



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

REGIONAL COUNCIL OF THE OSHIKOTO REGION

FOR THE FINANCIAL YEARS ENDED 31 MARCH 2017

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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 Oshikoto Region for the financial year ended 31 March 2017, 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, December 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
OSHIKOTO REGIONAL COUNCIL
FOR THE YEAR ENDED 31 MARCH 2017**

1. UNQUALIFIED AUDIT OPINION

I certify that I have audited the financial statements of the Oshikoto Regional Council for the financial year ended 31 March 2017. These financial statements comprise the Balance Sheet, Abridged Income Statement, Statement of Changes in Funds, Cash Flow Statement, Notes to the Annual Financial Statements and Detailed Statement of Comprehensive Income for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Oshikoto Regional Council as at 31 March 2017 and its financial performance and their receipts and payments /cash flows for the year then ended in accordance with General Accepted Accounting Principles.

2. BASIS FOR AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). 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.

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.

No key audit matters were observed during the year under review and in such I have nothing to report in this regard.

4. OTHER INFORMATION

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon. In connection with my 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 my knowledge obtained in the audit or otherwise appears to be materially misstated. 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 General Accepted Accounting Principles 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 scepticism 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 auditor's 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. ACKNOWLEDGEMENT

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

WINDHOEK, December 2018



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

**REGIONAL COUNCIL OF THE OSHIKOTO REGION
BALANCE SHEET AS AT 31 MARCH**

	Note	2017 N\$	2016 N\$
Assets		166 145 493	131 593 510
Property, Plant and Equipment	4	108 705 228	103 717 520
Work In Progress Cap projects	4	51 881 061	22 316 786
Investments in joint ventures	5	5 559 204	5 559 204
Current Assets		32 141 613	93 076 908
Investments	5	20 000	20 000
Inventory		355 407	149 523
Accounts Receivable	6	8 373 259	4 179 274
Cash and Cash Equivalent	7	23 392 947	88 728 111
Total Assets		198 287 106	224 670 418
Equity and liability		188 102 222	212 725 314
Capital Development Fund		55 806 503	49 839 000
Build-Together Fund		1 365 000	1 365 000
Accumulated Funds	9	130 930 719	161 521 314
Current Liabilities		10 184 884	11 945 104
Trade and other payables	8	10 184 884	11 945 104
Total Equity and Liabilities		198 287 106	224 670 418

ANNEXURE B

REGIONAL COUNCIL OF THE OSHIKOTO REGION
ABRIDGED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH

	Note	2017	2016
		N\$	N\$
Income	11	273 769 882	264 401 296
Expenditure	11	(305 108 976)	(242 080 346)
Operating surplus/(Loss) before		(31 339 094)	22 320 950
Investment Interest Earned	11	1 021 585	1 396 595
Net Income for the year		(30 317 509)	23 717 545
Appropriation Account at the beginning of the year		114 291 387	90 573 842
At the end of the year		*83 973 878	*114 291 387

*Appropriation account differences amounting to N\$ 161 were discovered from reflection of prior year figures.

REGIONAL COUNCIL OF THE OSHIKOTO REGION
STATEMENT OF CHANGES IN FUNDS

	Capital Development fund	Built Together fund	Accumulated Surplus	Total Funds
	N\$	N\$	N\$	N\$
Balance as at 01 April 2015	7 639 000	725 000	151 887 985	160 251 985
Additions	19 800 000	-	-	19 800 000
Adjustments (Note-Adjustment Added)	22 400 000	640 000	(14 084 216)	8 955 784
Net Surplus for the year	-	-	24 163 772	24 163 772
Balance before changes in equity and surplus for the year	49 839 000	1 365 000	161 967 541	213 171 541
Balance at 01 April 2016	49 839 000	1 365 000	161 967 541	213 171 541
Changes in equity	-	-	-	-
Deficit for the year	-	-	(30 317 509)	(30 317 509)
Capital development funds movement	5 967 503	-	-	5 967 503
Prior year adjustment	-	-	(271 927)	(271 927)
Difference in prior year Accumulated funds	-	-	(447 386)	(447 386)
Total Changes	5 967 503	-	(31 036 822)	(25 069 319)
Balance as at 31 March 2017	55 806 503	1 365 000	130 930 719	188 102 222

ANNEXURE D

**REGIONAL COUNCIL OF THE OSHIKOTO REGION
CASH FLOW STATEMENT AS AT 31 MARCH**

	Note	2017 N\$	2016 N\$
Cash flows from operating activities			
Cash (used in) generated from operations	10	(32 729 247)	(18 705 243)
Prior year adjustment		(271 927)	-
Interest income		1 021 585	-
Net cash from operating activities		31 979 589	18 705 243
Cash flow from investing activities			
Purchase of Property, plant and equipment		(10 205 030)	503 621
Purchase of work In Progress		(29 564 275)	-
Net Cash out flow from investing activities		(39 769 305)	503 621
Cash Flows from financing activities			
Capital development funds		5 967 503	19 800 000
Net cash inflow from financing activities		5 967 503	19 800 000
Total cash movement for the period		(65 781 392)	39 008 863
Cash at the beginning of the period		89 174 339	50 165 476
Total Cash at the end of the period	7	23 392 947	89 174 339

* A difference of N\$ 446 227 since (2016) was discovered between the cash flow statement and cash and cash equivalent disclosed in the statements of financial position for the financial year under review. This difference is not yet corrected.

REGIONAL COUNCIL OF THE OSHIKOTO REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

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 Function is accounted for during the year on a cash accounting basis, in line with the State Finance Act, 1992, however, since all Funds are returned to the State Account as at 31 March. This does not materially affect the Regional Council 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.

1.1. 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 over the expected useful lives as determined by the Regional Council from time to time. Fixed asset's 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 assets are as follows:

Buildings	50 Years
Machinery and equipment	5 Years
Motor vehicles	5 Years
Office equipment	3 Years
Computer equipment	3 Years
Furniture and Fittings	3 Years
Construction equipment	3 Years

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, but however there were no disposals.

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

1.2 Inventories

Inventories are measured at lower cost and net realizable value. The cost of inventories should comprise all cost of purchase cost of conversion and other cost incurred in bringing in bringing the inventories to their present location and condition.

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 equivalent

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.

1.5 Trade and payables

Trade and payables are carried at the fair value of the consideration to be paid in future for goods or services that have been received or supplied and invoiced or formally agreed with the supplier.

2. REVENUE

2.1 Contribution's, Grants and Financial Aid from MRLGH & RD

The Oshikoto 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 Authority

The Oshikoto Regional Council as per the Regional Council's Act of 1992, levies an amount equal to 5% of the rates levied on all rateable properties in constituent local authority areas.

2.3 Royalties and Surcharges

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

REGIONAL COUNCIL OF THE OSHIKOTO REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(continued)

3. Delegated Functions	2017	2016
	N\$	N\$
Revenue		
Ministry Gender Equality & Child Welfare Early Childhood	1 764 102	1 089 668
Ministry of Works Maintenance	5 596 850	7 138 003
Ministry of Agriculture Youth Employment	11 000	89 196
Office of the Prime Minister	-	4 941 250
Road Fund	279 000	-
DCPP Agriculture	599 962	517 338
ORC Education	196 324 588	196 828 517
Build Together	-	138 795
World Food Day	-	10 000
	204 575 502	210 752 767
Expenses		
Ministry Gender - ECD	(267 102)	(524 061)
Ministry Gender - IGA	(1 500 434)	(1 426 396)
MRLG Drought Relief	(3 363 318)	(1 797 011)
Ministry of Health and Social Services	(445 052)	(3 428 896)
Bank charges Delegated Function	-	(26 332)
MRLG King Nehale	-	(55 294)
DCPP Agriculture	(738 770)	(245 340)
Ministry of Works Maintenance	(6 608 238)	(6 432 265)
Ministry of Education	(225 133 413)	(169 410 208)
Rural development	-	(1 403 451)
	(238 056 327)	(184 749 253)
Total surplus (deficit)	(33 480 825)	26 003 514

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

4. Property Plant and Equipment

	Work in Progress	Land and Building	Machinery and Vehicle	Furniture, Equipment and Computers	Total
	N\$	N\$	N\$	N\$	N\$
31 March 2017					
Opening net book value	22 316 786	94 640 187	7 357 796	1 719 535	126 034 304
Opening Cost	22 316 786	107 834 497	13 685 270	7 034 256	150 870 809
Accumulated Depreciation	-	(13 194 309)	(6 327 473)	(5 314 720)	(24 836 502)
Additions	29 564 275	6 441 678	2 317 038	1 446 314	39 769 305
Depreciation charge	-	(2 030 965)	(1 313 163)	(1 873 195)	(5 217 323)
Closing carrying amount	51 881 061	99 050 901	8 361 671	1 292 654	160 586 289
	Work in Progress	Land and Building	Machinery and Vehicle	Furniture, Equipment and Computers	Total
	N\$	N\$	N\$	N\$	N\$
31 March 2016					
Opening net book value	17 940 194	104 477 855	3 176 845	423 872	126 018 766
Opening Cost	17 940 194	104 477 855	8 497 393	5 142 324	136 057 766
Accumulated Depreciation	-	-	(5 320 548)	(4 718 452)	(10 039 000)
Additions	4 376 592	6 286 267	5 187 877	1 888 482	17 739 218
Adjusted Cost	-	(2 929 625)	-	3 450	(2 926 175)
Adjusted Accumulated depreciation	-	(11 163 345)	429 865	83 329	(10 650 151)
Depreciation charge	-	(2 030 965)	(1 436 791)	(679 598)	(4 147 354)
Closing carrying amount	22 316 786	94 640 187	7 357 796	1 719 535	126 034 304

REGIONAL COUNCIL OF THE OSHIKOTO REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
MARCH (continued)

	2017	2016
	N\$	N\$
4. Work In Progress		
WIP	-	117 527
WIP Stand by Generator	-	143 907
WIP Onyuulaye	339 931	339 931
WIP Onethindi	930 085	-
WIP Omuntele	-	84 353
WIP Oniipa	21 520 271	12 397 465
WIP Nehale	6 806 690	1 793 365
WIP Tsumeb	383 376	100 000
WIP Oshivelo	10 942 418	634 667
WIP Onayena	7 960 650	3 826 775
WIP Omuthiya	-	435 632
WIP Eengodi Community Hall	318 765	9 123
WIP Guinas Community Hall	-	320
WIP Constituency Oniipa	-	109 436
WIP Rural	1 540 272	2 324 285
WIP Onyaanya Community Hall	1 138 603	-
	51 881 061	22 316 784
5. Investments in Joint Ventures		
Etosha Safari Lodge	20 000	20 000
Regional Electric Distribution	5 559 204	5 559 204
	5 579 204	5 579 204
6. Trade and Receivable		
Trade and Receivable	1 979 492	(107 075)
Staff debtors	207 066	36 500
Settlement Customers	1 467 420	687 232
Surcharges - Cenored	6 897	1 589 638
Subsistence & Travel	-	2 093
Value added tax	2 485 597	-
Build Together Debtors	2 226 787	1 970 886
	8 373 259	4 179 274

REGIONAL COUNCIL OF THE OSHIKOTO REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
MARCH (continued)

	2017	2016
	N\$	N\$
7. Cash and cash equivalent		
FNB Expense Cheque	2 415 501	276 027
FNB General Expenses Call account	6 340 266	6 901 694
FNB Capital Project Current account	284 507	8 614 159
FNB Capital Project Call account	4 353 873	29 379 632
FNB Build Together H account	513 445	497 387
FNB Build Together Call account	145 043	145 881
FNB Settlement Call account	1 663 522	1 059 023
FNB Transport Cheque account	97 093	103 381
Rural Development Project	701 719	1 149 607
FNB Drought Aid Fund Current Account	8 055	3 376 175
FNB Social Housing Scheme- Current Account	-	271 927
FNB Early Child / Dev current account	1 114 162	820 812
FNB BTP Receipt-Current account	316 734	464 820
B-WHK Min of Works	355	1 011 743
FNB Rural Development Project- Current	370 450	212 589
FNB Trust Fund Call	447 021	462 703
B-WHK Min of Education	3 831 876	32 640 702
FNB Ministry of Health Capital Projects	331 263	755 757
Cash Control Head office	1 279	1 279
Cash Control Oniipa	(119 577)	(119 577)
FNB 62250376681	565 340	691 370
Cash Control Onayena	11 032	11 032
Cash Control Settlement	(11)	(11)
Cash Control Oniipa	(1)	(1)
	23 392 947	88 728 111
8. Trade and payables		
Trade payables	1 006 692	781 721
Staff creditors & Retention fee	26 760	104
Other payables	691 909	376
Surcharges - Nored	205 738	-
Oniipa Cash/Consultancy Ben Kathindi	-	4 033 090
Accrued leave pay	8 253 785	7 834 025
VAT Control	-	(704 211)
	10 184 884	11 945 104

REGIONAL COUNCIL OF THE OSHIKOTO REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
MARCH (continued)

	2017	2016
	N\$	N\$
9. Accumulated Funds		
Accumulated Surplus	161 521 314	151 887 985
Adjustments	-	(14 084 216)
Loss (Surplus) for the year	(30 317 509)	23 717 545
Difference in prior year Accumulated funds	(1 159)	-
Prior year Adjustment (Oshivelo FNB Account)	(271 927)	-
	130 930 719	161 521 314
10. Cash (Used in) generated from operations		
(Loss) Surplus for the period	(30 317 509)	24 163 772
Depreciation and amortization	5 217 323	-
Difference in prior accumulated funds	(447 386)	(14 283 618)
Interest received	(1 021 585)	-
Changes in working Capital		
Trade and other receivables	(4 193 986)	4 483 338
Trade and other payables	(1 760 220)	4 212 202
Inventory	(205 884)	129 549
	(32 729 247)	18 705 243

ANNEXURE F

REGIONAL COUNCIL OF THE OSHIKOTO REGION
DETAILED INCOME STATEMENTS FOR THE YEAR ENDED 31 MARCH

	2017	2016
	N\$	N\$
11 Revenue		
Government grants, subsidies and financial aid	55 146 011	48 109 310
Income from settlement areas	3 748 777	3 538 690
5% rates & Taxes	771 346	599 019
Dividends and Royalties	578 444	754 630
Property rentals & related charges	51 031	27 309
Other income	630 412	619 570
Delegated functions	204 575 502	210 613 973
Okashana RDC	4 200 000	-
Rural development income	4 068 358	-
Build Together	-	138 795
	273 769 881	264 401 296
Expenditure		
Remuneration	(33 371 391)	(30 259 989)
Other Conditions of services	(5 860 080)	(7 189 946)
Subsistence & Travel	(1 559 764)	(3 561 567)
material and suppliers	(489 605)	(799 474)
transport Expenditure	(2 088 481)	(1 620 260)
Utilities	(5 243 662)	(6 179 015)
maintenance & repairs expenses	(634 443)	(657 183)
Property rental	(831)	(2 983)
Other services	(2 984 378)	(2 696 162)
Depreciation	(5 217 323)	(4 147 354)
Bank Charges	(123 816)	(123 842)
Membership fees subscriptions	(192 731)	(41 130)
Okashana RDC	(4 200 000)	-
Subsidies, Grants and contributions	-	(52 189)
Delegated functions	(238 056 326)	(184 749 253)
Rural developments	(4 464 510)	-
Small Scale projects	(621 636)	-
	(305 108 976)	(242 080 346)
Operating (loss)/ Surplus	(31 339 094)	22 320 950
Investment Income	1 021 585	1 396 595
Deficit/ Surplus for the year	(30 317 509)	23 717 545