



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

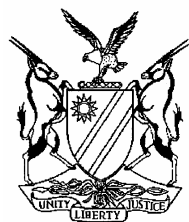
FISHERIES OBSERVER FUND

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 2007 AND 2008

Published by authority

Price (Vat excluded) N\$ 20.10
Report no 713

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 Fisheries Observer Fund for the financial years ended 31 March 2006, 2007 and 2008 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 2009

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT of the AUDITOR-GENERAL
on the ACCOUNTS of the FISHERIES OBSERVER FUND
for the financial year ended 31 MARCH 2006, 2007
and 2008**

1. INTRODUCTION

The Fisheries Observer Fund was established in terms of Section 46 (1) of the Marine Resources Act, (Act 27 of 2000), to administer the funds collected in respect of the levy imposed under Section 44 (4) of the Marine Resources Act, 2000. The Fund's income is derived mainly from levies on harvested sea animals and other products from the sea. The Permanent Secretary: Fisheries and Marine Resources is the Accounting Officer in terms of Section 23 (4) of the Act.

2. FINANCIAL STATEMENTS

The financial statements published in this report are filed in the Office of the Auditor-General and comprise of the following:

- Annexure A: Balance sheets
- Annexure B: Income statements
- Annexure C: Notes to the financial statements

3. SCOPE OF THE AUDIT

3.1 The Accounting Officer of the Fund is responsible for the preparation of the financial statements and for ensuring the regularity of the financial transactions. It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly.

The audit included:

- (a) examination on a test basis of the evidence relevant to the amounts, disclosure and regularity of financial transactions included in the financial statements;
 - (b) assessment of the significant estimates and judgements made by the Accounting Officer of the Fund in the accounting of the transactions, his determination of and decision on relevance of transactions to the Fund and of whether the accounting policies are appropriate to the Fund's circumstances consistently applied and adequately disclosed; and
 - (c) evaluation of the overall adequacy of the presentation of information for its inclusion in the financial statements.
- 3.2 The audit was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence to give reasonable assurance that:
- (a) the financial statements are free from material misstatement, whether caused by error, fraud or other irregularity,
 - (b) in all material respects, the expenditure and income have been applied to the purposes intended; and
 - (c) the financial transactions conform to the authorities which govern them.

4. AUDIT OBSERVATIONS

4.1 Expenditure

4.1.1.1 Expenditure vouchers (2005/2006)

Vouchers supporting the following expenditure transactions could not be provided for audit purposes.

Date	Cheque no.	Amount
		N\$
04/05/2005	7885	300.00
21/06/2005	7975	300.00
28/02/2006	8409	250.00
28/03/2006	8422	857.92
31/07/2005	8027	26 435.96

Recommendation

Sufficient supporting documentation should be attached to all expenditure transactions to enable the auditors to validate such expenditure.

4.1.2 Explanations on analytical review of the 2006/07 & 2007/08 financial year:

The following account balances as reflected in the balance sheet could not be explained.

SUSPENSE ACCOUNT - N\$ 551 043

SUNDRY DEBTORS – PRE-PAYMENTS - N\$ 385 453

4.2 Observer fee income

The general ledger provides for 2 separate account codes, i.e. “fee income – observers” and “fee income – non-observers”.

The audit revealed that during the 2006/2007 financial year, the fee income for non-observers was in some cases processed to the account code of observers, and vice versa.

4.3 Interest received

Interest received as reflected in the financial statements represents interest received from the bank and interest charged on overdue debtors accounts.

It is recommended to split interest income, to enable verification of interest received from the bank and interest charged on overdue debtor’s accounts.

4.4 Bad debts

Bad debts are written off without any provisions for bad debts.

Debtors since the 2004/05 financial year are reflected in the financial statements up to the 2007/08 financial year.

It is recommended to:

- (i) implement a policy on writing off bad debts;
- (ii) provide for bad debts;
- (iii) overdue debts should be considered to be written off appropriately and in accordance with the policy.

4.5 Cash & bank

Bank statements provided for audit purposes for the 2006/2007 and 2007/2008 financial years are statements printed from the internet banking facility.

It was discovered that during the 2005/2006 financial year, there were cheques which are older than six months which should have been written back. Furthermore, the bank reconciliation at 31 March 2006 included some non-cash items such as credit notes and changes of references. These items have no effect on the bank reconciliation.

It is recommended that stale cheques are dealt with in the required manner and that non-bank reconciliation items are not reflected in the reconciliations.

4.6.1 Debtors

Accounts receivable as recorded in the balance sheets include an amount of N\$ 686 803.00 which dates back to the 2004/2005 financial year. No list of these debtors could be provided for verification and no clear explanation could be given as to how they were classified as old debtors.

Furthermore, the debtors control account has not been reconciled during the 2005/2006 financial year. The auditors performed the reconciliation and found a difference of N\$ 209 723.89.

A proper policy should be in place regarding the collection of high outstanding debtors. Mechanisms restricting the issuing of rights for the harvesting of marine resources to fishing right-holders who are having high outstanding amounts, should be implemented to prevent bad debts.

4.7 Current liabilities

Standard bank – Current account

The balance sheets of the 2006/2007 and 2007/2008 financial years show an amount of N\$ 36 985 as a current liability in Standard Bank – Current account. This account belongs to the Agency and therefore should not be disclosed in the Fund's financial statements.

4.8 Erongo Marine Correction account

An amount of N\$ 35 232.13 is reflected as an expense in the income and expenditure statement. This amount relates to an amount received during the 2004/05 financial year but which has not been credited to the debtor. The correction should have been debited to the retained income account and credited to the debtor account. Expenditure is as such overstated by the said amount.

In the response the Accounting Officer indicated that the correction will be reflected in the 2008/09 financial year.

4.9 Retained income

The closing balances of the retained income account differ as follows from the opening balances reflected in the next financial year:

Financial year	Closing balance: Prior year	Opening balance: Current year	Difference
	N\$	N\$	N\$
December 2006	10 938 183	10 919 322	18 861
December 2007	12 090 015	12 060 621	29 394
December 2008	10 931 755	10 509 317	422 438

4.10 General

4.10.1 Segregation of duties

Confirmation of the “control environment and IT checklist” revealed a risk on segregation of duties in both the IT department and the finance department, as follows:

(i) IT department

Passwords are not encrypted. Uncontrolled access to financial information imposes a control risk.

(ii) Finance department

Control risks were identified with regard to the processing of trip claim forms. All accounting staff have access to the capture, processing and updating of financial information.

5. ACKNOWLEDGEMENT

The co-operation and assistance of the staff of the Fund during the audit is appreciated.

6. QUALIFIED AUDIT OPINION

The financial statements of the Fisheries Observer Fund for the financial years ended 31 March 2006, 2007 and 2008 were audited by me in terms of Section 46(7) of the Act, read with Section 25(1) (b) of the State Finance Act, 1991.

The audit opinion has been qualified due to the following reasons:

- Unexplained balances on suspense accounts totalling N\$ 936 496.
- No provision has been made for possible bad debts amounting to N\$ 686 803.
- Large differences exist between the closing and opening balances of the retained income account.

Except for the above-mentioned remarks, I certify, that in my opinion the financial statements fairly reflect the transactions and the financial position of the Fund for the financial years ended 31 March 2006, 2007 and 2008 and in all material respects the income and expenditure have been applied to the purposes intended and conform to the authorities that govern them.

Windhoek, July 2009

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

FISHERIES OBSERVER FUND

BALANCE SHEETS AS AT 31 MARCH

	Notes	2008 N\$	2007 N\$	2006 N\$	2005 N\$
ASSETS					
Current assets		7 318 136	10 931 755	12 090 015	10 938 183
Accounts receivable	2	4 421 922	5 632 723	8 318 321	4 794 323
Cash and cash equivalents	3	2 345 171	4 747 988	3 771 694	6 143 860
Suspense accounts		551 043	551 043	-	-
Total assets		7 318 136	10 931 755	12 090 015	10 938 183
EQUITY					
Current liabilities		422 438	422 438	-	-
Standard bank		36 985	36 985	-	-
Sundry debtors - Prepaid		385 453	385 453	-	-
Accumulated profits	4	6 895 698	10 509 317	12 090 015	10 938 183
Total liabilities		7 318 136	10 931 755	12 090 015	10 938 183

ANNEXURE B

FISHERIES OBSERVER FUND

INCOME AND EXPENDITURE ACCOUNTS FOR THE FINANCIAL YEARS ENDED 31 MARCH

	2008	2007	2006	2005
	N\$	N\$	N\$	N\$
REVENUE	17 899 531	18 942 547	18 193 823	16 887 412
Fees:				
- Observers	12 490 790	15 512 700	16 635 437	14 363 451
- Non-observers	3 088 281	930 533	695 620	2 191 179
Interest income	400 460	796 997	862 766	332 782
Grant – MFMR	1 920 000	1 702 317	-	-
Less: Operating expenses	19 012 752	18 346 610	15 523 130	16 055 697
Salaries and wages	18 942 186	17 663 270	15 413 821	15 918 498
Accounting fees	-	32 028	55 315	-
Bank charges	32 401	34 993	53 994	137 199
Bad debts written-off	2 933	616 319	-	-
Erongo Marine Correction Account	35 232	-	-	-
Operating profit/(loss) for the year	(1 113 219)	595 937	2 670 693	831 715
Contribution to Fisheries Observer Agency	(2 500 000)	(2 150 000)	(1 500 000)	(3 050 000)
Sundry income	(400)	2 757	-	-
NET PROFIT/(LOSS) FOR THE YEAR	(3 613 619)	(1 551 304)	1 170 693	(2 218 285)

FISHERIES OBSERVER FUND**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH****1. BASIS OF PREPARATION**

The financial statements are prepared on the historical cost basis.

1.1 Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

1.2 Revenue recognition

Revenue is recognised in the financial statements at the date that services are rendered.

2. ACCOUNTS RECEIVABLE

	2008	2007	2006	2005
	N\$	N\$	N\$	N\$
Trade debtors (new)	3 735 119	4 945 920	7 631 518	
Trade debtors (old)	686 803	686 803	686 803	
	4 421 922	5 632 723	8 318 321	4 794 323

3. CASH AND CASH EQUIVALENTS

	2008	2007	2006	2005
	N\$	N\$	N\$	N\$
Bank balances	2 345 171	4 747 988	3 771 694	6 143 860

4. ACCUMULATED PROFITS

	2008	2007	2006	2005
	N\$	N\$	N\$	N\$
Retained profit: Beginning of year	10 509 317	12 060 621	10 919 322	13 156 468
Profit/(Loss) for the year	(3 613 619)	(1 551 304)	1 170 693	(2 218 285)
Retained profit: End of year	6 895 698	10 509 317	12 090 015	10 938 183