



**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 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 Kavango West Regional Council for the financial year ended 31 March 2016, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

**WINDHOEK, November 2018**

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 KAVANGO WEST  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

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**1. ADVERSE AUDIT OPINION**

I certify that I have audited the financial statements of the Regional Council of Kavango West for the financial year ended 31 March 2016. These financial statement comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, because of the significance of matter/s discussed in the basis for Adverse audit Opinion paragraph, the financial statements do not present fairly the financial position of the Regional Council of Kavango West and as at 31 March 2016, and its financial performance and their receipts and payments/cash flows for the year then ended.

**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

- No proper authorisation of journal entries passed by the Council;
- The Council fixed assets register is not up to date;
- Subsistence and travel allowance claims are not submitted timely by the Council's staff resulted in a receivable balance of N\$ 828 668;
- Provision for doubtful debts amounting to N\$ 487 570 could not be substantiated due to lack of accounting policies in place;
- Difference amounting to N\$ 1 195 264 was noted between the account payables detailed ledger (N\$ 3 014 043) and the creditors age analysis (N\$ 4 209 307) for the financial period.

### **3. KEY AUDIT MATTERS**

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I have determined that there are no key audit matters identified in respect of the financial Statement for Kavango West Regional Council.

### **4. OTHER INFORMATION**

My opinion on the financial statements does not cover the other information and I do 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 knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

### **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 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.

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 for 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, 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 scepticism throughout the audit.

- 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.

I 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.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate 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.

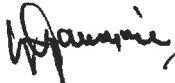
**7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS  
(COMPLIANCE)**

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 40(1) of the Regional Council Act, 1992 except that they were only submitted to the Auditor-General on the 28 May 2018 instead of three months after the financial year-end.

**8. ACKNOWLEDGEMENT**

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

**WINDHOEK, November 2018**

  
**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



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

	Note	2016 N\$	2015 N\$
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	84 512 624	21 852 350
<b>Current assets</b>			
Trade and other receivables		1 080 582	341 875
Cash and cash equivalent	2	29 672 693	28 212 661
<b>Total assets</b>		<b>115 265 899</b>	<b>50 406 886</b>
<b>Equity and liabilities</b>			
Share capital		228 257	-
Retain earnings		107 294 860	45 517 708
Liabilities		7 742 782	4 889 178
<b>Total equity and liabilities</b>		<b>115 265 899</b>	<b>50 406 886</b>

## ANNEXURE B

**REGIONAL COUNCIL OF KAVANGO WEST  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR  
THE YEAR ENDED 31 MARCH**

	Note	2016 N\$	2015 N\$
<b>Operating income</b>		<b>80 805 008</b>	<b>45 119 524</b>
Government subsidy		18 611 715	44 212 834
Differed income		61 014 883	-
Interest received		870 567	906 690
5% Rate & taxes		11 242	-
2.5% Admin commission fees		7 976	-
Tender fees		10 500	-
Dividends received	6	268 125	-
World food day		10 000	-
<b>Operating expenditure</b>		<b>17 735 096</b>	<b>11 505 728</b>
Remuneration expenditure		10 776 389	4 127 146
Other condition of service		313 265	19 360
Subsistence and travelling allowance		675 037	871 247
Material and supplies		316 937	88 378
Transport and related expenses		423 584	695 877
Utilities expenses		425 240	807 458
Maintenance expenses		-	420
Rental expenses		561 549	231 060
Other expenses		3 388 130	4 254 707
Membership fee and license renewal		-	65 350
Depreciation		854 965	344 725
<b>Surplus for the year ended</b>		<b>63 069 912</b>	<b>33 613 796</b>

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

	Note	Share capital N\$	Retained earnings N\$	Total equity N\$
<b>Balance at 01 April 2015</b>			45 517 708	45 517 708
Increase in share capital		228 257		228 257
Surplus for the year		-	63 069 912	63 069 912
Adjustments from prior year	7	-	(1 292 759)	(1 292 759)
<b>Balance at 31 March 2016</b>		<b>228 257</b>	<b>107 294 861</b>	<b>107 523 118</b>

## ANNEXURE D

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

	Note	2016 N\$	2015 N\$
<b>Cash flows from operating activities</b>		<b>64 925 042</b>	<b>33 958 521</b>
Cash received from customers		81 060 538	33 958 521
Cash paid for goods and services		(7 320 534)	-
Cash paid for employees		(8 771 345)	-
Cash paid for interest and bank charges		(43 617)	-
<b>Cash flow from investing activities</b>		<b>(63 515 239)</b>	<b>(5 745 860)</b>
Purchases of property, plant and equipment	3	(63 515 239)	(5 745 860)
<b>Net change in cash and cash equivalents</b>		<b>1 409 804</b>	<b>28 212 661</b>
Cash and cash equivalents at the beginning of year		28 212 661	-
<b>Cash and cash equivalents at the end of year</b>		<b>29 622 465</b>	<b>28 212 661</b>

**REGIONAL COUNCIL OF KAVANGO WEST**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH**

**Accounting policies**

**1. Presentation of 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 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.

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

- (a) Standard Bank of Namibia – Rundu Branch

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

	<b>2016</b>	<b>2015</b>
	N\$	N\$
<b>STANDARD BANK</b>		
Operational Current Account	754 790	(266 372)
Operational Call Account	8 034 788	3 540 603
Development Current Account	-	(631 327)
Development Call Account	18 810 502	23 443 575
Fleet Account	-	126 675
Rural Development Account	2 072 613	1 999 507
<b>Total cash and cash equivalent</b>	<b>29 672 693</b>	<b>28 212 661</b>

**Note:** Development Current Account(50 229) (2016) is covered under Liabilities (overdraft).

**REGIONAL COUNCIL OF KAVANGO WEST**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH**  
**(continued)**

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**3. 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's	5 Years
Land	No depreciation

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.

## ANNEXURE E

**REGIONAL COUNCIL OF KAVANGO WEST  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH (continued)**

Property, plant and equipment	2016			2015		
	Cost N\$	Accumulated depreciation N\$	Carrying Value N\$	Cost N\$	Accumulated depreciation N\$	Carrying Value N\$
Land and Buildings	4 772 081	(907 151)	3 864 930	4 772 081	(811 648)	3 960 433
Motor vehicle	3 876 171	(812 289)	3 063 882	2 380 021	(198 335)	2 181 686
Furniture, fixtures and fittings	885 589	(250 593)	634 996	352 239	(163 151)	189 088
Computer equipment	563 221	(122 993)	440 228	92 365	(68 475)	23 890
Office furniture	148 530	(146 243)	2 287	148 530	(142 632)	5 898
Work in progress	76 506 301	-	76 506 301	15 491 418	-	15 491 418
<b>Total</b>	<b>86 751 893</b>	<b>(2 239 269)</b>	<b>84 512 624</b>	<b>23 236 654</b>	<b>(1 384 241)</b>	<b>21 852 413</b>
<b>Reconciliation of property, plant and equipment 2016</b>						
	<b>Opening balance</b>	<b>Additions</b>	<b>Depreciation</b>	<b>Total</b>		
Land and Buildings	3 960 370	-	(95 440)	3 864 930		
Motor vehicle	2 181 686	1 496 150	(613 954)	3 063 882		
Furniture, fixtures and fittings	189 088	533 350	(87 442)	634 996		
Computer equipment	23 890	470 856	(54 518)	440 228		
Office furniture	5 898	-	(3 611)	2 287		
Work in progress	15 491 418	61 014 883	-	76 506 301		
	<b>21 852 350</b>	<b>63 515 239</b>	<b>(854 965)</b>	<b>84 512 624</b>		

**ANNEXURE E**

**REGIONAL COUNCIL OF KAVANGO WEST  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH (continued)**

<b>Reconciliation of property, plant and equipment 2015</b>	<b>Opening balance</b>	<b>Adjustments</b>	<b>Additions</b>	<b>Depreciation</b>	<b>Total</b>
Land and Buildings	-	4 772 081	-	( 811 711)	3 960 370
Motor vehicle	-	-	2 380 021	(198 335)	2 181 686
Furniture, fixtures and fittings	-	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
	<b>-</b>	<b>5 166 481</b>	<b>18 070 173</b>	<b>(1 384 304)</b>	<b>21 852 350</b>



#### **4. 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 on hand.

#### **5. Trade receivables**

Trade receivables are carried at anticipated realizable value, and all outstanding accounts older than 120 days are provided for as provision for bad debts because the likelihood of not recovering the money is quite high.

#### **6. Royalties and surcharges**

The Kavango West Regional Council 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. The Council however received an amount of N\$ 268 125 (2016) from NORED of which we assume that is for dividend, however NORED could not provide the proof of this payment, stating that they did not pay any money to Kavango West Regional Council.

#### **7. Adjustment on retain earnings**

Provision for leave days	968 042
Account for KEREC written off –Fleet Account	326 675
Less: Reversal of payment due to insufficient funds	1 958
	<u><u>1 292 759</u></u>

