



REPUBLIC OF NAMIBIA



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

FOR THE FINANCIAL YEARS ENDED 31 MARCH 2015 AND 2016

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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 2015 and 2016 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, April 2017

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 REGIONAL COUNCIL OF THE ERONGO REGION
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2015 AND 2016**

1. Report on the Financial Statements

1.1 INTRODUCTION

The accounts of the Erongo Regional Council for the financial years ended 31 March 2015 and 2016 are being reported on in accordance with provisions set out in the Regional Council Act, 1992 (Act No. 22 of 1992).

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 years ended 31 March 2015 and 2016. These financial statements comprise of the following:

Annexure A: Balance sheet;
Annexure B: Income statement;
Annexure C: Cash Flow statement and;
Annexure D: Notes to the financial statements.

The Regional Council's financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with 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 with 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

5.1 Delegated Functions

Funds amounting to N\$ 25 000 and N\$ 20 000 for 2014/2015 and 2015/2016 respectively received from Namport Emergency Fund and Sponsorship and Transfer Private Organisation could not be verified as the supporting documents were not provided.

Management Response

Erongo Regional Council would like to apologise for any inconvenience that might have been caused as a result of a few proof of payment documents that could not be located at the time of audit.

5.2 Settlement Income

The revenue amounting to N\$ 110 141 for the year (2015) could not be verified as documents were not submitted for audit purpose.

Recommendation

The Council is advised to maintain and provide all supporting document for auditing purpose at the time of audit.

5.2 Housing Allowance

The Council has been exempting 1/3rd of the housing allowance for staff members below the management cadre while it was supposed to be fully taxed (100%) as stated 'In terms of the Income Tax Act, 1981 (Act No. 24 of 1981) the Housing Allowance is fully taxable' and this contravenes the Public Service Staff rule D.VII Part VI Housing allowance for staff members below management cadre.

Recommendation

The Council is advised to ensure that all taxable allowances are fully taxed as stated by the Namibian Income tax net and rectify the error on the payroll system.

Management Response

The Regional Council engaged the services of the Payroll Consultant on 15 November 2016 for the installation of a fully taxable housing allowance for staff members below the management cadre.

6. UNQUALIFIED AUDIT OPINION

The accounts of the Erongo Regional Council for the years ended 31 March 2015 and 2016 have been audited in terms of Section 38 of the Regional Council Act, 1992 (Act No. 22 of 1992) and Section 25 (1) (b) of the state Finance Act, 1991 (Act No. 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 2015 and 2016, and their financial performance and cash flows for the years ended.

WINDHOEK, April 2017



JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

REGIONAL COUNCIL FOR THE ERONGO REGION
BALANCE SHEET AS AT 31 MARCH

ASSETS	Note	2016 N\$	2015 N\$	2014 N\$
Non-current assets		53 949 839	49 848 814	50 444 325
Fixed Assets	2	53 884 032	49 783 007	45 044 430
Investments	3	65 807	65 807	5 399 895
Current assets		132 262 708	51 700 482	43 830 030
Cash on hand and bank	4	114 483 287	38 598 125	33 302 895
Debtors	5	17 507 858	12 813 338	10 309 864
Stock on Hand		271 563	289 019	217 271
Total assets		186 212 547	101 549 296	94 274 355
EQUITY AND LIABILITIES		186 212 547	101 549 296	94 274 355
Accumulated funds Annexure B		115 593 185	55 506 289	54 091 793
Development Fund: Capital Project		66 797 914	42 546 188	37 546 187
Development Fund: Build Together		2 090 000	2 090 000	2 090 000
Current liabilities	6	1 731 448	1 406 819	546 375
Total equity and liabilities		186 212 547	101 549 296	94 274 355

REGIONAL COUNCIL FOR THE ERONGO REGION
INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH

	Notes	2016 N\$	2015 N\$	2014 N\$
Income	8	239 025 571	154 847 695	132 428 478
Expenditure	9	179 209 197	155 361 505	125 651 642
Net operating surplus/(loss)		59 816 374	(513 810)	6 776 836
Interest on current account		2 986 849	2 111 800	1 654 151
Accumulated income/(deficit)		62 803 223	1 597 989	8 430 987
~ at the beginning of the year		55 506 289	54 091 793	47 693 037
~Adjustments		(2 716 327)	(183 493)	(2 032 231)
~ at the end of the year		115 593 185	55 506 289	54 091 793

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

	Note	2016 N\$	2015 N\$	2014 N\$
CASH FLOW FROM OPERATING ACTIVITIES				
Cash receipt from customers		239 025 571	154 847 695	132 428 478
Cash paid to suppliers		186 277 959	157 259 776	130 323 622
Cash (Utilized)/generated by operations	10	52 747 612	(2 412 081)	2 104 856
Interest received		2 986 849	2 111 800	1 654 151
(Increase)/decrease in investment		-	5 334 088	(256 456)
Increase/(decrease) in funds		24 251 726	5 000 000	7 878 340
(Increase)/decrease in fixed assets		(4 101 026)	(4 738 577)	(6 426 701)
Nett (decrease)/increase in cash and cash equivalents		75 885 161	5 295 230	4 954 190
CASH AND CASH EQUIVALENTS				
-Beginning of the year		38 598 125	33 302 895	28 348 706
- End of the year		114 483 286	38 598 125	33 302 896

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 %

REGIONAL COUNCIL FOR THE ERONGO REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)

2. PLANT AND EQUIPMENT

	Work in Progress	Land & Buildings	Machinery Equipment & Vehicles	Office Furniture Equipment & Computers	Total
2016	N\$	N\$	N\$	N\$	N\$
Opening balance 01/04/2015	28 164 663	17 158 126	23 899 715	4 336 461	73 558 965
Add: Adjustment	(15 173 082)	-	-	-	(15 173 082)
Add: Additions	6 039 444	15 282 745	117 398	245 035	21 684 622
Less: Disposal	-	-	-	-31 260	(31 260)
Closing Balance 31/03/2016	19 031 025	32 440 871	24 017 113	4 550 236	80 039 245
Opening Accumulated Depreciation 01/04/2015	-	1 926 524	18 606 358	3 243 077	23 775 959
Add: Charge for the year	-	484 369	1 472 149	449 307	2 405 825
Less: Accumulate Depreciation for disposal	-	-	-	(26 571)	(26 571)

2. PLANT AND EQUIPMENT (Continued)

	Work in Progress	Land & Buildings	Machinery Equipment & Vehicles	Office Furniture Equipment & Computers	Total
2016	N\$	N\$	N\$	N\$	N\$
Closing Accumulated Depreciation 31/03/2016	-	2 410 893	20 078 507	3 665 813	26 155 213
Closing net book value (cost)31/03/2016	19 031 025	30 029 978	3 938 606	884 423	53 884 032

REGIONAL COUNCIL FOR THE ERONGO REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)

	Work in Progress	Land & Buildings	Machinery Equipment & Vehicles	Office Furniture Equipment & Computers	Total
2015					
Opening balance 01/04/2014	24 273 636	17 158 126	19 586 066	3 597 967	64 615 795
Add: Additions	3 891 027	-	4 313 649	738 494	8 943 170
Closing Balance 31/03/2015	28 164 663	17 158 126	23 899 715	4 336 461	73 558 965
Opening Accumulated Depreciation 04/01/2015	-	1 589 847	15 147 555	2 833 964	19 571 366
Add: Charge for the year	-	336 678	3 458 803	409 113	4 204 593
Closing Accumulated Depreciation 31/03/2015	-	1 926 524	18 606 358	3 243 077	23 775 959
Closing net book value (cost) 31/03/2015	28 164 663	15 231 602	5 293 357	1 093 384	49 783 007

	Work in Progress	Land & Buildings	Machinery Equipment & Vehicles	Office Furniture Equipment & Computers	Total
2014					
	N\$	N\$	N\$	N\$	N\$
Opening net book value (cost)	14 763 162	15 904 957	6 993 765	955 845	38 617 729
Adjustment	(1 932 321)	-	-	(289 095)	(2 221 416)
Plus: Purchases	11 442 795	-	764 623	418 763	12 626 181
Less: Charge for the year-	-	(336 678)	(3 319 877)	(321 510)	(3 978 065)
Closing net book value (cost)	24 273 636	15 568 279	4 438 511	764 003	45 044 430

ANNEXURE D

REGIONAL COUNCIL FOR THE ERONGO REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

	2016	2015	2014
	N\$	N\$	N\$
3. INVESTMENTS	65 807	65 807	5 399 895
Treasury Bill	-	-	5 334 088
Shares in Erongo Red	65 807	65 807	65 807
4. CASH ON HAND AND BANK	114 483 287	38 598 125	33 302 895
Nedbank Current account	11 035 554	729 588	38 655
Nedbank Call	4 683 237	3 320 866	418 442
FNB Call Account	302 495	191 273	167 486
FNB BT Revolving	116 868	92 117	78 699
Capital Projects Call	13 903 789	14 708 532	1 536 598
Traditional Authority Call	5 330 708	6 358 805	6 192 608
Nedbank BT call account	54 306	571 105	1 098 967
StanLib Investments	4 178 419	3 917 002	6 709 042
Emergency Fund	248 378	103 111	26 798
Nedbank Uis Call	250 586	396 582	317 933
Uis Btp Call	4 295	4 264	4 242
Erongo Rural Dev. Project	1 599 355	1 776 977	2 165 929
Directorate of Education	3 716 055	1 896 972	13 083 539
Works Maintenance - Erongo	1 271 711	2 743 696	674 918
Uis Nampost	2 103 526	1 687 704	731 284
Okombahe Nampost	173 409	98 930	54 455
Cash on Hand	1	602	3 301
ERC Drought Fund Account	1 054 105	-	-
ERC Wlotzkasbaken Account	8 045 369	-	-
ERC 5% Levy Account	11 293 129	-	-
Wlotzkasbaken Investment Account	124 004	-	-
Wlotzkasbaken 2nd Investment Account	44 993 988	-	-
5. DEBTORS	17 507 858	12 813 338	10 309 864
Build Together Programme	3 553 548	2 952 054	1 948 220
Local Authorities	6 368 211	4 609 266	4 447 734
Water Customers	817 608	863 511	659 746
Subsistence & Travel Advance Unclaimed	103 118	55 519	62 461
Receiver of Revenue (VAT)	6 085 510	3 821 989	2 680 702
Rental Deposits-Henric Estate	9 000	11 000	11 000
Usakos Town Council	500 000	500 000	500 000
Staff Uniforms Loan	70 863	-	-

ANNEXURE D

REGIONAL COUNCIL FOR THE ERONGO REGION

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

	2016	2015	2014
	N\$	N\$	N\$
6. CURRENT LIABILITIES	1 731 448	1 406 819	546 375
Creditors	1 606 690	1 362 112	544 525
Salaries and Wages Control	15 096	44 707	1 850
Retention Fees	109 662	-	-

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 (Continued)

	2016	2015	2014
	N\$	N\$	N\$
Line Ministry INCOME			
Ministry of Gender Equality and Child Welfare	1 255 054	1 364 714	808 630
Sponsorship & Transfer Private Org	85 000	115 000	10 000
Erongo Regional Emergency fund	2 500	47 500	-
Office of the Prime Minister	3 017 198	206 446	230 376
Ministry of RLGHRD	667 638	515 714	45 000
Ministry of Lands and Resettlement	-	15 000	-
Ministry of Agriculture and Forestry	11 000	-	10 000
Directorate of Works	10 811 443	9 409 599	6 281 362
Ministry of Education	113 120 368	88 023 863	83 225 718
Total of Income	128 970 200	99 697 836	90 611 086
EXPENDITURE			
Ministry of Gender Equality and Child Welfare	1 959 252	652 500	808 630
Ministry of RLGHRD - Expenses	33 108	25 447	-
Office of the Prime Minister	1 978 453	274 594	506 205
Ministry of Education	111 551 284	99 210 431	71 747 561
Ministry of Education interest	153 000	331 250	-
Sponsorship Funds Transfer	86 417	36 000	-
Ministry of Agriculture	10 254	11 957	-
Directorate of Works Maintenance	12 283 427	7 340 822	6 223 649
Ministry of Health & Social Services	-	-	5 830 880
Total	128 055 196	107 883 000	85 116 925
SURPLUS/(DEFICIT)	915 004	(8 185 164)	5 494 161
8. INCOME			
5 % Levy Assessment rates	9 019 814	6 890 813	6 464 210
Revenue from settlements	54 729 142	3 241 199	3 138 826
Subsidy from Government	45 054 051	43 636 000	30 649 103
Subtotal	108 803 007	53 768 012	40 252 139

REGIONAL COUNCIL FOR THE ERONGO REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)

	2016	2015	2014
	N\$	N\$	N\$
OTHER INCOME			
Other revenue	652 365	708 173	891 578
Rural Development Projects grants	-	673 674	673 674
Delegated functions	128 970 200	99 697 836	90 611 086
Road Fund Administration	600 000	-	-
Subtotal	130 222 565	101 079 683	92 176 338
Grand total	239 025 571	154 847 695	132 428 478
9. EXPENDITURE			
Personnel Expenditure	31 397 994	27 905 733	23 964 083
Transport Cost	1 929 257	1 807 892	1 627 863
Subsistence and Travel	1 619 652	1 613 687	1 408 199
Property Rental	430 043	470 125	270 840
Utilities	6 279 270	5 206 773	4 543 731
Maintenance Expenses	562 684	408 209	443 984
Depreciation Expenses	2 405 825	4 204 593	4 036 032
Bank Charges	56 948	55 653	48 591
Other Expenditure	4 097 740	4 446 163	3 403 495
Subsidies, Grants Contributions Paid	163 200	176 404	159 972
Rural Development Projects	604 328	1 183 273	627 928
Delegated Functions	128 055 196	107 883 000	85 116 925
Road Fund	565 069	-	-
5% Rates and Taxes	905 011	-	-
Wlotzkasbaken	136 979	-	-
Total expenditure	179 209 197	155 361 505	125 651 642
NET OPERATING SURPLUS/(DEFICIT)			
FOR THE YEAR	59 816 374	(513 810)	6 776 836
NET FINANCIAL INCOME			
Interest received -Bank and Investement	2 682 791	1 040 977	1 014 996
Interest received Education	243 857	991 345	498 816
Royalties/ Surcharges-Erongo Red	60 201	79 478	140 338
SURPLUS/(DEFICIT) FOR THE YEAR	2 986 849	2 111 800	1 654 151

REGIONAL COUNCIL FOR THE ERONGO REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)

10. CASH (UTILISED/GENERATED BY OPERATIONS)

	2016	2015	2014
	N\$	N\$	N\$
Net (deficit)/surplus before adjustments and before interest received	59 816 374	(513 810)	6 776 836
Adjustment for:			
Adjustments	(2 716 327)	(183 493)	(2 032 231)
income before changes in working capital	57 100 047	(697 303)	4 744 605
CHANGES IN WORKING CAPITAL			
(Increase)/decrease in debtors	(4 677 063)	(2 575 222)	(2 643 676)
(Decrease)/increase in current liabilities	324 629	860 444	3 927
	52 747 612	(2 412 081)	2 104 856

(Adjustments were made to clear WIP 5% expenditure that is not of a capital nature)

