



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
REGIONAL COUNCIL OF THE ZAMBEZI REGION  
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2017 AND 2018**

Published by authority

Price (Vat excluded) N\$ 55.00  
Report no: 2021/61



**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 years ended 31 March 2017 and 2018 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, July 2021**

10/10/10

**REPORT OF THE AUDITOR-GENERAL  
ON THE ACCOUNTS OF THE ZAMBEZI REGIONAL COUNCIL FOR THE FINANCIAL  
YEARS ENDED 31 MARCH 2017 AND 2018**

---

**1. ADVERSE AUDIT OPINION**

I have audited the financial statements of the Zambezi Regional Council for the financial years ended 31 March 2017 and 2018, provided by the Accounting Officer as attached in Annexure A to G. These financial statements comprise of the Statement of Financial Position, the Statement of Financial Performance, Statement of Changes in Owners' Equity and Statement of Cash Flows and Notes to Financial Statements for the years then ended and a summary of significant accounting policies.

In my opinion, because of the significance of the matters described in the Basis for Adverse Audit Opinion paragraph, the financial statements do not present fairly the financial position of the Zambezi Regional Council for the financial year ended 31 March 2017 and 2018 and its financial performance for the years then ended in accordance with the Namibian Generally Accepted Accounting Practice (GAAP).

**2. BASIS FOR ADVERSE 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 in Namibia, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. The adverse audit opinion is expressed due to the following:

- The (PPE) Property, Plant and Equipment balance recorded in the financial statements was more with N\$ 3 019 190 (2017) and N\$ 2 992 032 (2018) than the PPE balance in the asset register;
- Work in progress amounting to N\$ 1 690 836 (2018) were recorded in the wrong accounting period resulting in the understatement for 2017 and overstatement in 2018;
- Cash and Cash equivalents balance recorded in the financial statements is less with N\$ 21 958 (2017) and N\$ 1 049 312 (2018) than that in the bank statement;
- The total balance of the receivables as indicated on the age analysis is less than total debtors as per general ledger with (N\$ 3 144 796) for both financial years;
- The S&T control account with a balance of N\$ 632 955 (2017) and N\$ 333 141 (2018) were not reconciled;

- Interbank transfer of N\$ 1 032 004 was wrongly debited to the accounts receivables resulting in an overstatement of the receivables and understatement of cash and cash equivalents;
- The amount indicated as receivable (5% rates and taxes) is more with N\$ 388 527 (2017) and N\$ 709 044 (2018) in the age analysis than what was confirmed by Katima Mulilo Town Council, furthermore, no reconciliations were performed;
- The VAT receivable as per financial statements is less with N\$ 5 013 404 (2017) and (N\$ 355 763) (2018) than the VAT receivable recalculation performed by the auditors ;
- The supplier age analysis balance is less with N\$ 5 827 127 (2017) and N\$ 6 048 533(2018) , than the financial statements balance;
- Negative balances on the account payables age analysis amounting to N\$ 3 480 388.90.(2017) and N\$ 4 556 398(2018) were noted;
- Non-submission of supplier statements or supporting documents amounting to N\$ 4 019 876 (2016/2017) and N\$ 8 807 807 (2017/2018);
- For both financial years under review, no revenue was recognised and/or collected from Bukalo Village in accordance with section 77 of the Local Authorities Act, 1992 (Act No.23 of 1992). Furthermore, no receivable was raised for the amounts owed to the Regional Council from Bukalo Village Council;
- Service rental agreement amounting to N\$ 63 864 (2017) and N\$ 965 287 (2018) could not be verified as the auditors were not provided with supporting documentation;
- The Council understated the leave provision with N\$ 8 092 981 (2017) and this resulted in the overstatement of the net profit; and
- The CRO was given the opportunity to respond to the management letter unfortunately the CRO elected not to respond to the Management letter which contained the audit findings.

### **3. 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.

### **4. SECTION B: COMPLIANCE AUDIT AND AUDIT OF PERFORMANCE INFORMATION**

#### **4.1 AUDIT OF KEY PERFORMANCE INFORMATION**

I conducted an audit on performance information of the Zambezi Regional Council for the Strategic period 2012 to 2016 and 2017 to 2021, consecutively with the audit of financial statements for the years ended 31 March 2017 and 2018.

##### **4.1.1 Description of the Subject Matter Information and scope**

A Performance Management System (PMS) is a systematic process for achievement and improvement in obtaining results from an organization and its staff members managing performance within an agreed framework consisting of objectives, outputs, key performance indicators (KPIs) and timeliness.

The primary function of the PMS is to enable the Council to achieve success in fulfilling its mandate and provide improvements in service delivery to the public.

The scoping of the key performance indicators was performed by looking at the high-level statements, which are indicated in the mandate of the Council as provided for in the Regional Council Act, Act No. 22 of 1992 and its Strategic Plan. Key performance indicators were selected based on what would be significant to the intended users and their usefulness in assessing the entity's achievements in terms of its service performance objectives.

##### **4.1.2 Audit Objective**

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

##### **4.1.3 Audit Criteria**

The audit was mainly concentrated on three (3) criteria, namely:

- Compliance to Laws, Regulations and relevant policies and guidelines pertaining to the reporting of performance information;

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

#### **4.1.4 Summary of Methods applied**

I reviewed the Strategic Plans for the Strategic periods 2012 to 2016 and 2017 to 2021 to confirm whether the Strategic Plan objectives, targets and KPIs have been correctly cascaded to the Annual Plan and are reported in the Annual Performance Report.

#### **4.1.5 Key Audit Findings**

The following documents were not submitted for audit purposes and could not be verified to be in compliance with the relevant laws, regulations and guidelines:

- Annual Plans;
- Departmental/Divisional Plans; and
- Performance Agreements
- Annual Performance Reports
- Divisional Performance Reports
- Annual Performance Reviews

In terms of usefulness and measurability of key performance information, the above posed a significant limitation on the auditors to ascertain whether reported performance information is useful (i.e. measurable and relevant) and reliable in terms of whether the actual reported performance did occur.

#### **4.1.6 Conclusion on the subject matter**

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



## **5. 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.

## **6. 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.

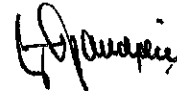
**7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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 22 of 1992).

**ACKNOWLEDGEMENT**

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

**WINDHOEK, July 2021**



**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REGIONAL COUNCIL'S RESPONSIBILITIES AND APPROVAL**  
**FOR THE FINANCIAL YEAR ENDED**  
**31 MARCH 2017 AND 2018**

---

The Regional Council is required to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the Regional Council's responsibility to ensure that the annual financial statements fairly present the state of affairs of the Regional Council as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with Namibian Generally Accepted Accounting Practice (GAAP). Office of the Auditor General is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with Namibian generally accepted accounting practice (GAAP) and in the manner required by the Namibian accounting standards as stipulated by the Auditor General's Office.

The Regional Council acknowledges that it is ultimately responsible for the system of internal financial control established and places considerable importance on maintaining a strong control environment. To enable the Regional Council to meet these responsibilities, standards are set for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Regional Council and all employees are required to maintain the highest ethical standards in ensuring the Regional Council's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Regional Council is on identifying, assessing, managing and monitoring all known forms of risk across the Regional Council. While operating risk cannot be fully eliminated, the Regional Council endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within the predetermined procedures and constraints.

The Regional Council is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

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

The annual financial statements set out on pages 14 to 29, which have been prepared in accordance with the provisions of Section 39 and 40 of the Regional Council Act 1992 (Act 22 of 1992), as amended, so as to reflect a true and fair view of the financial affairs of the Zambezi Regional Council at 31 March 2017 and 2018.

**REPORT OF THE ZAMBEZI REGIONAL COUNCIL  
FOR THE FINANCIAL YEAR ENDED  
31 MARCH 2017 AND 2018**

---

**1. INTRODUCTION**

The Zambezi Regional Council was established with effect from 31 August 1992 under section 2(1) of the Regional Councils Act, (Act 22 of 1992) and was tasked with the responsibility of implementing Central Government's policies at regional level with the aim to improve the overall living standards of its residents as per section 28 of the Regional Councils' Act.

The financial powers, duties and functions of the Council are stipulated in Article 108 of the Namibian Constitution and section 28 of the Regional Councils Act. The accounts of the Zambezi Regional Council for the year ended 31 March 2018 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Regional Council Act, (Act 22 of 1992).

Figures in the report are rounded off to the nearest Namibia Dollar.

**2. ANNUAL FINANCIAL STATEMENTS**

The financial statements are in agreement with the General Ledger and are filed in the Office of the Auditor-General and do not, in our opinion, call further comment.

The following annexures are also attached to this report:

- Annexure A: Abridged Balance Sheet
- Annexure B: Abridged Income Statement
- Annexure C: Statement of changes in Funds
- Annexure D: Cash Flow Statement
- Annexure E: Accounting Policies
- Annexure F: Notes to the Annual Financial Statements
- Annexure G: Detailed Statement of Income and Expenditures

**3. COUNCILLORS**

- Hon. B.B. Munali (Chairperson)
- Hon. B.S. Sibatani
- Hon. C.S. Sipapela
- Hon. J.M. Likando
- Hon. I.S. Chunga
- Hon. M.W. Simushi
- Hon. D.S. Muluti
- Hon. P.M. Mwala

**4. CURRENT BANK ACCOUNT**

The cashbook balance reflected a favorable balance of N\$65 348 060 (2017: N\$ 18 910 800) (2016: 27 137 725) at year-end.

**REPORT OF THE ZAMBEZI REGIONAL COUNCIL (continued)  
FOR THE FINANCIAL YEAR ENDED  
31 MARCH 2017 AND 2018**

---

**5. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE**

No fruitless, unauthorized or avoidable expenditure was incurred during the year.

**6. SUSPENSE ACCOUNTS**

No money was accounted for in suspense accounts during the year under review.

**7. IRREGULARITIES AND LOSSES**

There were suspected cases of fraud during the year under review.

**8. BURSARIES**

No bursaries were granted during the year under review.

**9. GOVERNMENT GRANTS AND SUBSIDIES**

Government Grants/Subsidies to the amount of N\$48 219 066 (2017: N\$47 601 698.67) were granted to the Council during the year under review. Donations of N\$72 700 (2017: N\$ 81 835) were received by the Regional Council during the year under review.

**10. COMPENSATION PAYMENTS**

No payments for crop fields compensation were made during the year under review.

**11. VISITS TO FOREIGN COUNTRIES**

No foreign trip was undertaken during the period under review.

**12. CLAIMS AGAINST THE REGIONAL COUNCIL**

No claims for losses were received during the year.

**13. GIFTS / DONATIONS BY THE REGIONAL COUNCIL**

An amount of N\$32 500.00 (2017: N\$ 90 017.26) (2016: N\$ 75 518.43) were paid as donations for the year under review.

**14. TRANSFER OF PROPERTY TO / FROM GOVERNMENT**

No properties were transferred from the Ministry of Urban and Rural Development.

**15. LEVIES FROM LOCAL AUTHORITIES**

Net proceeds from levies from Local Authorities amounted to N\$1 383 274 (2017: N\$1 061 183) and (2016: 1 040 932). No payment was received. The levies charged are in line with the Regional Council Act, 1992, (Act No 22 of 1992).

**REPORT OF THE ZAMBEZI REGIONAL COUNCIL (continued)  
FOR THE FINANCIAL YEAR ENDED  
31 MARCH 2017 AND 2018**

**16. LOANS**

**16.1 External loans**

No external loans were entered in the year under review.

**16.2 Internal loans**

No internal loans were advanced or received during the year under review.

The amounts advanced in favour of housing loans under the Build-Together Housing Scheme are disclosed as N\$ 5 095 548 (2010: N\$ 4 898 492) in the financial statements. Refer to note 5.

**17. SALE OF ERVEN**

During the current financial year, no erven was sold.

**18. PROPERTY SOLD ON INSTALLMENT BASIS**

No erven was sold on installment basis for the year under review. The Regional Council's policy is to lease all erven on a cash basis.

**19. STOCK AND EQUIPMENT**

**19.1 Motor vehicles**

Number	Sedan Vehicles	4X4 Passenger vehicles	LDV & Kombi's	Heavy Vehicles
On hand 01/04/2017	10	28	2	4
Additions	-	-	-	-
On hand 31/03/2018	10	28	2	4

**REPORT OF THE ZAMBEZI REGIONAL COUNCIL (continued)  
FOR THE FINANCIAL YEAR ENDED 31 MARCH**

	Sedan Vehicles	4X4 Passenger vehicles	LDV & Kombi's	Heavy Vehicles
Kilometers travelled:	-	-	-	-
Fuel consumption: Number	-	-	-	-
On hand 01/04/2016	10	28	2	4
Additions	-	-	-	-
On hand 31/03/2017	10	28	2	4
Kilometers travelled:	-	-	-	-
Fuel consumption:	-	-	-	-
<b>19.2 Stock</b>	206 832	297 935	297 935	

Stock/ inventories on hand as at 31 March 2018 amounted to N\$ 206 832

**19.3 Provision for Leave**

Provision for leave gratuity as at 31 March 2018 amounted to N\$11 579 444 and N\$ 10 610 156 31 for March 2017

**20. DELEGATED FUNCTIONS**

The following functions were delegated during the year:

Line Ministry

Revenue

	2018 N\$	2017 N\$	2016 N\$
Ministry of Education	101 457 233	127 613 147	102 051 691
Ministry of Works and Transport	1 273 133	6 393 598	7 489 142
	102 730 366	134 006 745	109 540 833



**REPORT OF THE ZAMBEZI REGIONAL COUNCIL (continued)  
FOR THE FINANCIAL YEAR ENDED 31 MARCH**

	2018 N\$	2017 N\$	2016 N\$
Expenditure			
Ministry of Education	(92 613 418)	(119 164 244)	99 534 015
Ministry of Works and Transport	(1 265 935)	(6 330 107)	7 046 917
	<u>(93 879 353)</u>	<u>(125 494 351)</u>	<u>106 580 932</u>
<b>Surplus for the period</b>	<u><b>(93 879 353)</b></u>	<u><b>(125 494 351)</b></u>	<u><b>2 959 901</b></u>
<b>20.1 Bank Balances as at 31 March 2018:</b>			
Ministry of Education	8 843 814	8 448 903	8 124 918
Ministry of Works	7 198	63 492	525 577
<b>Total</b>	<u><b>8 851 013</b></u>	<u><b>8 512 395</b></u>	<u><b>8 650 495</b></u>

**21. SPECIAL INVESTIGATIONS**

None

**22. GENERAL**

**22.1 Internal controls**

The accounting and internal controls are satisfactory, except where indicated otherwise in this report. While increased management involvement reduces risks, the risk arises that management and Regional Council override existing controls.

**22.2 Temporary advances**

No temporary advances were made during the year under review.

## ANNEXURE A

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

	Note	2018 N\$	2017 N\$	2016 N\$
<b>ASSETS</b>				
<b>Non-Current Assets</b>		<b>263 059 067</b>	<b>313 359 104</b>	<b>298 969 058</b>
Property, Plant and Equipment	4	263 059 067	313 359 104	298 969 058
<b>Current Assets</b>		<b>94 923 008</b>	<b>64 751 500</b>	<b>60 405 710</b>
Inventory		206 836	297 935	266 142
Trade and other receivables	5	29 249 733	45 542 765	33 001 843
Cash and cash equivalents	6	65 466 439	18 910 800	27 137 725
<b>TOTAL ASSETS</b>		<b>357 982 075</b>	<b>378 110 604</b>	<b>359 374 768</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Funds</b>		<b>320 623 610</b>	<b>317 751 874</b>	<b>347 918 971</b>
Capital Development Fund		306 951 350	235 362 289	188 705 392
Build-Together Fund		3 530 023	3 530 023	3 530 023
Accumulated funds		21 744 672	85 712 056	155 683 556
Retained Earnings (Accumulated)		(6 852 496)	(2 586 191)	-
Retained Earnings (Current year)		(4 749 939)	(4 266 303)	-
<b>Liabilities</b>		<b>37 358 465</b>	<b>60 358 730</b>	<b>11 455 797</b>
<b>Current Liabilities</b>		<b>37 358 465</b>	<b>60 358 730</b>	<b>11 455 797</b>
Trade and other payables	7	37 358 465	60 358 730	11 455 797
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>357 982 075</b>	<b>378 110 604</b>	<b>359 374 768</b>

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

	Note	2018	2017	2016
		N\$	N\$	N\$
Income		49 849 555	49 032 783	44 252 097
Expenditure		(57 071 347)	(53 412 093)	( 50 386 472)
<b>Operating loss before investment income and finance costs</b>		<b>(7 221 792)</b>	<b>(4 379 310)</b>	<b>( 6 134 375)</b>
Investment Interest Earned	9	1 754 570	679 055	1 107 748
Other income		299 799	159 288	193 775
<b>Surplus/Deficit for the year</b>		<b>(5 167 423)</b>	<b>(3 540 966)</b>	<b>( 4 832 851)</b>
Delegated income	3	417 483	(725 336)	575 809
Net surplus/Deficit for the year		<b>(4 749 940)</b>	<b>(4 266 302)</b>	( 5 408 660)
Appropriation account at beginning of year		-	-	112 691 097
<b>Appropriation account at end of year</b>		<b>(4 749 940)</b>	<b>85 712 056</b>	<b>107 282 437</b>

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

	<b>Capital development fund</b>	<b>Build- together fund</b>	<b>Accumulated surplus</b>	<b>Total Funds</b>
	N\$	N\$	N\$	N\$
<b>Balance at 01 April 2017</b>	355 870 205	3 530 023	73 380 831	432 781 059
Changes in equity	306 951 350		(6 852 496)	
Deficit for the year			(4 749 939)	(4 749 939)
<b>Total Changes</b>	<b>306 951 350</b>	<b>-</b>	<b>(11 602 435)</b>	<b>(4 749 939)</b>
<b>Balance at 01 April 2017</b>	<b>662 821 555</b>	<b>3 530 023</b>	<b>61 778 396</b>	<b>728 129 974</b>
Changes in equity				
Deficit for the year	-	-	(4 749 939)	(4 749 939)
<b>Total Changes</b>	<b>-</b>	<b>-</b>	<b>(4 749 939)</b>	<b>(4 749 939)</b>
<b>Balance at 31 March 2018</b>	<b>662 821 555</b>	<b>3 530 023</b>	<b>61 778 396</b>	<b>728 129 974</b>
<b>Balance at 01 April 2016</b>	120 507 916	3 530 023	84 499 628	208 537 567
Changes in equity	235 362 289	-	(2 586 191)	-
Deficit for the year	-	-	(4 266 303)	(4 266 303)
<b>Total Changes</b>	<b>235 362 289</b>	<b>-</b>	<b>(6 852 494)</b>	<b>(4 266 303)</b>
<b>Balance at 01 April 2016</b>	<b>355 870 205</b>	<b>3 530 023</b>	<b>77 647 134</b>	<b>437 047 362</b>
Changes in equity				
Deficit for the year	-	-	(4 266 303)	(4 266 303)
<b>Total Changes</b>	<b>-</b>	<b>-</b>	<b>(4 266 303)</b>	<b>(4 266 303)</b>
<b>Balance at 31 March 2017</b>	<b>355 870 205</b>	<b>3 530 023</b>	<b>73 380 831</b>	<b>432 781 059</b>

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

	Note	2018	2017	2016
		N\$	N\$	N\$
<b>Cash flows from operating activities</b>				
Cash generated from operations	11	(3 650 174)	39 251 727	4 482 667
Interest income		1 754 570	679 055	1 107 748
Finance costs		-	(37 935)	-
<b>Net cash from operating activities</b>		<b>(1 895 604)</b>	<b>39 892 847</b>	<b>5 590 415</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	4	(106 675)	(1 308 375)	(62 519 125)
<b>Net cash from investing activities</b>		<b>(106 675)</b>	<b>(1 308 375)</b>	<b>( 62 519 125)</b>
<b>Total cash movement for the period</b>		<b>(2 002 279)</b>	<b>38 584 472</b>	<b>( 56 928 710 )</b>
Cash at the beginning of the period		20 991 994	(17 592 478)	39 336 232
<b>Total Cash at end of the period</b>	<b>6</b>	<b>18 989 715</b>	<b>20 991 994</b>	<b>( 17 592 478)</b>

**THE ZAMBEZI REGIONAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017  
AND 2018**

---

**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 (GAAP). 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 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.

**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.

**THE ZAMBEZI REGIONAL COUNCIL  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 AND  
2018**

---

**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 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 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 MURD**

The Zambezi Regional Council receives administrative grants from the Ministry of Urban 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.

## ANNEXURE E

**THE ZAMBEZI REGIONAL COUNCIL**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 MARCH (Continued)**

	2018 N\$	2018 N\$	2016 N\$
<b>3. DELEGATED FUNDS</b>			
The Zambezi Regional Council is currently handling the following funds as delegated by central governmental ministries, in accordance with the Decentralization Enabling Act 2000 (Act 33 of 2000).			
<b>Line Ministry</b>			
<b>Revenue</b>	<b>4 112 021</b>	<b>4 578 097</b>	<b>4 510 763</b>
Min. of Gender, Equality & Child Welfare	1 592 709	1 247 127	1 112 832
Office of the Prime Minister	309 159	329 446	2 608 867
Min of Agriculture & Forestry -Income	861 000	778 448	680 672
Min. of Land Reform	-	2 000	-
Min. of Urban and Rural Development	1 349 153	2 221 075	108 392
<b>Line Ministry</b>			
<b>Expenses</b>	<b>(3 694 538)</b>	<b>(5 303 433)</b>	<b>(3 934 953)</b>
Min. of Gender, Equality & Child Welfare	(1 165 923)	(1 477 440)	- 1 315 328
Office of the Prime Minister	(211 822)	(1 860 940)	- 939 898
Min. of Agriculture	(875 989)	(1 024 344)	- 114 018
Min. of Land Reform	-	-	440
Min. of Urban and Rural Development	(1 440 803)	(940 710)	- 1 565 269
<b>Total (deficit) / surplus for the period</b>	<b>417 483</b>	<b>(725 336)</b>	<b>575 810</b>



## THE ZAMBEZI REGIONAL COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 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\$
<b>31 March 2018</b>				
Opening carrying amount	27 177 594	4 919 409	2 216 039	34 313 042
Additions	-	-	106 675	106 675
Depreciation charge	(7 488 539)	(1 358 623)	(623 306)	(9 470 469)
WIP	238 109 819	-	-	238 109 819
<b>Closing carrying amount</b>	<b>257 798 874</b>	<b>3 560 786</b>	<b>1 699 407</b>	<b>263 059 067</b>
Cost	43 715 061	14 464 001	6 074 204	49 789 265
Accumulated Depreciation	(24 026 006)	(10 903 215)	(4 374 797)	(28 400 803)
WIP	238 109 819	-	-	238 109 819
<b>Closing carrying amount</b>	<b>257 798 874</b>	<b>3 560 787</b>	<b>1 699 407</b>	<b>259 498 281</b>

**THE ZAMBEZI REGIONAL COUNCIL**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 MARCH (continued)**

31 March 2017	Property, Plant, Land and Buildings	Machinery and vehicles	Office Furniture, Equipment and Computers	Total
	N\$	N\$	N\$	N\$
Opening carrying amount	34 666 724	( 4 073 688)	9 965 549	40 558 585
Additions	-	996 951	311 424	1 308 375
Adjustment Cost	(7 489 129)	319 092	-	319 092
Depreciation charge	279 046 061	(133 890)	(249 990)	( 7 873 009)
WIP	-	-	-	279 046 061
<b>Closing carrying amount</b>	<b>306 223 656</b>	<b>(2 891 535)</b>	<b>10 026 983</b>	<b>313 359 104</b>
Cost	43 715 061	14 464 001	5 967 530	55 650 121
Accumulated Depreciation	(16 537 467)	( 9 544 592)	( 3 751 491)	(24 040 449)
<b>Closing carrying amount</b>	<b>27 177 594</b>	<b>4 919 409</b>	<b>2 216 039</b>	<b>31 609 672</b>

**THE ZAMBEZI REGIONAL COUNCIL**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 MARCH (continued)**

31 March 2016	Property, Plant, Land and Buildings	Machinery and vehicles	Office Furniture, Equipment and Computers	Total
	N\$	N\$	N\$	N\$
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
<b>Closing carrying amount</b>	<b>288 346 854</b>	<b>7 911 308</b>	<b>2 710 896</b>	<b>298 969 058</b>
Cost	43 715 061	5 337 014	13 467 050	62 519 125
Accumulated Depreciation	(9 048 337)	(9 410 702)	(3 501 501)	(21 960 540)
<b>Closing carrying amount</b>	<b>34 666 724</b>	<b>-</b>	<b>9 965 549.00</b>	<b>40 558 585</b>

## THE ZAMBEZI REGIONAL COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 MARCH (continued)

	2018	2017	2016
	N\$	N\$	N\$
<b>5. Trade and other receivables</b>	<b>29 249 733</b>	<b>45 542 765</b>	<b>33 001 844</b>
Inventory	206 836	297 935	
Trade receivables	9 762 031	7 641 120	6 586 844
5% Rates & Taxes	1 383 271	-	
Other Trade Receivables	296 545	1 491 230	
Value added tax	17 807 886	36 410 415	26 415 000
<b>6. Cash and cash equivalents</b>	<b>65 466 439</b>	<b>18 910 800</b>	<b>27 137 724</b>
Bank Windhoek - Operational Account	15 994 298	2 170 490	1 701 399
Bank Windhoek - Remuneration Account	1 032 448	4 412 155	4 736 441
Bank Windhoek - Development Account	7 676 243	743 359	709 732
Bank Windhoek - Revenue Account	30 192 432	3 912 892	464 049
Bank Windhoek – Built Together Receipts	25 726	266 764	193 064
Bank Windhoek-Traditional Authority	1 015	1 718	2 283
Bank Windhoek – National Development Projects Account	11 715	11 715	299 877
Bank Windhoek-Call Deposit Capital Project	6 117	6 117	7 420 616
Bank Windhoek – Built Together Revolving Fund	343 725	344 253	344 691
Bank Windhoek – Built Together Programme Special Account	2 890 158	1 510 864	4 754 849
Bank Windhoek – Orphan and Vulnerable Children Account	3 171	3 656	4 003
First National Bank - Disaster Funds Account	205 084	151 214	1 533 083
Bank Windhoek - Hiv & Aids Account	38	38	110 702
Bank Windhoek – Income Generating Activities Account	1 220 853	780 655	739 262
Bank Windhoek - Ministry of Lands	2 908	2 908	1 438
Bank Windhoek - Ministry of Agriculture	4 597 520	500 482	744 269
STD Business Trust	39 276	291 487	292 863
STD Call Dep Trust	291 426	40 133	39 675
Bank Windhoek - Rural Development Projects	931 787	3 759 401	1 595 379
Cash Control	500	500	-
Interbank transfers	-	-	1 450 049

## THE ZAMBEZI REGIONAL COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 MARCH (continued)

Adjustment to the previous 2015/2016 financial year

Operational Account	(1 478 951 )	-	-
Built Together p Receipts	( 49 750 )	-	-
National Development Projects	269 540	-	-
Interbank transfers	1 450 049	-	-

Adjustments have been made to the above accounts against Retained Earnings. In addition, interest received amounts to N\$ 87 499 was also adjusted against Retained Earnings.

## ANNEXURE E

## THE ZAMBEZI REGIONAL COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 MARCH (continued)

	2018	2017	2016
	N\$	N\$	N\$
<b>7. Trade and other payables</b>	<b>37 358 465</b>	<b>60 358 730</b>	<b>11 455 797</b>
Other Current Liabilities	25 293 813	14 205 635	-
Delegated Function	(100 00)	-	-
Trade payables	12 164 652	46 153 096	11 455 797
<b>8. Accumulated Funds</b>	<b>320 623 610</b>	<b>317 751 874</b>	<b>347 918 971</b>
Accumulated surplus	-	-	112 691 097
Development Capital Funds	306 951 350	235 362 289	188 705 392
Build-Together Capital Funds	3 530 023	3 530 023	3 530 023
Surplus for the year	21 744 672	85 712 056	42 992 459
Retained Earnings (Accumulated)	- 6 852 496	(2 586 191)	-
Retained Earnings (Current year)	- 4 749 939	(4 266 303)	-
<b>9. Investment revenue</b>	<b>1 754 570</b>	<b>679 055</b>	<b>1 107 748</b>
Bank interest	1 754 570	679 055	1 107 748
<b>10. Finance costs</b>			
<b>Interest charges on overdue accounts</b>	-	(9 396)	-
Bank Charges	-	(28 539)	-
	-	<b>(37 935)</b>	-

**THE ZAMBEZI REGIONAL  
COUNCIL**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 31 MARCH (continued)**

	<b>2018</b>	<b>2017</b>	<b>2016</b>
	N\$	N\$	N\$
<b>11. Cash (Used in) generated from operations</b>			
Deficit for the period	( 4 749 939)	( 4 266 303)	( 4 613 202 )
<b>Adjustments for:</b>			
Depreciation and amortisation	9 470 469	7 873 010	21 960 540
Interest received	(1 754 570)	(679 055)	(1 107 748)
Finance costs	-	(37 935)	-
<b>Changes in working Capital:</b>			
Inventory	91 099	297 935	-
Trade and other receivables	16 293 032	(12 838 857)	(16 680 472)
Trade and other payables	(23 000 265)	48 902 933	4 923 549
	<u>(3 650 174)</u>	<u>39 251 727</u>	<u>4 482 667</u>

## THE ZAMBEZI REGIONAL COUNCIL

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH (Continued)

	2018	2017	2016
Note	N\$	N\$	N\$
<b>Revenue</b>	<b>49 849 555</b>	<b>49 032 783</b>	<b>44 252 097</b>
Government grants, subsidies and financial aid	48 219 066	47 601 699	42 844 708
Government grants- land compensation			
Royalties and surcharges	169 072	233 536	70 210
Rental income	5 447	54 529	7 206
Donations	72 700	81 835	124 000
5% Rates & Taxes	1 383 271	1 061 183	1 040 932
Settlement areas		-	165 041
<b>Other income</b>	<b>2 054 369</b>	<b>838 343</b>	<b>1 986 295</b>
Interest received	1 754 570	679 055	1 107 748
Dividends received	-	-	684 772
Tender Fees	207 323	88 900	152 800
Commission received	82 343	47 029	33 890
Sundry income	10 133	23 359	7 085
<b>Total Income</b>	<b>51 903 924</b>	<b>49 871 126</b>	<b>46 238 392</b>
<b>EXPENDITURE</b>	<b>(57 071 347)</b>	<b>(53 412 093)</b>	<b>(50 386 472)</b>
Administration	(6 663 903)	(3 701 991)	(6 418 243)
Depreciation, amortisation and impairments	(9 470 469)	(7 873 010)	(9 151 205)
Donations paid	(32 500)	(90 017)	(75 518)
Employee costs	(34 450 178)	(33 582 071)	(26 586 964)
Land compensation		(575 244)	-
Stock Adjustment	(91 098)		
Materials and supplies	(571 320)	(753 930)	(876 004)
Property rental, hiring and related activities	(194 914)	(313 063)	(435 448)
Repairs and maintenance	(114 351)	(462 606)	(683 591)
Subscriptions	(10 085)	(660)	(6 625)
Subsides, grants and contribution expenses	(101 619)	(183 573)	- 64 195



## THE ZAMBEZI REGIONAL COUNCIL

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH

		2018	2017	2016
	Note	N\$	N\$	N\$
Travel and subsistence allowances		(1 626 755)	(2 447 307)	- 2 981 688
Transport and freight		(2 481 270)	(1 877 230)	- 1 782 873
Utilities		(1 262 885)	(1 551 391)	- 1 324 118
<b>Operating loss</b>		<b>(5 167 423)</b>	<b>(3 540 967)</b>	<b>(4 148 080)</b>
Delegated functions	3	417 483	(725 336)	575 809
Finance costs	10	-	(37 935)	-
<b>Surplus for the year</b>		<b>(4 749 940)</b>	<b>(4 613 202)</b>	<b>- 3 572 271</b>

