



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
NAMIBIA TOURISM BOARD
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

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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 Namibia Tourism Board for the financial year ended 31 March 2014, 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, March 2016

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
NAMIBIA TOURISM BOARD
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014**

1. INTRODUCTION

The accounts of the Namibia Tourism Board "The Board" for the year ended 31 March 2014 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Namibia Tourism Board Act, 2000 (Act 21 of 2000).

The firm EDB & Associates has been appointed in terms of Section 26 (2) of the State Finance Act, 1991, to audit the accounts of the Board on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded off to the nearest Namibia Dollar. Deficits are indicated in brackets.

2. ESTABLISHMENT

The Namibia Tourism Board was established in terms of Section 2 of the Namibia Tourism Board Act, 2000 (Act 21 of 2000).

3. FINANCIAL STATEMENTS

The Board's annual financial statements referred to in Section 15(1) of the Act and other statements in respect of the financial year were audited in terms of Section 15(3) of the Act and are filed in the Office of the Auditor-General. Those published in this report are:

- Annexure A : Report of the Board
- Annexure B : Balance sheet
- Annexure C : Income statement
- Annexure D : Cash flow statement
- Annexure E : Notes to the annual financial statements

4. SCOPE OF THE AUDIT

Management's responsibility for the financial statements

The Accounting Officer of the Board is responsible for the preparation and fair presentation of the financial statements and for ensuring the regularity of the financial transactions. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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 said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm complies with ethical requirements and plans and performs the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

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 judgement, including the assessment of the risks of material misstatements in 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.

5. AUDIT OBSERVATIONS AND COMMENTS

5.1 GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the Board to continue as a going concern remains dependent on continued funding from the Government.

5.2 PAYROLL RECONCILIATIONS

Significant differences were found on the payroll reconciliation for the year ending 31 March 2014. It was evident that the payroll system was not regularly reconciled to the general ledger. Auditors reconciliation revealed a difference of N\$ 1 259 695.

5.3 CONTROL ACCOUNTS

Auditors noted with concern that the preparation, review and clearing of a number of control account reconciliations have not been performed consistently and timeously throughout the year.

5.4 REVENUE RECOGNITION

One of the generally accepted accounting principles is that income must be accounted for in the fiscal period to which it pertains, i.e., at the time that it is earned and not necessarily when it is received.

The suspense account balance of N\$ 5 635 153, (2013: N\$ 3 130 739) that was received by Namibia Tourism Board met all the requirements for revenue recognition as per the definition of revenue in accordance with International Accounting Standards 18. This revenue has not been recognised in the period it was earned. Instead accounts payable has been overstated by the same amount.

6. ACKNOWLEDGEMENT

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

7. QUALIFIED AUDIT OPINION

The accounts of the Namibia Tourism Board for the financial year ended 31 March 2014, were audited in accordance with the provisions of Section 15(2) of the Namibia Tourism Board Act, read with Section 25(1)(b) of the State Finance Act, 1991.

A qualified audit opinion is being expressed due to the following reasons:

- Payroll reconciliations not done;
- Control accounts not reconciled; and
- Revenue not recognized on accrual basis.

Except for the matters referred to in the preceding paragraphs, I certify that the annual financial statements present fairly, in all material respects, the financial position of the Namibia Tourism Board as of 31 March 2014, and of its financial performance and its cash flows for the year then ended.

WINDHOEK, March 2016

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

NAMIBIA TOURISM BOARD

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2014

The Board presents its report for the year ended 31 March 2014. This report forms part of the audited financial statements.

1. BUSINESS AND OPERATIONS

The Board's business and operations and the results thereof are clearly reflected in the attached financial statements. No material fact or circumstances has occurred between the accounting date and the date of this report.

The Board carries on the business of promoting tourism in Namibia according to statutory agreements.

2. STATEMENT OF RESPONSIBILITY**Directors' responsibility for the financial statements**

The Board's Directors are responsible for the preparation and fair presentation of these annual financial statements and for ensuring regularity of the financial transactions. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Board is also responsible for the system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatements and losses. Nothing has come to the attention of the Board to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the Board has every reason to believe that it has adequate resources in place to continue its operations for the foreseeable future.

Auditors' Responsibility

The auditors' responsibility is to express an opinion on these annual financial statements based on the audit. The auditors conducted the audit in accordance with International Standards on Auditing. Those standards require that auditors comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the annual 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 the Directors, as well as evaluating the overall presentation of the annual financial statements.

NAMIBIA TOURISM BOARD

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2014

Auditors' responsibility (continued)

The auditors believe that the audit evidence obtained is sufficient and appropriate to provide a basis for the audit opinion.

3. FINANCIAL RESULTS

The Board's (surplus)/deficit on ordinary activities for the year amounted to N\$ 15 433 166 (2013: N\$ 3 768 848).

Annual results can be summarised as follows:

	2014	2013
	N\$	N\$
Revenue	55 637 223	72 749 700
Interest received	2 649 564	2 877 079
	<u>58 286 787</u>	<u>75 626 779</u>
Other income	(356 737)	1 822 066
Expenditure	(73 363 217)	(73 679 997)
	<u>(15 433 166)</u>	<u>3 768 848</u>
Net (deficit) / surplus for the year	<u>(15 433 166)</u>	<u>3 768 848</u>
Cash and cash investments	<u>41 145 550</u>	<u>68 856 885</u>

4. PROPERTY, PLANT AND EQUIPMENT

There have been no major changes in the property, plant and equipment during the period, except for the additions, or any changes in the policy relating to their use.

5. EVENTS SUBSEQUENT TO THE YEAR-END

There have been no facts or circumstances of a material nature that have occurred between the accounting date and the date of this report.

6. DIRECTORS

The Board consisted of the following members during the accounting period:

- Mr. G. Howard	(Re-appointed – 01 November 2010)
- Mr. A. Goliath	(Appointed – 01 November 2010)
- Ms. B. Herma	(Appointed – 01 November 2010)
- Mr. W. Nashandi	(Appointed – 01 November 2010)

7. APPROVAL

The financial statements were approved by the Board on 6 August 2014 and signed by the Chief Executive Officer:

Mr Digu //Naobeb
Chief Executive Officer

NAMIBIA TOURISM BOARD

BALANCE SHEET AS AT 31 MARCH 2014

	Notes	2014 N\$	2013 N\$
ASSETS			
NON CURRENT ASSETS			
Intangible assets	2.1	10 627 901	8 633 211
Property, plant and equipment	2	25 259 160	10 451 744
		35 887 061	19 084 955
CURRENT ASSETS			
		44 469 346	72 100 740
Trade and other receivables	3	3 323 796	3 243 856
Cash and cash equivalents	4	41 145 550	68 856 884
TOTAL ASSETS		80 356 407	91 185 695
FUNDS AND LIABILITIES			
FUNDS AND RESERVES			
Accumulated funds		65 910 468	81 354 166
CURRENT LIABILITIES			
		14 445 939	9 831 530
Trade and other payables	5	12 219 478	8 284 339
Deferred income	6	-	273 514
Provisions – Leave and bonuses	7	2 226 461	1 273 677
TOTAL FUNDS AND LIABILITIES		80 356 407	91 185 695

NAMIBIA TOURISM BOARD

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 N\$	2013 N\$
REVENUE	8	55 637 223	72 749 700
OTHER INCOME		556 680	884 184
STAFF COSTS		(25 478 000)	(21 767 072)
DEPRECIATION		(1 647 589)	(1 452 449)
OTHER OPERATING EXPENSES		(47 151 044)	(50 460 636)
OPERATING DEFICIT	9	(18 082 730)	(46 273)
INTEREST RECEIVED	10	2 649 564	3 815 121
INTEREST PAID	10	-	-
NET (DEFICIT)/SURPLUS FOR THE YEAR		(15 433 166)	3 768 848
RESTATED OPENING BALANCE		81 343 634	78 073 061
PREVIOUS OPENING BALANCE		81 354 166	78 073 061
Adjustment		(10 532)	(487 743)
RESTATED CLOSING BALANCE		65 910 468	81 354 166

NAMIBIA TOURISM BOARD

CASH FLOW STATEMENT AS AT 31 MARCH 2014

	Notes	2014 N\$	2013 N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated by operations	12	(11 900 672)	3 433 975
Interest received		2 649 564	3 815 121
Prior year adjustments	13	(10 532)	(462 827)
Net cash inflow from operating activities		<u>(9 261 639)</u>	<u>6 786 269</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(18 454 175)	(7 441 054)
Proceeds from disposal of assets		4 480	208 495
		<u>(18 449 695)</u>	<u>(7 232 559)</u>
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		(27 711 334)	(446 290)
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR		<u>68 856 886</u>	<u>69 303 176</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	4	<u>41 145 550</u>	<u>68 856 886</u>

NAMIBIA TOURISM BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014**1. ACCOUNTING POLICIES****1.1 Introduction**

The annual financial statements set out in Annexures B to E were prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent in all material aspects with those applied in the previous year.

1.2 Revenue recognition

Revenue comprises grants received from the Government of the Republic of Namibia and from other sources to defray costs necessarily incurred by the Namibia Tourism Board as well as levies and fees collected in terms of the Namibia Tourism Board Act, 2000 (Act 21 of 2000).

1.3 Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investments.

1.4 Property, plant and equipment

All property, plant and equipment are initially recorded at cost and adjusted for any impairment in value.

Impairment losses and reversal of impairment losses are recognised in the income statement.

Depreciation is calculated on the straight-line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

- Motor vehicles	20 %
- Furniture and fittings	20 %
- Office equipment	20 %
- Computer equipment	33.3 %

1.5 Provision

Provisions are recognised when the Board has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

1.6 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis relative to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to the deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual installments.

NAMIBIA TOURISM BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014
(continued)**1.7 Translation of foreign currencies*****Transactions***

Foreign currency transactions are recorded, on initial recognition in Namibia dollars, by applying to the foreign currency amount the exchange rate between the Namibia dollars and the foreign currency at the date of the transactions.

At each balance sheet date:

- (a) Foreign currency monetary items are reported using the closing rate,
- (b) non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction, and
- (c) non-monetary items which are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Net investments in a foreign currency

Exchange differences arising on a monetary item that, in substance, forms part of the net investments in a foreign entity are classified as equity in the financial statements until the disposal of the net investment, at which time they are recognised as income or expenses.

Foreign operations that are integral to the operations of the Board

The financial statements of a foreign operation that is integral to the operations of the Board are translated using the same standards and procedures as if the transactions of the foreign operations had been those of the Board itself.

1.8 Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, trade receivables, trade payables, leases and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

1.9 Intangible assets

Computer software programs are expensed in the year in which they are acquired, unless when it forms part of the cost of an intangible asset that meets the recognition criteria of IAS 38, paragraph 18-67.

After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortization and any accumulated impairment losses.

Computer software has a finite useful life and is amortised over five years on the straight-line method. The computer software has not been brought into use yet and is still under the development phase, hence not yet amortized.

NAMIBIA TOURISM BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

2. PROPERTY, PLANT AND EQUIPMENT

	2014			2013		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	N\$	N\$	N\$	N\$	N\$	N\$
Owned assets						
Land	1 865 313	-	1 865 313	2 457 958	-	2 457 958
Building	19 614 337	-	19 614 337	4 668 735	-	4 668 735
Motor vehicles	5 089 048	(1 926 893)	3 162 155	3 247 805	(1 149 102)	2 098 703
Furniture and fittings	1 687 282	(1 431 956)	255 326	1 554 976	(1 338 992)	215 984
Office equipment	413 339	(281 641)	131 698	410 841	(216 297)	194 544
Computer equipment	4 265 608	(4 035 277)	230 331	4 139 599	(3 298 865)	840 734
	32 934 927	(7 675 767)	25 259 160	16 479 914	(6 003 256)	10 476 658

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Carrying value at beginning of year	Additions	Disposals/ Waiver	Depreciation	Carrying value at end of year
	N\$	N\$	N\$	N\$	N\$
2014					
<i>Owned assets</i>					
Land	2 457 958	-	(592 645)	-	1 865 313
Building	4 668 735	14 945 602	-	-	19 614 337
Motor vehicles	2 098 704	1 841 243	-	(777 610)	3 162 337
Furniture and fittings	215 984	132 307	-	(88 155)	260 136
Office equipment	194 543	2 497	-	(65 337)	131 703
Computer equipment	840 737	126 002	-	(716 488)	250 252
	10 476 661	17 047 651	(592 645)	(1 647 590)	25 284 078
2013					
<i>Owned assets</i>					
Land	1 720 158	737 800	-	-	2 457 958
Building	727 335	3 941 400	-	-	4 668 735
Motor vehicles	2 410 405	253 254	(768 600)	(564 955)	2 098 704
Furniture and fittings	236 892	57 314	-	(78 222)	215 984
Office equipment	208 508	48 384	(3 310)	(62 349)	194 543
Computer equipment	1 489 994	97 666	(294 311)	(746 923)	840 737
	6 793 292	5 135 818	(1 066 221)	(1 452 449)	10 476 661

NAMIBIA TOURISM BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014 (continued)

2.1 Intangible assets

	2014			2013		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	N\$	N\$	N\$	N\$	N\$	N\$
Computer software	8 633 211	1 994 689	10 627 901	8 633 211	-	8 633 211

	Carrying value at beginning of year	Additions	Disposals	Depreciation	Carrying value at end of year
	N\$	N\$	N\$	N\$	N\$
2014					
<i>Owned assets</i>					
Computer software	8 633 211	1 994 689	-	-	10 627 901
	8 633 211	1 994 689	-	-	10 627 901
2013					
<i>Owned assets</i>					
Computer software	6 327 976	2 305 235	-	-	8 633 211
	6 327 976	2 305 235	-	-	8 633 211

3. TRADE AND OTHER RECEIVABLES

	2014 N\$	2013 N\$
Trade receivables	5 279 392	4 405 844
Deposit	135 944	62 768
Provision for doubtful debts	(2 101 299)	(2 108 912)
Prepayments	10 759	884 156
	3 323 796	3 243 856

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand balances and with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet accounts :

Overdraft	-	(3 145)
Cash on hand	3 155	3 324
Bank balances	10 468 983	31 267 101
Investments	30 673 412	37 589 604
	41 145 550	68 856 884

NAMIBIA TOURISM BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014
(continued)

	2014	2013
	N\$	N\$
5. TRADE AND OTHER PAYABLES		
Trade payables	11 442 332	6 976 080
Accruals	768 349	1 308 258
	12 210 681	8 248 338

6. DEFERRED INCOME

The deferred income represents unutilised funds received from the Ministry of Environment and Tourism, for the 2010 World Cup project and other special project.

	2014	2013
	N\$	N\$
MET: Grant for special projects	-	273 514
	-	273 514

7. PROVISIONS

Provision : Leave days	868 069	966 958
Provision : Bonus	1 358 392	306 848
	2 226 461	1 273 807

8. REVENUE

Revenue comprises turnover, which excludes value-added tax and represents the invoiced value of goods and services supplied.

	2014	2013
	N\$	N\$
Major classes of revenue comprise :		
Brochure advertising income	67 100	67 125
Government grants	30 000 000	50 000 000
Other Grant: SME Development	-	-
Grading fee	2 000	95 250
Additions, Renovations and Alterations	134 750	134 750
Application fees	445 00	404 775
Levies received	22 356 684	19 408 670
Registration fees	41 500	64 900
Replacement fees	15 280	11 160
Participation fee	2 527 640	2 563 071
	55 637 223	72 749 700

NAMIBIA TOURISM BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014
(continued)

	2014	2013
	N\$	N\$
9. OPERATING SURPLUS		
Operating (deficit)/surplus is stated after :		
<i>Expenditure</i>		
Auditors' remuneration		
- this year	78 280	46 273
Depreciation	1 647 589	1 452 449
Operating lease rentals	3 789 458	3 259 036
- Premises	3 524 250	3 067 321
- Motor vehicles	5 778	29 331
- Other assets	259 430	162 384
Loss/(gain) on foreign currency	(913 417)	(185 438)
10. FINANCE INCOME		
Interest income	3 732 555	3 815 121
- From outstanding levy	1 082 991	938 042
- From financial institution	2 649 564	2 877 079
11. DIRECTORS' EMOLUMENTS		
Emoluments received		
Directors – Fees as directors in connection with the affairs of the company	519 090	538 285

NAMIBIA TOURISM BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014
(continued)

	2014	2013
	N\$	N\$
12. CASH GENERATED BY OPERATIONS		
Net operating (deficit)/surplus for the year	(15 433 166)	3 768 848
Adjustments for :		
- Depreciation	1 647 589	1 452 449
- Interest received	(2 649 564)	(3 815 121)
- Interest paid	-	-
- Loss / (profit) on disposal of assets	-	(208 495)
OPERATING SURPLUS BEFORE CHANGES IN WORKING CAPITAL	(16 435 141)	1 197 681
CHANGES IN WORKING CAPITAL	4 534 469	2 236 294
Trade and other receivables – (increase)	(79 940)	(260 813)
Trade and other payables - increase	4 614 409	2 223 593
Deferred income - increase	-	273 514
CASH GENERATED BY OPERATIONS	(11 900 672)	3 433 975

13. AUDIT ADJUSTMENT

The following is a breakdown of the opening balance differences:

2013 closing balance as per Auditor-General Report – Accumulated funds	81 354 166
2014 opening balance as per Tourism Board AFS – Accumulated funds	81 343 634
Difference (A)	10 532