



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
REGIONAL COUNCIL OF THE
OSHANA REGION**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

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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 Oshana Regional Council for the financial year ended 31 March 2016, 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'.

WINDHOEK, November 2017

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL
ON THE ACCOUNTS OF THE OSHANA REGIONAL COUNCIL
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

1. Report on the Financial Statements

1.1 INTRODUCTION

The accounts of the Oshana Regional Council for the financial year ended 31 March 2016 are being reported on in accordance with the provision set out in Section 38 of the Regional Council Act, 1992 (Act 22 of 1992).

Figures in the report are rounded to the nearest Namibia Dollar and deficits are indicated in (brackets).

I certify that I have audited the accompanying financial statements of the Oshana Regional Council for the financial year ended 31 March 2016. These financial statements comprise of the following:

Annexure A: Balance sheet;

Annexure B: Income statement;

Annexure C: Cash flow statement;

Annexure D: Statement of changes in accumulated funds; and

Annexure E: Notes to the financial statements.

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 40(1) of the Regional Council's Act, 1992 (Act 22 of 1992).

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

2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 39 of the Regional Council Act, 1992 and relevant legislation, and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

3. AUDITOR'S RESPONSIBILITY

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

Powers and duties

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

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

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

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

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

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

4. ACKNOWLEDGEMENT

The courtesy and assistance extended to the Auditor-General staff members by the Oshana Regional Council during the audit is appreciated.

5. KEY AUDIT FINDINGS

5.1 TRADE PAYABLES

Trade payables amounting to N\$ 1 181 359 were not recorded as at 31 March 2016, therefore the amount is not accounted for and trade payables is understated.

Recommendation

It is recommended that the Council should ensure that transactions are properly recorded within the relevant accounting period.

Management comment

No comment from management.

5.2 PROPERTY, PLANT & EQUIPMENT

A difference of N\$ 32 940 429 was observed between the asset register (N\$ 67 009 794) and the financial statements (N\$ 34 069 365). Furthermore, a difference of (N\$ 32 948 717) was observed between the asset register (N\$ 18 550 429) and the depreciation in the financial statement (N\$ 51 499 146).

Recommendation

It is recommended that the Council should ensure that management checks are performed to prevent misstatement.

Management comment

We agree that there was a difference between the depreciation in the annual financial statement and that in the fixed asset register.

The difference came about because Council has changed the accounting policy in terms of depreciating Assets financed by Government Grant.

5.3 CASH FLOW – PROPERTY, PLANT & EQUIPMENT

The Council could not explain an amount of N\$ 27 899 631 in the cash flow statement under property, plant & equipment.

Recommendation

It is recommended that that Council provides an explanation for the amount of N\$ 27 899 631 reflected in their Cash Flow Statement.

Management comment

The amount of N\$ 27 899 631 was shown as property, plant and equipment, however this amount includes payment for property, plant and equipment as well as adjustment for non-cash item.

5.4 ADJUSTMENT TO RETAINED EARNINGS

No journal audit trail was provided for adjustments to retained earnings amounting to N\$ 22 439 765.

Recommendation

It is recommended that the Council should ensure that all supporting documents are provided for audit purposes.

Management Comment

No comment from Management.

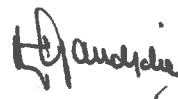
6. BASIS FOR QUALIFIED AUDIT OPINION

- Understatement of Trade Payables with N\$ 1 181 359;
- A difference of N\$ 32 940 429 between the asset register and financial statements;
- Depreciation amounting to (N\$ 32 948 717) not reconciling to financial statements;
- Unexplained amount of N\$ 27 899 631 in the Cash Flow Statement; and
- Non-submission of journal audit trial amounting to N\$ 22 439 765.

7. QUALIFIED AUDIT OPINION

The accounts of the Oshana Regional Council for the financial year ended 31 March 2016 summarised in Annexure A to E, were audited by me in terms of Section 38 of the Regional Councils Act, 1992 (Act 22 of 1992).

Except for the effects of the matters described in the Basis for Qualified Audit Opinion paragraph, these annual financial statements present fairly the financial position of the Oshana Regional Council as at 31 March 2016 and its financial performance and cash flows for the year then ended.



WINDHOEK, November 2017

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REGIONAL COUNCIL FOR THE OSHANA REGION
BALANCE SHEET AS AT 31 MARCH**

	Note	2016 N\$	2015 N\$
Non-current assets		98 948 292	111 739 624
Property plant and equipment	5&6	93 948 292	106 739 624
Investments (Shares in Nored)	7	5 000 000	5 000 000
Current assets		49 405 307	63 505 815
Trade and Other receivables	9	5 745 414	2 941 758
Bank and cash on hand	8	43 492 620	60 342 517
Stock on hand		167 273	221 540
Total assets		148 353 599	175 245 439
Equity		108 656 373	172 404 358
Accumulated Fund	12	108 656 373	172 404 358
Current Liabilities		39 697 226	2 841 081
Development Fund		20 114 858	-
Trade and other payables	10	19 582 368	2 841 082
Total equity and liabilities		148 353 599	175 245 439

ANNEXURE B

REGIONAL COUNCIL FOR THE OSHANA REGION
INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH

		2016	2015
	Note	N\$	N\$
Income	4.1	74 518 218	85 014 098
Less: Expenditure	4.2	67 952 841	58 112 803
Net operating surplus/(loss)		6 565 377	26 901 295
Interest on current account		1 965 242	2 273 499
Accumulated income/(deficit)		8 530 619	29 174 794

**REGIONAL COUNCIL FOR THE OSHANA REGION
CASHFLOW STATEMENTS FOR THE YEAR ENDED 31 MARCH**

	Note	2016	2015
		N\$	N\$
Cash flow from operating activities			
Cash receipt from customers	11	9 178 007*	29 362 723
Cash Generated from investment activities		1 870 727	2 196 444
Cash generated by operations		11 048 734	31 559 167
Purchases of Property, Plant and Equipment		(27 899 631)	(25 522 621)
Net (decrease)/increase in cash and cash equivalent		(16 850 897)	6 036 546
CASH AND CASH EQUIVALENTS			
-Beginning of the year		60 342 517	54 305 971
- End of the year		43 491 620	60 342 517

Note:

* The amounts do not agree to the note 11 of the notes to the financial statements.

REGIONAL COUNCIL FOR THE OSHANA REGION
STATEMENTS OF CHANGES IN ACCUMULATED FUNDS FOR THE YEAR ENDED 31
MARCH

	Note	N\$
Retain Earnings Balance as at 31 March 2014		143 229 564
Surplus for the year 2014		<u>29 174 794</u>
Total Retain Earnings as at 31 March 2015		172 404 358
Adjustment to Retain Earning	13	<u>(72 278 604)</u>
		100 125 754
Surplus for the year 2016		<u>8 530 619</u>
Total Retain Earnings as at 31 March 2016		<u>108 656 373</u>

**REGIONAL COUNCIL FOR THE OSHANA REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH**

1. ACCOUNTING POLICIES

The annual financial statements are in compliance with the historical cost convention modified by the restatement of the financial instruments to fair value, except where otherwise stated

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 on cash accounting concept, in line with the State Finance Act, 1992, however, since all liabilities to Delegated functions remains with the line Ministry and all unexpended Delegated Funds are returned to the State Account as at 31 March, this does not materially affect the Regional Council financial statements.

The Principal accounting policies of the Regional Council, which are set out below have been consistent and comply with the Namibian Statement of Generally Accepted Accounting Practices. The Financial Statements have been prepared in accordance with the requirements of the Namibian Regional Council's Act.

1.1 Fixed Assets and Depreciation

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 the depreciation is calculated on the shortfall.

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

Buildings	50 years
Machinery and Equipment	5 years
Motor vehicles	5 years
Office Furniture and Equipment	5 years
Computer equipment	3 years

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.

REGIONAL COUNCIL FOR THE OSHANA REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(Continued)

1.2 Inventories

Inventories are measured at lower 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.

1.3 Trade receivables

Trade receivables are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

1.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on 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.

2. Revenue

Revenue consist of the following:

2.1 Government Transfers: Ministry of Regional and Local Government, Housing and Rural Development

The Regional Council receives administrative grants from the Ministry of Regional and Local Government, Housing and Rural Development. The grants are for the day-to-day operations of the Regional Council.

2.2 Rates levy from Local Authorities

The Regional Council, levies an amount equal to 5% of the rates levied on all ratable property situated in Local Authority areas as stipulated in Section 77(1) of the Local Authorities Act, 1992 (Act 23 of 1992).

2.3 Royalties and surcharges

The Regional Council receives royalties in respect of surcharges levied on its behalf by NORED Electricity (Pty) Ltd.

REGIONAL COUNCIL FOR THE OSHANA REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(Continued)

3. Delegated functions

The Regional Council is currently performing the following functions delegated by Central Government Ministries, in accordance with the Decentralization Enabling Act 2000 (Act 33 of 2000).

When under delegated, the Regional Council only acts as an agent for a particular line Ministry, while the latter retains full control and overall responsibility to approve the related budget. After approval, the approved budget is transferred to the Regional Council via cash tranches.

Line Ministries	Delegated function	2016	2015
		N\$	N\$
Income			
Min of Gender	Early Childhood Development	2 100 091	1 412 723
Min of Education, Art and Culture		173 709 379	-
Minister of Works – Department of Maintenance		8 186 192	-
Expenditure			
Min of Gender	Early Childhood Development	2 077 456	1 306 694
Min of Education, Arts and Culture		136 360 236	-
Minister of Works – Department of Maintenance		8 226 417	-

REGIONAL COUNCIL FOR THE OSHANA REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(Continued)

	Note	2016 N\$	2015 N\$
4. INCOME AND EXPENDITURE			
4.1 Income			
Government Transfers MRLGH		45 799 405	79 722 657
Rates Levy (5 %) from Local Authorities		2 329 108	1 852 031
Other income	4.3	2 626 388	2 026 687
Deferred Income		21 663 226	-
Sub-total		72 418 127	83 601 375
Delegated Functions	3	2 100 091	1 412 723
TOTAL INCOME		74 518 218	85 014 098
4.2 Expenditure			
Remuneration		40 718 766	31 867 424
Subsistence & travel		1 507 231	848 063
Materials and supplies		676 623	285 504
Transport expenses		1 223 690	1 056 616
Utilities		2 894 689	2 636 735
Maintenance expenses		893 105	1 001 088
Property rental & related charges		421 592	322 187
Other services & expenses		3 442 820	3 239 784
Membership fees & sub domestic		1 374 673	785 392
Depreciation expenses		2 521 197	2 384 373
Rural Development expenses		10 200 999	12 378 943
Sub-total		65 875 385	56 806 109
Delegated Functions	3	2 077 456	1 306 694
LESS TOTAL EXPENDITURE		67 952 841	58 112 803
NET OPERATING SURPLUS/(DEFICIT) FOR THE YEAR		6 565 377	26 901 295

REGIONAL COUNCIL FOR THE OSHANA REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(Continued)

	Note	2016 N\$	2015 N\$
NET FINANCIAL INCOME			
Interest received		1 965 242	2 273 499
ACCUMULATED SURPLUS/(DEFICIT) FOR THE YEAR			
		8 530 619	29 174 794
4.3 Other Income			
Income		2 626 388	2 026 687
Property rentals & equipment hire		301 531	292 031
Settlement area Income		1 013 592	593 320
Dividends and royalties (NORED)		934 547	500 787
Other income		367 833	480 476
Donations		-	13 840
Sundry Income		8 885	146 233

**REGIONAL COUNCIL FOR THE OSHANA REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH (Continued)**

31 March 2016	Capital Infrastructure		Land & Buildings		Machinery & Vehicles		Equipment & Computers		Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$		
Cost as at 1 April 2015	35 694 402	35 183 179	8 122 401		3 936 418		82 936 399		
Additions	-	947 203	-		1 461 220		2 408 423		
Disposal		-	-		(134 226)		(134 226)		
Adjustment		355 586	-		2 330		357 916		
Cost as at 31 March 2016	35 694 402	36 485 968	8 122 401		5 265 742		85 568 512		
Accumulated Depreciation as at 31 March 2016	(35 694 402)	(5 342 275)	(7 008 972)		(3 453 497)		(51 499 146)		
Net book value as at 31 March 2016	-	31 143 693	1 113 429		1 812 245		34 069 367		

REGIONAL COUNCIL FOR THE OSHANA REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(Continued)

31 March 2015	Capital Infrastructure	Land & Buildings	Machinery & Vehicles	Equipment & Computers	Total
	N\$	N\$	N\$	N\$	N\$
Cost as at 1 April 2014	35 694 402	35 183 179	6 981 451	3 559 526	81 418 558
Additions	-	-	1 140 947	351 962	1 492 909
Adjustment	-	-	-	24 932	24 932
Cost as at 31 March 2015	35 694 402	35 183 179	8 122 398	3 936 420	82 936 399
Depreciation as at 1 April 2014	(1 283 110)	(3 917 229)	(6 154 603)	(2 494 739)	(13 849 680)
Charge for the year	(713 888)	(703 664)	(430 910)	(535 911)	(2 384 373)
Adjustment	(34 038)	-	21 103	189 862	176 927
Depreciation as at 31 March 2015	(2 031 036)	(4 620 893)	(6 564 410)	(2 840 788)	(16 057 126)
Net book value as at 31 March 2015	33 663 366	30 562 286	1 557 988	1 095 632	66 879 273

REGIONAL COUNCIL FOR THE OSHANA REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(Continued)

	Notes	2016 N\$	2015 N\$
6. WORK IN PROGRESS		59 878 925	39 860 351
W.I.P-Eheke gravel roads PII + PIII		2 912 142	2 912 143
WIP- Uuvudhiya		270 527	270 527
W.I.P. Construction of Elect Eheke PII		4 477 645	4 477 645
W.I.P. Elect Eheke		558 059	63 330
W.I.P. Elect		85 290	20 727
W.I.P. Eheke Road		2 373 790	185 542
W.I.P Construction of Gravel Road Uukwangul PII + PIII		10 294 481	8 388 818
Construction of Road & Storm Water Eheke PIII		11 716 592	7 223 975
Construction additional Offices ONARC		21 101 999	14 134 340
W.I.P. Storeroom		859 527	859 527
W.I.P. Quard House		967 444	198 692
W.I.P. Staff		383 109	349 334
Work in Progress		3 165 993	267 424
W.I.P. Guard House		103 725	103 725
W.I.P. Municipal Billing		396 650	192 650
W.I.P. Quard House		211 952	211 952
7. INVESTMENTS			
Shares in Nored		5 000 000	5 000 000
		5 000 000	5 000 000

REGIONAL COUNCIL FOR THE OSHANA REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(Continued)

	2016	2015
	N\$	N\$
8. CASH ON HAND AND BANK		
Standard Bank- Current account	468 377	261 215
Standard Bank- Call account	5 262 043	8 035 242
Standard Bank- Equity Provision Fund	9 510	10 866
Standard Bank- Cash Plus Investment	565 610	531 826
Standard Bank - Drought Relief	3 694	19 473
Standard Bank - Ombuga Tree Planting Project	29 247	29 121
Standard Bank- Oshana Community	1 259 642	1 380 347
Standard Bank- Emergency Fund	59 789	59 789
First National Bank- Capital Projects	406 399	197 516
First National Bank- Call account	25 275 806	37 969 434
First National Bank- Uukwangula Sports Complex	1 622 114	1 562 647
First National Bank- 32 days notice account	-	186 099
Bank Windhoek- Revenue account	5 980 640	5 616 923
Bank Windhoek - Oshana Rural Development Project	1 441 176	81 147
Oshana Rural Development	1 108 573	4 400 872
	43 492 620	60 342 517
9. TRADE AND OTHER RECEIVABLES		
Trade debtors	2 459 503	286 448
Subsistence and travel advances	312 776	437 387
Deposits on property rentals	6 050	6 050
Advance payment to suppliers	6 175	-
Receiver of Revenue VAT	2 932 956	2 177 816
OPM Drought Fund	27 954	34 057
	5 745 414	2 941 758

REGIONAL COUNCIL FOR THE OSHANA REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(Continued)

	2016	2015
	N\$	N\$
10. TRADE AND OTHER PAYABLES		
Trade Creditors	5 593 080	2 152 077
Provision for Leave	11 803 324	-
Provision for Doubtful	459 899	-
Ministry of Education	5 597	5 597
Customer deposits	13 625	1 800
Salary and wages control	1 287 560	371 835
Ministry AWF	356 525	301 778
Advance payment by Customers	46 337	-
Suspense Account	16 421	7 994
	19 582 368	2 841 081
11. CASH (UTILIZED)/GENERATED BY OPERATIONS		
Surplus for the year	8 528 537	29 174 794
Add: Depreciation	2 521 197	2 384 373
Operating income before changes in working capital	11 049 734	31 559 167
Less: Cash Generated from Investment	(1 870 727)	(2 196 444)
Cash generated/utilized by operations	9 179 007*	29 362 723

Note:

* The amounts do not agree to the cash flow statements.

REGIONAL COUNCIL FOR THE OSHANA REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(Continued)

	2016	2015
	N\$	N\$
12. ACCUMULATED FUND		
Income/(deficit) for the year	8 530 619	29 174 794
at the beginning of the year	172 404 358	143 473 613
Adjustment	(72 278 604)	(244 049)
at the end of the year	108 656 373	172 404 358
13. ADJUSTMENT TO RETAIN EARNINGS		
Add:	1 988 737	-
Amount transferred from P/L	1 629 820	-
Sales of Tracksuits and Hat to N. Mavulu	600	-
Correction of Assets posted to expenses in 2015 Financial Year	136 186	-
Correction of Assets posted to expenses in 2015 Financial Year	219 400	-
Reversing the duplicated expenses in 2013/2014 Financial Year	401	-
Assets omitted In 2014/2015 Financial Year	2 330	-
Less:	74 267 341	-
Depreciation for Scraped Assets	99 157	-
Depreciation for FA 2015	347	-
Depreciation for FA 2015	6 065	-
Correction for VAT on the 01-04-2015	128 906	-
Provision for leave days accrued as at 31 st March 2015	9 246 500	-
Deferred Grant	18 771 528	-
Amount relocated to Development Fund	13 065 360	-
CI – Assets depreciated fully	32 949 478	-
	72 278 604	-

ANNEXURE E

REGIONAL COUNCIL FOR THE OSHANA REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENED 31 MARCH
(Continued)

	2016	2015
	N\$	N\$
14. COMPENSATION PAYMENTS		
Crops fields compensation	24 392	1 271 525
15. VISITS TO FOREING COUNTRIES		
Air Ticket	41 963	-
Subsistence and Traveling Allowance	37 821	-
16. GIFTS /DONATION GIVEN/RECEIVED		
Donation Given	28 014	35 365
Donation Received	-	13 840