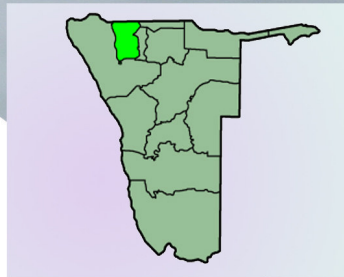
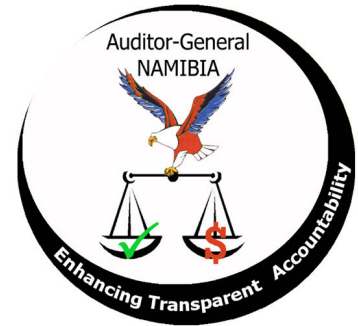




REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

REGIONAL COUNCIL OF THE OMUSATI REGION

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

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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 Omusati region for the financial year ended 31 March 2008, 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, January 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE
ACCOUNTS OF THE REGIONAL COUNCIL OF THE OMUSATI REGION
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008**

1. INTRODUCTION

The Regional Council of the Omusati 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 Namibian 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, **except that they were only signed on 20 August 2008 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: Statements of income and expenditure
- Annexure C: Cash flow statement
- Annexure D: Notes to the financial statements

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 audit 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 information

4.1.1 Cash and bank and sundry creditors

Cash and bank and sundry creditors are wrongly reflected in the annual financial statements. Differences were discovered in the sum total of these two accounts. These differences are due to calculation errors. As a result the wrong totals are reflected in the annual financial statements. Details of these accounts are shown in the table below:

Account description	Amount in annual financial statements	Audited amount	Difference
	N\$	N\$	N\$
Cash and bank	15 104 692	15 797 149	692 457
Sundry creditors	453 761	435 761	18 000

4.1.2 Capital projects under construction

Two (2) capital projects under construction were omitted from the annual financial statements. Details of these two (2) projects are shown in the table below.

Capital Project under construction	Value
	N\$
Oxidation	57 709
Electrification - Okahao	487 240

4.2 Interest received

At the time of the audit, differences of interest receivable according to the amortisation tables were noted between the general ledger and the tables:.

Accounts	Amortisation table	General ledger	Difference
	N\$	N\$	N\$
Build Together - Receipt account	28 279	23 006	5 273
Housing loans	20 387	12 963	7 424

4.3 Fixed assets

General

- 4.3.1** The opening balances of the fixed assets at cost as per note 4 of annexure D are indicated as N\$ 53 535 949 whereas the closing balances at 31 March 2007 are totalling N\$ 55 513 109. The difference of N\$ 1 977 160 needs to be explained. The accumulated depreciation has also not been carried forward correctly.
- 4.3.2** From the selected sample, it was observed that requisition forms and three quotations are not attached to the payment vouchers when fixed assets are purchased.
- 4.3.3** No invoice was attached to the payment made on cheque no 12040 dated 20-04-2007 to the value of N\$ 15 697.
- 4.3.4** Furthermore, asset disposals are reflected at an amount of N\$ 63 312 in the general ledger, while the annual financial statements amounted to N\$ 65 912. This resulted in a difference of N\$ 2 600.

4.4 Debtors - Build Together project

At the time of the audit it was noted that the annual financial statements reflected a total debtors amount of N\$ 605 480, while the audited figure derived from the individual debt statements amounted to N\$ 510 057. This resulted in a difference of N\$ 95 424.

4.5 Sundry creditors

At the time of the audit, the following differences were found between the general ledger and the supplier detailed ledger:

Details	General ledger	Supplier detailed ledger	Difference
	N\$	N\$	N\$
Recurrent Fund	106 332	84 559	21 773
Development Fund	329 429	342 897	(13 468)

4.6 Accumulated funds

An adjustment of N\$ 7 938 129 had to be made to balance the accumulated fund with the balance sheet.

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 of the Omusati region for the financial year ended 31 March 2008 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:

- A material difference of N\$ 692 457 was found between the bank balances as stated in the balance sheet and those reflected in the trial balance.
- Capital projects to the value of N\$ 544 949 have not been included in the balance sheet.
- The debtors of the Build Together project are overstated by N\$ 95 424.
- An explained adjustment of N\$ 7 938 1259 had to be made to the accumulated funds.
- The opening balances of fixed assets at cost differ with N\$ 1 977 160 from the closing balance of the previous year.

Except for the effects of any adjustments which might have been necessary as referred to above, in my opinion, these financial statements fairly present the financial position of the Council at 31 March 2008, and the results of operations and cash flows for the year then ended in accordance with generally accepted accounting practice.

WINDHOEK, January 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

REGIONAL COUNCIL OF THE OMUSATI REGION

BALANCE SHEET AS AT 31 MARCH

	Notes	2008 N\$	2007 N\$
ASSETS			
Non-current assets		60 047 183	60 532 837
Property, plant & equipment	4	54 400 992	47 147 369
Capital projects under construction	5	5 646 191	13 385 468
Current assets		17 749 474	21 332 494
Accounts receivable	6	1 360 580	901 281
Cash on hand and bank	7	15 104 692	17 202 676
Inventory		299 081	401 068
Advances		20 901	5 605
Omusati Education Trust Control Account		-	2 000
VAT Control Account		963 590	2 819 459
Labour Account		630	405
Total assets		77 796 657	81 865 331
EQUITY AND LIABILITIES			
Equity		76 965 996	80 774 732
Retained earnings	8	74 040 693	80 774 732
Adjustments		(1 204 090)	-
Surplus/(Deficit)		4 129 393	-
Current liabilities		830 661	1 090 599
Trade creditors	9	453 761	-
Yelula/U-khai		36 900	-
Ministry of Agriculture		340 000	-
Traditional Authority Control Account		-	1 090 599
Total equity and liabilities		77 796 657	81 865 331

REGIONAL COUNCIL OF THE OMUSATI REGION

INCOME STATEMENT AS AT 31 MARCH

	Notes	2008	2007
		N\$	N\$
Income	10	24 055 094	26 721 527
Expenditure	10	22 022 360	21 805 102
Net operating surplus/(loss)		2 032 734	4 916 425
Dividends and royalties		578 198	602 935
Interest		1 518 461	3 452 870
Surplus/(deficit) for the year	10	4 129 393	8 972 230
Accumulated funds:			
~ At the beginning of the year		80 774 732	69 818 677
~ Adjustments		(7 938 129)	1 983 825
~ At the end of the year		76 965 996	80 774 732

REGIONAL COUNCIL OF THE OMUSATI REGION

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH

	2008	2007
	N\$	N\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating surplus for the year	2 032 734	4 916 425
Surplus over expenditure for the year adjusted for non-cash items:		
Movement in current assets - (Increase)/decrease	1 485 036	(210 844)
Net cash inflow from operations	3 517 770	4 705 581
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and royalties	2 096 659	4 055 805
Property, plant and equipment acquired and under construction:		
Value adjustments	485 654	(22 144 893)
Net change in cash and cash equivalents	6 100 083	(13 383 507)
Adjustments	(7 938 129)	1 983 825
Current liabilities - Increase/(decrease)	(259 938)	1 090 599
CASH & CASH EQUIVALENTS		
Beginning of the year	17 202 676	27 511 759
End of the year	15 104 692	17 202 676

REGIONAL COUNCIL OF THE OMUSATI REGION

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The annual financial statements are prepared on the historical cost basis and incorporate the following principal accounting policies which have been consistent in all material respects.

1.1 Property, plant and equipment

Land and buildings are recorded at cost and are considered to be investment properties. Accordingly, land and buildings are depreciated at a very low rate. This is because all of the buildings are used for administration purposes only.

Motor vehicles, furniture and fittings, office equipment and building equipment are stated at cost and depreciated on the straight line method at the following rates per annum:

Motor vehicles	5 years	20%
Plants & equipment	5 years	20%
Computer equipment	3 years	33.33%
Furniture	5 years	20%
Office equipment	3 years	33.33%
Building equipment	50 years	2%

1.2 Revenue

Revenue represents subsidies from Central Government, collection from water sales, PTO fees as well as royalties, dividends and other income.

2008

N\$

2. GOVERNMENT SUBSIDY

Recurrent budget	18 617 338
Development budget	3 700 000
Total	<u><u>22 317 338</u></u>

REGIONAL COUNCIL OF THE OMUSATI REGION

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2008	2007
	N\$	N\$

3. DELEGATED FUND

The Regional Council is currently performing the following functions delegated by line ministries, as indicated, in accordance with the Decentralization Enabling Act, (Act No.33 of 2000).

Under delegation, the Regional Council acts as an agent on behalf of the relevant line ministries. The relevant line ministries, however, retain the overall responsibility to approve the related expenditure. Their budget allocation is transferred to the Regional Council via cash transfers.

Line ministries	Delegated functions	2008	2007
		N\$	N\$
INCOME			
Ministry of Gender	Early Childhood Development	180 950	115 400
Traditional Authority Accounts	Traditional Authorities activities	745 410	-
EXPENDITURE			
Ministry of Gender	Early Childhood Development	192 345	34 862
Traditional Authority Accounts	Traditional Authorities activities	345 189	-

4. PROPERTY, PLANT AND EQUIPMENT**YEAR 2008**

	Assets at cost	Accumulated depreciation	Net book value
	N\$	N\$	N\$
Building	53 863 181	2 910 032	50 953 149
Motor vehicles	2 993 661	2 243 978	749 682
Furniture & fittings	2 578 692	1 082 366	1 496 326
Machinery	1 603 012	551 327	1 051 685
Office equipment	363 647	287 571	76 075
Computer equipment	831 784	757 709	74 075
	62 233 977	7 832 983	54 400 992

REGIONAL COUNCIL OF THE OMUSATI REGION

NOTES TO THE FINANCIAL STATEMENTS (continued)

Recognition of closing net book value for 2008

	Land and buildings	Motor vehicles	Furniture, fixture and fittings
	N\$	N\$	N\$
1. Opening balance at cost	46 523 209	2 907 487	2 234 497
2. Additions	7 339 972	148 496	344 195
3. Disposal/Transfer	-	62 322	-
4. Accumulated depreciation	(2 910 032)	(2 243 978)	(1 082 366)
Closing net book value	50 953 149	749 682	1 496 326

	Plant and machinery	Office equipment	Computers equipment
	N\$	N\$	N\$
1. Opening balance at cost	716 388	322 584	831 784
2. Additions	886 624	44 652	-
3. Disposal/ Transfer	-	3 590	-
4. Accumulated depreciation	(551 327)	(287 571)	(757 709)
Closing net book value	1 051 685	76 075	74 075

YEAR 2007

	Assets at cost	Accumulated depreciation	Net book value
	N\$	N\$	N\$
Buildings	46 591 888	1 818 053	44 773 835
Motor vehicles	5 431 208	4 559 805	871 403
Furniture & fittings	1 560 058	642 407	917 651
Machinery	716 388	402 998	313 390
Office equipment	397 293	290 550	106 743
Computer equipment	834 274	669 927	164 347
Closing net book value	55 513 109	8 383 740	47 147 369

Recognition of closing net book value for 2007

	Land and buildings	Motor vehicles	Furniture, fixture and fittings
	N\$	N\$	N\$
1. Opening balance at cost	22 484 200	5 431 208	1 088 897
2. Additions	24 107 688	-	471 161
3. Accumulated depreciation	(1 818 053)	(4 559 805)	(642 407)
Closing net book value	44 773 835	871 403	917 651

REGIONAL COUNCIL OF THE OMUSATI REGION

NOTES TO THE FINANCIAL STATEMENTS (continued)

Recognition of closing net book value for 2007

	Plant and machinery	Office equipment	Computer equipment
	N\$	N\$	N\$
1. Opening balance at cost	1 250 088	305 533	589 163
2. Additions	-	91 760	245 111
3. Disposal/Transfer	(533 700)	-	-
4. Accumulated depreciation	(402 998)	(290 550)	(669 927)
Closing net book value	313 390	106 743	164 347

	2008	2007
	N\$	N\$
5. CAPITAL PROJECTS UNDER CONSTRUCTION		
Computer network	-	354 205
Building improvements	189 291	-
Construction of service Okahao - Phase 3	32 147	175 549
Construction of service Oshikuku - Phase 3	853 701	-
Construction of service Oshifo - Phase 2	48 692	-
Construction of constituency office - Okalongo	1 218 841	112 324
Construction of constituency office - Onesi	392 705	950 292
Construction of constituency office - Oshikuku	692 708	134 121
Construction of constituency office - Otamanzi	1 109 715	-
Construction of traditional office - Okalongo	81 804	-
Sewer and water reticulation - Okahao	949 039	-
Sewer reticulation network - Oshikuku	77 548	-
Planning of Okalongo Settlement	-	44 973
Planning Etayi Settlement	-	20 120
Planning of Elim Settlement	-	20 120
Planning of Tsandi Settlement	-	36 762
Planning of Otamanzi Settlement	-	20 120
Construction of service Elim	-	66 336
Construction of service Oshifo/Ruacana	-	416 646
Construction of service Ogongo	-	1 473 212
Construction of service Onawa	-	35 481
Construction of service Okalongo	-	29 036
Construction of service Outapi	-	186 635
Construction of service Tsandi	-	1 078 146

REGIONAL COUNCIL OF THE OMUSATI REGION

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. CAPITAL PROJECTS UNDER CONSTRUCTION (continued)

	2008	2007
	N\$	N\$
Upgrading of regional council office	-	182 906
Construction of village council - Oshikuku	-	2 131 748
Construction of village council - Ruacana	-	958 107
Construction of town council - Okahao	-	2 594 131
Regional council house Erf 317	-	26 839
Sub-division of Ext. 1 Tsandi	-	32 962
Upgrading of sewer pump station - Okahao	-	621 146
Upgrading of water reticulation - Ruacana	-	13 929
Water reticulation - Okahao	-	835 656
Fencing and gate house	-	186 958
Landscaping	-	301 924
Okanya water pipe project	-	334 244
Upgrading of council chamber	-	10 840
Total	5 646 191	13 385 468

6. SUNDRY DEBTORS

Build Together debtors	605 480	430 329
Accrued water & PTO income	745 400	470 952
Over-payment of staff salaries	143	-
National Activity Control Account	7 856	-
Telephone Control Account	1 701	-
Total	1 360 580	901 281

7. BANK AND CASH BALANCE

FNB - Current account	344 335	1 538 838
FNB -Call account	7 506 859	2 694 616
Building Together receipt account	299 934	254 184
Build Together disbursement account	27 848	9 701
Build Together call account	906 894	1 093 478
FNB - Disaster account	121 666	125 223
Nampost account	386 768	447 015
Petty cash	-	4
Bank Whk - Capital project current account	(57 803)	1 326 544
Bank Whk - Capital projects call account	6 260 648	8 622 474
Traditional Authority current account	-	1 365
Traditional Authority call account	-	1 089 234
Total	*15 797 149	17 202 676

* See paragraph 4.1.1

REGIONAL COUNCIL OF THE OMUSATI REGION

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2008	2007
	N\$	N\$
8. RETAINED EARNINGS		
Retained earning - Recurrent Fund	63 655 925	
Retained earning - Development Fund	8 670 660	
Retained earning - Build Together Fund	1 714 108	
Total	74 040 693	
9. CREDITORS		
Accounts payable - Recurrent Fund	106 332	
Accounts payable - Development Fund	329 429	
Total	*435 761	
*See paragraph 4.1.1		
10. REVENUE		
Income	23 588 334	25 442 762
Government subsidy	22 317 338	24 375 970
Income from water	1 119 350	1 059 031
PTO/Lease	151 646	7 761
Other income	2 563 419	5 334 570
Interest on Build Together accounts	104 750	273 413
Interest on housing loans	12 963	58 918
Interest on Development Funds accounts	636 959	2 521 525
Interest on recurrent account	763 789	599 014
Donations	1 885	1 500
Rental income	66 268	74 312
Photo copy sale & other income	68 247	29 580
Rate & levy from local authorities	64 488	38 105
Tender fee	15 740	7 563
Dividends	318 489	-
Assets disposal	65 912	-
Royalties	259 709	602 935
Commission received on insurance premium	18 029	15 567
Refund from S&T and telephone	95 331	1 024 122
Sundry income	14 719	63 350
Discount received	56 141	24 666
Total	26 151 753	30 777 332

REGIONAL COUNCIL OF THE OMUSATI REGION

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. REVENUE (continued)

	2008	2007
	N\$	N\$
Expenditure		
Personnel expenditure	12 573 091	11 724 292
Travel and subsistence expenses	937 276	784 611
Material and supplies	180 950	508 881
Transport expenses	947 769	1 225 552
Utility expenses	1 888 634	3 141 918
Depreciation expenses	2 910 813	1 918 977
Maintenance expenses	31 605	376 527
Property rentals	146 090	181 526
Other services and expenses	2 406 132	1 942 818
Total	22 022 360	21 805 102
Surplus for the year	4 129 393	8 972 230