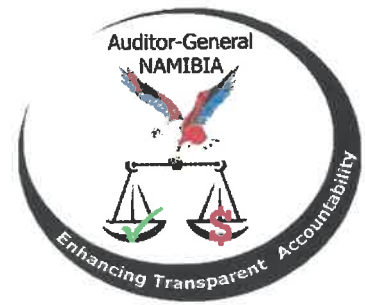




REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
REGIONAL COUNCIL OF THE ZAMBEZI
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 Regional Council of the Zambezi Region 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".

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, June 2019

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

1. DISCLAIMER OF AUDIT OPINION

The accounts of the Zambezi Regional Council for the financial year ended 31 March 2016 have been audited in terms of section 40 (1) of the Regional Councils Act, 1992 (Act No 22 of 1992) read with sections 25, 26 and 27 of the State Finance Act, (Act 31 of 1991).

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 opinion. Accordingly, I do not express an opinion of the financials statements of the Zambezi Regional Council as at 31 March 2016.

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 the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my 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 insufficient and inappropriate to provide a basis for my opinion. A disclaimer audit opinion is being expressed due to the following:

- Non-submission of supporting documentation amounting to N\$ 12 842 852;
- Non-disclosure of assessment rates amounting to N\$ 1 040 932;
- Differences between the trial balance and the financial statements for property plant and equipment amounting to N\$ 187 603 678, work in progress amounting to N\$ 124 452 337 and accumulated funds amounting to N\$ 112 691 097;
- Differences between the cash flow and balance sheet for cash and cash equivalents balance amounting to N\$ 9 545 247;
- Non-disclosure of trades and other payables amounting to N\$ 905 423; and
- Non-disclosure of provision of leave in the financial statements.

3. 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 Namibia Generally Accepted Accounting practice and legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible of overseeing the entity's financial reporting process.

4. 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 an auditor's 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 skepticism 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

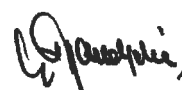
continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to 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 have communicated 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.

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

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 22 of 1992).

WINDHOEK, June 2019



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXTURE A

**ZAMBEZI REGIONAL COUNCIL
BALANCE SHEET AS AT 31 MARCH**

	Note	2016 N\$	2015 N\$
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	4	298 969 058	187 603 679
Current Assets			
Inventory		266 142	-
Trade and other receivables	5	33 001 843	16 321 372
Cash and cash equivalents	6	27 137 725	39 336 232
TOTAL ASSETS		359 374 767	243 261 283
EQUITY AND LIABILITIES			
Funds			
Capital Development Fund	7	^A 188 705 392	120 507 916
Build-Together Fund		3 530 023	3 530 023
Accumulated funds		155 683 556	112 691 097
Current Liabilities			
Trade and other payables		11 455 797	6 532 248
TOTAL EQUITY AND LIABILITIES		359 374 768	243 261 283

Note

^A The amount for Capital Development Fund amounting to N\$ 188 705 392 and Accumulated Fund amounting to N\$ 155 683 556 in the balance sheet does not agree to the figures in the Statement of Changes in Equity.

ANNEXTURE B

**ZAMBEZI REGIONAL COUNCIL
INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH**

	Note	2016 N\$	2015 N\$
Income		43 211 165	95 725 114
Expenditure		(50 386 472)	(48 757 589)
Operating loss before investment income and finance costs		(7 175 307)	46 967 525
Investment Interest Earned		1 107 748	2 156 359
Other income		^B 193 775	588 505
Surplus/(deficit) for the year		(5 873 783)	49 712 391
Delegated surplus/(deficit)	3	575 809	(2 534 550)
Net surplus/(deficit) for the year		^C (5 297 973)	47 177 841
Appropriation account at beginning of year		112 691 097	65 513 257
Appropriation account at end of year		42 992 459	112 691 098

Note:

^B Other income does not include Dividends received amounting to N\$ 684 772;

^C The Net surplus/deficit for the year amounting to N\$ 5 297 973 is not the same as the one in the Statement of Changes in Equity which is N\$ (4 613 202).

ANNEXURE C

**ZAMBEZI REGIONAL COUNCIL
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016**

	Capital development fund	Build-together fund	Accumulated surplus	Total Funds
	N\$	N\$	N\$	N\$
Balance at 01 April 2015	120 507 916	3 530 023	112 691 097	236 729 036
Changes in equity				
Surplus for the year	-	-	(4 613 202)	(4 613 202)
Total Changes	-	-	(4 613 202)	(4 613 202)
Balance at 01 April 2016	120 507 916	3 530 023	108 077 895	232 115 834
Changes in equity				
Surplus for the year	-	-	(4 613 202)	(4 613 202)
Total Changes	-	-	^c(4 613 202)	(4 613 202)
Balance at 31 March 2016	120 507 916	3 530 023	103 464 692	227 502 631

ANNEXURE D

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

	Note	2016 N\$	2015 N\$
Cash flows from operating activities			
Cash generated from operations	8	4 482 667	49 935 739
Interest income		^D 1 107 748	2 156 359
Net cash flows from operating activities		5 590 415	52 092 098
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(62 519 125)	(56 321 367)
Net Cash flows from investing activities		(62 519 125)	(56 321 367)
Total cash movement for the period			
Cash at the beginning of the period		39 336 232	43 565 500
Total Cash at end of the period	6	(17 592 478)	39 336 232

Note:

^D Interest income amounting to N\$ 1 107 748 is not included in the Cash Flow under Cash Flow from investing activities.

ZAMBEZI REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES

1.1 Presentation of Annual Financial Statements

The annual financial statements are compiled in accordance 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 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 Ministries and all unexpended Delegated Funds are returned to the State Account, it does not materially affect the Regional Council's financial statements.

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

1.2 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 depreciation is calculated on the shortfall.

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

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

Land and infrastructure assets are not depreciated.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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.

**ZAMBEZI REGIONAL COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016
(Continued)**

1. ACCOUNTING POLICIES (Continued)

1.1 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.

1.2 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 year-end. Bad debts are written off during the year in which they are identified.

1.3 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.

2. REVENUE

2.1 Contributions, Grants and Financial Aid from MRLGH & RD

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

2.2 Rates Levies from Local Authorities

The Zambezi Regional Council as per Regional Councils' Act of 1992, levies an amount equal to 5% of the rates levied on all ratable property in constituent local authority areas.

2.3 Royalties and surcharges

The Zambezi Regional Council receives royalties in respect of surcharges levied on its behalf by NORED. These rates are based on approved tariffs by the Electricity Control Board and may vary from time to time.

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

	2016	2015
	N\$	N\$
3. DELEGATED FUNDS		
When under delegation, 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.		
Revenue	4 510 763	1 943 527
Min. of Gender, Equality & Child Welfare	1 112 832	246 000
Min. of Urban and Rural Development	108 392	-
Office of the Prime Minister	2 608 867	287 974
Min of Agriculture & Forestry -Income	680 672	1 409 552
Expenses	(3 934 953)	(4 478 077)
Min. of Gender, Equality & Child Welfare	(1 315 328)	-
Office of the Prime Minister	(939 898)	-
Min. of Urban and Rural Development	(440)	-
Min. of Urban and Rural Development	(1 565 269)	(4 108 877)
Min. of Agriculture	(114 018)	(369 200)
Total surplus/(deficit) for the period	575 809	(2 534 550)

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

4. Property, plant and equipment

	Property, Plant, Land and Buildings	Machinery and vehicles	Office Furniture, Equipment and Computers	Total
	N\$	N\$	N\$	N\$
31 March 2016				
Opening carrying amount	182 873 336	3 854 960	875 383	187 603 679
Additions	43 715 061	13 467 050	5 337 014	62 519 125
Depreciation charge	(9 048 337)	(9 410 702)	(3 501 501)	(21 960 540)
WIP	70 806 794	-	-	70 806 794
Closing carrying amount	288 346 853	7 911 308	2 710 896	298 969 058
Cost	43 715 061	5 337 014	13 467 050	62 519 125
Accumulated Depreciation	(9 048 337)	(9 410 702)	(3 501 501)	(21 960 539)
Closing carrying amount	34 666 724	(4 073 688)	9 965 549	40 558 586
31 March 2015				
Opening carrying amount	134 708 786	1 269 963	722 103	136 700 852
Additions	52 056 059	3 647 220	618 088	56 321 367
Depreciation charge	(3 891 509)	(1 062 223)	(464 808)	(5 418 540)
Closing carrying amount	182 873 336	3 854 960	875 383	187 603 679
Cost	194 575 464	12 217 500	3 961 118	210 754 082
Accumulated Depreciation	(11 702 128)	(8 362 540)	(3 085 735)	(23 150 403)
Closing carrying amount	182 873 336	3 854 960	875 383	187 603 679

ANNEXTURE E

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

	2016	2015
	N\$	N\$
5. Trade and other receivables	33 001 843	16 321 372
Trade receivables	6 586 844	3 144 796
Value added tax	26 415 000	13 176 576
6. Cash and cash equivalents	27 137 725	39 336 232
Bank Windhoek - Operational	1 701 399	168 075
Bank Windhoek - Remuneration	4 736 441	5 988 386
Bank Windhoek - Development	709 732	4 681 422
Bank Windhoek - Revenue	464 049	630 238
Bank Windhoek - Btp Receipts	193 064	182 102
Bank Windhoek-Traditional Authority1	2 283	2 828
Bank Windhoek - NDP	299 877	245 391
Bank Windhoek-Call Deposit(Cap Pjct)	7 420 616	13 768 640
Bank Windhoek - Btp Revolving Fund	344 691	345 140
Bank Windhoek - Btp Special	4 754 849	4 526 435
Bank Windhoek - OVC	4 003	-
First National Bank - Disaster Funds	1 533 083	75
Bank Windhoek - Hiv & Aids	110 702	102 912
Bank Windhoek - IGA	739 262	765 427
Bank Windhoek - Min. of Lands	1 438	-
Bank Windhoek - Min of Agriculture	744 269	336 950
STD Business Trust	292 863	294 217
STD Call Dep Trust	39 675	39 280
Bank Windhoek - Rural Dev Projects	1 595 379	7 258 714
Interbank transfers	1 450 049	-

ANNEXTURE E

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

	2016	2015
	N\$	N\$
7. Accumulated Funds	347 918 970	236 729 036
Accumulated surplus	112 691 097	65 513 257
Development Capital Funds	188 705 392	120 507 916
Build-Together Capital Funds	3 530 023	3 530 023
Surplus for the year	42 992 459	47 177 840
8. Cash (Used in) generated from operations		
Surplus/ (deficit) for the period	^E (4 613 202)	47 177 840
Adjustments for:		
Depreciation and amortization	^F 21 960 540	5 418 540
Interest received	(1 107 748)	(2 156 359)
Changes in working Capital:		
Trade and other receivables	(16 680 472)	(5 732 989)
Trade and other payables	4 923 549	5 228 708
Changes in working Capital	4 482 667	49 935 739

Note:

^EThe Surplus for the period amounting to N\$ (4 613 202) in the notes does not agree to the one in the Income Statement.

^FThe Depreciation amounting to N\$ 21 960 540 in the notes does not agree to the amount in the Income Statement.

ANNEXTURE E

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

	2016	2015
Note	N\$	N\$
Revenue	43 211 165	95 725 114
Government grants, subsidies and financial aid	42 844 708	94 971 957
Royalties and surcharges	70 210	318 919
Rental income	7 206	45 277
Donations	124 000	20 000
Settlement areas	165 041	368 962
	1 986 295	2 744 865
Other income	1 107 748	2 156 359
Interest received	684 772	-
Dividends received	152 800	226 965
Tender Fees	33 890	14 550
Commission received	7 085	346 990
Sundry income	45 197 461	98 469 979
Total Income	(50 386 472)	(48 757 589)
EXPENDITURE	(6 418 243)	(4 182 973)
Administration	(9 151 205)	(5 418 540)
Depreciation, amortisation and impairments	(75 518)	(199 458)
Donations paid	(26 586 964)	(24 869 272)
Employee costs	-	(4 635 446)
Land compensation	(876 004)	(657 561)
Materials and supplies	(435 448)	(232 240)
Property rental, hiring and related activities	(683 591)	(1 129 019)
Repairs and maintenance	(6 625)	(125 000)
Subscriptions	(64 195)	(39 192)
Subsides, grants and contribution expenses	(2 981 688)	(3 037 845)
Travel and subsistence allowances	(1 782 873)	(2 469 799)
Transport and freight	(1 324 118)	(1 761 244)
Utilities	(5 189 012)	49 712 390
Operating loss	575 809	(2 534 550)
Delegated functions	(4 613 202)	47 177 840
Surplus/ (Deficit) for the year		

3