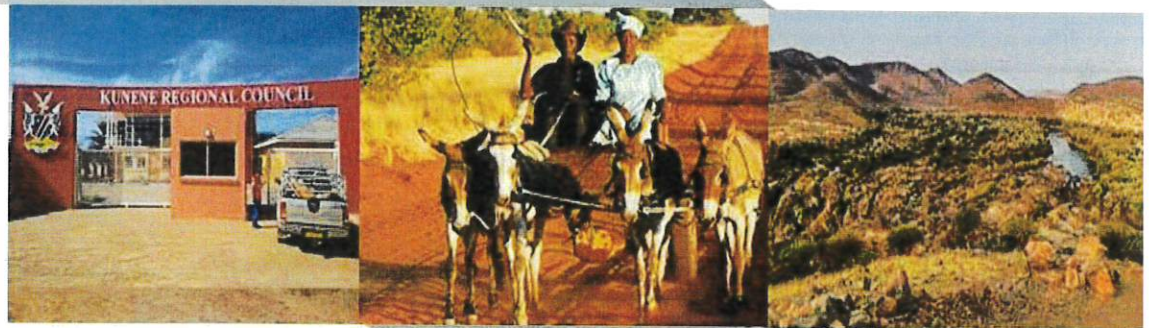




REPUBLIC OF NAMIBIA



AUDIT REPORT ON THE ACCOUNTS OF THE

KUNENE REGIONAL COUNCIL 2020

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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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 Kunene Regional Council for the financial year ended 31 March 2020 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act 1991 (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, April 2023

1000

**REPORT OF THE AUDITOR - GENERAL
ON THE ACCOUNTS OF THE KUNENE REGIONAL COUNCIL
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2020**

1. DISCLAIMER AUDIT OPINION

I have audited the financial statements of the Regional Council of Kunene for the financial year ended 31 March 2020. These financial statements comprise of the statement of financial position, the statement of financial performance, statement of changes in net assets and statement of cash flows and notes to financial statements for the year then ended 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 appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

2. BASIS FOR DISCLAIMER AUDIT OPINION

I conducted the 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 the audit 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 the audit of the financial statements, 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 the audit opinion. A disclaimer audit opinion is being expressed due to the following:

2.1 Statement of Cash Flow 2020

The auditors observed a difference amounting to N\$ 5 730 086 between cash and cash equivalent at year end as per statement of cash flow N\$ 25 913 073 and re-computed cash flow at year end N\$ 31 643 159. Furthermore, the auditors noted an unexplained difference of N\$ 1 167 559 between the additions recalculated amounting to N\$ 11 130 820 and the statement of cash flow of N\$ 10 143 261.

Statement of Cash Flow 2019 had a cash inflow (receipt) of N\$ 40 115 644 where no Plant, Property and Equipment was sold. The correction was not rectified in the cashflow of 2020.

It is recommended that the Council ensure that the statement of cash flow is prepared accurately.

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. These matters were addressed in the context of my audit of the financial statements as a whole and in forming my opinion thereon and I do not provide a separate opinion on these matters. I do not have anything to report on this matter.

4. AUDIT OF PERFORMANCE INFORMATION

The auditors noted that the strategic plan for the year was provided, however no supporting documents were provided to support the outputs achieved for year under review.

5. OTHER INFORMATION

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and accordingly the auditor does 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 the knowledge obtained in the audit or otherwise appears to be materially misstated. I have nothing to report in this regard.

6. 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 the International Public Sector Accounting Standards and 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 of overseeing the entity's financial reporting process.

7. 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.

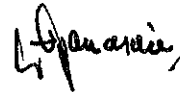
As part of an audit in accordance with the International Standards for Supreme Audit Institutions I exercise professional scepticism throughout the audit, I also;

- 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.

8 REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements were submitted to the Office of the Auditor-General by the Accounting Officer in compliance with Section 40 (1) of the Regional Council Act, 1992 (Act no. 22 of 1992) except that they were resubmitted only on 14 June 2021 instead of three months after year-end as required by the Act.



WINDHOEK, April 2023

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

REGIONAL COUNCIL OF THE KUNENE REGION
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 MARCH

	Note	2020 N\$	2019 N\$
ASSETS			
Current Assets		37 160 157	52 976 825
Cash and cash equivalent	13	25 913 073	44 289 300
Receivables	10	10 156 764	7 919 904
Inventories		281 916	277 537
Prepayments		318 319	-
Other Current Assets		490 085	490 085
Non-Current Assets		116 211 211	107 961 426
Investments in Associates		2 796 558	2 796 558
Infrastructure, plant and equipment		19 911 845	19 772 246
Land and buildings	3	72 178 011	73 794 177
Intangible assets	4	224 925	-
Other non-financial assets	3(b)	21 099 872	11 598 446
Total assets		153 371 368	160 938 251
EQUITY AND LIABILITIES			
Current liabilities		3 386 440	1 905 847
Payables	9	2 630 350	1 175 575
Employees benefits	12	756 090	730 272
Non-current liabilities		9 526 327	9 490 987
Payables		122 239	-
Employees benefits	5	9 404 089	9 490 987
Total liabilities		12 912 767	11 396 834
Net assets		140 458 601	149 541 416
NET ASSETS /EQUITY			
Reserves		161 313 049	166 688 504
Accumulated surplus/(deficits)		(20 854 449)	(17 147 087)
Total net asset/equity		140 458 601	149 541 416

ANNEXURE B

REGIONAL COUNCIL OF THE KUNENE REGION
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH

		2020	2019
	Note	N\$	N\$
REVENUE		55 373 957	55 999 492
Revenues from exchange transactions	2.2	2 547 787	3 160 449
Transfers from other Government entities	2.1	52 659 549	52 754 794
Other Revenues	2.2	166 620	84 249
TOTAL EXPENSES		61 854 180	69 409 004
Wages salaries and employees benefits	8	32 627 784	33 546 187
Supplies and other consumable used	7	337 806	445 329
Depreciation and amortization expense	6	3 061 035	3 127 106
Other expenses		25 710 019	32 170 633
Finance costs		117 536	119 748
Surplus/(deficit) for the period		(6 480 223)	(13 409 511)

REGIONAL COUNCIL OF THE KUNENE REGION
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH

	BTP			Total net asset/equity
	Accumulated Surplus/(deficit)	Revolving Funds	Development Fund	
	N\$	N\$	N\$	N\$
Balance as at 01 April 2018	22 427 891	10 378 576	156 309 928	189 116 395
Adjustment to Accumulated surplus/(deficit)	(26 165 466)	-	-	(26 165 466)
Restated Balance	(3 737 575)	10 378 576	156 309 928	162 950 929
Net revenue recognized directly in the net assets/equity Surplus/(deficit) For the period	(3 737 575)	10 378 576	156 309 928	162 950 929
	(13 409 511)			(13 409 511)
Balance as at 01 April 2019	(17 147 086)	10 378 576	156 309 928	149 541 418
Adjustment to Accumulated surplus/(deficit)	2 772 862	-	(5 375 455)	(2 602 593)
Restated Balance	(14 374 224)	10 378 576	150 934 473	146 938 825
Net revenue recognized directly in the net assets/equity Surplus/(deficit) For the period	(14 374 224)	10 378 576	150 934 473	146 938 825
	(6 480 223)	-	-	(6 480 223)
Balance as at March 31 2020	(20 854 447)	10 378 576	150 934 473	140 458 602

ANNEXURE D

REGIONAL COUNCIL OF THE KUNENE REGION
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH

	2020	2019
	N\$	N\$
Cash Flow From Operating Activities		
Receipts	53 381 130	-
Cash Received From Customers	1 562 037	-
Grants and Transfer	48 298 634	-
Interest Received	1 103 065	-
Other Receipts	2 417 395	-
Payments	(61 614 098)	-
Employee Costs	(31 896 259)	-
Suppliers of good and services	(26 076 676)	-
Interest Paid	(147 742)	-
Other Payments	(3 493 421)	-
Net cash flows from operating activities	(8 232 967)	(28 987 616)
Cash Flow From Investing Activities		
Purchases of Property Plant and Equipment -- Work in progress	(8 579 642)	(34 390 082)
Purchases of Property Plant and Equipment	(1 563 619)	40 115 644
Net cash flows from investing activities	(10 143 261)	(5 725 562)
Net Increase/(decrease) In cash and cash equivalent	(18 376 228)	(34 713 178)
Cash and cash equivalents at beginning of period	44 289 301	79 002 477
Cash and cash equivalents at end of period	25 913 073	44 289 299

**REGIONAL COUNCIL OF THE KUNENE REGION
COMPARISON OF BUDGET VERSUS ACTUAL FOR THE YEAR ENDED 31 MARCH 2020**

The statement of comparison of budget and actual amounts- IPSAS 24

The budget is approved on a cash basis by economic nature classification. The approved budget covers the fiscal period from 1st April 2019 to 31st March 2020, and includes the followings:

- a) The Regional Council operational budget
- b) The Regional Council development budget, and
- c) The Regional Council Rural Services budget

The Regional Council's financial statements are prepared on the accrual basis, using a classification based on the nature of expenses in the statement of financial performance. The Council's budget is prepared on a cash basis; therefore, the financial statements differ from the budget due to the difference basis of accounting used.

The amounts in the financial statements were recast from the accrual basis to the cash basis, and reclassified to be on the same basis as the final approved budget.

A reconciliation between the actual amounts on a comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts and the actual amounts in the Statement of Cash Flows for the year ended 31 March 2020 is presented below.

Vote descriptions	2019/20	2019/20	2019/20	Difference: Budget and Actual Over Budget Period	%
	Original Budget	Final Budget	Actual on Comparative Basis		
	N\$	N\$	N\$	N\$	
Income					
Government Subsidies:					
Opening Balance operational	42 633 081	42 633 081	42 633 081	-	0%
Opening Balance Call 700	2 485 066	2 485 066	2 485 066	-	0%
Opening Balance Call 364	3 328 633	3 328 633	3 328 633	-	0%
	2 781 120	2 781 120	2 781 120	-	0%

ANNEXURE E

REGIONAL COUNCIL OF THE KUNENE REGION
COMPARISON OF BUDGET VERSUS ACTUAL FOR THE YEAR ENDED 31 MARCH 2020 (continued)

Vote descriptions	2019/20	2019/20	2019/20	Difference: Budget	
	Original Budget	Final Budget	Comparative Basis	and Actual Over	Budget Period
	N\$	N\$	N\$	N\$	%
Income from the Settlement Areas	150 000	150 000	50 042	(99 958)	-67%
Rental income	170 000	170 000	156 072	(13 928)	-8%
tender fees	704 000	704 000	373 300	(330 700)	-47%
Photocopies	30 000	30 000	14 032	(15 968)	-53%
Refunds	50 000	50 000	11 375	(38 625)	-77%
Commissions	60 000	60 000	73 884	13 884	23%
Total income	52 391 900	52 391 900	51 906 605	(485 295)	-1%
Expenditures					
Remuneration Expenditure	31 404 902	30 054 902	28 209 480	1 845 422	6%
Employers Contribution to the G.I.P.F. and M.P.O.O.B.P.F.	3 407 784	3 517 784	3 477 692	40 092	1%
Other Conditions of Service	1 310 000	1 650 000	1 586 633	63 367	4%
Personnel expenditure-subtotal	36 122 686	35 222 686	33 273 805	1 948 881	6%
Travel and Subsistence Allowance	2 000 000	2 500 000	2 502 629	(2 629)	0%
Materials and Supplies	380 428	340 842	340 842	-	0%
Transport	2 324 139	2 784 139	2 784 139	-	0%
Utilities	3 355 800	4 253 020	4 253 020	-	0%

**REGIONAL COUNCIL OF THE KUNENE REGION
COMPARISON OF BUDGET VERSUS ACTUAL FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

Vote descriptions	2019/20	2019/20	2019/20	2019/20	Difference: Budget and Actual Over Budget Period	%
	Original Budget	Final Budget	Comparative	Actual on		
	N\$	N\$	N\$	N\$	N\$	
Maintenance Expenses	710 900	510 900	510 900	-	-	0%
Property Rental and Related Charges	468 235	450 235	450 235	-	-	0%
Other Services and Expenses	5 169 000	4 599 407	4 312 787	286 620	286 620	6%
Goods and other services-subtotal	14 408 502	15 438 543	15 154 552	283 991	283 991	2%
Membership Fees and Subscriptions: Domestic	244 712	236 712	187 399	49 313	49 313	21%
Individuals and Non-Profit Organizations	916 000	816 000	498 246	317 754	317 754	39%
Subsidies & other current transfers-subtotal	1 160 712	1 052 712	685 645	367 067	367 067	35%
Vehicles	700 000	677 959	677 452	507	507	0%
Furniture and office equipment	700 000	677 959	677 452	507	507	0%
Grand total operational expenditures	52 391 900	52 391 900	49 791 454	2 600 446	2 600 446	5%
Rural service budget						
Income						
Cash food for work	521 231	521 231	521 231	-	-	0%
Sanitation	3 000 000	3 000 000	3 000 000	-	-	0%
Total income	3 521 231	3 521 231	3 521 231	-	-	0%
Expenditure						
Cash Food for work	521 231	521 231	117 663	403 568	403 568	77%
Sanitation	3 000 000	3 000 000	2 748 108	251 892	251 892	8%
Total expenditure	3 521 231	3 521 231	2 865 771	655 460	655 460	19%

ANNEXURE E

REGIONAL COUNCIL OF THE KUNENE REGION
COMPARISON OF BUDGET VERSUS ACTUAL FOR THE YEAR ENDED 31 MARCH 2020

Vote descriptions	2019/20	2019/20	2019/20	Difference: Budget
	Original Budget	Final Budget	Comparative Basis	and Actual Over Budget Period
	N\$	N\$	N\$	N\$
Capital/development budget 2019-2020				
Total income	38 946 143	29 079 965	27 662 558	1 417 407
Total expenditures	38 946 143	28 829 964	11 327 764	17 502 200
				5%
				61%

Although in total the Council did not overspend, there are some of the individual sub-votes with material variances (< 2%) and those are explained in details below:

Vote description	Variance in %	Reason for significant variance
Income from the Settlement Areas	-67%	The Council has huge amount of receivable from customers at settlement areas. A bigger portion of this amount is owed by the customers with undeveloped erven and many of these customers are not paying for their dues.
Rental Income	-8%	Vote over budgeted
Tender fees	-47%	This vote was over budgeted and the lack of tenders affected it too
Photo copies	-53%	This vote was und performed to the cost cutting measures to reduce printing fees in the institution.
Refunds	-77%	Reduction in processing errors ,no much refunds received
Commissions	23%	Increase in employee taking loans hence the increase in third party commission.

**REGIONAL COUNCIL OF THE KUNENE REGION
COMPARISON OF BUDGET VERSUS ACTUAL FOR THE YEAR ENDED 31 MARCH 2020**

ANNEXURE E

Vote description	Variance in %	Reason for significant variance
Other Services and Expenses	6%	The slow spending on this vote was part of cash flow management to ensure that funds are spared for high demanding votes such as utilities and maintenance.
Membership Fees and Subscriptions: Domestic	21%	The slow spending on this vote was part of cash flow management to ensure that funds are spared for high demanding votes such as utilities and maintenance.
Individuals and Non-Profit Organizations	39%	The slow spending on this vote was part of cash flow management to ensure that funds are spared for high demanding votes such as utilities and maintenance.
Development Budget	61%	The money was only transferred to the Council in the last quarter of the financial year. Mid-year review in September took half of the funds leaving project not attended to.
Food/Cash for Work	-77%	Balance carried forward as prior year outstanding commitments which were only invoiced and paid during the current year.
Rural Sanitation	-8%	Balance carried forward as prior year outstanding commitments which were only invoiced and paid during the current year.

**REGIONAL COUNCIL OF THE KUNENE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2020**

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Regional Council adopted the IPSA's for the first time in 2019 financial year and is no in the second year of of implementation. Full IPSAS-compliance must be achieved in the 2021 financial year. Hence, transitional exemption under IPSAS 33 has been applied that affect fair presentation of the annual financial statements for the year ending March 2020.

IPSAS 33- first time adoption of accrual basis IPSASs

Kunene regional Council takes advantage of exemptions in this IPSASs that affect the fair presentation and compliance with the accrual basis IPSASs, it will not be able to make an explicit and unreserved statement of compliance with other accrual basis IPSASs until the exemption that provide the relief in this IPSASs have expired.

Financial statements shall not be described as compliance with IPSASs unless they comply with all the requirements of the applicable IPSASs. The following paragraphs under IPSAS 33 have been applied:

Paragraph 36, the entity is not required to recognize assets and/or liabilities under its previous basis of accounting, it is not required to recognize and/ or measure the following assets and/or liabilities for reporting periods beginning on a date within three years following the date of adoption of IPSASs:

- (a) Inventories (see IPSAS 12, Inventories);
- (b) Investment property (see IPSAS 16, Investment Property);
- (c) Property, plant and equipment (see IPSAS 17, Property, Plant and Equipment);
- (d) Defined benefit plans and other long-term employee benefits (see IPSAS 39, Employee Benefits);
- (f) Intangible assets (see IPSAS 31, Intangible Assets);

In terms of paragraph 38 of IPSASs 33, Where a first-time adopter has recognized the assets and/or liabilities included in paragraph 36 under its previous basis of accounting, it is not required to change its accounting policy(ies) in respect of the measurement of these assets and/or liabilities for reporting periods beginning on a date within three years following the date of adoption of IPSASs.

Subject to paragraphs 36 and 38, a first-time adopter is not required to change its accounting policy(ies) in respect of the recognition and/or measurement of assets and/or liabilities for reporting periods beginning on a date within three years following the date of adoption of IPSASs.

The transitional exemptions in paragraphs 36 and 38 will the entity a period to develop reliable models for recognizing and/or measuring its assets and/ or liabilities during the period of transition. Kunene Regional Council have assets it zero values in the asset register that are still in use and required a reliable model for recognition and measurement . the Council will adopt the reliable model for recognition and measurement in the final year of transition.

REGIONAL COUNCIL OF THE KUNENE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2020 (continued)

In terms of paragraph 40 of IPSASs 33, Kunene Regional Council have retained its existing accounting policies until the exemptions that provided the relief have expired or when the relevant items are recognized and/or measured in the financial statements in accordance with the applicable IPSASs (whichever is earlier). The Council will adopt the reliable model for recognition and measurement in the final year of transition.

IPSAS 3 - Changes in accounting policy

The Accounting policy have been consistently applied in all the years presented except on capital infrastructure assets life span and grouping capital projects assets (plant & equipment) changed to capital infrastructure and the life span is now 50 years. The financial statements are presented in Namibia Dollars which is the functional and reporting currency of the Regional Council and all values are rounded to the nearest Namibia Dollar (N\$). The financial statements have been prepared on the basis of historical cost unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

The 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.

IPSAS 16 - Investment Property

Not applicable during the financial year ending 31 March 2020

IPSAS 27 - Agriculture assets /Biological assets

Not applicable during the financial year ending 31 March 2020

IPSAS 32 – Service concession arrangements

Not applicable during the financial year ending 31 March 2020

The financial statements have been prepared on an accrual and going concern basis and comply with the requirements of International Public Sector Accounting Standards (IPSAS). The annual financial statements are prepared on the assumption that the Regional Council is a going concern and will continue in operation and meet its statutory obligations for the foreseeable future.

Since all liabilities relating to the Delegated Funds remains with the relevant Ministries and all unexpended Delegated Funds are returned to the State Account it does not materially affect the Regional Council's financial statements.

REGIONAL COUNCIL OF THE KUNENE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(continued)

2. REVENUE RECOGNITION

2.1 Revenue from non-exchange transactions – IPSAS 23

2.1.1 Transfers from other government entities

Kunene Regional Council recognize government transfers as revenues when the transaction can be measured reliably and when the Council is in full control of the cash.

Government Transfers
Income Description

	2020	2019
	N\$	N\$
Transfers from other government entities	52 207 497	52 371 579
Government transfer – operation budget	42 633 081	48 091 458
Capital subsidy	1 976 802	1 474 142
Grant income – rural projects	5 388 633	1 805 979
Other Government transfers(Health&OPM)	2 208 981	1 000 000

2.1.2 5% Contribution from local authorities

The Regional Council received contribution from local authorities as per the provision of section 77 (1) of the Local Authorities Act

Income Description

	2020	2019
	N\$	N\$
	452 052	383 214
Kamanjab Village Council	27 503	53 914
Opuwo Town Council	40 163	21 148
Khorixas Town Council	94 115	44 490
Outjo Municipality	290 271	263 662

ANNEXURE F

REGIONAL COUNCIL OF THE KUNENE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(continued)

2.2 Revenue from exchange transactions – IPSAS 9

2.2.1 Rendering of services

The Regional Council recognizes revenue from rendering of various services including settlement services at Okanguati, Sesfontein, Constituency Offices and Fransfontein.

(a) Rendering of services -settlement areas & constituencies

	2020	2019
	N\$	N\$
Rendering of services	959 470	1 189 328
Fransfontein	303 173	208 834
Okanguati	35 557	22 205
Sesfontein	37 830	6 329
Photocopies	19 923	-
Agency 2,5% commission	74 532	56 566
Boardroom hiring	5 370	-
Housing rental	159 852	177 203
Vehicle hiring	13 054	20 166
Constituencies (copies)	-	15 425
Tender fees	310 178	682 600

(b) Interest income

Kunene Regional Council recognize interest income as earned from build together beneficiaries calculated

	2020	2019
	N\$	N\$
Interest received	1 414 708	1 777 403
Bank Interest received all accounts	1 103 285	1 495 603
Build Together interest	311 423	281 800

a) Royalties and Dividends

Kunene Regional Council has shares in the Regional Council Electricity Company, which hold shares in NORED Electricity (PTY) LTD & CENORED. As per the service, delivery agreement signed between the two parties, NORED pay surcharges/royalties to the Regional Council at the rate approved by Electricity Control Board (ECB) from time to time.

Royalties

	173 610	193 718
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REGIONAL COUNCIL OF THE KUNENE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(continued)

	2020	2019
	N\$	N\$
2.2.2 Other Revenue	166 620	84 249
Sundry Income	3 457	84 249
Profit / loss on disposal	162 180	-
Discount received	983	-

2.3 Explanation of material differences between the budget and actual amount IPSAS 24

The budget is approved on a cash basis by economic nature classification. The approved budget covers the fiscal period from 1st April 2019 to 31st March 2020, and includes the followings:

- a) The Regional Council operational budget
- b) The Regional Council development budget, and
- c) The Regional Council Rural Services budget

The Regional Council's financial statements are prepared on the accrual basis, using a classification based on the nature of expenses in the statement of financial performance. The Council's budget is prepared on a cash basis; therefore, the financial statements differ from the budget due to the difference basis of accounting used.

The amounts in the financial statements were recast from the accrual basis to the cash basis, and reclassified to be on the same basis as the final approved budget. In addition, adjustments to amounts in the financial statements for basis differences associated with the continuing appropriation were made to express the actual amounts on a comparable basis to the final approved budget.

A reconciliation between the actual amounts on a comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts and the actual amounts in the Statement of Cash Flows for the year ended 31 March 2020 is presented below.

The financial statements and budget documents are prepared for the same period. There is no entity difference because both the budget and the financial statements are prepared for the regional council only. However, there is a basis difference, the council's budget is prepared on a cash basis and the council's financial statements are prepared on the accrual basis.

REGIONAL COUNCIL OF THE KUNENE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2020 (continued)

3. FIXED ASSETS AND DEPRECIATION-IPSAS 17

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 fund 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. Fixed assets acquired with government grant is depreciated in full during the year the asset is put in use.

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

Buildings/Capital Infrastructure Funded by Council	50 years
Machinery and Equipment	5 years
Motor vehicles	5 years
Office furniture and equipment	5 years
Computer equipment	3 years
Intangible assets- software	3 years
Land	does not depreciate

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.

Proceeds from the disposal of assets are transferred to the State Account except in the instance where approval is granted for the Council to keep such proceeds.

**REGIONAL COUNCIL OF THE KUNENE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

a) Infrastructure, Plant and Equipment (continue)	Buildings		Capital infrastructure		Computer equipment		Machinery	
	2020	2019	2020	2019	2020	2019	2020	2019
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Opening Balance (net book value)	73 794 176	42 622 709	18 014 961	16 055 916	8 932	266 035	(0)	6 187
Additions	-	32 577 988	-	2 320 929	547 025	-	-	-
Transfers/adjustments	(47 910)		(12 825)		(24)			
Depreciation for the Year	(1 568 255)	(1 454 432)	(378 577)	(374 709)	(145 665)	(257 127)	-	(6 187)
Closing Balance	72 178 011	73 746 266	17 623 559	18 002 136	410 268	8 908	(0)	(0)
Gross Carrying amount	78 412 770	78 412 770	18 928 842	18 928 842	1 400 027	853 002	53 033	53 033
Accumulated Depreciation	(6 234 759)	(4 618 594)	(1 305 282)	(913 881)	(989 759)	(844 070)	(53 033)	(53 033)
Net Carrying Amount	72 178 011	73 794 176	17 623 559	18 014 961	410 268	8 932	(0)	(0)

**REGIONAL COUNCIL OF THE KUNENE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

a) Infrastructure, Plant and Equipment (continue)

Description	Office Equipment		Motor Vehicles		Furniture fixtures and fittings		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Opening Balance (net book value)	170 806	300 964	1 170 434	1 692 263	749 592	732 131	93 908 901	61 676 206
Add : Additions	25 744	-	677 452	-	13 500	364 178	1 263 720	35 263 095
Transfers/adjustments	(11 833)		(24 114)		(342 479)			
Depreciation for the Year	(146 930)	(141 991)	(470 197)	(545 943)	(276 436)	(346 718)	(2 986 060)	(3 127 106)
Closing Balance	37 787	158 973	1 353 575	1 146 320	144 177	749 592	91 747 377	93 812 195
Gross Carrying amount	819 227	793 483	8 288 562	8 254 575	1 977 181	1 963 681	109 879 642	109 259 385
Accumulated Depreciation	(781 440)	(622 677)	(6 934 987)	(7 084 140)	(1 490 525)	(1 556 568)	(17 789 786)	(15 692 963)
Net Carrying Amount	37 787	170 806	1 353 575	1 170 434	486 656	407 113	92 089 856	93 566 423

REGIONAL COUNCIL OF THE KUNENE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(continued)

	2020	2019
	N\$	N\$
b) Other non financial assets	21 099 872	11 598 446
Opuwo Constituency Office	292 128	-
Sesfontein settlement community hall	1 270 104	157 384
Okangwati Water Pipeline	3 967 425	369 968
Construction of Okangwati Settlement Office	369 968	-
Construction & Upgrading KRC H/Q PH3	4 327 662	4 345 559
Drilling of Okangwati Borehole	6 343 876	6 343 876
Construction	2 170 399	-
Construction	194 459	-
Construction	935 265	-
Construction	846 928	-
Electrification of Okangwati Boreholes	381 659	381 659

4 Intangible assets

During the year under review the Council has started to recognize the group of assets known as the intangible asset. These assets that are not physical in nature, such as patent, software, brand, trademark or copyright.

Closing Balance	224 925	-
Opening Balance (net book value)	-	-
Add : Additions	299 900	-
Depreciation for the Year	(74 975)	-

ANNEXURE F

REGIONAL COUNCIL OF THE KUNENE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(continued)

5. Provisions – IPSAS 19

Provisions are recognised when the Regional Council has a present obligation (legal or constructive) as a result of a past event it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Description	Doubtful debts	Leave provision	Bonuses
	N\$	N\$	N\$
Total current year provision	7 908 885	9 404 088	755 589
Balance as at 1st April 2019	7 891 344	9 490 987	733 175
Provision utilized during the year	-	(86 899)	-
Addition to provisions	17 541	-	22 414

	2020	2019
	N\$	N\$
6. Depreciation and amortization expenses	3 061 035	3 127 107
Depreciation on Buildings	1 568 255	1 454 432
Depreciation on motor vehicles	470 197	545 943
Depreciation on Furnitures Fixtures and Fitting	276 436	257 127
Depreciation on computer Equipment	145 665	346 718
Depreciation on Office Equipment	146 930	141 991
Depreciation on Plant	-	6 187
Depreciation on Capital infrastructure	378 577	374 709
Amortization on Intangible Assets	74 975	-

	2020	2019
	N\$	N\$
7. Supplies and other consumables used	337 806	445 329
Cleaning materials	95 760	94 598
Office stationeries	167 668	92 896
Electrical materials	14 873	-
Tools for grading	29 505	73 325
Newspapers	-	12 898
Protective clothing	-	171 612
General office materials	30 000	-

REGIONAL COUNCIL OF THE KUNENE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(continued)

	2020	2019
	N\$	N\$
8. Total personnel costs	32 649 230	33 546 186
a) Remuneration of Councillors	755 474	755 474
Chairperson	465 756	465 756
Basic salary	127 304	127 304
Housing allowance	44 280	44 280
Water and Electricity	720	720
Telephone allowance	972	972
Employer Contribution to SSC	116 442	116 442
Employer Contribution to Pension		
	1 209 169	1 209 169
Members of Management Committee	631 896	631 896
Basic salary	157 399	157 399
Car allowance	178 848	178 848
Housing allowance	80 640	80 640
Water and Electricity	1 440	1 440
Telephone allowance	972	972
Employer Contribution to SSC	157 974	157 974
Employer Contribution to Pension		
	372 829	526 370
Ordinary council member	186 172	252 987
Basic salary	43 436	78 700
Car allowance	65 807	89 424
Housing allowance	29 671	40 320
Water and Electricity	530	720
Telephone allowance	670	972
Employer Contribution to SSC	46 543	63 247
Employer Contribution to Pension		
	30 311 758	31 055 173
b) Remuneration of staff members	19 676 019	19 454 191
Salaries and Wages	1 407 451	1 455 192
Transport/ car allowance	2 035 465	1 992 187
Housing allowance	132 744	262 355
Overtime	150 172	1 121 432
Leave gratuity	1 660 031	1 634 578
Bonus	1 148	6 136
Wages /casual	163 558	166 839
Acting allowance	89 728	26 021
Cash bonus	801 750	795 000
Bush allowance	682 671	875 172
Transport priviledges		

ANNEXURE F

REGIONAL COUNCIL OF THE KUNENE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(continued)

	2020	2019
	N\$	N\$
b) Remuneration of staff members (continued)		
Employer's Contribution to SSC	350 549	153 045
Employer's Contribution pension	3 160 472	3 113 025
9. Trade and other payables from exchange transactions		
Current liabilities		
Trade payables	2 630 350	1 175 575
Rural service	1 703 297	1 175 575
	927 053	-
10. Receivable from exchange transactions		
Trade receivables are carried at anticipated realizable value. All outstanding amount at year end which are older than 90 days are provided as provision for doubtful debts. Bad debts are written off during the year in which they are identified.		
	2020	2019
	N\$	N\$
Trade Receivable from exchange transaction	622 808	800 026
BuildTogether customers	6 343 166	6 845 478
Local authorities	1 483 820	1 053 974
Advance Payments	8 300	111 088
Provision for doubtful debts	(7 908 885)	(7 891 344)
S&T customers & settlement customers	696 408	680 830
Trade Receivable from non exchange transaction	9 533 956	7 119 879
Value added tax Receivables		
11. Other expenses		
Subsistence and Travelling Allowance (Chief Regional	25 710 019	32 170 633
Subsistence and Travelling Allowance (Administration)	17 687	12 137
Subsistence and Travelling Allowance (Regional Councillors)	660 346	592 287
Subsistence and Travelling Allowance (Human Resources)	571 537	834 720
Subsistence and Travelling Allowance (Finance)	117 561	172 010
Subsistence and Travelling Allowance (Planning Section)	133 153	130 085
Subsistence and Travelling Allowance (Rural Services)	309 631	544 458
Subsistence and Travelling Allowance (Opuwo Rural)	134 853	163 063
Subsistence and Travelling Allowance (Opuwo Urban)	83 216	97 239
Subsistence and Travelling Allowance (Khorixas)	36 560	83 244
	105 617	104 378

ANNEXURE F

REGIONAL COUNCIL OF THE KUNENE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2020 (continued)

	2020	2019
	N\$	N\$
11. Other expenses (continued)		
Subsistance and Travelling Allowance (Epupa Constituency)	74 118	122 176
Subsistance and Travelling Allowance (Sesfontein)	54 630	108 925
Subsistance and Travelling Allowance (fransfontein)	85 477	156 578
Subsistance and Travelling Allowance(Outjo Constituency)	78 176	101 359
Subsistance and Travelling Allowance (Okanguati)	64 705	84 257
Air Tickets	3 576	-
Invited panelists	48 772	22 573
Subsistance and Travelling Allowance (Sesfontein)	64 248	98 228
Subsistance and Travelling Allowance(Kamanjab)	68 272	126 343
Fuel and Rubricants	1 578 627	1 515 748
Tyres	186 639	42 702
Batteries	3 810	-
Spare parties and	2 498	-
Servicing fees	439 283	8 497
Vehicle licence fees	7 640	64 186
Repair and maintainance	279 023	43 907
Insurance	261 845	387 930
Pool vehicles	116 851	395 797
Motor vehicle	-	24 750
Electricity charges	1 563 681	1 352 935
Water and Sewarage	1 061 610	1 302 549
Telephone /fax	674 652	779 328
Cellphone charges	432 795	394 397
Postage Charges and	108 893	67 732
Rates and Taxes	44 918	113 372
Building	192 354	103 222
Office equipment	79 850	-
Sewer and Water	298 876	11 081
Rental for	48 960	44 880
PA system hiring	3 148	11 400
Hiring for	19 250	46 580
Post box renewal	-	1 287
Photo copy machine	351 373	268 307
Trainingcourses/Sym	25 206	32 720
Printing and	393 535	504 340
Security contracts	1 758 549	-
Employee wellnes	30 200	381 753
Decentralization	43 700	-

ANNEXURE F

REGIONAL COUNCIL OF THE KUNENE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2020 (continued)

	2020	2019
	N\$	N\$
11. Other expenses (continued)		
Night soil/refuse	175 680	211 136
Entertainment	98 855	334 301
Entertainment CRO	980	8 226
Entertainment	53 043	39 599
Entertainment	345 548	360 371
Constituency/settlement projects	2 604 273	101 652
Property insurance	167 667	-
Hiv/aids	278 788	416 860
Consultancy	92 630	239 030
Consultancy	331 415	15 000
Development profile	-	270 870
Other national	91 441	88 368
Refuse removal	620 609	289 629
Trade fair expenses	84 415	-
Legal fees	-	1 164 123
Software licences	74 796	85 994
Interest on Overdue	1 764	6 896
Penalties and Fines	840	53
International/government gazette	687	5 516
Domestic/tv	3 955	1 925
Domestic/Association of Regional Council	82 000	15 000
Domestic/software	12 450	190 000
Disaster risk management	328 701	68 403
Councillor donations	511 841	381 503
Office of the prime	425 573	44 870
Ministry of Health	1 165 937	1 536 814
Micro finance	194 121	405 956
Cash/Food for Work	630 374	521 153
Food security	128 151	65 178
Rural employment	126 116	74 973
Poor farmers	126 178	75 325
Sanitation	4 181 693	-
Doubtful debts	17 541	7 891 344
Traditional authority	-	8 546
Community /school	32 058	4 798 561
Deffered expenditure	-	1 000 000

REGIONAL COUNCIL OF THE KUNENE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2020 (continued)

	2020	2019
	N\$	N\$
12. Employee benefits	756 090	730 273
Accrued bonus	755 590	733 175
Net salaries	0	(3 389)
PAYE	-	(1 528)
Social security	-	1
Insurance policies	-	1 014
Employee loans	-	(669)
Garnishee	-	1 350
Build together	-	1 014
Suspense account	-	(1 196)
Unkown deposit	500	500

13. Cash and cash equivalents

Cash and Cash Equivalents comprise cash in hand, 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. Kunene Regional Council bank its money with the following banking institutions: First National Bank of Namibia, Bank Windhoek and Standard Bank of Namibia

	25 913 073	44 289 301
Cash and cash equivalents	197 310	2 501 134
First National Bank cheque main account	4 905 951	4 740 059
FNB Btp Revolving Account	1 823 019	1 657 787
FNB Build Together Account	77 177	79 612
FNB Build Together Call Account	947 724	410 531
FNB Capital Project Account	280 571	74 346
FNB Disaster Fund Account	622 883	389 055
FNB Hiv/Aids Account	1 523 099	2 747 319
FNB Call Account	307 731	300 199
FNB Dev Trust Fund Account	3 452 321	5 800 300
FNB Call Account	9 700 539	21 527 499
FNB Capital Project Call Account	359 262	574 744
FNB Nacoma Account	372 772	252 971
Fransfontein STD Receipt	881 387	2 787 797
BWK Rural Development	372 181	353 282
BWK Cash for Work Call	1 061	4 498
Cash Control-Okangwati	4 314	5 180
Cash Control -Fransfontein	79 421	77 750
Cash Control-Head Office	77	726
Cash Control-Outjo Constituency		

ANNEXURE F

REGIONAL COUNCIL OF THE KUNENE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2020 (continued)

	2020	2019
	N\$	N\$
13. Cash and cash equivalents (continued)		
Cash Control-Sesfontein Constituency	3 787	
Cash Control Kamanjab	462	4 266
Cash Control Khorixas	86	209
Cash Control Opuwo urban	(64)	36

14. Delegated functions

The Kunene Regional Council is currently performing the following functions as delegated by central governmental ministries in accordance with the Decentralization Enabling Act 2000 (Act 33 of 2000). Under delegation the Regional Council only acts as an agent for a particular line Ministry while the latter retains the full control and overall responsibility to approve the related budget. Once the Ministry approve the budget it is then transferred to the Regional Council for execution. Only transactions of Ministry of Health operates under HIV & OPM operates under disaster these two are part of the Regional Council operation because it is not yet decentralized however the Council is taking care of financial transactions at regional level.

	2020	2019
	N\$	N\$
Income	149 541 597	122 087 753
Ministry of Gender Equality and Child Welfare	9 141 849	1 578 744
Ministry of Education Art and Culture	115 683 729	118 536 649
Ministry of Works- Department of Maintenance	1 538 644	1 425 570
Ministry of Land Reform	323 602	306 523
Ministry of Information	310 020	240 267
Ministry of Agriculture- Rural water supply	22 543 753	-
Expenditures	(127 669 698)	(140 990 722)
Ministry of Gender Equality and Child Welfare	(3 290 030)	(855 029)
Ministry of Education Art and Culture	(123 798 872)	(138 716 178)
Ministry of Works- Department of Maintenance	(1 839 371)	(1 084 977)
Ministry of Land Reform	(409 523)	(199 974)
Ministry of Information	(353 454)	(134 564)
Ministry of Agriculture- Rural water supply	2 021 552	-

ANNEXURE F

REGIONAL COUNCIL OF THE KUNENE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2020 (continued)

14. Delegated functions (continued)

	2020	2019
	N\$	N\$
Current year surplus/(deficit)	17 828 794	(18 902 972)
Ministry of Gender Equality and Child Welfare	5 851 819	723 715
Ministry of Education Art and Culture	(8 115 143)	(20 179 532)
Ministry of Works- Department of Maintenance	(300 727)	340 593
Ministry of Land Reform	(85 921)	106 549
Ministry of Information	(43 434)	105 703
Ministry of Agriculture- Rural Water Supply	20 522 200	-
Opening Bank balance	10 415 151	29 318 123
Ministry of Gender Equality and Child Welfare	980 338	256 623
Ministry of Education, Art and Culture	8 245 674	28 425 206
Ministry of Works- Department of Maintenance	724 230	383 637
Ministry of Land Reform	130 465	23 916
Ministry of Information	334 444	228 741
Ministry of Agriculture- Rural water supply	-	-
Closing Bank balance	28 243 945	10 415 151
Ministry of Gender Equality and Child Welfare	6 832 157	980 338
Ministry of Education, Art and Culture	130 531	8 245 674
Ministry of Works- Department of Maintenance	423 503	724 230
Ministry of Land Reform	44 544	130 465
Ministry of Information	291 010	334 444
Ministry of Agriculture- Rural water supply	20 522 200	-

**REGIONAL COUNCIL OF THE KUNENE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

15. Value added taxes – IPSAS 28

Period	Months	Amount Claimed	Input disallowed /Reversed	Undeclared Output	Unclaimed Input/Claimed in other periods	Amount Payable	Amount still due
		N\$	N\$	N\$	N\$	N\$	N\$
	Opening Balance						7 119 879
	Adjustment to Prior Year Balance						7 119 879
	Adjusted Balance as at 1st April 2019						7 119 879
	Less: Prior year balance paid						7 119 879
	Prior year balance not paid						7 119 879
4	March - April	18 292	-	-	98 336	116 628	7 236 507
6	May - June	231 018	14 189	4 388	49 415	261 855	7 498 363
8	July - August	306 013	2 156	3 366	154 034	454 525	7 952 888
10	September - October	226 349	2 259	5 456	22 845	241 479	8 194 367
12	November - December	162 225	2 749	49 260	382 467	492 683	8 687 050
4	January - February	499 855	-	-	57 876	287 698	8 974 748
	March-2020						9 533 956

