



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

REGIONAL COUNCIL OF THE OTJOZONDJUPA REGION

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Regional Council of the Otjozondjupa region for the financial year ended 31 March 2016 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, November 2018

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke', written in a cursive style.

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. QUALIFIED AUDIT OPINION

I certify that I have audited the financial statements of the Otjozondjupa Regional Council for the financial year ended 31 March 2016. These financial statements comprise the Statement of financial position, Statement of Income and other Comprehensive Income, Statement of Cash Flow for the year then ended and a summary of significant accounting policies and other explanatory information.

In my opinion, except for the 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 Otjozondjupa as at 31 March 2016, their financial performance and cash flows for the year then ended.

2. BASIS FOR AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the entity in accordance with the code of ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the code of ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. The audit is qualified due to the following:

- Debtors with credit balance of N\$ 1 682 713;
- Unrecorded liabilities amounting to N\$ 2 380 830; and
- A difference of N\$ 336 568 on value added tax assessment reports.

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 nothing to report in this regard.

4. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Section 39 of the Regional Council 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.

5. 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.

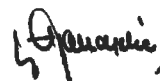
- I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.
- 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.

6. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 40 (1) of the Regional Council Act, 1992, except that they were only submitted on 16 January 2018 instead of three months (3 months) after the year end as required by the Act.

8. ACKNOWLEDGEMENT

The courtesy and assistance extended to the Auditor-General and his staff by the Regional Council during the audit is appreciated.



WINDHOEK November 2018

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

REGIONAL COUNCIL FOR THE OTJOZONDJUPA
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

	Note	2016	2015
		N\$	N\$
ASSETS			
Non-Current Assets			
Property Plant & Equipment	2	15 585 196	14 780 868
Investment	3	21 421 341	21 894 657
Work in progress	4	38 114 139	17 666 075
Current Assets			
Accounts Receivable	5	36 506 680	29 216 730
Inventory		351 831	291 019
Cash on hand and Bank	7	28 844 520	22 975 110
Total Assets		140 823 707	106 824 459
EQUITY AND LIABILITIES			
Equity			
Accumulated funds	9	3 871 027	14 721 423
Non-Current liabilities			
Build Together Revolving Fund		10 746 683	10 746 683
Capital Development Fund		99 735 847	72 561 727
Current Liabilities			
Account payables	6	26 470 150	8 794 626
Total Equity and Liabilities		140 823 707	106 824 459

REGIONAL COUNCIL FOR THE OTJOZONDJUPA
INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH

	Note	2016	2015
		N\$	N\$
Income	11	61 343 400	630 390 914
Expenditure	12	(67 230 209)	(54 465 342)
Operating surplus /(deficit)		(5 886 809)	8 925 572
Interest received		819 788	948 441
Surplus/(deficit) for the year		(5 067 021)	9 874 013

**REGIONAL COUNCIL FOR THE OTJOZONDJUPA
STATEMENT OF CASH FLOW AS AT 31 MARCH**

		2016	2015
	Note	N\$	N\$
Cash flow from operating activities		(1 809 222)	(70 527)
Cash receipt from customers		61 343 400	64 339 355
Cash paid to suppliers		(63 972 410)	(66 181 444)
Interest received		819 788	1 771 562
Cash flow from investing activities		(2 405 571)	(15 743 468)
(Increase)/ Decrease in investments	3	473 316	(925 015)
(Increase)/ Decrease in capital assets		(2 878 887)	(14 818 453)
Cash flow from financing activities		27 174 120	10 044 000
Capital Development fund		27 174 120	10 044 000
Net (increase)/decrease in cash equivalents		5 885 193	(5 769 995)
Adjustment		-	-
cash and cash equivalence at the start of the year		22 975 110	28 745 105
Cash and cash equivalence at the end of the year	7	28 844 520	22 975 110

**REGIONAL COUNCIL FOR THE OTJOZONDJUPA
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2016**

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with Generally Accepted Accounting Principles. The annual financial statements are prepared under the historic cost convention. The following accounting policies are consistent in all material respects with those of the previous year. The annual financial statements are prepared in line with the accrual concept. It should be noted however that income and expenditures in relation to Delegated functions is accounted for during the year on a cash accounting concept in line with the State Finance Act, 1992, however since all liability in relation to delegated functions remains with the Line Ministry this does not materially affect the Regional Council financial statements.

1.1 PROPERTY PLANT AND EQUIPMENT

All fixed assets are stated at historical costs less accumulated depreciation. Depreciation is calculated using the straight line method to write-off the value of each asset to its residual value of its estimated useful life:

Land buildings, motor vehicle, furniture and fittings, office furniture and equipment are stated at cost and depreciated on the straight line method at the following rates per annum:

Land	Infinite
Buildings	50 years
Computer equipment	3 years
Office equipment	3 years
Motor vehicles	5 years
Furniture and fittings	5 years
Furniture for Political office bearers	3 years
Machinery and equipment	5 years

The Regional Council is currently performing the following functions (under certain conditions) delegated by central governmental Line Ministries as indicated in accordance with Decentralization Enabling Act of 2000.

Under delegation the Regional Council acts as an agent on behalf of the relevant line Ministries. The relevant lines Ministries however retain overall responsibilities to approve the related budget. Their budget allocation is transferred to the Regional Council via cash transfers.

**REGIONAL COUNCIL FOR THE OTJOZONDJUPA
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)**

PROPERTY PLANT & EQUIPMENT

2016	Land and Building	Motor vehicles	Office fittings & Equipment	Other Fixed Assets	Total
	N\$	N\$	N\$	N\$	N\$
2. Net book value as at 31 March 2016	8 339 028	1 678 597	5 567 319	252	15 585 196
Cost as at 31/03/2016	10 485 927	3 635 621	25 798 546	5 977	39 926 071
Additions	-	567 899	2 310 988	-	2 878 887
	10 485 927	4 203 520	28 109 534	5 977	42 804 958
Accumulated Depreciation	2 146 899	2 524 923	22 542 215	5 725	27 219 762
Charge for the year	209 719	506 112	1 357 672	1 056	2 074 559
Opening balance 01/04/2015	1 937 180	2 018 811	21 184 543	4 669	25 145 203

**REGIONAL COUNCIL FOR THE OTJOZONDJUPA REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)**

PROPERTY PLANT & EQUIPMENT

2015	Land and Building	Motor vehicles	Office fittings & Equipment	Other Fixed Assets	Total
	N\$	N\$	N\$	N\$	N\$
Net book value as at 31 March 2015	8 681 119	2 834 944	9 282 136	1 308	20 799 507
Cost as at 31/03/2015	10 485 927	3 635 621	25 798 546	5 977	39 926 071
Additions	132 372	1 218 134	4 668 133	-	6 018 639
	10 618 299	4 853 755	30 466 679	5 977	45 944 710
Accumulated Depreciation	1 937 180	2 018 811	21 184 543	4 669	25 145 203
Charge for the year	208 615	449 932	866 244	1 056	1 525 847
Opening as at 01/04/2014	1 728 565	1 568 879	20 318 299	3 613	33 907 432

REGIONAL COUNCIL FOR THE OTJOZONDJUPA REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

	2016	2015
	N\$	N\$
3. INVESTMENT	21 421 341	21 894 657
Cenored shares	14 539 298	14 539 298
Cenored shares premium	2 792	2 792
Metropolitan policy # 8007	3 778 623	3 431 597
Metropolitan policy # 80376	3 100 628	3 920 970
4. WORK IN PROGRESS	38 114 139	17 666 075
Traditional Authority : JOAHANSI	-	1 184 370
Tsukwe Cultura Village	(292 593)	(292 593)
Constraction of half build BTP houses	6 856 204	4 358 735
Extension of Regional Council Offices	18 878 311	7 000 737
Completion of existing Sewer in Tsukwe	-	2 179 882
Construction of Kung Traditional Authority	-	1 212 901
Okathoruu water Reticulatin	268 578	-
Kalkfield water system	1 210 448	700 443
Gam civil Engineering 353 stands	978 028	434 783
Tsukwe Prepaid Water System	199 744	199 744
Tsukwe Road Maintenance	843 212	403 990
Okatjoruu Oxidation Ponds	331 488	283 083
Design of Oxidation Ponds - Coblens	173 913	-
Design of Oxidation Ponds - Okondjatu	200 000	-
Conctraction of services - Okandjira	769 626	-
Extension of ORC Phase 2	7 697 180	-
5. ACCOUNT RECEIVABLES	36 506 680	29 216 730
VAT Control Account	8 675 067	5 889 978
Build Together debtors	5 216 762	5 065 666
Trade debtors	12 223 133	17 426 917
Sundry receivables	10 391 718	834 169
6. ACCOUNTS PAYABLES	26 470 150	15 102 613
Suppliers Control Account	17 519 003	14 861 267
Other Accruals	8 951 147	241 346

REGIONAL COUNCIL FOR THE OTJOZONDJUPA REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

	2016	2015
	N\$	N\$
7. CASH AND BANK	28 844 520	22 976 123
GRN Subsidy Account	2 267 671	98 479
Capital Account	15 736 001	9 293 651
Social Housing Account	1 148 482	2 084 594
Revolving Housing Account	15 866	681 349
Main Current Account	36 076	34 534
Settlement Area Revenue Account	592 878	85 579
Build Together Receipt Account	41 705	775 902
ECD Account	344 930	111 110
Food/Cash for Work Program Account	3 801 626	7 038 041
Transport Account	(30 785)	105 084
Traditional Authority Account	234 630	(10)
San Empowerment Account	35 180	47 776
Regional Aids Account	21 396	11 885
Social Security	702 365	-
Nampost Account	3 403 599	2 154 902
Drought Relief Account	2 992	3 431
Otjozondjupa Region Trust Fund	404 254	387 321
Cash/Receipt Control Account-Kalkfeld	23 186	24 936
Cash/Receipt Control Account-Tsumkwe	31 251	26 242
Cash/Receipt Control Account-Okandjira	(662)	(5)
Cash/Receipt Control Account-Okondjatu	1 659	-
Cash/Receipt Control Account-Coblenz	23 805	2 058
Cash/Receipt Control Account-Okatjoruu	4 968	(1 013)
Cash/Receipt Control Account-Okamatapati	1 446	9 264
8. DELEGATED FUNCTIONS-Net delegated funds	(162 816)	4 548 164
Ministry of Gender Equality	1 983 270	1 439 095
Office of the Prime Minister (EMU)	739 958	366 892
MURD - Rural Development project	67 000	-
Ministry of Regional and Local	10 000	-
Ministry of Agriculture	235 000	-
MURD- Capital Projects	-	6 703 185
Ministry of Gender Equality	(1 691 950)	(1 710 992)
Office of the Prime Minister (EMU)	(763 397)	(328 369)
Ministry of Urban and Rural Development	(742 697)	(1 921 647)

REGIONAL COUNCIL FOR THE OTJOZONDJUPA REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

	2 016	2 015
	N\$	N\$
9. ACCUMULATED FUND	3 871 027	14 721 423
At the beginning of the year	14 721 423	4 024 290
Adjustments	(5 783 377)	-
Net surplus (deficit) for the year	(5 067 019)	10 697 133
10 Movement in current assets and liabilities	4 077 587	(10 660 668)
Decrease/ (Increase) in account receivable	(7 289 950)	(4 352 681)
Increase/ (Decrease) in account payables	11 367 537	(6 307 987)
11. Income	61 343 400	63 390 914
Government subsidy	48 886 329	46 495 207
Income from Settlement areas	4 185 916	4 519 022
5% Rates and Taxes	2 077 724	2 466 150
Property Rental and Hiring	8 800	-
Other income - Head Office	397 056	467 060
Dividends, Surcharges & Royalties	892 875	814 203
Delegated Functions Income	2 968 228	1 903 637
Rural Development Income	67 000	6 725 635
Social Security Development Fund	1 006 250	-
Road Fund Administration	853 222	-

REGIONAL COUNCIL FOR THE OTJOZONDJUPA
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

	2 016	2 015
	N\$	N\$
12. Expenditure	67 230 209	54 465 342
Personnel expenditure	31 910 242	30 607 070
Provision for leave days	1 758 679	-
Subsistence and travelling allowance	1 767 057	2 310 251
Material and supplies	339 869	375 515
Transport fleet services	2 289 486	3 169 807
Utilities	6 909 305	3 912 924
Maintenance expenses	579 229	3 671 551
Property rental and related	1 069 582	806 001
Other services and expense	3 124 543	172 384
Finance charges/investment charges	820 342	417 806
Subscription fees	63 799	246 330
Subsidies grant & other contribution	154 083	3 675 677
Donation to organisation	68 601	-
Depreciation	2 074 559	1 525 846
Delegated functions expenses	2 455 347	2 039 361
Rural development expenses	742 697	1 515 899
CDF 5% Okakarara	28 081	-
San empowerment	12 596	18 920
Road fund administration	1 049 866	-
Traditional Authority Projects	10 012 246	-

