



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
REGIONAL COUNCIL OF THE KAVANGO WEST
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2017, 2018 AND 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 Kavango West Regional Council for the financial years ended 31 March 2017, 2018 and 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 No 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, December 2023

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

2017

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
REGIONAL COUNCIL OF KAVANGO WEST
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2017, 2018 AND 2019**

SECTION A: FINANCIAL AUDIT

1. DISCLAIMER AUDIT OPINION

I have audited the financial statements of the Regional Council of Kavango West for the financial years ended 31 March 2017, 2018 and 2019 provided by the Accounting Officer as attached in Annexure

A-E. These financial statements comprise the statement of financial position, the statement of financial performance, the statement of changes in net assets, statement of cash flows, notes to the financial statements and a summary of significant accounting policies.

In my opinion, because of the significance of the matters described in the Basis for Disclaimer of Audit Opinion paragraph, I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements for the years then ended in accordance with International Public Sector Accounting Standard (IPSAS).

2. BASIS FOR DISCLAIMER 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 code of ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements in Namibia, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the code of ethics.

I believe that the audit evidence I have obtained is not sufficient and appropriate to provide a basis for my opinion. Disclaimer opinion is expressed due to the following:

2.1 FINANCIAL REPORTING FRAMEWORK

The Council did not make reference to the financial reporting framework that was used in the preparation of the financial statements. This is an indication that the Council did not adopt an acceptable financial reporting framework in the preparation of the financial statements under review. This is in contravention of the circular from the Ministry of Urban and Rural Development (MURD) dated 13 September 2020 that Regional Councils and Local Authorities should implement the International Public Sector Accounting Standards as a reporting framework with the compilation of the financial statements from the 2018/2019 financial year.

It was furthermore noted that the financial statements were submitted on the 17th of December 2022 which gave the Council ample time to draft the statements in accordance with the said circular.

The Council is recommended to ensure that it adopts the financial reporting framework that was recommended by the MURD.

2.2 DIFFERENCES BETWEEN THE FINANCIAL STATEMENT AND FIXED ASSET REGISTER

2017 FINANCIAL YEAR

- The financial statement reflects an amount of N\$ 8 006 323 and the fixed asset register N\$ 17 483 534 on the closing balance of property, plant and equipment; resulting in a difference of N\$ 9 477 211; and
- The financial statement reflects an amount of N\$ 2 695 443 and the fixed asset register N\$ 735 014 on depreciation of property, plant and equipment; resulting in a difference of N\$ 1 960 429.

2018 FINANCIAL YEAR

- The financial statement reflects an amount of N\$ 14 891 438 and the fixed asset register N\$ 41 695 718 on the closing balance of property, plant and equipment; resulting in a difference of N\$ 26 804 280; and
- The financial statement reflects an amount of N\$ 1 557 349 and the fixed asset register N\$ 960 502 on depreciation of property, plant and equipment; resulting in a difference of N\$ 596 847.

2019 FINANCIAL YEAR

- The financial statement reflects an amount of N\$ 38 548 366 and the fixed asset register N\$ 40 505 240 on the closing balance of property, plant and equipment; resulting in a difference of N\$ 1 956 874; and
- The financial statement reflects an amount of N\$ 1 995 343 and the fixed asset register N\$ 1 398 923 on depreciation of property, plant and equipment; resulting in a difference of N\$ 596 420.

The Council should ensure that fixed asset register and financial statement are reconciled on regular basis and any discrepancies are followed up and resolved in time.

2.3 UNEXPLAINED ADJUSTMENT FOR 2017 AND 2018 FINANCIAL YEARS

The Council did not provide explanations, nor journals and source documents for adjustments made to property, plant and equipment to the value of N\$ 1 332 118 for 2017 and work in progress of (N\$ 6 401 874) for 2018.

It is recommended that the Council ensures that all supporting documents are provided for audit purposes in terms of the State Finance Act 1991 (Act 31 of 1991), Section 26 (1) (b) (i) (ii).

SUBSIDY RECEIVED FOR CAPITAL PROJECTS

The Council did not recognise government subsidy received for capital projects that were spent during the years under review amounting to N\$ 85 999 822 (2017), N\$ 18 630 890 (2018) and N\$ 14 123 774 (2019). These amounts were transferred from deferred income to Capital Projects - Development Fund.

This is in contradiction with IPSAS 23 paragraph 44 and 45 that states that:

- 44: *“An inflow of resources from a non-exchange transaction recognized as an asset shall be recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow. and;*

- 45: *“As an entity satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it shall reduce the carrying amount of the liability recognized and recognize an amount of revenue equal to that reduction.”*

The Council is recommended to ensure that it adopts the acceptable reporting framework recommended by the line ministry and that funds received for capital projects are correctly accounted for.

2.4 CLASSIFICATION OF PROVISION FOR DOUBTFUL DEBTS

The provision for doubtful debts to the value of N\$ 982 952 (2017), N\$ 1 027 034 (2018) and N\$ 1 083 481 (2019) is incorrectly presented as a current liability instead of reducing the trade receivables balance.

The Council is recommended to ensure that the presentation of provision in the financial statements aligns with IPSAS 1, specifically in accordance with paragraph 49, which stipulates that assets should be valued net of any valuation allowance.

2.5 VAT RECEIVABLES

There is a difference of N\$ 1 262 416 (2017), N\$ 1 512 661 (2018) and N\$ 586 791 (2019) between the recalculated VAT receivable amount of N\$ 4 867 718 (2017), N\$ 9 776 954 (2018) and N\$ 9 872 742 (2019) and the amounts disclosed in the financial statements of N\$ 6 130 134 (2017), N\$ 8 264 293 (2018) and N\$ 9 285 951 (2019).

The Council is recommended to ensure that it performs reconciliation between the Council's records for VAT and the balances as per the Revenue Agency.

2.6 EMPLOYEE COST

Employee cost is overstated with N\$ 775 020 (2017), N\$ 1 404 491 (2018) and N\$ 929 847 (2019) due to transactions recorded incorrectly under employee cost. These transactions pertain to transport privileges (travelling and subsistence), work done at the warehouse for the drought relief programme by casual labour and payments made on behalf of the Ministry of Gender and Child Welfare for Edu-Careers (delegated function) and the procurement of sport uniform (other operating expenses).

The Council is recommended to ensure that items of a dissimilar nature or function are presented separately unless they are immaterial.

2.7 DELEGATED FUNCTION EXPENSES NOT INCLUDED IN THE GENERAL LEDGER

Payments amounting to N\$ 819 500 made during the 2019 financial year on behalf of the Ministry of Gender Equality and Child welfare, for allowances to the Edu-careers for the months of July to September 2018; October and December 2018; and January and February 2019, could not be traced to the general ledger.

The Council is recommended to ensure expenses related to the delegated functions are correctly accounted for in accordance with the Financial Accounting Policies and Procedures Manual (2004) for Regional Councils.

2.8 DIFFERENCES BETWEEN THE ACCRUED LEAVE PROVISION SCHEDULE AND THE FINANCIAL STATEMENTS

There is a difference of N\$ 1 536 745 (2018) and N\$ 3 307 834 (2019) between the accrued leave provision balance of N\$ 6 172 437 (2018) and N\$ 8 662 356 (2019) presented in the financial statements and the amounts as per the leave provision schedule amounting to N\$ 4 635 692 (2018) and N\$ 5 354 522 (2019).

The Council is recommended to ensure that the leave provision schedule is reconciled to the financial statements and that the provision raised is the best estimate of the amounts that will be required to settle the obligation.

2.9 ACCRUED LEAVE BALANCES

The accumulated leave days used to calculate the leave provision amounts of N\$ 3 188 141 (2017), N\$ 6 172 437 (2018) and N\$ 8 662 356 (2019) could not be confirmed as the VIP system is not updated with actual days.

The Council is recommended to ensure that the VIP system is updated with accurate leave days.

2.10 DEBIT BALANCES IN TRADE PAYABLES

The Council did not submit supporting documents for debit balances to the value of N\$ 2 547 663 (2018) and N\$ 3 771 996 (2019). Furthermore, these balances were incorrectly classified as trade payables.

It is recommended that the Council should perform regular reconciliation on trade payables and clear all debit balances. Furthermore, the Council should ensure that all supporting documents are provided for audit purposes in terms of the State Finance Act 1991 (Act 31 of 1991) Section 26 (1) (b) (i) and (ii).

2.11 CASH FLOW STATEMENT

2.12.1 REALLOCATION OF OPERATING ACTIVITIES TO INVESTING ACTIVITIES

A total of N\$ 32 290 920 has been reallocated from operating activities as per 2017 financial statements to investing in the current year 2018 without providing appropriate disclosures as required by IPSAS 3: Accounting policies, changes in accounting estimates and errors.

The Council is recommended to disclose changes made to comparative figures in accordance with IPSAS 3.

2.12.2 NON-DISCLOSURE OF CAPITAL DEVELOPMENT FUNDS

The Council did not disclose capital development funds under financing activities amounting to N\$ 85 999 822 (2017) in cash flow statement as per re-performed cash flow statement.

The Council is recommended to present financing activities in compliance to IPSAS 2: Cash flow statements.

2.12 DELEGATED FUNCTIONS: SURPLUS

It was noted that Delegated surplus for the three financial years ended was not send back to the line ministry at the end of the respective financial years nor was there a commitment register for what the funds will be used, this is contrary to the Financial Accounting Policies and Procedures Manual – Regional Councils section 5.1 that states that: “any uncommitted funds for the relevant financial year must be deposited into the State Revenue Fund no later than 31st March and the income and expenditure for each delegated function should always net to NIL as at 31st March”.

It is recommended that the Council adhere to Financial Accounting Policies and Procedures Manual – Regional Councils section 5.

2.13 DISCLOSURE FOR WORK IN PROGRESS

The Council disclosed work in progress to the value of N\$ 119 258 922 (2019), N\$ 106 329 394 (2018) and N\$ 112 731 268 (2017) under property, plant and equipment in the statement of financial position instead of disclosing it separately as per IPSAS 1 par 89.

The Council should ensure those works in progress are disclosed separately as per IPSAS 1.

2.14 NON-SUBMISSION OF SUPPORTING DOCUMENTS FOR THE FOLLOWING ITEMS:

Supporting documents were not provided at the time of the audit. Details of the amounts are listed below.

- Donation received amounting to N\$ 1 075 000 (2018);
- Journal passed for the adjustment made from buildings to land to the value of N\$ 5 710 818 (2018);
- Subsistence and travel advance amounting to N\$ 629 975 (2017), N\$ 1 081 573 (2018) and N\$ 1 213 652 (2019);
- Namibian Revenue Agency value added tax (VAT) assessment reports to confirm the recoverability of the VAT receivable amounting to N\$ 6 130 134 (2017), N\$ 8 264 293 (2018) and N\$ 9 285 951 (2019);
- General expense amounting to N\$ 147 128 (2017), N\$ 21 376 (2018) and N\$ 531 436 (2019);
- Fuel expenses amounting to N\$ 334 864 (2017), N\$ 680 545 (2018) and N\$ 1 202 117 (2019); and
- Trade payables to the value of N\$ 8 528 533 (2017), N\$ 5 007 0123 (2018) and N\$ 4 296 394 (2019).

It is recommended that the Council ensures that all supporting documents are provided for audit purposes in terms of the State Finance Act 1991 (Act 31 of 1991) Section 26 (1) (b) (i) and (ii).

3. OTHER INFORMATION

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with the 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 knowledge obtained in the audit or otherwise appears to be materially misstated.

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 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.

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 for 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 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.
- I 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.

- I 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 the 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.

6. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (COMPLIANCE)

The financial statements for the financial years ended 31 March 2017, 2018 and 2019 were submitted not in compliance with Section 40 (1) of the Regional Council Act, 1992 (Act No. 22 of 1992) that requires the Council to submit its financial statements three months after financial year end.

SECTION B: AUDIT OF PERFORMANCE INFORMATION

I conducted an audit on performance information of Kavango West Regional Council for the Strategic period 2018 to 2022, consecutively with the audit of financial statements for the year ended 31 March 2022.

7.1. DESCRIPTION OF THE SUBJECT MATTER INFORMATION AND SCOPE

A Performance Management System (PMS) is a systematic process for achievement and improvement in obtaining results from an organization and its staff members 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 the Council to achieve success in fulfilling its mandate and provide improvements in service delivery to the public.

The scope of the key performance indicators was performed by looking at the high-level statements, which are indicated in the mandate of the Council as provided for in the Regional Council Act, Act No. 22 of 1992 and its' Strategic Plan. KPI's 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.

Five (5) out of ten (10) strategic objectives were selected for audit. These encompassed 14 Key Performance Indicators as is illustrated in the table below:

Strategic objective	No.:	Performance measure/indicator
Improve Rural Socio-Economic Development	1.	% reduction in rural poverty rate
	2.	% reduction of poverty among san
	3.	% of investment opportunities in the region
Ensure Infrastructure Development	4.	% of rural households with access to water
	5.	% households with access to electricity
Ensure provision of housing and sanitation	6.	% of rural households with access to housing
	7.	% of rural households with access to sanitation
Ensure Management of HIV and AIDS	8.	% reduction in prevalence rate
Enhance Organisational Performance	9.	% of overall strategy execution
	10.	% of staff satisfaction
	11.	% of customer satisfaction
	12.	% of key processes streamlined
	13.	% of key services accessed online
	14.	% compliance to OAG statutory requirement

7.2. AUDIT OBJECTIVE

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

7.3. AUDIT CRITERIA

The audit was mainly concentrated on two (2) criteria, namely:

- Usefulness of reported performance information in terms of measurability and relevancy of indicators, as well as consistency of use of indicators throughout the period under review; and
- Reliability of reported performance information in terms of whether the actual reported performance did occur and was reported accurately.

7.4. SUMMARY OF METHODS APPLIED

I reviewed the Strategic Plan for the strategic periods 2017/18 to 2021/22 which comprised of a review of the Strategic Plan, documentation review and interviews with senior and top management.

7.5. KEY AUDIT FINDINGS

7.5.1 ANNUAL REPORTING ON PERFORMANCE INFORMATION

It was observed the Council does have signed strategic and annual plans for the periods 2017 to 2022, however, no annual report were produced on the implementation of the plans. Furthermore, although Council had drafted some performance agreements for key staff, this was not consistent throughout the period under review.

7.5.2 ACHIEVEMENT OF STRATEGIC OBJECTIVES

Upon request for supporting documents with regard to Council's achievement of its strategic objectives for the years under review, the Council only provided information pertaining to one (1) strategic objective (i.e. Enhance Organizational Performance) out of the five (5) sampled strategic objectives.

Furthermore, only information related to two (2) out of six (6) Key Performance Indicators under this strategic objective (i.e. % of overall strategy execution and % of staff satisfaction) was received. The Council did not provide documentary proof as to how these annual activities and targets relate to the strategic objective as a whole and therefore no conclusion on the achievement of the strategic objective could be drawn.

It is recommended that the Council fully implements its Performance Management System through quarterly and annual review of its performance at individual, divisional and institutional level as a matter of urgency to ensure the attainment and adequate documentation of its strategic objectives.

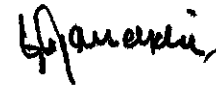
7.6. CONCLUSION ON SUBJECT MATTER

Because of the significance of the key audit findings section of my report, I have not been able to obtain sufficient appropriate evidence to form a conclusion on the Key Performance Information of the Council. Accordingly, I do not express a conclusion.

8. ACKNOWLEDGEMENTS

The assistance and co-operation by the staff of the Regional Council of Kavango West during the audit is appreciated.

WINDHOEK, December 2023



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

REGIONAL COUNCIL OF KAVANGO WEST
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017, 2018 AND 2019
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REGIONAL COUNCIL OF KAVANGO WEST
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017, 2018 AND 2019
REGIONAL COUNCIL'S RESPONSIBILITIES AND APPROVAL (Continued)

The Regional Council is required to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. The Council has compiled the financial statement with a degree of improvement from the financial statements of the previous year as depicted herein.

It is the Regional Council's responsibility to ensure that the annual financial statements fairly present the state of affairs of the Regional Council as at the end of the financial years and the results of its operations and cash flows for the periods then ending 31st March 2017, 2018 and 2019.

The Office of the Auditor General is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared on the historical cost convention; all transactions are recorded at the original monetary value.

The Regional Council acknowledges that it is ultimately responsible for the system of internal controls established and places considerable importance on maintaining a strong control environment. To enable the Regional Council to meet these responsibilities, standards are set for internal controls aimed at reducing the risk of error or loss in a cost effective manner.

The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Regional Council and all employees are required to maintain the highest ethical standards in ensuring the Regional Council's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the Regional Council is on identifying, assessing, managing and monitoring all known forms of risk across the Regional Council. While operating risk cannot be fully eliminated, the Regional Council endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within the predetermined procedures and constraints.

The system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Regional Council has reviewed its cash flow forecast for the year ending 31st March 2017, 2018 and 2019 and, in light of this review and current financial position, it is satisfied that the Regional Council has or has access to adequate resources to continue its operational existence for the foreseeable future.

**REGIONAL COUNCIL OF KAVANGO WEST
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017, 2018 AND 2019
REGIONAL COUNCIL'S RESPONSIBILITIES AND APPROVAL (Continued)**

The annual financial statements have been prepared in accordance with the provisions of Section 39 and 40 of the Regional Councils Act, Act 22 of 1992, as amended, reflects a true and fair view of the financial affairs of the Kavango West Regional Council as at 31st March 2017, 2018 and 2019.

These financial statements were approved by the Regional Council on the 20th of December 2022 and signed off on their behalf by:

**HON. JOSEPH S SIKONGO
CHAIRPERSON OF
KAVANGO WEST REGIONAL COUNCIL**

**MPASI HAINGURA
CHIEF REGIONAL OFFICER**

REGIONAL COUNCIL OF KAVANGO WEST
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017, 2018 AND 2019
REPORT OF THE REGIONAL COUNCIL (Continued)

1. INTRODUCTION

The Regional Council of Kavango West was established with effect from 09 August 2013 under section 2(1) of the Regional Councils Act, Act 22 of 1992 and was tasked with the responsibility of implementing Central Government's policies at regional level with the aim to improve the overall living standards of its residents as per Section 28 of the Regional Councils' Act.

The financial powers, duties and functions of the Council are stipulated in Article 108 of the Namibian Constitution and Section 28 of the Regional Councils Act. The accounts of the Regional Council of Kavango West for the years ending 31 March 2017, 2018 and 2019 are being reported on in accordance with the provisions set out in the State Finance Act, Act 31 of 1991 and the Regional Council Act, Act 22 of 1992.

2. ANNUAL FINANCIAL STATEMENTS

The financial statements are in agreement with the general ledger and are filed in the Office of the Auditor-General.

The following annexures are also attached to this report:

Annexure A: Abridged statement of financial position

Annexure B: Abridged comprehensive income and expenditure statement

Annexure C: Statement of changes in funds

Annexure D: Cash flow statement

Annexure E: Notes to the annual financial statements

Please take Note: Figures in the report are rounded off to the nearest Namibia Dollar.

3. COUNCILLORS

The following Councilors served on the Council during the year under review:

Hon. Councillor J S Sikongo (Chairperson) MC)

Hon. Councillor D H Nakambare (MP)

Hon. Councillor R Sindjanga

Hon. Councillor S L Muha (MP)

Hon. Councillor J H Karondo (MC)

Hon. Councillor S Kudumo (MC)

Hon. Councillor J K Sikondo (MP)

Hon. Councillor T K Shiudifonya

**REGIONAL COUNCIL OF KAVANGO WEST
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH**

	2019	2018	2017	2016
	N\$	N\$	N\$	N\$
ASSETS				
NON-CURRENT ASSET	156 020 391	144 877 760	127 619 135	84 512 624
Property, Plant and Equipment	156 020 391	144 877 760	127 619 135	84 512 624
CURRENT ASSETS	22 311 313	20 629 138	26 111 226	30 753 275
Trade and Other Receivable	12 543 596	11 481 057	9 429 860	1 080 582
Cash and Cash Equivalent	9 767 717	9 148 081	16 681 366	29 672 693
TOTAL ASSETS	178 331 704	165 506 898	153 730 361	115 265 899
EQUITY AND LIABILITIES				
FUNDS	157 257 523	146 129 406	132 478 409	107 523 117
Capital Development Fund	118 982 744	104 858 970	86 228 079	228 257
Accumulated Funds	38 274 779	41 270 436	46 250 330	107 294 860
CURRENT LIABILITIES	21 074 0181	19 377 492	21 251 952	7 742 782
Trade Payables	4 296 394	5 007 013	8 366 612	4 209 307
Deferred Income	5 911 473	6 404 033	7 305 981	-
Sundry and Other Payables	10 866 314	7 966 446	5 579 359	3 533 475
TOTAL EQUITY AND LIABILITIES	178 331 704	165 506 898	153 730 361	115 265 899

ANNEXURE B

REGIONAL COUNCIL OF KAVANGO WEST
STATEMENT OF COMPREHENSIVE INCOME AS AT 31 MARCH

	2019	2018	2017	2016
	N\$	N\$	N\$	N\$
Income	38 913 957	36 710 141	30 710 622	79 934 441
Expenditure	(42 392 865)	(44 229 831)	(31 990 697)	(17 691 479)
Net Operating Surplus / (Deficit)	(3 478 908)	(7 519 690)	(1 280 075)	62 242 962
Interest Received	369 003	259 156	327 298	870 567
Bank Charges	(63 198)	(63 980)	(51 850)	(43 617)
Surplus / (Deficit) for the year	(3 173 103)	(7 324 514)	(1 004 627)	63 069 912

ANNEXURE C

**REGIONAL COUNCIL OF KAVANGO WEST
STATEMENT OF CHANGES IN ACCUMULATED FUNDS AS AT 31 MARCH 2017, 2018 AND 2019**

	Capital Development	Accumulated Funds	Total Equity
	N\$	N\$	N\$
Balance at 01 April 2017	228 257	107 294 861	107 523 118
Surplus / (Deficit) for the year 2017	-	(1 004 627)	(1 004 627)
MURD Transfers	85 999 822	-	85 999 822
Adjustment	-	(60 039 904)	(60 039 904)
Balance at 31 March 2017	86 228 079	46 250 330	132 478 409
Accumulated Retained Earnings Movement for the year	-	(1 004 627)	(1 004 627)
Surplus / (deficit) for the year 2018	18 630 890	3 349 247	21 980 137
Balance at 31 March 2018	-	(7 324 514)	(7 324 514)
Accumulated Retained Earnings Movement for the year	104 858 969	41 270 436	146 129 405
Surplus / (deficit) for the year 2019	-	(8 329 142)	(8 329 142)
Balance at 31 March 2019	14 123 774	8 506 588	22 603 362
	-	(3 173 103)	(3 173 103)
	118 982 743	38 274 779	157 230 522

**REGIONAL COUNCIL OF KAVANGO WEST
STATEMENT OF CASH FLOW AS AT 31 MARCH**

	Note	2019	2018	2017	2016
		N\$	N\$	N\$	N\$
Net Cash flows from Operating Activities		126 394	(6 714 758)	31 528 740	64 925 042
Cash receipts from customers and other receipts	11	35 729 913	30 375 978	57 669 949	81 060 538
Grants received	10	2 259 333	2 589 964	2 437 253	-
Interest received		369 003	259 156	327 298	-
Other receipts		862 237	3 467 915	1 352 023	-
Cash payments to suppliers and employees	11	(37 337 347)	(41 610 209)	(27 551 276)	(16 091 879)
Interest paid		(63 198)	(63 980)	(51 850)	(43 617)
Other payments		(1 098 087)	(1 258 152)	(1 213 774)	-
Grant payments	10	(595 460)	(475 430)	(1 440 883)	-
		(13 137 974)	(19 412 402)	(44 469 837)	(63 515 239)
Net Cash flows from Investing Activities					
Disposals of property, plant and equipment / adjustment of accumulated depreciation	5	-	6 401 874	-	-
Acquisition of fixed assets	5	(13 137 974)	*(25 814 276)	(44 469 837)	(63 515 239)
		13 631 215	18 593 875	-	-
Net Cash flow from Financing Activities					
Capital development funds introduced / utilized)		13 631 215	18 593 875	-	-
		619 635	(7 533 285)	(12 941 097)	1 409 803
Net change in cash and cash equivalents					
Cash and cash equivalents at beginning of year		9 148 081	16 681 366	29 622 464	28 212 661
Cash and cash equivalents at the end of year		9 767 716	9 148 081	16 681 367	29 622 464

*There is a difference of N\$ 600 000 between the amount presented and the amount disclosed in the notes to the financial statements of N\$ 2 214 276 for 2018 financial year

REGIONAL COUNCIL OF KAVANGO WEST
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH

1. ACCOUNTING POLICIES

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements are prepared under the historical cost convention. The following accounting policies are consistent, in all respect, with those of the previous year.

The annual financial statements are prepared in line with the accrual concept. It should be noted, however, that income and expenditure in relation to delegated functions is accounted for during the year under review on a cash accounting basis, in line with the State Finance Act, 1992; and since all liabilities relating to the delegated funds remains with the relevant line ministries and all unspent delegated Funds are returned to the state account, it does not materially affect the Regional Council's financial statements.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value. Regional Council of Kavango West bank its money with the following banking institutions:
 Standard Bank of Namibia – Rundu Branch

As at year end, the cashbook reflected a balance of

	2019	2018	2017	2016
	N\$	N\$	N\$	N\$
Standard Bank	9 767 717	9 148 081	16 681 365	29 672 693
Operational call account	554 823	740 273	5 902 239	8 034 788
Operational current account	1 650 665	21 803	1 622 927	754 790
Development call account	6 057 386	5 091 573	4 568 104	18 810 502
Development current account	49 068	20 814	600 010	-
Rural development current account	192 383	1 354 704	2 909 602	2 072 613
Fleet account	81 223	26 072	9 707	-
Basket account	1 182 093	1 861 519	1 068 094	-
Disaster risk management account	76	31 323	682	-

REGIONAL COUNCIL OF KAVANGO WEST
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2017, 2018 AND 2019
(Continued)

3. GOVERNMENT SUBSIDIES

Government Subsidy

The Regional Council of Kavango West receives subsidy from the Ministry of Urban and Rural Development. This subsidy is used for the day to day running (Operational) of the Regional Council.

4. LEVIES FROM LOCAL AUTHORITIES

Rates Levies from Local Authorities

In terms of section 77 of the Local Authorities Act, the Council levied an amount equal to 5% of the rate & taxes levied on ratable properties by Nkurenkuru Town Council.

5. PROPERTY, PLANT AND EQUIPMENT

Fixed assets are stated at cost or at valuation where assets have been acquired by grant or donation, less depreciation written off over the expected useful lives as determined by the Regional Council from time to time.

Fixed assets acquired with loan funds are not depreciated until the loan is repaid, unless the expected lifetime of the asset is less than the repayment period of the loan in which case depreciation is calculated on the shortfall.

The estimated useful economic lives for each category of asset are as follows:

Buildings	50 years
Vehicles	5 years
Computer Equipment	3 Years
Office Equipment	3 years
Furniture & Fittings	5 Years
Construction Equipments	5 Years
Land	No depreciation

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

ANNEXURE E

**REGIONAL COUNCIL OF KAVANGO WEST
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)**

PROPERTY, PLANT AND EQUIPMENT	2019			2018		
	Cost	Accumulated depreciation	Carrying Value	Cost	Accumulated depreciation	Carrying Value
	N\$	N\$	N\$	N\$	N\$	N\$
Buildings	29 783 146	(1 812 920)	27 970 226	29 783 146	(1 218 160)	28 564 986
Land	6 972 180	-	6 972 180	6 972 180	-	6 972 180
Machinery & equipment	3 570	(1 369)	2 202	3 570	(655)	2 916
Motor vehicle	4 477 126	(3 488 548)	998 577	4 477 126	(2 593 123)	1 884 002
Furniture, fixtures and fittings	1 580 776	(978 752)	602 024	1 372 330	(701 115)	671 215
Computer equipment	757 310	(621 774)	135 536	757 310	(446 633)	310 677
Office furniture	303 525	(251 860)	51 665	303 525	(200 195)	103 330
Other fixed assets	39 058	-	39 058	39 058	-	39 058
Work in progress	119 258 922	-	119 258 922	106 329 394	-	106 329 394
Total	163 175 613	(7 155 223)	156 030 390	150 037 639	(5 159 881)	144 877 758

ANNEXURE E

**REGIONAL COUNCIL OF KAVANGO WEST
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)**

PROPERTY, PLANT AND EQUIPMENT	2017		2016	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
	N\$	N\$	N\$	N\$
Buildings	4 772 018	(1 002 52)8	4 772 081	(907 151)
Land	6 972 180	-	-	-
Motor vehicle	4 477 126	(1 697 698)	3 876 171	(812 289)
Furniture, fixtures and fittings	1 341 184	(464 326)	885 589	(250 593)
Computer equipment	585 308	(289 681)	563 221	(122 993)
Office furniture	303 525	(148 298)	148 530	(146 243)
Other fixed assets	39 058	-	-	-
Work in progress	112 731 268	-	76 506 301	-
Total	131 221 667	(3 602 531)	86 751 893	(2 239 269)
				84 512 624

**REGIONAL COUNCIL OF KAVANGO WEST
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)**

Reconciliation of property, plant and equipment 2019

	N\$	N\$	N\$	N\$	N\$
	OPENING BALANCE	ADDITIONS	DEPRECIATION	TOTAL	
Buildings	28 564 987	-	(594 760)	27 970 227	
Land	6 972 180	-	-	6 972 180	
Machinery & equipment	2 916	-	(714)	2 202	
Motor vehicle	1 884 003	-	(895 425)	988 578	
Furniture, fixtures and fittings	671 215	208 446	(277 638)	602 023	
Computer equipment	310 677	-	(175 141)	135 536	
Office furniture	103 330	-	(51 665)	51 665	
Other fixed assets	39 058	-	-	39 058	
Work in progress	106 329 394	12 929 528	-	119 258 922	
Total	144 877 760	13 137 974	(1 995 345)	156 020 391	

ANNEXURE E

**REGIONAL COUNCIL OF KAVANGO WEST
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)**

Reconciliation of property, plant and equipment 2018

	N\$	N\$	N\$	N\$	N\$	N\$
	OPENING BALANCE	ADJUSTMENTS	ADDITIONS	DEPRECIATION	TOTAL	TOTAL
Buildings	3 769 490	-	25 011 128	(215 631)	28 564 987	
Land	6 972 180	-	-	-	6 972 180	
Machinery & equipment	3 570	-	-	(655)	2 916	
Motor vehicle	2 779 428	-	-	(895 425)	1 884 003	
Furniture, fixtures and fittings	876 858	-	31 146	(236 789)	671 215	
Computer equipment	295 627	-	172 002	(156 952)	310 677	
Office furniture	155 227	-	-	(51 897)	103 330	
Other fixed assets	39 058	-	-	-	39 058	
Work in progress	112 731 268	(6 401 874)	-	-	106 329 394	
Total	127 622 706	(6 401 874)	25 214 276	(1 557 349)	144 877 760	

ANNEXURE E

**REGIONAL COUNCIL OF KAVANGO WEST
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)**

Reconciliation of property, plant and equipment 2017

	N\$	N\$	N\$	N\$	N\$
	OPENING BALANCE	ADJUSTMENTS	ADDITIONS	DEPRECIATION	TOTAL
Buildings	3 864 930	-	-	(95 440)	3 769 490
Land	-	-	6 972 180	-	6 972 180
Motor vehicle	3 063 882	812 289	600 955	(1 697 698)	2 779 428
Furniture, fixtures and fittings	634 996	249 374	456 814	(464 326)	876 858
Computer equipment	440 228	124 212	20 868	(289 681)	295 627
Office furniture	2 287	146 243	154 995	(148 298)	155 227
Other fixed assets	-	-	39 058	-	39 058
Work in progress	76 506 301	-	36 224 967	-	112 731 268
Total	84 512 624	1 332 118	44 469 837	(2 695 443)	127 619 136

ANNEXURE E

REGIONAL COUNCIL OF KAVANGO WEST
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)

Reconciliation of property, plant and equipment 2016

	N\$	N\$	N\$	N\$
	OPENING BALANCE	ADDITIONS	DEPRECIATION	TOTAL
Buildings	3 960 370	-	(95 440)	3 864 930
Motor Vehicle	2 181 686	1 496 150	(613 954)	3 063 882
Furniture, fixtures and fittings	189 088	533 350	(87 442)	634 996
Computer equipment	23 890	470 856	(54 518)	440 228
Office furniture	5 898	-	(3 611)	2 287
Work in progress	15 491 418	61 014 883	-	76 506 301
Total	21 852 350	63 515 239	(854 965)	84 512 624

**REGIONAL COUNCIL OF KAVANGO WEST
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)**

6. Work in progress: Development Capital projects

	2019	2018	2017	2016
	N\$	N\$	N\$	N\$
	119 258 923	106 329 395	112 731 267	76 506 301
Survey of Katwitwi	2 016 500	1 353 803	26 843	-
Construction-Rupara fencing new rural development centre	26 843	26 843	3 486 784	62 219
Construction -Services Katwitwi	3 756 143	3 756 143	5 497 404	2 829 473
Planning - Katwitwi	7 241 154	6 911 104	1 514 756	1 514 756
Construction - Mpungu Office	1 514 756	1 514 756	7 311 166	6 310 716
Construction - Neamagoro	-	-	8 598 370	7 151 024
Construction - Tondoro	-	-	6 839 747	4 929 274
Construction - Kavango West Region	-	-	40 130 582	33 007 553
Construction - Services rural development	43 752 854	42 801 959	19 336 362	17 219 192
Construction - Mankumpi Office	35 231 807	24 360 508	7 769 932	3 482 094
Construction - 300 people Conference Hall	11 170 103	11 055 516	3 449 937	-
Construction - Metal Welding	5 779 379	5 779 379	8 769 384	-
	8 769 384	8 769 384		

7. Inventories

Inventories are measured at lower of cost and net realizable value. The cost of inventories should comprise all cost of purchases, cost of conversion and other cost incurred in bringing the inventories to their present location and condition. During the year under review the Council did not have any inventory on hand.

**REGIONAL COUNCIL OF KAVANGO WEST
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)**

8. Trade Receivables

Trade receivables are carried at anticipated realizable value.

	2019	2018	2017	2016
	N\$	N\$	N\$	N\$
	12 543 596	11 481 057	9 429 860	1 080 582
5% Rates and Taxes	80 153	33 896	22 543	11 242
Reimbursement / Refund ELCIN High School			600 000	-
Other Receivables (Subsistence and Travelling)	1 646 476	1 600 040	1 146 167	828 668
Value Added Tax	9 285 951	8 264 293	6 130 134	240 672
Ministry of Urban and Rural Development (MURD)				
Operational Subsidy	1 531 016	1 531 016	1 531 016	-
Salary & Wages Control	-	51 812		

9. Trade Payable

Trade payables that are older than 120 days are provided for as provision for bad debts (as per Council Resolution SP.30/20/12/19) because the likelihood of not recovering the money is quite high.

	10 866 315	7 966 446	5 579 359	3 533 475
Provision for bonus	766 975	766 975	766 975	303 344
Provision for leave days	8 662 356	6 172 437	3 188 141	1 561 729
Provision for bad debts	1 083 481	1 027 034	982 952	487 570
Salary & wages control	353 503	-	641 291	1 130 603
Bank overdraft - development account	-	-	-	50 229

**REGIONAL COUNCIL OF KAVANGO WEST
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)**

10. The Regional Council is currently performing functions delegated by central government Line Ministries, as indicated and in accordance with the decentralization Enabling Act 33 of 2000.

	2019	2018	2017
	N\$	N\$	N\$
Line Ministry			
Income	765 340	2 562 495	2 437 253
Ministry of Gender, Equality & Child Welfare	-	1 616 079	1 677 070
Ministry of Agriculture & Forestry	761 000	920 000	527 621
Office of the Prime Minister	4 340	26 416	232 562
Expenditure	(595 460)	(475 430)	(1 440 883)
Ministry of Gender, Equality & Child Welfare	(332 675)	(107 139)	(977 035)
Ministry of Gender, Equality & Child Welfare ECD Allowance	-	-	(234 000)
Ministry of Agriculture & Forestry	(262 785)	(367 991)	(184 143)
Office of the Prime Minister	-	-	(39 856)
MURD	-	-	(5 349)
Ministry of Information & Technology	-	(300)	(500)
	169 880	2 087 065	996 370

**REGIONAL COUNCIL OF KAVANGO WEST
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)**

11. Cash flows from Operating Activities

	2019	2018	2017	2016
	N\$	N\$	N\$	N\$
Cash receipts from customers and other receipts	35 729 913	30 375 978	57 669 949	81 060 538
Cash receipts from customers	307 440	153 240	345 300	-
Operational subsidy ELICN High School	35 422 473	29 622 738	25 033 729	81 060 538
	-	600 000	32 290 920	-
Cash payments to suppliers	37 337 347	41 610 209	27 551 276	16 091 879
Personnel expenditure	26 452 946	25 779 950	19 977 462	16 091 879
Goods and Other Services	4 227 494	7 459 184	600 000	-
Other expenses	6 656 907	8 371 075	6 973 814	-

**REGIONAL COUNCIL OF KAVANGO WEST
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)**

	2019	2018	2017	2016
	N\$	N\$	N\$	N\$
Operating Income	39 282 960	36 969 298	31 037 919	80 805 008
Government subsidy	35 422 473	29 622 738	26 798 145	18 611 715
Deferred revenue realized	-	-	-	61 014 883
Interest received	369 003	259 156	327 298	870 567
5% Rate & taxes	72 047	11 353	11 301	11 242
2.5% Admin commission fee	40 233	28 342	21 009	7 976
Tender fees	307 100	152 700	343 600	10 500
Dividends received/surcharges	-	288 750	-	268 125
World food day	-	11 000	10 000	10 000
Donations	12 000	1 075 000	330 000	-
Sundry income	2 294 764	2 930 295	759 313	-
Line ministries delegated functions	*765 340	*2 589 964	2 437 253	-

^aThere is a difference of N\$ 1 493 993 between the amount in the note and the amount presented in the cash flow statement N\$ 2 259 333 for the 2019 financial year.

^{*}There is a difference of N\$ 27 469 between the amount in the note and the amount presented in the cash flow statement of N\$ 2 562 495 for the 2018 financial year.

ANNEXURE E

REGIONAL COUNCIL OF KAVANGO WEST
 NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)

	2019	2018	2017	2016
	N\$	N\$	N\$	N\$
Operating Expenditure	42 456 063	44 293 811	32 042 547	17 735 096
Personnel costs	28 942 864	28 764 245	21 348 497	11 089 654
Daily subsistence and travel	1 098 087	1 258 152	1 213 774	675 037
Material and supplies	249 297	433 553	333 120	316 937
Transport cost	928 663	826 289	520 280	423 584
Utilities	1 551 596	1 399 257	852 705	381 623
Bank charges	63 198	63 980	51 850	43 617
Maintenance	216 445	120 000	147 442	-
Rental	1 902 156	1 506 850	1 240 377	561 549
Other expenditure	4 822 954	7 796 631	3 448 830	3 388 130
Membership fee	90 000	92 075	102 588	-
Depreciation	1 995 343	1 557 349	1 342 201	854 965
Line ministries delegated functions	595 460	475 430	1 440 883	-
Surplus / (Deficit)	(3 173 103)	(7 324 513)	(1 004 628)	63 069 912

Note

10

