



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

FISHERIES OBSERVER FUND

FOR THE FINANCIAL YEARS ENDED 31 MARCH 2020 AND 2021

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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 years ended 31 March 2020 and 2021, 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 2022

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 YEARS ENDED 31 MARCH 2020 AND 2021**

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Fisheries Observer Fund for the financial years ended 31 March 2020 and 2021. These financial statements comprise the statement of financial position, statement of profit and loss and comprehensive income, statement of changes in equity, statement of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Audit Opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of the Fisheries Observer Fund as at 31 March 2020 and 2021, and its profit and loss and comprehensive income, and its cash flows for the years then ended in accordance with International Financial Reporting Standards for Small and Medium Enterprises (IFRS for SMEs).

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.

The adverse audit opinion is expressed due to the following:

- The Fund prepared its financial statements in accordance with IFRS for SMEs, the audit found and deemed the framework unacceptable. It is recommended that the Fund must adopt an acceptable framework in line with its operational mandate.

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. OTHER INFORMATION

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and, accordingly, the auditor does 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. 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 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 a 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. 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;

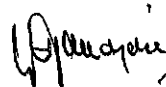
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls;
- Evaluate the appropriateness of accounting policies 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;
- 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;
- 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 Fisheries Observer Agency during the audit is appreciated.

WINDHOEK, July 22



JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

ANNEXURE A

FISHERIES OBSERVER FUND
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH

		2021	2020	2019
	Note	N\$	N\$	N\$
Assets				
Current assets				
Trade and other receivables	2	2 818 673	2 972 700	1 610 973
Cash and cash equivalents	3	21 603 817	45 874 656	51 880 592
Total assets		24 422 490	48 847 356	53 491 565
Equity and Liabilities				
Equity				
Accumulated surplus		48 746 842	53 225 493	52 456 413
Surplus / (deficit) for the year		(24 514 370)	(4 478 651)	769 080
Short-term Liabilities				
Trade and other payables	4	190 018	100 514	266 072
Total equity and liabilities		24 422 490	48 847 356	53 491 565

ANNEXURE B

FISHERIES OBSERVER FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 MARCH

	2021	2020	2019
	N\$	N\$	N\$
Revenue	45 613 872	59 730 949	60 037 691
Less: Operating expenses	(71 034 994)	(66 729 593)	(61 801 234)
Operating surplus / (deficit)	(25 421 122)	(6 998 644)	(1 763 543)
Add: Other income	906 752	2 519 994	2 532 624
Net surplus / (deficit) for the year	(24 514 370)	(4 478 650)	769 081

ANNEXURE C

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

	Accumulated Surplus	Total Equity
	N\$	N\$
Balance at 01 April 2018	52 325 404	52 325 404
Adjustment to Retained Income	131 009	131 009
Net surplus for the year	769 080	769 080
Balance at 31 March 2019	53 225 493	53 225 493
Net deficit for the year	(4 478 651)	(4 478 651)
Balance at 31 March 2020	48 746 842	48 746 842
Net deficit for the year	(24 514 370)	(24 514 370)
Balance at 31 March 2021	24 232 472	24 232 472

FISHERIES OBSERVER FUND
STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 MARCH

	Note	2021 N\$	2020 N\$	2019 N\$
Cash generated by operating activities				
Cash (used in) / generated from operations	6	(25 177 590)	(8 366 793)	7 490 780
Interest received		906 752	2 360 857	-
Cash generated by operating activities		(24 270 838)	(6 005 936)	7 490 780
Cash flow from financing activities				
Other borrowings/Advance Receipts		-	-	(197 672)
Adjustment to retained earnings		-	-	131 009
Net cash flows from financing activities		-	-	(66 663)
Total cash movement for the year		(24 270 838)	(6 005 936)	7 424 117
Cash at the beginning of the year		45 874 655	51 880 591	44 456 474
Total cash at the end of the year	3	21 603 817	45 874 656	51 880 591

**FISHERIES OBSERVER FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
31 MARCH 2020 AND 2021**

1. ACCOUNTING POLICIES

1.1 Presentation of annual financial statements

The annual financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in Namibian Dollar.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make judgements, estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results in the future could differ from these estimates, which may be material to the annual financial statements.

No significant estimates and judgements

No significant estimates and judgements have been applied in the preparation of these financial statements.

1.3 Financial instruments

When a financial asset or financial liability is recognized initially, it is measured at the transaction price (including transaction costs) unless the arrangement constitutes, in effect, a financing transaction.

Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Subsequent measurement - Financial instruments at amortized cost

These include loans, trade receivables and trade payables. Those debt instruments, which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortized cost using the effective interest method. At each reporting date, the carrying amounts of assets held in this

FISHERIES OBSERVER FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
31 MARCH 2020 AND 2021

category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

Trade receivables

Trade receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown as a current liability on the statement of financial position.

Trade Payables

Trade payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest rate method.

Trade payables are obligations on the basis of normal credit terms and do not bear interest. Trade payables denominated in a foreign currency are translated into Namibian Dollar using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or other expenses.

1.4 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services in the ordinary course of the entity's activities.

(a) When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognized by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the period can be measured reliably; and

FISHERIES OBSERVER FUND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
31 MARCH 2020 AND 2021

- the costs incurred for the transaction and to complete the transaction can be measured reliably.

(b) Fee income - observers

Fee income is collected in respect of the levy imposed under section 44(4) of the Marine Resources Act, which states that the Minister may impose a levy in respect of harvesting of any marine resource, to be paid into the Fisheries Observer Fund.

(c) Interest income - Interest is recognized, in profit or loss, using the effective interest rate method.

1.5 Changes in accounting policies

No other changes to the accounting policies were identified and the comparative information has remained unchanged from the prior reporting period.

FISHERIES OBSERVER FUND**ANNEXURE E****NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED
31 MARCH**

	2021	2020	2019
	N\$	N\$	N\$
2. TRADE AND OTHER RECEIVABLES	2 818 673	2 972 701	1 610 974
Trade receivables	3 499 238	3 352 258	2 149 668
Provision for doubtful debts	(680 565)	(379 557)	(538 694)
3. CASH AND CASH EQUIVALENTS	21 603 817	45 874 655	51 880 592
Nedbank current account	4 527 557	8 547 446	2 189 142
Nedbank call account	17 076 260	37 327 209	49 691 450
4. TRADE AND OTHER PAYABLES			
Advances: Observer Levies	190 018	100 514	266 072
5. REVENUE	45 613 872	59 890 086	60 037 691
Fee income - Observers	45 613 872	59 730 949	60 037 691
Provision for Doubtful debts Income	-	159 137	-
6. CASH GENERATED FROM / (USED IN) OPERATIONS			
Net surplus / (deficit)	(24 514 370)	(4 478 651)	769 081
Adjust for:			
Interest Received	(906 752)	(2 360 857)	-
Changes in working capital:			
Decrease / ((Increase) in accounts receivable	154 029	(1 361 727)	6 721 699
Increase / (decrease) in trade payables	89 503	(165 558)	-
	(25 177 590)	(8 366 793)	7 490 780
7. RELATED PARTIES			
Relationships			
Governing Body:	The Government of Namibia (Ministry of Fisheries and Marine Resources).		
Funds Provider:	Fisheries Observer Fund provides funds to the Fisheries Observer Agency.		
Related party transactions			
Transfer to Fisheries Observer Agency	70 557 289	66 724 470	61 798 892

ANNEXURE E

FISHERIES OBSERVER FUND
DETAILED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED
31 MARCH

	2021	2020	2019
	N\$	N\$	N\$
Revenue			
Fee income - observers	45 613 872	59 730 949	60 037 691
	906 752	2 519 994	2 532 624
Other income			
Provision for doubtful debt income	-	159 137	-
Finance income	906 752	2 360 857	2 532 624
Operating expenses			
Contributions to Fisheries Observer Agency	(70 557 289)	(66 724 470)	(61 798 892)
Gross operating (deficit) / surplus	(24 036 665)	(4 473 527)	771 423
Expenses	477 705	5 123	2 342
Bank charges	6 614	5 123	2 320
General expenses	-	-	22
Bad Debts	170 084	-	-
Provision for Doubtful Debts Expense	301 007	-	-
Net (deficit) / surplus for the year	(24 514 370)	(4 478 650)	769 081