



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

REGIONAL COUNCIL OF THE ERONGO REGION

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012

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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 Erongo Region for the financial years ended 31 March 2012, 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, December 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE
ACCOUNTS OF THE REGIONAL COUNCIL OF THE ERONGO REGION
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

1. INTRODUCTION

The Regional Council of the Erongo region was established under Section 2(1) of the Regional Councils Act, 1992 (Act 22 of 1992).

The financial powers, duties and functions of the Council are stipulated in Article 108 of the Namibian Constitution and Section 28 of the Regional Council Act. Sections 39 and 40 of the Act require that accounting records of the Council shall be kept and its financial statements shall be prepared by its Chief Regional Officer.

Figures in the report are rounded off to the nearest Namibia dollar. Figures in brackets represent negative figures.

2. REPORT ON THE FINANCIAL STATEMENTS

The Regional Council's financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 40(1) of the Regional Councils Act, 1992, **except that these were only signed on 5 December 2012 instead of three months after the end of the financial year as stipulated in the Act.** The abridged balance sheet, Annexure A, is a true reflection of the original.

The following annexures are also attached to this report:

- Annexure B: Statement of income and expenditure
- Annexure C: Cash flow statement
- Annexure D: Notes to the financial statement

3. SCOPE OF AUDIT

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Namibia General Acceptable Accounting Practices and legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on our audit. I conducted our audit in accordance with International Standards for Supreme Audit Institutions. These standards require that I comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.

4. AUDIT OBSERVATIONS AND COMMENTS

4.1 INCOME

Settlement areas

During the time of the audit we observed control weaknesses at the Council. There are no reconciliation done on the income received at the settlement areas as well as no management checks and supervision on the operation of the settlement. No reconciliations done on the receipt and issuing of the receipt book.

4.2 FIXED ASSETS

Depreciations

For the sample selected, it was observed that depreciation for fixed assets was over stated with an amount of N\$ 14 025, this is due to the fact that the Council has charged depreciation in the month the assets were acquired.

4.3 INVENTORY

At the time of the audit it was observed that a stock taking report for consumable items was prepared at the end of the financial year, however, the same stock value could not be verified to the stock counter book. Therefore, operation procedures regarding the counter book were not properly maintained.

5. ACKNOWLEDGEMENT

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

6. AUDIT OPINION

The accounts of the Regional Council of the Erongo region for the financial year ended 31 March 2012 have been audited in terms of Section 38 of the Regional Councils Act, 1992 (Act 22 of 1992) and Section 25(1)(b) of the State Finance Act, 1991 (Act 31 of 1991).

In my opinion, the accounts fairly present the financial position and related transactions of the Council, for the year ended 31 March 2012.

WINDHOEK, December 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

REGIONAL COUNCIL FOR THE ERONGO REGION

BALANCE SHEET AS AT 31 MARCH

	Notes	2012 N\$	2011 N\$
ASSETS			
Non-current assets			
Fixed Assets	2	32 999 481	31 827 339
Investments	3	4 885 631	4 617 713
Current assets			
Cash on hand and bank	4	33 232 750	24 237 040
Debtors	5	6 302 831	5 364 960
Stock on Hand		194 894	302 690
Value Added Tax		-	-
Total assets		77 615 587	66 349 742
EQUITY AND LIABILITIES			
Accumulated funds	Annexure B	44 980 922	35 385 597
Development Fund: Capital Project		29 667 848	29 667 848
Development Fund: Build Together		2 090 000	925 000
Current liabilities	6	876 817	371 297
Total equity and liabilities		77 615 587	66 349 742

REGIONAL COUNCIL FOR THE ERONGO REGION

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH

	Notes	2012 N\$	2011 N\$
Income	8	107 804 424	25 308 009
Expenditure	9	100 295 241	25 616 996
Net operating surplus/(loss)		7 509 183	(308 987)
Interest on current account		1 660 366	1 359 338
Accumulated income/(deficit)		9 169 549	1 050 351
~ at the beginning of the year		35 385 597	43 327 219
~Unexplained adjustments		425 776	(8 991 973)
~ at the end of the year		44 980 922	35 385 597

REGIONAL COUNCIL FOR THE ERONGO REGION
CASHFLOW STATEMENTS AS AT 31 MARCH

	Note	2012	2011
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipt from customers		107 804 424	25 308 009
Cash paid to suppliers		(100 194 020)	(35 408 983)
Cash (Utilized)/generated by operations	10	7 610 404	(10 100 974)
Interest received		1 660 366	1 359 338
(Increase)/decrease in investment		(267 918)	(249 092)
Increase/(decrease) in funds		1 165 000	-
(Increase)/decrease in fixed assets		(1 172 142)	8 127 721
 Nett (decrease)/increase in cash and cash equivalents		 8 995 710	 (863 007)
CASH AND CASH EQUIVALENTS			
-Beginning of the year		24 237 040	25 100 047
 - End of the year		 33 232 750	 24 237 040

REGIONAL COUNCIL FOR THE ERONGO REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH

1. ACCOUNTING POLICIES

The annual financial statements are prepared under the historical cost convention. The following accounting policies are consistent, in all respect, with those of the previous year:

- 1.1** The annual financial statements are prepared in line with the accrual concept. It should be noted, however, that income and expenditure 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 relevant Line Ministry and all unexpected Delegated Funds are returned to the State Account as at 31 March, this does not materially affect the Regional Council's financial statements.
- 1.2** All Fixed Assets are stated at historical cost less Accumulated Depreciation. Depreciation is calculated using the straight line method to write off the cost of each asset over the estimated useful life as follows:

Buildings	50 years	2 % pa
Machinery and equipment	5 years	20 % pa
Motor vehicles	5 years	20 % pa
Office furniture and equipment	3 years	33.33 % pa
Computer equipment	3 years	33.33 % pa

2. PLANT AND EQUIPMENT

2012	Work in progress	Land & buildings	Machinery equipment & vehicles	Office furniture equipment & computers	Total
	N\$	N\$	N\$	N\$	N\$
Opening net book value (cost)	5 855 337	12 807 122	12 490 734	674 146	31 827 339
Adjustment	-	-	-	-	-
Plus: Purchases	118 175	3 616 990	989 236	453 686	5 178 087
Less: Charge for the year	-	(305 867)	(3 394 045)	(306 033)	(4 005 945)
Closing net book value (cost)	5 973 512	16 118 245	10 085 925	821 799	32 999 481

REGIONAL COUNCIL FOR THE ERONGO REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH

2011	Work in progress	Land & buildings	Machinery equipment & vehicles	Office furniture equipment & computers	Total
	N\$	N\$	N\$	N\$	N\$
Opening net book value (cost)	24 994 366	12 789 590	1 491 956	679 148	39 955 060
Adjustment	(22 114 421)	(3 909 072)	-	-	(26 023 493)
Plus: Purchases	2 975 392	4 190 942	14 387 540	248 203	21 802 077
Less: Charge for the year	-	(264 338)	(3 388 762)	(253 205)	(3 906 305)
Closing net book value (cost)	5 855 337	12 807 122	12 490 734	674 146	31 827 339

3. INVESTMENTS

	2012 N\$	2011 N\$
Treasury bill	4 819 824	4 551 906
Shares in Erongo Red	65 807	65 807
	4 885 631	4 617 713

4. CASH ON HAND AND BANK

Call account	239 168	2 101 628
Current account	35 334	160 510
FNB cheque	-	-
FNB call	122 440	492 222
Traditional Authority	3 837 010	3 958 062
Pro-save: Build together	1 387 828	174 816
Build Together call account	34 963	14 249
Pro-save: Capital projects	11 393 109	4 987 623
StanLib account	13 051 032	12 347 430
Emergency Fund	48 890	-
Uis	153 437	-
Uis Btp	1 426	-
Erongo Rural Development Project	1 356 770	-
Directorate of Education	1 183 505	-
Works Maintenance - Erongo	387 838	-
Cash on Hand	-	500
	33 232 750	24 237 040

REGIONAL COUNCIL FOR THE ERONGO REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH

5. DEBTORS

Build Together Programme	1 531 072	1 459 143
Local Authorities	3 424 926	2 479 784
Water Customers	748 055	608 340
Subsistence & Travel Advance Unclaimed	6 308	80 644
Sundry Debtors - Sanlam Pension Fund	81 470	70 722
Receiver of Revenue	-	666 327
Rental Deposits-Cuban Consultants Accomodation	11 000	-
Usakos Town Council	500 000	-
	6 302 831	5 364 960

6. CURRENT LIABILITIES

Creditors	590 385	371 297
Salaries and Wages Control	5 916	-
Value Added Tax	100 316	-
Retention Fees	180 200	-
	876 817	371 297

7. DELEGATED FUNCTIONS

The Regional Council is currently performing the following functions delegated by Central Government line ministries, as indicated in accordance with the Decentralisation Enabling Act, 2000.

Under delegation the Regional Council acts as an agent on behalf of the relevant Line Ministry. The relevant Line Ministry, however, retains overall responsibility for performance of the functions, and also retains the responsibility to approve the related budget. This budget allocation is transferred to the Regional Council via monthly cash transfers.

However, any unexpended amount as at 31st March is paid to the State Account, via the related line ministry. For this reason the Income and Expenditure for each delegated function should always net to Nil.

REGIONAL COUNCIL FOR THE ERONGO REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH

DELEGATED FUNCTIONS (continued)

	2012	2011
	N\$	N\$
Line Ministry		
INCOME		
Ministry of Gender Equality and Child Welfare	227 802	55 000
Ministry of Health and Social Services	7 300 000	-
Office of the Prime Minister	-	45 349
Rural Develop. Projects - MRLGHRD	67 000	565 472
Ministry of Agriculture and Forestry	10 000	7 000
Directorate of Works	5 838 494	-
Ministry of Education	63 480 924	379 717
Total of Income	76 924 220	1 052 538
EXPENDITURE		
Ministry of Gender Equality and Child Welfare	227 795	62 990
Ministry of Local GRN - Expenses	44 118	504 737
Office of the Prime Minister	-	17 349
Ministry of Education	62 304 785	-
Directorate of Works	5 853 803	-
Total	68 430 501	585 076
SURPLUS/(DEFICIT)	8 493 719	467 462
8. INCOME		
5 % Assessment rates - Head Office	4 957 097	4 292 081
Revenue from settlements	1 122 604	764 791
Subsidy from Government	22 401 876	18 657 032
Subtotal	28 481 577	23 713 904
OTHER INCOME		
Other revenue	822 299	541 567
Rural Development Projects Income	1 576 328	-
Delegated functions	76 924 220	1 052 538
Subtotal	79 322 847	1 594 105
Grand total	107 804 424	25 308 009

REGIONAL COUNCIL FOR THE ERONGO REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH

	2012	2011
	N\$	N\$
9. EXPENDITURE		
Personnel Expenditure	16 364 566	13 264 399
Transport Cost	1 502 802	813 326
Subsistence and Travel	1 534 311	1 243 531
Property Rental	215 623	142 227
Utilities	3 889 531	2 285 458
Maintenance Expenses	619 579	269 173
Depreciation Expenses	4 005 944	3 906 305
Bank Charges	45 642	16 852
Other Expenditure	3 212 119	2 929 250
Subsidies, Grants Contributions Paid	190 521	161 400
Rural Development Projects	284 102	-
Delegated Functions	68 430 501	585 076
Total expenditure	100 295 241	25 616 996
NET OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	7 509 183	(308 987)
NET FINANCIAL INCOME		
Interest received	1 164 429	1 359 338
Interest received Education	495 937	-
SURPLUS/(DEFICIT) FOR THE YEAR	9 169 549	1 050 351
10. CASH (UTILISED/GENERATED BY OPERATIONS)		
Net (deficit)/surplus before adjustments and before interest received	7 509 183	(308 987)
Adjustment for:		
Unexplained adjustments	425 776	(8 991 973)
Operating income before changes in working capital	7 934 959	(9 300 960)
CHANGES IN WORKING CAPITAL		
(Increase)/decrease in debtors	(830 075)	(523 546)
(Decrease)/increase in current liabilities	505 520	(276 468)
	7 610 404	(10 100 974)