



**REPUBLIC OF NAMIBIA**



**ERONGO REGION**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
REGIONAL COUNCIL OF THE ERONGO  
REGION**

**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014**

Published by authority

Price (Vat excluded) N\$ 31.00  
Report no 2016/05

**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 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, November 2015**

**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 2014**

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**1. Report on the Financial Statements**

**1.1 INTRODUCTION**

This report on the accounts of the Erongo Regional Council for the financial year ended 31 March 2014 is presented to the National Assembly in accordance with the terms of Article 127(2) of the Constitution of the Republic of Namibia and provisions set out in the State Finance Act, 1991(Act 31 of 1991), as amended.

Figures in the 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 Erongo Regional Council for the financial year ended 31 March 2014. These financial statements comprise of the balance sheet, income statement, cash flow statement and notes to the financial statements for the year then ended.

Annexure A: Balance Sheet

Annexure B: Income Statement

Annexure C: Cash Flow Statement

Annexure D: Notes to the financial statements

The Regional Council's financial statements were submitted by the Accounting Officer to the Auditor-General on the 05<sup>th</sup> December 2014 instead of three months after the end of the financial year as stipulated in terms of Section 40 (1) of the Regional Councils Act, 1992.

The financial statements, notes to the financial statements and general information provided by the Accounting Officer are attached as Annexures A- D.

**2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance Section 39 of the Regional Councils Act, 1992 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, 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. ACKNOWLEDGMENT**

The assistance and co-operation given by the management and staff of the Regional Council during the audit is appreciated.

## **5. KEY AUDIT FINDINGS**

No material findings were observed.

## **6. UNQUALIFIED AUDIT OPINION**

The accounts of the Erongo Regional Council for the year ended 31 March 2014 have been audited in terms of section 38 of the Regional Council Act, 1992 (Act 22 of 1992) and section 25 (1) (b) of the state Finance Act, 1991 (Act 31 of 1992).

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Erongo Regional Council as at 31 March 2014, and their financial performance and cash flows for the year then ended.

## **7. ADDITIONAL REPORTING RESPONSIBILITIES**

### **EMPHASIS OF MATTERS**

Without expressing a qualified audit opinion on the basis of this paragraph, I draw attention to the following matter that relates to my responsibility in the audit of the financial statements, as disclosed by the Erongo Regional Council in the financial statements:

- The Council disclosed an adjustment amounting to N\$ 1 932 321 under Work In Progress in the financial statements (note 2). Upon enquiry the auditors were informed that the adjustment was for a building which was completed and donated in the current financial year.

**WINDHOEK, November 2015**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**BALANCE SHEET AS AT 31 MARCH**

	Notes	2014 N\$	2013 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>50 444 325</b>	<b>43 761 168</b>
Fixed Assets	2	45 044 430	38 617 729
Investments	3	5 399 895	5 143 439
<b>Current assets</b>		<b>43 830 029</b>	<b>36 232 165</b>
Cash on hand and bank	4	33 302 895	28 348 706
Debtors	5	10 309 864	7 599 123
Stock on Hand		217 270	284 336
<b>Total assets</b>		<b>94 274 355</b>	<b>79 993 333</b>
<b>EQUITY AND LIABILITIES</b>			
Accumulated funds	Annexure B	54 091 793	47 693 037
Development Fund: Capital Project		37 546 188	29 667 848
Development Fund: Build Together		2 090 000	2 090 000
Current liabilities	6	546 375	542 448
<b>Total equity and liabilities</b>		<b>94 274 355</b>	<b>79 993 333</b>

## INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH

	Notes	<b>2014</b>	<b>2013</b>
		N\$	N\$
<b>Income</b>	8	132 428 478	109 986 430
<b>Expenditure</b>	9	125 651 642	108 621 200
<b>Net operating surplus/(loss)</b>		6 776 836	1 365 230
Interest on current account		1 654 151	2 189 943
<b>Accumulated income/(deficit)</b>		8 430 987	3 555 173
~ at the beginning of the year		47 693 037	44 980 922
~Adjustments		(2 032 231)	(843 058)
~ at the end of the year		<b>54 091 793</b>	<b>47 693 037</b>

## REGIONAL COUNCIL FOR THE ERONGO REGION

## CASHFLOW STATEMENT AS AT 31 MARCH

	Notes	2014	2013
		N\$	N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipt from customers		132 428 478	109 986 430
Cash paid to suppliers		130 323 622	(111 184 361)
<b>Cash (Utilized)/generated by operations</b>	<b>10</b>	<b>2 104 856</b>	<b>(1 197 931)</b>
Interest received		1 654 151	2 189 943
<b>Net cash inflow from operating activities</b>		<b>3 759 007</b>	<b>992 012</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
(Increase)/decrease in investment		(256 456)	(257 808)
Increase/(decrease) in funds		7 878 340	-
(Increase)/decrease in fixed assets		(6 426 701)	(5 618 248)
Net (decrease)/increase in cash and cash equivalents		4 954 190	(4 884 044)
<b>CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of the year		28 348 706	33 232 750
<b>Cash and cash equivalents at end of the year</b>		<b>33 302 896</b>	<b>28 348 706</b>



## 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, 1991. 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 Accounts 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 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 %
Computer equipment	3 years	33.33 %

## ANNEXURE D

## REGIONAL COUNCIL FOR THE ERONGO REGION

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

## 2. PLANT AND EQUIPMENT

<b>2014</b>	<b>Land &amp; Buildings</b>	<b>Machinery Equipment &amp; Vehicles</b>	<b>Office Furniture Equipment &amp; Computers</b>	<b>Total</b>
	N\$	N\$	N\$	N\$
Cost as at 1 April 2013	17 270 516	19 106 881	3 444 409	39 821 806
Additions	-	764 623	418 763	1 183 386
Prior year Adjustment for 2013/2014	-	-	(289 095)	(289 095)
<b>Cost as at 31 March 2014</b>	<b>17 270 516</b>	<b>19 871 504</b>	<b>3 574 077</b>	<b>40 716 097</b>
Depreciation as at 1 April 2013	1 365 559	12 113 116	2 488 564	15 967 239
Charge for the year	336 678	3 319 877	321 510	3 978 065
<b>Depreciation as at 31 March 2014</b>	<b>1 702 237</b>	<b>15 432 993</b>	<b>2 810 074</b>	<b>19 945 304</b>
<b>Net Book Value as at 31 March 2014</b>	<b>15 568 279</b>	<b>4 438 511</b>	<b>764 003</b>	<b>20 770 793</b>

  

<b>2013</b>	<b>Land &amp; Buildings</b>	<b>Machinery Equipment &amp; Vehicles</b>	<b>Office Furniture Equipment &amp; Computers</b>	<b>Total</b>
	N\$	N\$	N\$	N\$
Cost as at 1 April 2012	17 158 126	18 797 444	3 020 694	38 976 264
Additions	-	23 999	158 510	182 509
Prior year Adjustment for 2012/2013	112 390	285 438	265 205	663 033
<b>Cost as at 31 March 2013</b>	<b>17 270 516</b>	<b>19 106 881</b>	<b>3 444 409</b>	<b>39 821 806</b>
Depreciation as at 1 April 2012	1 039 881	8 711 518	2 198 896	11 950 295
Charge for the year	325 678	3 401 598	289 668	4 016 944
<b>Depreciation as at 31 March 2013</b>	<b>1 365 559</b>	<b>12 113 116</b>	<b>2 488 564</b>	<b>15 967 239</b>
<b>Net Book Value as at 31 March 2013</b>	<b>15 904 957</b>	<b>6 993 765</b>	<b>955 845</b>	<b>23 854 567</b>

## REGIONAL COUNCIL FOR THE ERONGO REGION

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH

(continued)

<b>2012</b>	<b>Land &amp; Buildings</b>	<b>Machinery Equipment &amp; Vehicles</b>	<b>Office Furniture Equipment &amp; Computers</b>	<b>Total</b>
	N\$	N\$	N\$	N\$
Cost as at 1 April 2011	13 541 136	17 808 208	2 567 009	33 916 353
Additions	3 616 990	989 236	453 686	5 059 912
<b>Cost as at 31 March 2012</b>	<b>17 158 126</b>	<b>18 797 444</b>	<b>3 020 695</b>	<b>38 976 265</b>
Depreciation as at 1 April 2011	734 014	5 317 473	1 892 864	7 944 351
Charge for the year	305 867	3 394 045	306 033	4 005 945
<b>Depreciation as at 31 March 2012</b>	<b>1 039 881</b>	<b>8 711 518</b>	<b>2 198 897</b>	<b>11 950 296</b>
<b>Net Book Value as at 31 March 2012</b>	<b>16 118 245</b>	<b>10 085 926</b>	<b>821 798</b>	<b>27 025 969</b>

**WORK IN PROGRESS****2013/2014**      **2012/2013**

N\$                      N\$

The following are the projects in Work-in-progress

	<b>24 273 636</b>	<b>14 763 162</b>
Otjimbingwe Settlement Office	5 651 132	2 875 584
Okombahe upgrading of Sewerage	3 879 073	3 716 770
Construction. Okombahe Settlement Office	7 044 635	3 982 693
Whlotz Office & Staff Accomodation	141 768	141 768
Okombahe Land Surveying	83 605	83 605
Omatjete Surveying	352 011	352 011
Omatjete Water Borne Sewer Network	658 788	-
Otjimbingwe Surveying	400 321	400 321
Arandis SME/Industrial Park	-	1 932 321
Uis Land & Town Planning	82 823	82 823
Construction of Tsoaxudaman T/A Office	3 107 674	1 344 057
Otjimbingwe & Uis Road Maintenance	-	148 798
Construction of Guard office- Swakopmund	106 571	-
Construction of Guard office- Arandis	19 267	-
Construction of Guard office- Walvis bay Urban	124 347	-
Construction of Guard office- Daures	102 459	-
Wip- Construction of Guard office- Walvis bay Rural	108 134	-
Construction of Guard office-Omaruru	95 400	-
Construction of Guard office- Karibib	112 078	-
5% Rates Levy Funded Projects	2 203 552	-

## REGIONAL COUNCIL FOR THE ERONGO REGION

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH

(continued)

<b>3. INVESTMENTS</b>	<b>2014</b>	<b>2013</b>
	N\$	N\$
Treasury Bill	5 334 088	5 077 632
Shares in Erongo Red	65 807	65 807
	<b>5 399 895</b>	<b>5 143 439</b>
<b>4. CASH ON HAND AND BANK</b>		
Nedbank Current account	38 655	738 003
Nedbank Call	418 442	1 245 667
FNB Call Account	167 486	127 617
FNB BT Revolving	78 699	56 174
Capital Projects Call	1 536 598	4 407 840
Traditional Authority Call	6 192 608	3 452 943
Nedbank BT call account	1 098 967	1 405 275
StanLib Investments	6 709 042	13 775 635
Emergency Fund	26 798	27 098
Nedbank Uis Call	317 933	178 250
Uis Btp Call	4 242	4 034
Erongo Rural Dev. Project	2 165 929	1 995 160
Directorate of Education	13 083 539	316 793
Works Maintenance - Erongo	674 918	617 206
Uis Nampost	731 284	-
Okombahe Nampost	54 455	-
Cash on Hand	3 301	1 011
	<b>33 302 895</b>	<b>28 348 706</b>
<b>5. DEBTORS</b>		
Build Together Programme	1 948 220	1 592 447
Local Authorities	4 447 734	3 822 894
Water Customers	659 746	597 840
Subsistence & Travel Advance Unclaimed	62 461	31 320
Other Salary & wages control	-	131
Staff members and Sanlam	-	2 122
Receiver of Revenue (VAT)	2 680 702	1 041 369
Rental Deposits-Cuban Consultants Accomodation	11 000	11 000
Usakos Town Council	500 000	500 000
	<b>10 309 864</b>	<b>7 599 123</b>

	<b>2014</b>	<b>2013</b>
	N\$	N\$
<b>6. CURRENT LIABILITIES</b>		
Creditors	544 525	410 756
Salaries and Wages Control	1 850	-
Value Added Tax	-	-
Retention Fees	-	131 692
	<b>546 375</b>	<b>542 448</b>

**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 31<sup>st</sup> 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.

	<b>2014</b>	<b>2013</b>
	N\$	N\$
<b>Line Ministry</b>		
<b>INCOME</b>		
Ministry of Gender Equality and Child Welfare	808 630	473 130
Ministry of Health and Social Services	-	-
Sponsorship & Transfer Private Organisations	10 000	42 500
Office of the Prime Minister	230 376	103 076
Ministry of RLGHRD	45 000	10 000
Ministry of Agriculture and Forestry	10 000	10 000
Directorate of Works	6 281 362	7 537 801
Ministry of Education	83 225 718	65 750 723
<b>Total Income</b>	<b>90 611 086</b>	<b>73 927 230</b>

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH

(continued)

	<b>2014</b>	<b>2013</b>
<b>EXPENDITURE</b>	N\$	N\$
Ministry of Gender Equality and Child Welfare	808 630	472 451
Ministry of RLGHRD - Expenses	-	58 571
Office of the Prime Minister	506 205	4 916
Ministry of Education	71 747 561	66 617 435
Sponsorship Funds Transfer	-	40 000
Ministry of Health & Social Services	5 830 880	202 125
Directorate of Works Maintenance	6 223 649	7 308 433
<b>Total</b>	<b>85 116 925</b>	<b>74 703 931</b>
<b>SURPLUS/(DEFICIT)</b>	<b>5 494 161</b>	<b>(776 701)</b>
<b>8. INCOME</b>		
5 % Levy Assessment rates	6 464 210	5 624 309
Revenue from settlements	3 138 826	1 748 105
Subsidy from Government	30 649 103	26 964 844
<b>Subtotal</b>	<b>40 252 140</b>	<b>34 337 258</b>
<b>OTHER INCOME</b>		
Other revenue	891 578	642 138
Rural Development Projects Income	673 674	1 079 803
Delegated functions	90 611 086	73 927 230
<b>Subtotal</b>	<b>92 176 338</b>	<b>75 649 171</b>
<b>Grand total</b>	<b>132 428 478</b>	<b>109 986 429</b>
<b>9. EXPENDITURE</b>		
Personnel Expenditure	23 964 083	17 292 668
Transport Cost	1 627 863	1 180 585
Subsistence and Travel	1 408 199	1 265 809
Property Rental	270 840	247 018
Utilities	4 543 731	5 379 646
Maintenance Expenses	443 984	371 276
Depreciation Expenses	4 036 032	4 016 945
Bank Charges	48 591	47 210
Other Expenditure	3 403 495	3 425 962
Subsidies, Grants Contributions Paid	159 972	148 000
Rural Development Projects	627 928	542 150
Delegated Functions	85 116 925	74 703 931
<b>Total expenditure</b>	<b>125 651 642</b>	<b>108 621 200</b>

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

	<b>2014</b>	<b>2013</b>
	N\$	N\$
<b>NET OPERATING SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>6 776 836</b>	<b>1 365 229</b>
Interest received	1 014 996	1 669 125
Interest received-Education	498 816	496 868
Royalties/ Surcharges-Erongo Red	140 338	23 950
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>1 654 151</b>	<b>2 189 943</b>
<b>10. CASH UTILISED/GENERATED BY OPERATIONS</b>		
Net (deficit)/surplus before adjustments and before interest received	6 776 836	1 365 229
Adjustments	(2 032 231)	(843 058)
Operating income before changes in working capital	4 744 605	522 171
<b>CHANGES IN WORKING CAPITAL</b>		
(Increase)/decrease in debtors	(2 643 676)	(1 385 733)
(Decrease)/increase in current liabilities	3 927	(334 369)
	<b>2 104 856</b>	<b>(1 197 931)</b>