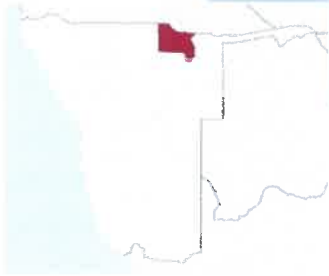




REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
REGIONAL COUNCIL OF THE
KAVANGO WEST**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 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 Kavango West Regional Council for the financial year ended 31 March 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, July 2016

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 REGIONAL COUNCIL OF THE KAVANGO WEST
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

1. Report on the Financial Statements

1.1 INTRODUCTION

The accounts of the Regional Council of the Kavango West for the financial year ended 31 March 2015 are being reported on in accordance with the provisions set out in the Regional Council's Act, (Act No. 22 of 1992), and the State Finance Act, (Act No. 31 of 1991).

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

I certify that I have audited the accompanying financial statements of the Regional Council of Kavango West for the financial year ended 31 March 2015. These financial statements comprise the following statements submitted for the year then ended:

Annexure A: Statement of Financial Position
Annexure B: Statement of Comprehensive Income
Annexure C: Statement of Changes in Accumulated Funds
Annexure D: Cash Flow Statement
Annexure E: Notes to financial statement

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, (Act No. 22 of 1992), except that they were only submitted on 28 October 2015 instead of three months (3 months) after the year end as required by the Act.

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's 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 assistance and co-operation given by the staff of the Regional Council of Kavango West during the audit is appreciated.

5. KEY AUDIT FINDINGS

5.1 EXPENDITURE VOUCHERS AND INVOICES

Supporting documents amounting to N\$ 5 317 984 were not provided to the auditors for audit purposes.

RECOMMENDATION

The Chief Regional Officer is recommended to ensure that supporting documents for all transactions are properly filed and provided for audit purpose.

MANAGEMENT COMMENT

No comments were received from the Chief Regional Officer on the above audit observation.

5.2 FIXED ASSETS

It was discovered during the audit that the location of fixed assets is not updated in the fixed assets register and that the Regional Council fixed assets are not marked with identification numbers.

RECOMMENDATION

The Chief Regional Officer is recommended to ensure that all the Regional Council fixed assets are marked with identification numbers and their location is updated regularly in the fixed assets register.

MANAGEMENT COMMENT

The fixed asset register is in place but it was not updated properly, therefore your concern will be taken into consideration.

5.3 UNDISCLOSED DEBTORS

It was discovered during the audit that the Regional Council did not disclose any debts in relation to the 5% rates and levies from the local authority, and royalties and surcharges from Nored.

RECOMMENDATIONS

The Chief Regional Officer is recommended to ensure that all uncollected revenue is disclosed as trade and other receivables in the financial statements.

MANAGEMENT COMMENT

The non-disclosure of the 5% rates and levies from the local authorities and non-disclosure of royalties and surcharges from NORED was an error of omission and the Council is in the process of rectifying it.

5.4 RETAINED EARNINGS AT 31 MARCH 2014

The Regional Council could not explain an amount of N\$ 11 903 912 disclosed as retained earnings at 31 March 2014, despite the fact that the Regional Council has not submitted any prior year financial statements to the Auditor-General for audit purpose.

RECOMMENDATION

The Chief Regional Officer is recommended to ensure that the Regional Council financial statements are a true reflection of the entities operations and net worth at a given time.

MANAGEMENT COMMENT

The disclosed retained earning amount represents the movement of assets during the financial year 2014/2015 while the opening balance of the retained earnings is nil.

5.5 PHYSICAL CHEQUES

Physical cheques of all transactions selected for audit purpose were not provided, due to the fact that such cheques are not properly filed once they are returned from the bank and no copies of such cheques were made before being given to the payee.

RECOMMENDATION

The Chief Regional Officer is recommended to ensure that all cheques returned from the bank are filed and copies of such cheques are made and attached to the requisition forms before the cheque is given to the payee.

MANAGEMENT COMMENT

No comments were received from the Chief Regional Officer to the above audit observation.

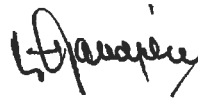
6. BASIS FOR QUALIFIED AUDIT OPINION

- Expenditure vouchers and invoices amounting to N\$ 5 317 984 were not submitted for audit purpose;
- The location of fixed assets was not updated in the fixed assets register and the Council's fixed assets are not marked with identification numbers;
- The Regional Council did not disclose any receivables/debtors in relation to the 5% rates and levies from the local authority, and royalties and surcharges from Nored; and
- An unexplained amount of N\$ 11 903 912 disclosed as retained earnings at 31 March 2014.

7. QUALIFIED AUDIT OPINION

The accounts of the Regional Council of Kavango West for the financial years ended 31 March 2015, summarised in annexures A to E, were audited by me in terms of Section 38 of the Regional Council Act, 1992 (Act 22 of 1992), read with Section 25(1) (b) of the State Finance Act, 1991.

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Audit Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the Regional Council of Kavango West as at 31 March 2015, and their financial performance and cash flows for the year then ended in accordance with Namibian Generally Accepted Accounting Practice.



WINDHOEK, July 2016

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

REGIONAL COUNCIL OF KAVANGO WEST
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

	Notes	2015	2014
		N\$	N\$
ASSETS			
NON-CURRENT ASSETS			
Properties Plant and Equipment	6	21 852 350	-
Total Non-Current Assets		21 852 350	-
CURRENT ASSETS			
Trade and Other Receivable		341 875	-
Cash and Cash Equivalent		28 212 661	-
Total Current Asset		28 554 536	-
TOTAL ASSETS		50 406 886	-
EQUITY AND LIABILITIES			
Retain Earnings		45 517 708	-
Liabilities		4 889 178	-
TOTAL EQUITY AND LIABILITIES		50 406 886	-

REGIONAL COUNCIL OF KAVANGO WEST
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH

	Notes	2015	2014
		N\$	N\$
OPERATING INCOME			
Government Subsidy	4	44 212 834	-
Interest Received	3	906 690	-
TOTAL OPERATING INCOME		45 119 524	-
OPERATING EXPENDITURE			
Remuneration expenditure		4 127 146	-
Other condition of service		19 360	-
Subsistence and travelling allowance		871 247	-
Material and supplies		88 378	-
Transport and related Expenses		695 877	-
Utilities expenses		807 458	-
Maintenance expenses		420	-
Rental expenses		231 060	-
Other Expenses		4 254 707	-
Membership fee and license renewal		65 350	-
Depreciation		344 725	-
TOTAL OPERATING EXPENDITURE		11 505 728	-
SURPLUS/DEFICIT		33 613 796	-

REGIONAL COUNCIL OF KAVANGO WEST

STATEMENT OF CHANGES IN ACCUMULATED FUNDS FOR THE YEAR ENDED 31 MARCH

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
		N\$	N\$
Total Retained Earning as at 31 March 2014		11 903 912	-
Surplus for the year		<u>33 613 796</u>	-
Total Retained Earning as at 31 March		<u>45 517 708</u>	-

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

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
		N\$	N\$
<i>Cash flow from operating activities</i>			
Cash generated from operation	10	33 116 192	-
Cash generated from investment activities	11	842 329	-
Net cash flow from operating activities		33 958 521	-
<i>Cash flow from investing activities</i>			
Purchases of Properties, Plant and Equipment		(5 745 860)	-
Total cash movement		28 212 661	-
Total Cash at the end of the period	2	28 212 661	-

**REGIONAL COUNCIL OF KAVANGO WEST
NOTES TO THE FINANCIAL STATEMENTS**

1. ACCOUNTING POLICIES

Presentation of Annual Financial Statements

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 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.

2. CASH & 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.

Regional Council of Kavango West bank its money with the following banking institutions:

(a) Standard Bank of Namibia – Rundu Branch

As at year end, the cashbook reflected a favorable balance of:

STANDARD BANK	2015	2014
	N\$	N\$
Operational Current Account	(266 372)	-
Operational Call Account	3 540 603	-
Development Current Account	(631 327)	-
Development Call Account	23 443 575	-
Fleet Account	126 675	-
Rural Development Account	1 999 507	-
	28 212 661	-

**REGIONAL COUNCIL OF KAVANGO WEST
NOTES TO THE FINANCIAL STATEMENTS**

3. INTEREST RECEIVED ON CALL ACCOUNT

	2015	2014
	N\$	N\$
Interest earned as at year end	906 690	-

4. GOVERNMENT SUBSIDIES

The Regional Council of Kavango West receives subsidy from the Ministry of Urban and Rural Development. This subsidy is used for the day to day running of the Regional Council.

	2015	2014
	N\$	N\$
Government Subsidies	44 212 834	-

5. RATES LEVIES FROM LOCAL AUTHORITIES

The Regional Council of Kavango West as per Regional Councils' Act of 1992, is supposed to receive 5% of the Rate & Taxes levied on the ratable property by Nkurenkuru Town Council, however as at 31st March 2015, nothing has been received.

6. PROPERTY, PLANT AND EQUIPMENT

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
Vehicles	5 years
Computer Equipment	3 years
Office Equipment	3 years
Furniture & Fittings	5 years
Construction Equipment	5 years
Land	No depreciation

**REGIONAL COUNCIL OF KAVANGO WEST
NOTES TO THE FINANCIAL STATEMENTS**

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.

Please take Note that some of the Fixed Assets were transferred from Kavango East

PROPERTY, PLANT AND EQUIPMENT

Description	Opening Balance at Cost	Adjustment	Addition	Accumulated Depreciation	Book Value
	N\$	N\$	N\$	N\$	N\$
Land and Building	-	4 772 018	-	811 648	3 960 370
Motor Vehicle	-	-	2 380 021	198 335	2 181 686
Furniture, Fixture & Fitting	-	156 285	195 954	163 151	189 088
Computer Equipment	-	92 365	-	68 475	23 890
Office Equipment	-	145 750	2 780	142 632	5 898
Work In Progress	-	-	15 491 418	-	15 491 418
Total Non-Current Assets					21 852 350

7. INVENTORIES

Inventories are measured at lower of 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. During the year under review the Council did not have any inventory in hand.

8. TRADE RECEIVABLES

Trade receivables are carried at anticipated realizable value. No estimates were made for doubtful receivables because all outstanding amounts are for S&T Advances and these can be recovered 100% through salary deduction in case the staff members happen not to go on the trip as was scheduled.

9. ROYALTIES AND SURCHARGES

The Regional Council of Kavango West receives royalties in respect of surcharges levied on its behalf by NORED, however since the administrative setup are not yet finalized the Council did not receive any surcharges from NORED during the year under review.

**REGIONAL COUNCIL OF KAVANGO WEST
NOTES TO THE FINANCIAL STATEMENTS**

10. CASH GENERATED FROM OPERATIONS

	2015	2014
	N\$	N\$
Surplus for the year	33 613 796	-
Add: Depreciation	344 725	-
	33 958 521	-
Less: Interest	906 690	-
	33 051 831	-
Add: Bank Charges	64 361	-
	33 116 192	-

11. CASH GENERATED FROM INVESTMENT

	2015	2014
	N\$	N\$
Interest Received	906 690	-
Less: Finance cost/Bank charges	64 361	-
	842 329	-

