



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
FISHERIES OBSERVER FUND
FOR THE FINANCIAL YEAR 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 Fisheries Observer Fund 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, February 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
FISHERIES OBSERVER FUND
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

1. Report on the Financial Statements

1.1 INTRODUCTION

The accounts of the Fisheries Observer Fund for the financial year ended 31 March 2017 are presented to the National Assembly in accordance with the provisions set out in the Marine Resource Act, 2000 (Act 27 of 2000).

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

I certify that I have audited the accompanying financial statements of the Fisheries Observer Fund for the financial year ended 31 March 2017. These financial statements comprise the following:

Annexure A: Statement of financial position;
Annexure B: Statement of comprehensive income;
Annexure C: Statement of changes in equity;
Annexure D: Cash flow statement; and
Annexure E: Notes to financial statements

The financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 23(1) of the Marine Resources (Act 27 of 2000).

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 46(3) of the Marine Resources Act, 2000 (Act 27 of 2000) 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

I would like to express my appreciation for the courtesy extended by the staff of the Fisheries Observer Fund during the audit.

5. KEY AUDIT FINDINGS

5.1 Doubtful debtors

IAS 39 paragraph 58 states: "An entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. If any such evidence exists, the entity shall apply paragraph 63 to determine the amount of any impairment loss." Paragraph 63 indicates that if there is objective evidence that an impairment loss has been incurred, the carrying amount of the financial asset shall be reduced either directly or through the use of an allowance account.

Finding

The Fund does not provide for doubtful debts despite their debtors disclosed in the financial statements amounting to N\$ 13 016 828 while N\$ 403 879 of those debtors the Fund declared as uncollectable.

Impact

Failure by the Fund to make provision for doubtful debts in the financial statement might result in receivables being over-stated.

Recommendation

The Accounting Officer should ensure that a credit policy is prepared, approved and implemented.

Management comment

The debtor's policy approved by the Board of Directors on 19 December 2011 relates to the old method of observer levy collection. The current method of levy collection which was gazetted in August 2014 deemed the debtor's policy invalid and has caused the authority to collect outstanding debts to be vested only in the Minister of Fisheries and Marine Resources as stated in the Notice, No. 146 of Government Gazette, August 2014. This notice is also not obligatory, as it states that the Minister 'may' impose interest at the rate of 12% against any person who fails to pay the levy due within 7 days of receipt of invoice. Management have made a submission to the Management Board to provide the Fund with written instructions on how to proceed with the debt management process. The Fisheries Observer Fund is committed to collect outstanding levies to ensure financial accountability and sustainability for the Fund and Agency.

5.2 Interest on debtors

Finding

No interest have been imposed on debtors owing the Fund within 7 days of receipt of the invoice from the Fund indicating a non-compliance with the Notice no 146 of the government Gazette from the Ministry or failure from the Fund to forward the list of debtors failing to settle their debts to the Minister for further actions.

Impact

Failure to charge interest on outstanding debtors could result in a loss of possible revenue for the Fund.

Recommendation

The Accounting Officer should ensure that all outstanding debtors are charged with interest in compliance with the Notice no 146 of the Government Gazette from the Ministry.

Management comment

Management is in agreement with the recommendation given and will ensure to liaise with the Ministry of Fisheries on the best possible route to comply with the Notice.

5.3 Long outstanding debtors**Finding**

Furthermore debtors amounting to N\$ 5 925 483 owes the Fund for more than 30 days which represents 48% of the total debtors.

Impact

The Fund management did not comply with the gazetted notice no 146 of the Ministry of Fisheries and Marine resources.

Recommendation

The Accounting Officer should ensure that the management of the Fund do not deviate from the gazetted laws and any decision taken contrary to the gazetted laws.

Management comment


The Government Notice 146 rendered the Fund's Debtors Policy invalid and the Fund have asked guidance from the Management Board as to how to enforce the rules stated in the Notice.

6. UNQUALIFIED AUDIT OPINION

The accounts of the Fisheries Observer Fund for the financial year ended 31 March 2017 have been audited in terms of Section 46(7) of the Marine Resource Act, 2000 (Act 27 of 2000)

In my opinion, the financial statements presents fairly in all material respects, the financial position of the Fisheries Observer Fund as at 31 March 2017 and their financial performance and cash flow for the year then ended.

WINDHOEK, February 2018


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

FISHERIES OBSERVER FUND
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

	Note	2017 N\$	2016 N\$
ASSETS			
Current assets			
Prepayments and trade receivables	2	13 017 615	11 531 974
Cash and cash equivalents		39 517 261	29 859 683
Total assets		52 534 876	41 391 657
EQUITY AND LIABILITIES			
Retained funds			
Retained funds		41 010 355	37 181 923
Surplus / (deficit) for the year		10 939 621	3 828 432
Total Equity		51 949 976	41 010 355
Short-term Liabilities			
Advances: Observer Levies		584 900	381 302
Total equity and liabilities		52 534 876	41 391 657

ANNEXURE B

**FISHERIES OBSERVER FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH**

	Note	<u>2017</u>	<u>2016</u>
		N\$	N\$
Revenue	3	61 945 408	58 329 179
Fee income - observers		61 945 408	57 607 180
Interest received - bank		-	721 999
Less: Operating expenses			
Contributions to Fisheries Observer Agency		51 000 000	54 500 000
Gross operating surplus / (deficit)		10 945 408	3 829 179
Less: Expenses		5 787	747
Bank charges		1 354	747
Discount Allowed		4 433	-
Net surplus / (deficit) for the year		<u>10 939 621</u>	<u>3 828 432</u>

ANNEXURE C

FISHERIES OBSERVER FUND
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH

Retained funds	<u>N\$</u>
Balance at 01 April 2015	37 181 923
Net deficit for the year	<u>3 828 432</u>
Balance at 31 March 2016	<u>41 010 355</u>
Balance at 01 April 2016	41 010 355
Net surplus for the year	10 939 621
Balance at 31 March 2017	<u>51 949 976</u>

ANNEXURE D

FISHERIES OBSERVER FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH

	Note	2017 N\$	2016 N\$
Cash generated by operating activities	4	9 453 980	22 688 286
Cash flow from financing activities			
Other borrowings/Advance Receipts		203 598	381 302
Decrease in cash and cash equivalents		9 657 578	23 069 588
Cash and cash equivalents			
- at the beginning of the year		29 859 683	6 790 095
- at the end of the year		39 517 261	29 859 683

FISHERIES OBSERVER FUND**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH****1. Basis of preparation**

The financial statements are prepared on the historical cost basis as modified by the revaluation of investments. The following are the principle accounting policies used by the fund which are consistent with those of the previous years.

1.1 Cash and cash equivalents

For the purpose of the statement of cash flows cash and cash equivalents comprise cash in hand deposits held at call with banks and net bank overdrafts. In the statement of financial position bank overdrafts are included in current liabilities.

Notes to the statement of financial position

	2017	2016
	N\$	N\$
2. Prepayments and trade receivables		
Trade receivables	13 017 615	11 527 541
Sundry Receivables	-	4 433
	13 017 615	11 531 974

Notes to the statement of comprehensive income**3. Revenue**

Revenue: Observer levy	61 945 408	57 607 180
Interest received	-	721 999
	61 945 408	58 329 179

Notes to statement of cash flows**4. Cash (absorbed) / generated by operations**

Net surplus / (deficit)	10 939 621	3 828 432
Adjust for:		
Increase / (decrease) in accounts receivable	(1 485 642)	18 859 854
	9 453 979	22 688 286

