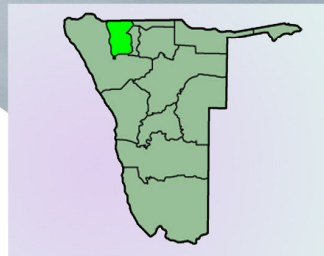




REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

# REGIONAL COUNCIL OF THE OMUSATI REGION

FOR THE FINANCIAL YEARS ENDED 31 MARCH 2009 AND 2010

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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 years ended 31 March 2009 and 2010, 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 OMUSATI REGIONAL COUNCIL  
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2009 AND 2010**

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## **1. INTRODUCTION**

The Regional Council for 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 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.

## **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 09 October 2009 and 26 July 2010 respectively 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 his Office, 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 2009/2010 financial year

The following differences were observed between the balance sheet and the trial balance:

Description	Balance sheet	Trial balance	Difference
	N\$	N\$	N\$
Retaining earnings – Development Fund	72 720 300	72 751 260	30 960
Rural sanitation - Professional fees	(301 713)	173 856	(475 569)
Rural sanitation - Labour cost	265 154	137 288	127 866

4.1.2 Furthermore, for plant, property and equipment a difference of N\$ 134 445 was observed between the balance sheet (N\$ 63 706 826) and note 5 (N\$ 63 572 380) to the annual financial statement.

##### 4.1.3 Adjustments

Unexplained adjustments to the amounts of N\$ 8 966 759: 2010 and N\$ 48 239: 2009 were made to balance the balance sheets.

#### 5. ACKNOWLEDGEMENT

The courtesy and assistance extended by the Regional Council's staff to the Auditor-General 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 years ended 31 March 2009 and 2010 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 balance sheet and the trial balance.
- Unexplained adjustments to the amounts of N\$ 8 966 759: 2010 and N\$ 48 239: 2009.

Except for the above-mentioned remarks, I certify as a result of my audit that, in my opinion, the accounts fairly present the transactions during the respective years and the financial position of the Council as at 31 March 2009 and 2010.

WINDHOEK, July 2011

**JUNIAS ETUNA KANDJEKE**  
**AUDITOR-GENERAL**

## REGIONAL COUNCIL FOR THE OMUSATI REGION

## BALANCE SHEETS AS AT 31 MARCH

	Notes	2010 N\$	2009 N\$	2008 N\$
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant & equipment	5	63 706 826	69 291 673	54 400 992
Capital project under construction	6	1 561 700	1 747 950	5 646 191
<b>Current assets</b>				
Accounts receivable	7	2 038 152	1 546 958	1 360 580
Cash on hand and bank	8	14 364 367	17 258 616	15 104 692
Inventory		577 600	459 590	299 081
Advance		-	126 233	20 901
VAT control account		-	-	963 590
Labour account		-	-	630
<b>Total assets</b>		<b>82 248 645</b>	<b>90 431 020</b>	<b>77 796 657</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Retained earning	9	86 277 145	80 032 749	74 040 693
Adjustments		(8 966 759)	48 293	(1 204 090)
Surplus/(Deficit)		3 264 685	6 196 102	4 129 393
<b>Current liabilities</b>				
Trade creditors	10	1 673 574	4 153 876	453 761
Yelula/U-khai		-	-	36 900
Ministry of Agriculture, Water and Forestry		-	-	340 000
Traditional Authority Control Account		-	-	-
<b>Total equity and liabilities</b>		<b>82 248 645</b>	<b>90 431 020</b>	<b>77 796 657</b>

## REGIONAL COUNCIL FOR THE OMUSATI REGIONAL

## INCOME STATEMENTS AS AT 31 MARCH

	Notes	2010 N\$	2009 N\$	2008 N\$
Income	11	27 943 803	27 906 742	24 055 094
Expenditure	11	26 571 505	24 206 434	22 022 360
Net operating surplus/(loss)		1 372 298	3 700 308	2 032 734
Dividends and royalties		908 003	836 569	578 198
Interest		984 384	1 659 225	1 518 461
Accumulated income/(deficit)	11	3 264 685	6 196 102	4 129 393
Accumulated funds:				
~At the beginning of the year		86 277 144	76 965 996	80 774 732
~Adjustments		(8 966 758)	3 115 046	(7 938 129)
~At the end of the year		<b>80 575 071</b>	<b>86 277 144</b>	<b>76 965 996</b>

## REGIONAL COUNCIL FOR THE OMUSATI REGION

## CASH FLOW STATEMENTS FOR THE YEARS ENDED 31 MARCH

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	N\$	N\$	N\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	1 372 298	3 700 308	2 032 734
Surplus over expenditure for the year adjusted for non-cash items:			
Movement in current assets			
- (Increase)/decrease	(482 971)	512 001	1 485 036
Net cash inflow from operations	889 327	4 212 309	3 517 770
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received	1 892 387	2 495 794	2 096 659
Property, plant and equipment acquired			
value adjustments	5 771 097	(10 992 440)	485 654
Net change in cash and cash equivalents	8 552 811	(4 284 337)	6 100 083
Adjustments	(8 966 758)	3 115 046	(7 938 129)
Current liabilities – Increase/(decrease)	(2 480 302)	3 323 215	(259 938)
<b>CASH &amp; CASH EQUIVALENTS</b>			
Beginning of the year	17 258 616	15 104 692	17 202 676
End of the year	<b>14 364 367</b>	<b>17 258 616</b>	<b>15 104 692</b>

## REGIONAL COUNCIL FOR THE OMUSATI REGIONAL

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH

**1. ACCOUNTING POLICIES**

The annual financial statements are prepared on the historical cost basis and incorporate the following principal accounting policies which have been consistently 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 vehicle, 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 equipments	3 years	33.33%
Furniture	5 years	20%
Office equipments	3 years	33.33%
Building equipment	50 years	2%

**1.2 Revenue**

Revenue represents subsidies from Central Government, collection from water, PTO fees as well as royalties, Dividends and other Income.

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	N\$	N\$	N\$
<b>2. GOVERNMENT SUBSIDY</b>			
Recurrent budget	20 903 000	19 070 000	18 617 338
Development budget	1 480 000	5 550 000	3 700 000
<b>Total</b>	<b>22 383 000</b>	<b>24 620 000</b>	<b>22 317 338</b>



## REGIONAL COUNCIL FOR THE OMUSATI REGIONAL

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH (continued)

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	N\$	N\$	N\$
<b>3. ADMINISTRATIVE AND OTHER EXPENSES</b>			
Personnel expenditure	14 796 854	12 670 392	12 573 091
Travel and subsistence expenses	1 033 511	933 881	937 276
Materials and suppliers expenses	159 240	223 569	180 950
Transport expenses	1 504 198	1 227 678	947 769
Utilities expenses	2 968 575	2 254 719	1 888 634
Depreciation expenses	2 887 148	3 387 612	2 910 813
Maintenance expenses	420 043	194 078	31 605
Properties rental expenses	82 273	117 578	146 090
Other service and expenses	2 657 878	3 196 039	2 406 132
Finance cost - Build Together	879	888	-
Finance cost - Development and Current Funds	60 906	-	-
<b>Total</b>	<b>26 571 505</b>	<b>24 206 434</b>	<b>22 022 360</b>

**4. 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, retains the overall responsibility to approve the related expenditure. Their budget allocation is transferred to the Regional Council via cash transfers.

<b>Line Ministries</b>	<b>Delegated functions</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
		N\$	N\$	N\$
<b>Income</b>				
Ministry of Gender	Early Childhood Development	-	-	180 950
Traditional Authority Accounts	Traditional Authorities Activities	-	-	745 410
<b>Expenditure</b>				
Ministry of Gender	Early Childhood Development	-	-	192 345
Traditional Authority Accounts	Traditional Authorities Activities	-	-	345 189

## REGIONAL COUNCIL FOR THE OMUSATI REGIONAL

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH (continued)

## 5. PROPERTY, PLANT AND EQUIPMENT

## YEAR 2010

	Assets at cost	Acc. depreciation	Net book value
	N\$	N\$	N\$
Building	62 824 856	5 238 432	57 586 424
Motor vehicles	4 486 818	3 182 369	1 304 449
Furniture & fittings	2 762 522	1 841 239	921 283
Machinery	5 534 272	2 170 589	3 363 683
Office equipments	592 153	440 224	151 929
Computer equipments	1 133 571	888 960	244 611
	<b>77 334 192</b>	<b>13 761 813</b>	<b>63 572 379</b>

## Recognition of closing net book value for 2010

	Land and building	Motor vehicles	Furniture, fixture and fittings
	N\$	N\$	N\$
1. Opening balance at cost	66 530 887	4 443 106	2 704 256
2. Additions	5 026 894	43 712	302 678
3. Disposal/Transfer	(8 732 925)	-	(244 412)
4. Acc. depreciation	(5 238 432)	(3 182 369)	(1 841 239)
<b>Closing net book value</b>	<b>57 586 424</b>	<b>1 304 449</b>	<b>921 283</b>

	Plant and machinery	Office equipments	Computers equipments
	N\$	N\$	N\$
1. Opening balance at cost	5 530 186	467 894	836 204
2. Additions	4 086	124 259	297 367
3. Acc. depreciation	(2 170 589)	(440 224)	(888 960)
<b>Closing net book value</b>	<b>3 363 683</b>	<b>151 929</b>	<b>244 611</b>

## REGIONAL COUNCIL FOR THE OMUSATI REGIONAL

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH (continued)

## YEAR 2009

	Assets at cost	Acc. depreciation	Net book value
	N\$	N\$	N\$
Building	66 530 887	4 215 003	62 315 884
Motor vehicles	4 443 106	2 847 312	1 595 794
Furniture & fittings	2 704 256	1 631 089	1 073 167
Machinery	5 530 186	1 347 830	4 182 356
Office equipments	467 894	370 293	97 601
Computer equipments	836 204	809 333	26 871
	<b>80 512 533</b>	<b>11 220 860</b>	<b>69 291 673</b>

## Recognition of closing net book value for 2009

	Land and building	Motor vehicles	Furniture, fixture and fittings
	N\$	N\$	N\$
1. Opening balance at cost	53 863 181	2 993 661	2 578 692
2. Additions	12 667 706	1 449 445	125 564
3. Acc. depreciation	(4 215 003)	(2 847 312)	(1 631 089)
<b>Closing net book value</b>	<b>62 315 884</b>	<b>1 595 794</b>	<b>1 073 167</b>

	Plant and machinery	Office equipments	Computers equipments
	N\$	N\$	N\$
1. Opening balance at cost	1 603 011	363 646	831 784
2. Additions	3 927 175	104 248	4 420
3. Acc. depreciation	(1 347 830)	(370 293)	(809 333)
<b>Closing Net book value</b>	<b>4 182 356</b>	<b>97 601</b>	<b>26 871</b>

## YEAR 2008

	Assets at cost	Acc. 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 equipments	363 647	287 571	76 075
Computer equipments	831 784	757 709	74 075
<b>Closing net book value</b>	<b>62 233 977</b>	<b>7 832 983</b>	<b>54 400 992</b>

## REGIONAL COUNCIL FOR THE OMUSATI REGIONAL

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH (continued)

## Recognition of closing net book value for 2008

	<b>Land and building</b>	<b>Motor vehicles</b>	<b>Furniture, fixture and fittings</b>
	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. Acc. depreciation	(2 910 032)	(2 243 978)	(1 082 366)
<b>Closing net book value</b>	<b>50 953 149</b>	<b>749 683</b>	<b>1 496 326</b>

## Recognition of closing net book value for 2008

	<b>Plant and machinery</b>	<b>Office equipment</b>	<b>Computer equipment</b>
	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. Acc. depreciation	(551 327)	(287 571)	(757 709)
<b>Closing net book value</b>	<b>1 051 685</b>	<b>76 075</b>	<b>74 075</b>

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	N\$	N\$	N\$

## 6. CAPITAL PROJECT UNDER CONSTRUCTION

<b>Building improvements</b>	-	-	189 291
Construction of Service Okahao - Phase 3	-	-	32 147
Construction of Service Oshikuku - Phase 3	-	-	853 701
Construction of Service Oshifo - Phase 2	-	-	48 692
Construction of Constituency office - Okalongo	-	-	1 218 841
Construction of Constituency office - Onesi	-	-	392 705
Construction of Constituency office - Oshikuku	-	-	692 708
Construction of Constituency office - Otamanzi	-	-	1 109 715
Construction of Traditional office - Okalongo	-	-	81 804
Construction of Constituency office - Tsandi	-	1 030 559	-
Construction of Constituency office - Okahao	-	712 985	-
Construction of Constituency office - Outapi	239 405	4 406	-
Construction of service - Onesi sewer	1 322 295	-	-
Sewer and water reticulation - Okahao	-	-	949 039
Sewer reticulation network - Oshikuku	-	-	77 548
<b>Total</b>	<b>1 561 700</b>	<b>1 747 950</b>	<b>5 646 191</b>

## REGIONAL COUNCIL FOR THE OMUSATI REGIONAL

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH (continued)

	2010	2009	2008
	N\$	N\$	N\$
<b>7. ACCOUNTS RECEIVABLE</b>			
Sundry debtors	-	-	605 480
Accrued water & PTO income	-	824 246	745 400
Over payment to staff salaries	-	-	143
National Activity Control Account	-	-	7 856
Telephone Control Account	-	-	1 701
Build Together Accounts Receivables	737 581	722 712	-
Construction of Okalongo Traditional Authority	159 449	-	-
Account Receivable Recurrent Fund	1 008 492	-	-
Advance	109 819	-	-
OPM account	22 811	-	-
<b>Total</b>	<b>2 038 152</b>	<b>1 546 958</b>	<b>1 360 580</b>
<b>8. BANK AND CASH BALANCE</b>			
(a) FNB - Current Account	259 883	(609 236)	344 335
(b) FNB - Call Account	3 244 404	2 747 223	7 506 859
(c) Building Together Receipt Account	-	-	299 934
(d) Build Together Disbursement Account	-	-	27 848
(e) Build Together Call Account	1 715 628	1 641 505	906 894
(f) FNB - Disaster Account	183	23 161	121 666
(g) Nampost Account	433 233	276 016	386 768
(h) Bank Whk - Capital Project Current Account	1 388 361	404 434	(57 803)
(i) Bank Whk - Capital Projects Call Account	6 581 593	11 588 249	6 260 648
(j) Traditional Authority Current Account	33 329	36 689	-
(k) Traditional Authority Call Account	215 316	744 042	-
(l) Build Together Current Account	25 452	16 564	-
(m) Build Together 32 Days Account	466 985	389 969	-
<b>Total</b>	<b>14 364 367</b>	<b>17 258 616</b>	<b>15 797 149</b>
<b>9. RETAINED EARNING</b>			
Retained earning -Recurrent Fund	10 811 630	11 062 475	63 655 925
Retained earning - Development Fund	72 720 300	66 401 850	8 670 660
Retained earning -Build Together Fund	2 745 215	2 568 424	1 714 108
<b>Total</b>	<b>86 277 145</b>	<b>80 032 749</b>	<b>74 040 693</b>

## REGIONAL COUNCIL FOR THE OMUSATI REGIONAL

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH (continued)

	2010	2009	2008
	N\$	N\$	N\$
<b>10. TRADE CREDITORS</b>			
Accounts payable - Recurrent Fund	5 898	2 351	106 332
Accounts payable - Development Fund	656 352	617 341	329 429
Accounts payable - Agricultural activities	40 000	40 000	-
Accounts payable -Sewer Oshukuku	-	700 000	-
Traditional Authority Control Account	248 645	780 731	-
Accounts payable - Okalongo Traditional Authority		1 987 917	-
Rural sanitation - Professional fees	(301 713)	-	-
Rural sanitation - Material fees	281 779	-	-
Rural sanitation - Labour cost	265 154	-	-
Rural sanitation- Saving	173 917	-	-
Staff savings	55 850	-	-
Build Together - Accounts payable	43 074		
Accrued expenses	204 618	-	-
Oshikuku and Okahao beneficiaries		25 536	
<b>Total</b>	<b>1 673 574</b>	<b>4 153 876</b>	<b>435 761</b>

**11. REVENUE**

<b>Income</b>	<b>23 598 820</b>	<b>25 753 575</b>	<b>23 588 334</b>
Government subsidy	22 383 000	24 620 000	22 317 338
Income from water	1 091 774	1 028 214	1 119 350
PTO/Lease	124 046	105 361	151 646
<b>Other Income</b>	<b>6 237 370</b>	<b>4 648 961</b>	<b>2 563 419</b>
Interest on Build Together accounts	-	140 984	104 750
Interest on housing loans	-	-	12 963
Interest on Development Funds accounts	669 631	903 543	636 959
Interest on Recurrent account	314 753	614 698	763 789
Donations	-	1 000	1 885
Rental income	625 935	436 281	66 268
Photo copy sale & other income	52 541	39 153	68 247
Rate & levy from Local Authority	92 085	69 433	64 488
Tender fee	46 400	35 824	15 740
Dividends	707 143	582 542	318 489
Assets disposal	9 141	-	65 912
Royalties	200 860	254 027	259 709
Commission received on insurance premium	20 126	19 903	18 029

(continued)

## REGIONAL COUNCIL FOR THE OMUSATI REGIONAL

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH (continued)

**REVENUE (continued)**

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	N\$	N\$	N\$
Refund from S & T and telephone	-	158 395	95 331
VAT refund	1 197 003	1 343 733	-
Refund	2 094 289	-	-
Penalty received	18 500	-	-
Sundry income	-	-	14 719
Revenue from Build Together	158 236	-	-
Discount received	30 727	12 751	56 141
Interest received -debtor overdue account	-	36 694	-
<b>Total</b>	<b>29 836 190</b>	<b>30 402 536</b>	<b>26 151 753</b>
<b>Expenditures</b>			
Personnel expenditure	14 796 854	12 670 392	12 573 091
Travel and subsistence expenses	1 033 511	933 881	937 276
Material and suppliers	159 240	223 569	180 950
Transport expenses	1 504 198	1 227 678	947 769
Utilities expenses	2 968 575	2 254 719	1 888 634
Depreciation expenses	2 887 148	3 387 612	2 910 813
Maintenance expenses	420 043	194 078	31 605
Properties rental	82 273	117 578	146 090
Other services and expenses	2 657 878	3 196 039	2 406 132
Finance cost - Development and Current Fund	60 906	-	-
Finance cost - Build Together	879	888	-
<b>Total</b>	<b>26 571 505</b>	<b>24 206 434</b>	<b>22 022 360</b>
<b>Accumulated Income/(deficit)</b>	<b>3 264 685</b>	<b>6 196 102</b>	<b>4 129 393</b>