



REPUBLIC OF NAMIBIA



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

FOR THE FINANCIAL YEARS ENDED 31 MARCH 2014 AND 2015

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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 Regional Council of the Otjozondjupa region for the financial year ended 31 March 2014 and 2015 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.

WINDHOEK, August 2017

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE
ACCOUNTS OF THE OTJOZONDJUPA REGIONAL COUNCIL
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2014 AND 2015**

1. Report on the Financial Statements

1.1 Introduction

This report on the accounts of the Otjozondjupa Regional Council for the financial years ended 31 March 2014 and 2015 is presented to the National Assembly in accordance with the Regional Council's 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 Otjozondjupa Regional Council for the financial years ended 31 March 2014 and 2015. These financial statements comprise the following statements:

Annexure A: Balance sheet;
Annexure B: Income statement;
Annexure C: Cash flow statement; and
Annexure D: Notes to the financial statement

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

The financial statements notes to the financial statements provided by the Accounting Officer are attached as Annexure A to D.

2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the 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 insufficient and inappropriate to provide a basis for the audit opinion.

4. ACKNOWLEDGEMENT

The courtesy and assistance extended to the Auditor-General and his staff members by the Regional Council's staff during the audit are appreciated.

5. KEY AUDIT FINDINGS

5.1 PROVISION FOR DOUBTFUL DEBTS

For the financial years under review, the Council did not raise provision for doubtful debts. Trade Debtors are understated by N\$ 1 206 547 for the year 2014 and N\$ 1 418 487 for the year 2015.

Recommendations

The Council is recommended to provide adequate provision for doubtful debts and ensure that all debtors with credit balances are correctly classified.

5.2 VALUE ADDED TAX

A difference of N\$ 256 793 for the year 2014 and N\$ 471 697 for the year 2015 was noted between VAT charged on sales recorded in the General Ledger and that on VAT returns submitted to the Receiver of Revenue.

Recommendations

It is recommended that invoices should be processed at VAT exclusive amount.

5.3 NON-SUBMISSION DOCUMENTS

Vouchers amounting to N\$ 1 734 628 for the year 2014 and N\$ 4 585 841 for the year 2015 were not provided for audit purpose.

Recommendation

The Council is recommended to submit all the payment vouchers requested for audit purpose.

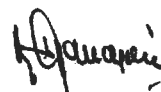
6. BASIS FOR DISCLAIMER OF AUDIT OPINION

- No provision for doubtful debt was raised during the financial years under review;
- Debtors are understated by N\$ 2 625 034;
- Revenue was overstated by N\$ 728 490; and
- Documents with a total value of N\$ 6 320 469 were not provided for audit purpose.

7. DISCLAIMED AUDIT OPINION

The accounts of the Otjozondjupa Regional Council for the financial years ended 31 March 2014 and 2015 summarised in Annexures A to D were audited by me in terms of section 40 (1) of the Regional Council's Act, 1992 (22 of 1992).

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.



WINDHOEK, August 2017

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

**REGIONAL COUNCIL FOR THE OTJOZONDJUPA REGION
FINANCIAL POSITION AS AT 31 MARCH**

	Note	2015 N\$	2014 N\$	2013 N\$
ASSETS				
Non-Current Assets		54 341 600	38 598 132	30 857 285
Property Plant & Equipment	4	14 780 868	10 288 076	9 966 339
Investment	5	21 894 657	20 969 642	20 215 741
Work in progress	6	17 666 075	7 340 414	675 205
Current Assets		52 482 859	53 793 181	50 921 576
Accounts Receivable	7	29 216 730	24 864 049	19 044 197
Inventory		291 019	184 027	89 742
Cash on hand and Bank	8	22 975 110	28 745 105	31 787 637
Total Assets		106 824 459	92 391 313	81 778 860
EQUITY AND LIABILITIES				
Accumulated funds	9	14 721 423	4 024 290	5 149 329
Total Equity		14 721 423	4 024 290	5 149 329
Non-Current liabilities		83 308 410	73 264 410	60 829 520
Build Together Revolving Fund		10 746 683	10 746 683	10 746 683
Capital Projects		72 561 727	62 517 727	50 082 837
Current Liabilities		8 794 626	15 102 613	15 801 011
Account payables	10	8 794 626	15 102 613	15 801 011
Total Equity and Liabilities		106 824 459	92 391 313	81 779 860

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

	Note	2015	2014	2014
		N\$	N\$	N\$
Income	13	64 339 355	44 806 410	36 212 766
Expenditure	14	54 465 342	47 508 377	35 300 529
Net operating surplus/(loss)		9 874 013	(2 701 967)	912 237
Bank interest received		823 120	1 576 928	1 041 380
Accumulated income/(deficit)		10 697 133	(1 125 039)	1 953 617

REGIONAL COUNCIL FOR THE OTJOZONDJUPA REGION
CASHFLOW STATEMENT FOR THE YEARS ENDED 31 MARCH

	2015	2014	2013
	N\$	N\$	N\$
Cash flow from Operating activities	(70 527)	(7 737 574)	(4 030 997)
Cash receipt from customers	64 339 355	44 806 410	36 212 766
Cash paid to suppliers	(66 181 444)	(54 891 500)	(41 285 143)
Interest earned	1 771 562	2 347 516	1 041 380
Cash flow from investing activities	(15 743 468)	(7 739 847)	(1 395 605)
(Increase)/ Decrease in investments	(925 015)	(753 901)	(544 123)
(Increase)/ Decrease in capital assets	(14 818 453)	(6 985 946)	(851 482)
Cash flow from financing activities	10 044 000	12 434 890	8 081 432
Build Together Program Revolving Fund	-	-	5 476 000
Capital Development fund	10 044 000	12 434 890	2 605 432
Net (increase)/decrease in cash equivalents	(5 769 995)	(3 042 531)	2 654 830
Adjustment	-	-	(323 629)
Beginning of the year	28 745 105	31 787 636	29 456 435
End of the year	22 975 110	28 745 105	31 787 636

**REGIONAL COUNCIL FOR THE OTJOZONDJUPA REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH**

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with the Namibian statements of Generally Accepted Accounting Practice. The annual financial statements are prepared under the historic cost convention. The following accounting policies are consistent in all material respects 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 expenditures in relation to Delegated functions is accounted for during the year on a cash accounting concept in line with the State Finance Act, 1992, however since all liability in relation to delegated functions remains with the Line Ministry this does not materially affect the Regional Council financial statements.

1.1 PROPERTY PLANT AND EQUIPMENT

All fixed assets are stated at historical costs less accumulated depreciation. Depreciation is calculated using straight line method to write-off the value of each asset to its residual value of its estimated useful life:

Land buildings, motor vehicle, furniture and fittings, office furniture and equipment are stated at cost and depreciated on the straight line method at the following rates per annum:

Land	Infinite
Buildings	50 years
Computer Equipment	3 years
Office equipment	3 years
Motor vehicles	5 years
Furniture and Fittings	5 years
Furniture for Political office bearers	3 years
Machinery and Equipment	5 years

The Regional Council is currently performing the following functions (under certain conditions) delegated by central governmental line ministries as indicated in accordance with Decentralization Enabling Act of 2000.

Under delegation the Regional Council acts as an agent on behalf of the relevant line ministries. The relevant lines Ministries however retain overall responsibilities to approve the related budget. Their budget allocation is transferred to the Regional Council via cash transfers.

**REGIONAL COUNCIL FOR THE OTJOZONDJUPA REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)**

	2015	2014	2013
	N\$	N\$	N\$
3 DELEGATED FUNDS-Net delegated funds	4 548 164	(924 248)	1 474 804
Ministry of Gender Equality	1 439 095	1 219 143	309 516
Office of the Prime Minister (EMU)	366 892	205 340	53 890
Ministry of Agriculture	-	-	10 000
MURD- Capital Projects	6 703 185	1 025 511	1 813 301
Ministry of Gender Equality	(1,710,992)	(1,086,352)	(203,451)
Office of the Prime Minister (EMU)	(328,369)	(315,425)	(55,129)
Ministry of Urban and Rural Development	(1,921,647)	(1,972,465)	(453,323)
4 PROPERTY PLANT AND EQUIPMENT			
	2015		
Net book value as at 31 March 2015	8 548 747	1 616 810	4 614 003
Cost as at 31/03/2015	10 485 927	3 635 621	25 798 546
Accumulated Depreciation	1 937 180	2 018 811	21 184 543
Additions	132 372	1 218 134	4 668 133
Charge for the year	208 615	449 932	866 244
Cost as at 01/04/2014	10 353 555	2 417 487	21 130 413
Balance as at 01/04/2014	1 728 565	1 568 879	20 318 299
	Land and Building	Motor vehicles	Office fittings & Equipment
	N\$	N\$	N\$
	8 548 747	1 616 810	4 614 003
	10 485 927	3 635 621	25 798 546
	1 937 180	2 018 811	21 184 543
	132 372	1 218 134	4 668 133
	208 615	449 932	866 244
	10 353 555	2 417 487	21 130 413
	1 728 565	1 568 879	20 318 299
			Other Fixed Assets
			N\$
			1 308
			5 977
			4 669
			-
			1 056
			5 977
			3 613
			Total
			N\$
			14 780 868
			39 926 071
			25 145 203
			6 018 639
			1 525 847
			33 907 432
			23 619 356

**REGIONAL COUNCIL FOR THE OTJOZONDJUPA REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)**

ANNEXURE D

4

PROPERTY PLANT AND EQUIPMENT

2014

Net book value as at 31 March 2014

Cost as at 31/03/2014

Accumulated Depreciation

Additions

Charge for the year

Cost as at 01/04/2013

Balance as at 01/04/2013

2013

Net book value as at 31 March 2013

Cost as at 31/03/2013

Accumulated Depreciation

Additions

Charge for the year

Cost as at 01/04/2012

Balance as at 01/04/2012

	Land and Building	Motor vehicles	Office fittings & Equipment	Other Fixed Assets	Total
	N\$	N\$	N\$	N\$	N\$
2014					
Net book value as at 31 March 2014	8 624 990	848 608	812 114	2 364	10 288 076
Cost as at 31/03/2014	10 353 555	2 417 487	21 130 413	5 977	33 907 432
Accumulated Depreciation	1 728 565	1 568 879	20 318 299	3 613	23 619 356
Additions	-	559 202	563 046	-	1 122 248
Charge for the year	207 071	189 239	403 144	1 056	800 510
Cost as at 01/04/2013	10 353 555	1 858 285	20 567 367	5 977	32 785 184
Balance as at 01/04/2013	1 521 494	1 379 640	19 915 155	2 557	22 818 846
2013					
Net book value as at 31 March 2013	8 832 061	478 645	652 212	3 420	9 966 339
Cost as at 31/03/2013	10 353 555	1 858 285	20 567 367	5 977	32 785 184
Accumulated Depreciation	1 521 494	1 379 640	19 915 155	2 557	22 818 846
Additions	-	-	324 790	-	324 790
Charge for the year	207 071	175 259	277 009	1 056	660 395
Cost as at 01/04/2012	10 353 555	1 858 285	20 242 577	5 977	32 460 394
Balance as at 01/04/2012	1 314 423	1 204 381	19 638 146	1 501	22 158 451

REGIONAL COUNCIL FOR THE OTJOZONDJUPA REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)

	2015	2014	2013
	N\$	N\$	N\$
5 INVESTMENT	21 894 657	20 969 642	20 215 741
Metropolitan policy number 8007	3 431 597	3 145 357	2 837 684
Metropolitan policy number 80376	3 920 970	3 282 195	2 835 967
Shares in Cenored	14 539 298	14 539 298	14 539 298
Share Premium in Cenored	2 792	2 792	2 792
6 WORK IN PROGRESS	17 666 075	7 340 414	675 205
New Traditional Authority Kambazembi	-	3 304 122	468 718
Tsumkwe Cultural Village	-292 593	(292 593)	68 053
Construction of Half built btp houses	4 358 735	892 222	138 434
Extension for Regional Head Office	7 000 737	1 737 974	-
Construction of Tsumkwe Sewerage System	2 179 882	652 003	-
Construction of Joahansi Traditional Authority	1 184 370	528 661	-
Construction of Kung Traditional Authority	1 212 901	469 533	-
Contraction of Karlkfield Water System	700 443	-	-
GAM CIVIL ENGINEERING 353STANDS	434 783	-	-
Construction of Tsumkwe Prepaid Water System	199 744	-	-
Tsumkwe Road Improvement	403 990	-	-
Okatjoruu Oxidation Ponds	283 083	-	-
Construction of Tsumkwe Service land	-	48 492	-
7 ACCOUNT RECEIVABLES	29 216 730	24 864 049	19 044 197
VAT Control Account	5 889 978	3 225 181	1 410 845
Build Together debtors	5 065 666	4 909 419	4 760 686
Trade debtors	17 426 917	16 247 626	12 843 653
Sundry receivables	834 169	481 823	29 012

REGIONAL COUNCIL FOR THE OTJOZONDJUPA REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)

ANNEXURE D

	2015	2014	2013
	N\$	N\$	N\$
8 CASH AND BANK	22 975 110	28 745 105	31 787 637
GRN Subsidy Account	98 479	3 874 360	4 971 478
Capital Account	9 293 651	11 956 517	15 062 712
Social Housing Account	2 084 594	2 774 033	3 501 379
Revolving Housing Account	681 349	1 026 376	3 802 606
Main Current Account	34 534	366 062	1 215 153
Settlement Area Revenue Account	85 579	60 203	(385 530)
Build Together Receipt Account	775 902	2 959 108	24 243
ECD Account	111 110	398 373	267 850
Food/Cash for Work Program Account	7 038 041	1 713 451	2 488 241
Transport Account	105 084	(21 618)	78 366
Traditional Authority Account	-10	12 326	14 845
San Empowerment Account	47 776	44 666	67 132
Regional Aids Account	11 885	13 611	68 927
Micro - Finance Account			-
Nampost Account	2 154 902	1 302 634	499 945
Drought Relief Account	3 431	-54	139
Otjozondjupa Region Trust Fund	387 321	2 082 233	-
Cash/Receipt Control Account-Kalkfeld	24 936	33 332	6 451
Cash/Receipt Control Account-Tsumkwe	26 242	69 490	28 203
Cash/Receipt Control Account-Okandjira	(5)	3 287	1 318
Cash/Receipt Control Account-Okondjatu	-	600	400
Cash/Receipt Control Account-Coblenz	2 058	76 780	72 316
Cash/Receipt Control Account-Okatjoruu	(1 013)	(1 074)	-875
Cash/Receipt Control Account-Okamatapati	9 264	409	2 340
9 ACCUMULATED FUNDS	14 721 423	4 024 290	5 149 329
At the beginning of the year	4 024 290	5 149 329	3 195 713
Net surplus/ (deficit) for the year	10 697 133	(1 125 039)	1 953 617
10 ACCOUNTS PAYABLES	8 794 626	15 102 613	15 801 011
Suppliers Control Account	8 729 744	14 861 267	15 799 446
Other Accruals	64 882	241 346	1 565

REGIONAL COUNCIL FOR THE OTJOZONDJUPA REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)

	2015	2014	2013
	N\$	N\$	N\$
11 Income from settlements	4 519 022	4 465 961	3 895 643
Income from water refuse and sewerage	2 994 116	3 075 830	2 858 760
Income from electricity	1 130 411	973 791	790 442
Income from Miscellaneous Activities	394 495	416 340	246 441
12 Movement in current assets and liabilities	(10 660 668)	(6 518 250)	(5 196 886)
Decrease/ (Increase) in account receivable	(4 352 681)	(5 819 853)	(4 089 415)
Increase/ (Decrease) in account payables	(6 307 987)	(698 398)	(1 107 471)
13 Income	64 339 355	44 806 410	36 212 766
Government transfer: mrlgh&rd	46 495 207	33 830 933	27 250 568
Delegated funds	1 903 637	1 424 482	383 406
5% Assessment rates	2 466 150	2 156 026	1 862 973
Income from settlement areas	4 519 022	4 465 959	3 895 643
Sundry income	467 060	664 679	146 578
Interests received	948 441	770 588	533 206
Dividends surcharges & royalties	814 203	458 632	301 650
Rural development income	6 725 635	1 025 511	1 803 301
Rental income - Council properties	-	9 600	35 440
14 Expenditure	54 465 342	47 508 377	35 300 529
Personnel expenditure	30 607 070	24 768 647	16 916 997
Subsistence & travelling allowance	2 310 251	1 817 698	1 936 004
Materials & supplies	375 515	368 703	511 596
Transport expenditure	3 169 807	3 076 531	3 314 399
Depreciation	1 525 846	800 511	660 395
Utilities	3 912 924	6 483 820	5 438 539
Maintenance expenditure	3 671 551	2 245 381	1 522 178
Other services & expenditure	172 384	3 218 984	3 066 804
Property rental & related charges	806 001	955 159	844 604
Membership fees & subscriptions	246 330	258 824	80 252
Subsidies & other current transfers	3 675 677	118 548	282 796
Delegated functions	2 039 361	1 401 777	274 580
5% Assessment rate expenses	-	-	6 000
Rural development expenses	1 515 899	1 546 716	309 864
San empowerment expenses	18 920	21 329	8 060
Micro - finance	417 806	425 749	127 459