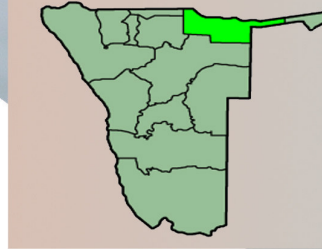




REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

REGIONAL COUNCIL OF THE KAVANGO REGION

FOR THE FINANCIAL YEARS ENDED 31 MARCH 2008 AND 2009

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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 Kavango region for the financial years ended 31 March 2008 and 2009, 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 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE
ACCOUNTS OF THE REGIONAL COUNCIL FOR THE KAVANGO REGION
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2008 AND 2009**

1. INTRODUCTION

The Regional Council for the Kavango 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 Councils 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.

2. 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, **for the 2007/2008 financial year but 2008/2009 financial year was only signed on 30 July 2009 instead of three months after the end of the financial year as stipulated in the Act.** The abridged balance sheets, Annexures A, are true reflection of the original.

Annexure B: Statements of income and expenditure
Annexure C: Cash flow statements*
Annexure D: Notes to the financial statements
Annexure E: Detailed income and expenditure statements

* No cash flow statement was compiled by the Council for the financial year 2007/2008. The attached statement at annexure C has been compiled by the auditors in the required format.

3. SCOPE OF AUDIT

The Chief Regional Officer of the Regional Council is responsible for the preparation of the financial statements and of ensuring the regularity of the financial transactions. It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and the regularity of the financial transactions included in them and to report his opinion to the National Assembly.

The audit as carried out by staff of the Office of the Auditor-General, included:

- Examination on a test basis of the evidence relevant to the amounts, disclosure and regularity of the financial statements.

The audit was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence to give reasonable assurance that:

- The financial statements are free from material misstatement, whether caused by error, fraud or other irregularity;
- in all material respects, expenditure and income have been applied to the purposes intended by the Regional Councils Act; and
- the financial transactions conform to the authorities which govern them.

4. AUDIT OBSERVATIONS AND COMMENTS

4.1 Analysis of financial statements

2008/2009

The financial statement for the year under review did not include comparative figures as required by International Accounting Standards.

2007/2008

During the analysis of annual financial statements between prior year audited report and the year under review financial statements the following differences were observed:

Description	Current year 01/04/2007	Tabled report 31/03/2007	Difference
	N\$	N\$	N\$
BALANCE SHEET			
Land & building	23 980 127	-	23 980 127
Machinery & vehicles	3 755 796	3 123 166	632 630
Office furniture, equipment & computers	1 512 332	1 093 862	418 470
Accounts receivables	1 695 702	1 696 302	600
Main current account	1 169 893	-	1 169 893
Kavango General current account	-	2 217 472	2 217 472
Creditors	122 839	101 783	21 056
Accumulated funds	40 603 785	13 925 853	26 677 932
Development fund: Capital Projects	28 652 323	28 702 323	50 000
Surplus/(deficit)	(1 665 935)	-	(1 665 935)
Main Call account	804 886	-	804 886
Bank overdraft	-	195 114	195 114
INCOME STATEMENT			
Government transfer	11 050 824	11 000 824	50 000
Delegated functions - Income	1 246 131	1 043 711	202 420
Delegated functions - Expenditure	935 141	1 242 399	307 258
Consulting fees	-	331 140	331 140
Entertainment	-	194 671	194 671
Advertising	-	50 245	50 245
Leave gratuities	-	47 039	47 039
Membership fees	-	38 500	38 500
Pension - GIPF	-	1 216 476	1 216 476
Printing and stationery	-	130 898	130 898
Insurance	-	224 635	224 635
Bank charges	-	75 883	75 883
Postage courier	-	28 984	28 984
Rental	173 319	166 704	6 615
Security contracts	-	346 980	346 980
Software license renewal	-	5 670	5 670
Salary and wages	8 141 021	6 863 496	1 277 525
Social Security Commission	-	14 010	14 010
Internet expenses	-	4 740	4 740
Other condition of services	-	145 151	145 151

(continued)

Analysis of financial statements (continued)

Description	Current year 01/04/2006	Tabled report 31/03/2007	Difference
	N\$	N\$	N\$
Other services and expenditure	1 292 143	-	1 292 143
Subsistence and allowance	-	1 140 275	1 140 275
Telephone and fax	-	307 266	307 266
Transport	2 080 661	715 152	1 365 509
Utilities	992 631	451 040	541 591
Workshop & symposiums	-	40 903	40 903
Water expenses	-	122 530	122 530
Subsidies	359 209	352 209	7 000

4.2 Notes to fixed assets

2008/2009

4.2.1 Differences were observed between the opening and closing balances for the following account areas:

Fixed Assets	Land & buildings	Motor vehicles	Office furniture & equipment	Assets under construction	Furniture & fittings
	N\$	N\$	N\$	N\$	N\$
Closing balances as at 31/03/2008	23 490 736	3 310 529	1 272 135	28 238 858	-
Opening balances as at 01/04/2008	18 931 715	1 450 303	4 469 658	-	722 472
Differences	4 559 021	1 860 226	3 197 523	28 238 858	722 472

4.2.1.1

Accumulated depreciation	Land & buildings	Motor vehicles	Office furniture & equipment	Furniture & fittings
	N\$	N\$	N\$	N\$
Closing balances as at 31/03/2008	978 781	1 649 901	1 153 398	-
Opening balances as at 01/04/2008	763 794	2 996 300	869 342	699 547
Differences	214 987	1 346 399	284 056	699 547

2007/2008

4.2.2 For the submitted financial statements, differences were observed between the opening and closing balances for the following account areas:

Fixed assets	Land and buildings	Machinery and vehicles	Work in progress	Office furniture, equipment & computers
	N\$	N\$	N\$	N\$
Closing balance as at 31/03/2007	-	3 777 447	19 482 416	1 498 958
Opening balance as at 01/04/2007	24 469 517	4 452 849	20 061 462	2 104 510
Difference	24 469 517	675 402	579 046	605 552

4.2.2.1 Accumulated depreciation

Accumulated depreciation	Land and buildings	Machinery & vehicle	Office furniture, equipment & computers
Closing balance as at 31/03/2007	N\$ -	N\$ 654 281	N\$ 405 096
Opening balance as at 01/04/2007	489 390	671 720	581 057
Difference	489 390	17 439	175 961

4.2.2.2 Total assets are incorrectly disclosed as N\$ 48 730 670 instead of N\$ 51 088 338, which resulted in a difference of N\$ 2 357 668.

4.3. Comparison between the balance sheet and the trial balance

4.3.1 Balance sheet

2007/2008

A difference amounting to N\$ 2 915 489 in respect of deficit for the year was observed between the balance sheet and the trial balance. Details of these differences are shown in the table below:

Description	Balance sheet	Trial balance	Difference
	N\$	N\$	N\$
Cash at bank and on hand	16 226 651	15 643 594	583 057
Overdraft	583 057	-	583 057
Deficit for the year	(3 019 096)	1 062 507	(4 081 603)
TOTAL	13 790 612	16 706 101	2 915 489

4.3.2 Cash flow statement

2007/2008

The cash flow statement was not presented by Council as required by the Financial Accounting and Procedures Manual. As a result, the set of financial statements are incomplete, however the attached cash flow statement was compiled by the auditors.

4.3.3 Adjustments

An unexplained adjustment of N\$ 32 643 801 for 2008/2009 and N\$ 25 072 065 for 2007/2008 were made in the cash flow statement of the Council to balance the accounts.

4.4 Cash and bank

2007/2008

4.4.1 At the time of the audit, the following differences were found between the cash book and the bank reconciliation.

Account details	Bank reconciliation	Cash-book	Differences
	N\$	N\$	N\$
FNB Operational account	(261 037)	(256 846)	(4 190)
FNB Development Fund call account	(301 536)	(285 746)	(15 790)
FNB Build together call account	2 844 988	1 868 443	976 544

2008/2009

4.4.2.1 A difference amounting to N\$ 258 850 was found between the cash book and the general ledger in respect of the FNB Development Fund account

4.4.2.2 At the time of the audit, a differences of N\$ 258 850 was found between the cash book and the bank reconciliation of the FNB Development Fund account

4.4.3 Inventory

2007/2008

The Council did not prepare a stock-taking report for consumables for the financial year under review and the values thereof have not been included in the balance sheet.

4.4.4 Debtors

4.4.4.1 Sundry debtors

2007/2008

During the year under review, the following difference was found between the trial balance and the general ledger.

Details	Trial balance	General ledger	Difference
	N\$	N\$	N\$
Sundry debtors	268 389	106 832	161 557
TOTAL	268 389	106 832	161 557

4.4.5 Investment

2007/2008

During the time of the audit, interest on investments was not accounted for in the financial statements.

4.4.6 Accounts payable

2007/2008

4.4.6.1 Supplier detailed ledger and General ledger

4.4.6.1.1 A difference of N\$ 290 690.22 was observed between the audited amount of N\$76 856 and the supplier ledger amount of N\$ 367 546 provided by the Council, which is also the same amount reflected in the general ledger under creditors control account.

4.4.6.1.2 It was observed that these differences existed because the Council did not reconcile the Creditors at year-end.

5. ACKNOWLEDGEMENT

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

6. QUALIFIED AUDIT OPINION

The accounts of the Regional Council for the Kavango region for the financial years ended 31 March 2008 and 2009 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).

The audit opinion has been qualified due to the following reasons:

- Difference between the closing balance at 31/03/2007 and the opening balance 01/04/2007.
- Total assets are incorrectly disclosed with a difference of N\$ 2 357 668.
- Difference of N\$ 2 915 489 was observed between balance sheet and trial balance.
- Unexplained adjustments of N\$ 32 643 801 and N\$ 25 072 065.

Except for the above-mentioned issues, in my opinion the financial statements fairly present the financial position of the Regional Council at 31 March 2008 and 2009 and the results of its operations and cash flow for the years then ended.

WINDHOEK, July 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

REGIONAL COUNCIL FOR THE KAVANGO REGION

BALANCE SHEETS AS AT 31 MARCH

	Notes	2009 N\$	2008 N\$	2007 N\$
ASSETS				
Non-current assets		41 596 745	56 312 259	23 699 444
Fixed assets	2	25 320 394	56 312 259	23 699 444
Work in progress		16 276 351	-	-
Current assets		32 076 012	23 867 708	21 737 702
Investments	3	5 520 849	4 094 620	3 289 365
Debtors control	4	2 482 111	2 039 044	1 696 302
Cash at bank	5	22 311 623	16 226 651	16 752 035
VAT Receivables		1 327 122	1 507 393	-
Sundry debtors		356 695	-	-
Stock on hand		77 612	-	-
Total assets		73 672 757	80 179 967	45 437 146
EQUITY AND LIABILITIES				
Liabilities		355 185	794 233	510 970
Bank overdraft	5	-	583 057	409 187
Creditors	6	355 185	201 390	101 783
Other liabilities	6	-	9 786	-
Equity		73 317 572	79 385 734	44 926 176
Accumulated funds	Annexure B	48 440 412	40 954 507	13 925 853
Surplus and deficit		22 077 160	(3 019 096)	-
Build Together Fund		-	3 098 000	2 298 000
Development Fund: Capital Projects		-	38 352 323	28 702 323
Long term loan - Fedsure		2 800 000	-	-
Total equity and liabilities		73 672 757	80 179 967	45 437 146

REGIONAL COUNCIL FOR THE KAVANGO REGION

INCOME STATEMENTS AS AT 31 MARCH

	Notes	2009 N\$	2008 N\$	2007 N\$
INCOME	8	15 479 778	14 207 122	12 945 445
EXPENDITURE	9	17 662 165	16 855 000	(15 592 161)
NET OPERATING SURPLUS/(DEFICIT)		(2 182 387)	(2 647 878)	(2 646 716)
Net interest received	8	2 120 747	1 585 371	1 209 677
NET SURPLUS/(DEFICIT) FOR THE YEAR		(61 640)	(1 062 507)	(1 437 039)
ACCUMULATED SURPLUS				
- Beginning of the year		37 935 411	13 925 853	14 165 589
- Prior year adjustments (Nett)		32 643 801	25 072 065	1 197 303
- End of the year		70 517 572	37 935 411	13 925 853

REGIONAL COUNCIL FOR THE KAVANGO REGION

CASH FLOW STATEMENTS AS AT 31 MARCH

	Notes	2009 N\$	2008 N\$	2007 N\$
Cash flow from operating activities				
Net operating surplus/(deficit) before interest		(2 182 387)	(2 647 878)	(2 646 716)
Surplus over-expenditure for the year				
Adjusted for non-cash items:				
Movement in current assets				
(Increase)/ decrease	7	(697 103)	(1 850 135)	(46 539)
Net cash inflow from operating activities		(2 879 490)	(4 498 013)	(2 693 255)
Cash flow from investing activities				
Interest received		2 120 747	1 585 371	1 209 677
Investments – Decrease/ (Increase)		(1 426 229)	(805 255)	(732 050)
Plant and equipment acquired		14 715 514	(32 612 815)	(8 024 029)
Net change in cash and cash equivalents		12 530 542	(36 330 712)	(10 239 657)
Adjustments		32 643 801	25 072 065	1 197 303
Current liabilities – Increase/(decrease)	7	144 009	109 393	(816 676)
Movement Funds		(41 450 323)	10 450 000	8 839 324
Long-term loan - Fedsure		2 800 000	-	-
CASH AND CASH EQUIVALENTS:				
-Beginning of the year		15 643 594	16 342 848	17 362 554
-End of the year		22 311 623	15 643 594	16 342 848

REGIONAL COUNCIL FOR THE KAVANGO REGION

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

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 liabilities in relation to delegated functions remain with the relevant line ministry and all unexpended delegated funds are returned to the State Account as at 31 March, this does not materially affect the Regional Council's financial statements.

1.1 Plant and equipment

All fixed assets are stated at historical cost less accumulated depreciation. Depreciation is calculated using the straight-line method to write off the value of each asset to its residual value over its estimated useful life.

The estimated useful lives are as follows:

Computer equipment	3 years
Office furniture, equipment and computers	3 years
Motor vehicles	5 years
Assets under construction	20 years

2. PLANT AND EQUIPMENT

As at 31 March 2009

	Land and buildings	Plant, machinery & equipment	Motor vehicles	Furniture & fittings	TOTAL
	N\$	N\$	N\$	N\$	N\$
Opening carrying amount	18 931 715	4 469 658	1 450 303	722 472	25 574 148
Gross carrying amount	19 695 509	5 339 000	446 603	1 422 019	26 903 131
Accumulated depreciation	(763 794)	(869 342)	(2 996 300)	(699 547)	(5 328 983)
Depreciation charge	(412 766)	(247 704)	(801 120)	(290 829)	(1 752 419)
Additions	1 195 833	62 784	32 154	207 894	1 498 665
Closing carrying amount	19 714 782	4 284 738	681 337	639 537	25 320 394
Gross carrying amount	20 891 342	5 401 784	4 478 757	1 629 914	82 401 797
Accumulated depreciation	(1 176 560)	(1 117 045)	(3 797 420)	(990 377)	(7 081 402)

REGIONAL COUNCIL FOR THE KAVANGO REGION

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 March 2008	Assets under construction	Land & buildings	Machinery & vehicles	Office furniture, equipment & computers	Total
	N\$	N\$	N\$	N\$	N\$
Cost as at 1 April 2007	20 061 462	24 469 517	4 452 849	2 104 511	48 730 670
Additions	8 177 396	-	507 581	321 023	9 006 000
Cost as at 31 March 2008	28 238 858	24 469 517	4 960 430	2 425 534	57 736 670
Depreciation as at 1 April 2007	-	489 390	671 720	581 057	1 742 168
Charge for the year	-	489 390	978 180	572 341	2 039 912
Depreciation as at 31 March 2008	-	978 781	1 649 901	1 153 398	3 782 079
Net book value as at 31 March 2008	28 238 858	23 490 736	3 310 529	1 272 135	56 312 259

As at 31 March 2007	Motor vehicles	Assets under construction	Office furniture, equipment & computers	Total
	N\$	N\$	N\$	N\$
Cost at 1 April 2006	3 873 191	12 629 500	1 544 165	18 046 856
Additions / (Disposals)	(95 744)	6 852 916	(45 207)	6 711 965
Cost as at 31 March 2007	3 777 447	19 482 416	1 498 958	24 758 821
Depreciation as at 1 April 2006	1 071 899	552 957	746 585	2 371 441
Depreciation for the year	(417 618)	(552 957)	(341 489)	(1 312 064)
Depreciation as at 31 March 2007	654 281	-	405 096	1 059 377
Net book value at 31 March 2007	3 123 166	19 482 416	1 093 862	23 699 444

REGIONAL COUNCIL FOR THE KAVANGO REGION

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2009	2008	2007
	N\$	N\$	N\$
3. INVESTMENTS			
Insurance company	5 520 849	4 094 620	3 289 365
4. DEBTORS			
Build Together Housing Scheme	2 187 247	1 754 522	1 623 058
Others receivables	294 864	16 133	71 415
Sundry debtors: S & T unclaimed	-	133 197	-
Sundry debtors: Other	-	135 192	1 829
	2 482 111	2 039 044	1 696 302
5. CASH AND CASH EQUIVALENTS			
Build Together: Receipts account	95 126	16 164	48 153
Build Together: Call account	2 721 887	2 844 988	1 868 443
Development Funds: Current account	212 917	-	222 780
Development Funds: Call account	15 651 605	10 765 856	10 580 503
Main current account	1 007 059	1 278 871	-
Build Together: Disbursement account	374 674	374 763	476 046
Okavango general current account	-	-	2 217 472
Main call account	1 090 296	325 181	-
Fleet management current account	4 841	-	8 774
Okavango revenue call account	798 828	597 252	1 329 864
Build together: Post office savings	97	-	-
Cash control (cash to be deposited)	695	23 374	-
Operational Account	353 598	-	-
Interbank Transfer Fund	-	202	-
	22 311 623	16 226 651	16 752 035
Bank overdraft			
Main current account	-	-	214 073
Main call account	-	-	195 114
Development Funds: Current Account	-	301 537	-
Fleet Management Current Account	-	37 269	-
Operational Account	-	244 251	-
	-	583 057	409 187

REGIONAL COUNCIL FOR THE KAVANGO REGION

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2009	2008	2007
	N\$	N\$	N\$
6. CREDITORS			
Trade and other payables	336 682	201 390	101 783
Sundry creditors	18 500	-	-
Salaries & wages	3	-	-
	355 185	201 390	101 783
Other liabilities	-	9 786	-
7. MOVEMENT IN CURRENT ASSETS AND LIABILITIES			
Accounts receivable and prepayments	(697 103)	(1 850 135)	(46 539)
Accounts payable	144 009	109 393	(816 675)
	(553 094)	(1 740 742)	(863 214)
8. INCOME			
5% Rates from the local authorities	315 018	84 530	136 566
Donations	-	42 476	37 976
Fishing fees	-	-	-
Government transfers: MRLGHRD	12 900 000	12 200 000	11 000 824
Insurance commission	-	-	-
Royalties and other income	739 035	155 954	715 160
Tender fees	-	-	-
Water sales	-	-	-
Rate charges and fees	-	31 923	11 208
Delegated functions	885 034	1 692 239	1 043 711
Other income	536 987	-	-
Hiring of properties	20 858	-	-
Income from settlement areas	82 846	-	-
Income	15 479 778	14 207 122	12 945 445
Interest and dividends received	2 120 747	1 585 371	1 209 677
Total income	17 600 525	15 792 493	14 155 122

REGIONAL COUNCIL FOR THE KAVANGO REGION

DETAILED STATEMENTS OF INCOME AND EXPENDITURE AS AT 31 MARCH

	2009	2008	2007
	N\$	N\$	N\$
9. EXPENDITURE			
Advertising	-	-	50 245
Bank charges	-	-	75 883
Maintenance expenses	202 443	114 027	144 026
Computer expenses	-	-	-
Consulting fees	-	-	331 140
Delegated functions	1 073 247	1 498 570	1 242 399
Depreciation expenses	1 752 420	2 039 913	-
- Office furniture, equipment and computers	-	-	405 096
- Motor vehicles and machinery	-	-	654 281
Entertainment	-	-	194 671
Insurance	-	-	224 635
Leave gratuities	-	-	47 039
Membership fees	-	-	38 500
Materials and supplies	270 861	-	-
Pension – GIPF	919 378	-	1 216 476
Printing and stationery	-	-	130 898
Postage and courier	-	-	28 984
Rental	249 232	147 453	166 704
Security contracts	-	-	346 980
Software license renewal	-	-	5 670
Salary and wages	8 026 861	8 052 409	6 863 496
Social Security Commission	-	-	14 010
Internet expenses	-	-	4 740
Other services and expenditure	1 150 191	1 462 206	-
Other conditions of services	190 295	-	145 151
Subsistence and allowances	869 981	-	1 140 275
Telephone and fax	-	-	307 266
Training	-	-	-
Transport	991 006	1 933 020	715 152
Utilities	1 207 332	1 074 454	451 040
Workshops & symposiums	-	-	40 903
Water expenses	-	-	122 530
Settlement areas	-	7 000	131 762
Subsidies	758 918	524 064	352 209
Interest charges	-	1 884	-
Total expenditure	17 662 165	16 855 000	15 592 161
SURPLUS/(DEFICIT) FOR THE YEAR	(61 640)	(1 062 507)	(1 437 039)