenges in terms of non-responsive bidders, which resulted in a number of bids been cancelled.

The Ministry made budgetary provision for the renovation of Oranjemund houses and the offices. Assistance was sourced from the Ministry of Works to provide the Bill of Quantity, however, the assistance was not provided despite numerous attempts to obtain the Bill of Quantity. This resulted in underexpenditure on the renovation of the Ministry of Mines and Energy Building.

ANNEXURE A (continued)

The underexpenditure was further observed under the construction of the Ministerial Regional Office in Swakopmund. Provision was made for the registration of the Swakopmund building to be rated as a green building. This could not be achieved because the Offices were not fully occupied hence the systems were not fully operational and no statistics could be generated. In order for the green building rating to be determined, the system should be fully operational.

Main division 03: Mines (N\$ 2 943 272.18 - 8.09%)

The underexpenditure on other services and expenses as well as international subscriptions was mostly attributed by the exchange rate fluctuation between the Namibian dollar against the Euro.

The underexpenditure on the Small Scale Mining project, resulted from the continued non-compliance and eventual abandonment of the site by the contractor. The contract for the small scale mining project involving setting up of a cutting and polishing facility for dimension stone and semi-precious stones in Khorixas, Kunene region had to be terminated.

Main division 04: Geological Survey (N\$ 6 916 522.74 - 12.29%)

The underexpenditure was observed under the High Resolution Airbone Geophysics, Seismology and Ground Geophysics, Regional Geochemical Sampling Survey, Regional Geological Mapping and Environmental Monitoring of Active and Abandoned Mines projects. Bids were advertised and many bidders participated in the bidding process to bid for the procurement of specialized goods and services. However, after the bid evaluation, all bids were cancelled as there was no successful substantive responsive bidders. Furthermore, invoices for seismology equipment could not be paid due to the outstanding performance security.

The underexpenditure on Geo-laboratories upgrading and staff training project resulted from the delay in delivery of goods and late submission of an invoice. As a result, the invoice was not paid and the money was not utilized in the financial year.

Main division 05: Energy (N\$ 3 468 459.61 - 5.40%)

The underexpenditure on membership subscription (international) occurred as a result of the tax invoice for the World Energy Council which was received after the closure of the 2018/2019 financial year.

Main division 06: Diamond Affairs (N\$ 3 119 256.18 - 24.51%)

The position of Deputy Director was budgeted during the year under review, however, it was not filled.

Main division 07: Petroleum Affairs (N\$ 1 404 990.57 - 11.43%)

The underexpenditure on travel and subsistence allowance is attributed to compliance with Amendment Notice No. 8 of 2018 on daily subsistence allowance. The number of trips/travel was capped at two (2) trips per annum on international travel and three (3) trips per annum on local trips. The amendment to the daily subsistence allowance came after the budget process was finalised. The staff rule came into effect on 01 September 2018 which resulted in the underexpenditure on both local and international travel during the 2018/2019 financial year.

ANNEXURE A (continued)

Main division 08: Energy Fund (N\$ 1 322 813.36 - 46.44%)

The delay in filling two (2) management positions contributed to the underexpenditure on personnel expenditure. The positions of Director of Energy Funds and Deputy Director of Solar Revolving Fund were budgeted during the year under review, but could not be successfully filled before the financial year ended.

1.4 2 Departmental Revenue: Explanations of variations exceeding N\$ 200 000

Underestimated

Oil exploration - rental fees (N\$ 14 040 722.93)

The Ministry does not agree with the revised revenue of N\$ 18 000 000.00 as the Ministry is not consulted when the revenue estimate was revised by the Ministry of Finance. The estimate was N\$ 28 000 000.00 and the actual revenue was N\$ 24 040 722.93. The correct variance was therefore N\$ 3 959 277.07 and not N\$ 14 040 722.93 as recorded in the ledger. This variance was attributed to a number of factors. Firstly, the Ministry experienced challenges with payments that were made from outside the country in foreign currencies. The challenge experienced by the Ministry was that some of the payments were not cleared and were referred back to sender by the Bank of Namibia without any notification to the Ministry.

Another issue that affected rental fees collection was that some payments were not correctly allocated to the Ministry. Additionally, the market condition continued to be unfavourable, therefore some companies were non-compliant with the payment requirements. The relinquishments from Cowan and Lekoil was also experienced and the license of Hydrocarb was cancelled. All these factors therefore contributed to the under collection of revenue.

Miscellaneous (N\$ 2 233 051.23)

The variance of N\$ 2 233 051.23 resulted from revenue which was not allocated to the correct revenue heads during the 2017/2018 financial year. There was no sufficient information to identify the revenue head at that point in time. The Ministry only managed to resolve the matter after the end of the financial year. The Ministry then sought advice from the Ministry of Finance on how to treat the revenue. The Ministry was advised that since the revenue heads were already closed at the end of the 2017/2018 financial year, the revenue should be allocated under miscellaneous revenue in the 2018/2019 financial year.

Geological survey (N\$ 28 434 945.59)

This excess of N\$ 28 434 945.59 was a result of a journal passed on 11 August 2018. An amount of N\$ 28 529 857.14 which was meant to be allocated to other mineral royalties revenue head (31-0020-625) was wrongly allocated to geological survey.

Diamond royalties (N\$ 55 108 363.29)

The reason for the variance could be attributed to the favorable diamond price per carat and the US dollar (USD) exchange rate against the South African rand (ZAR) and consequently the Namibian dollar (NAD) that prevailed during the 2018/2019 financial year in favour of diamond sales and export earnings.

Other mineral royalties (N\$ 47 036 605.19)

The variance of N\$ 47 036 605.19 was caused by royalties paid by Husab Mine, which came in full production during the 2018/2019 financial year.

Prospecting license and claims (N\$ 2 638 997.13)

During the period, the officials in the Department of Mines worked overtime to reconcile the mining claims and prospecting licenses, which resulted in fees collected for granted applications to be transferred to the State Revenue Fund. Furthermore, the Ministry received more new applications than estimated during the 2018/2019 financial year. In addition, the Ministry charged and collected penalties for late payments on annual fees, which attributed to more collections.

2. GENERAL INFORMATION

2.1 Bank accounts

The Accounting Officer reported the following bank accounts with closing balances as at 31 March 2019 as follows:

Account name	Bank	Closing balance as at 31 March 2019
Solar Revolving Fund	First National Bank	N\$ 2 467 963.21
Solar Revolving Fund	First National Bank	N\$ 16 533 853.77
Botschaf Der Republik Namibia	UniCredit Bank Austria AG	€ 37 059.26
Geological Survey Infrasound	Standard Bank	N\$ 533 428.55

2.2 Fund accounts

The Accounting Officer reported the following fund accounts with closing balance as at 31 March 2019 as follows:

Fund name	Bank name	Closing balance as at 31 March 2019
Diamond Board of Namibia	Bank Windhoek	N\$ 7 017 828.30
Diamond Valuation Fund	First National Bank	22 961 332.92
Mineral Development Fund	First National Bank	651 568.49
Mineral Development Fund	First National Bank	1 650 268.67
National Energy Fund: Petroleum Equalisation on levy	Bank Windhoek	230 021 943.22
Petroleum & Energy Account	Bank Windhoek	37 867 272.56
Electricity levy	Bank Windhoek	54 957 423.04
Strategic oil storage USD forex account	Standard bank	9 940 715.32
Strategic oil storage disbursement	Standard bank	202 007 570.87
Strategic oil storage levy revenue account	Standard bank	923.26
Strategic oil storage DBN debt reserve account	Standard bank	168 769 635.64
Investec Management Equalisation levy	Investec Asset Management	170 470 145.27
Invested Electricity levy	Investec Asset Management	25 069 139.01
IJC Securities - Equalisation levy	IJG Securities Money Market Trust	150 534 452.05
IJC Securities - Electricity levy	IJG Securities Money Market Trust	25 089 075.34
Namasset - Equalisation levy	Namibia Asset Management	10 415 714.09
Namasset - Equalisation levy	Namibia Asset Management	44 548 475.31
Capricorn Investment Fund	Capricorn Asset Management	8 344 739.11
Capricorn Investment Fund	Capricorn Asset Management	43 644 576.19
Capricorn Investment Fund	Capricorn Asset Management	203 908 391.06
Standard Bank Money Market Fund	Stanlib Unit Trust Management	99 325 295.64
Standard Bank Money Market Fund	Stanlib Unit Trust Management	43 021 552.82
Standard Bank Money Market Fund	Stanlib Unit Trust Management	7 619 542.74
Standard Bank Money Market Fund	Stanlib Unit Trust Management	12 871.40

ANNEXURE A (continued)

2.3 Bursary and study assistance

The Ministry paid an amount of N\$ 17 580.00 for study assistance for one (1) staff member for the financial year under review.

2.4 Vehicles on hand (Own fleet)

The Ministry had ninety seven (97) vehicles as at 01 April 2018. Seven (7) vehicles were disposed off with the relevant Treasury approval, thus the closing balance of vehicles as at 31 March 2019 was ninety (90).

2.5 Suspense accounts

The final ledger shows the following seventeen (17) suspense accounts with balances as at 31 March 2019:

Description	Balance as at 31 March 2019 Debit/(Credit)
	N\$
Receipt suspense account	81 534 766.46
RD cheques	79 600.00
S&T advance suspense account	118 750.05
Rejection account	(31 758.23)
Bills payable	(17 411.23)
Electronic fund transfer clearing account	(37 352.90)
Social security	32.01
Tax code	(59 812.54)
Salary interface control account	0.93
Pension fund: GIPF	(90 581.24)
Pension fund: Political Office Bearers	69 358.00
National Housing Enterprises (10%)	(669.59)
Standard Bank (Windhoek)	58 174.06
First National Bank (Windhoek)	(8 290.76)
Bank Windhoek Main Branch	1 968.00
Commercial Bank of Namibia	7 000.00
Debt establishment	(18 793.19)

2.6 Outstanding commitments

The Accounting Officer reported outstanding commitments amounting to N\$ 204 794.81 for the financial year under review.

2.7 Capital projects

ANNEXURE A (Continued)

The Accounting Officer reported the following development projects of the Ministry for the year under review:

Project name	Approved total budget	Total expenditure as at 31/03/2018	Approved appropriation 2018/2019	Actual expenditure 2018/2019	Total actual expenditure at 31/03/2019	Expected year of completion
National Airborne Geophysical Survey (NAGS)	N\$ 70 000 000	N\$ 41 960 276.90	N\$ 2 000 000	N\$ 2 000 000.00	N\$ 43 960 276.90	31/03/2022
Geological Samples Storage and Database	52 524 000	18 772 519.08	3 500 000	3 500 000.00	22 272 519.08	31/03/2022
Regional Geological Mapping	50 460 000	23 451 641.78	3 700 000	3 221 195.65	26 672 837.43	31/03/2022
Seismology and Ground Geophysics	521 412 000	4 000 000.00	3 650 000	2 261 895.32	6 261 895.32	31/03/2022
Regional Geochemical Sampling Survey	67 376 000	11 017 487.97	1 500 000	1 297 029.93	12 314 517.90	31/03/2026
Regional Integrated Interpretation Geophysics (RIIG)						
Engineering and Environmental Geological Assessment	199 750 000	3 500 000.00	3 000 000	-	3 500 000.00	31/03/2026
Upgrading of Geo Laboratories and Staff Training	7 323 000	1 677 667.08	300 000	-	1 677 667.08	31/03/2026
Small Scale Mining	31 004 000	10 344 198.07	2 000 000	1 601 291.60	11 945 489.67	31/03/2022
Major power project development	68 906 000	34 758 998.52	1 423 000	595 841.09	35 354 839.61	31/03/2023
Off-Grid Electrification and Solar Revolving Fund	105 041 000	49 704 110.07	1 500 000	1 500 000.00	51 204 110.07	31/03/2026
Rural Electrification	129 160 000	68 648 728.05	3 000 000	3 000 000.00	71 648 728.05	31/03/2029
National Energy Institute	885 374 000	656 392 439.02	47 000 000	46 880 830.43	703 273 269.45	30/03/2025
Upgrading and Expanding of IT Infrastructure	98 610 000	30 250 000.00	3 500 000	3 500 000.00	33 750 000.00	31/03/2026
Construction of Ministerial Regional Office in Swakopmund	71 231 000	2 882 742.38	3 000 000	-	2 882 742.38	31/03/2022
Renovation of MME buildings	7 442 000	43 658 932.70	400 000	32 164.90	43 691 097.60	31/03/2021
Total	2 466 513 000	1 021 072 360.29	82 473 000	70 977 168.61	1 092 049 528.90	31/03/2025

WINDHOEK, 2019-10-18

SIMEON.N. NEGUMBO
ACCOUNTING OFFICER

