



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 2011

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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 2011, 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, September 2012

**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 2011**

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 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 23 September 2011 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

BALANCE SHEET

It was observed that an amount of N\$ 3 621 745 for capital project under construction (working in progress) was not included in the balance sheet; this amount was charged as expenditure in the income statement.

Recommendation

It is recommended that the Council should record expenditure of projects under constructions in the balance sheet as part of the assets.

4.2 Fixed assets

Depreciation

It was noted from the selected sample that the Council was not consistent in the application of their accounting policy related to depreciation. In some cases, for some assets, depreciations were charged on a full year basis and others on a half yearly basis.

Recommendation

It is recommended that the Council should put this matter into consideration and ensure that the depreciation is correctly calculated.

4.3 Adjustments

Unexplained adjustments to the amounts of N\$ 3 260 358 and N\$ (21 139), were made to balance the income statement and the cash flow statement respectively.

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 year ended 31 March 2011 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:

- An amount of N\$ 3 621 745 for work in progress was not included in the balance sheet; and
- Unexplained adjustment to the amount of N\$ 3 260 358.

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 year and the financial position of the Council as at 31 March 2011.

WINDHOEK, September 2012

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

REGIONAL COUNCIL OF THE OMUSATI REGION

BALANCE SHEET AS AT 31 MARCH

	Notes	2011 N\$	2010 N\$
ASSETS			
Non-current assets			
Property, plant & equipment	5	69 852 738	65 268 526
Capital project under construction	6	-	1 561 700
Current assets			
Accounts receivable	7	2 024 213	2 038 152
Cash and bank balance	8	11 082 870	14 364 367
Inventory		352 699	577 600
Total assets		83 312 520	82 248 645
EQUITY AND LIABILITIES			
Equity			
Retained earning	9	83 835 429	86 277 145
Adjustments		-	(8 966 759)
Surplus/(Deficit)		(2 579 839)	3 264 685
Current liabilities			
Trade creditors	10	2 056 930	1 673 574
Total equity and liabilities		83 312 520	82 248 645

REGIONAL COUNCIL OF THE OMUSATI REGION

INCOME STATEMENT AS AT 31 MARCH

	Notes	2011	2010
		N\$	N\$
Income	11	32 199 050	27 943 803
Expenditure	11	36 009 019	26 571 505
Net operating surplus/(loss)		(3 809 969)	1 372 298
Dividends and royalties		316 586	908 003
Interest		913 544	984 384
Accumulated income/(deficit)	11	(2 579 839)	3 264 685
Accumulated funds:			
~At the beginning of the year		80 575 071	86 277 144
~Adjustments/Addition		3 260 358	(8 966 758)
~At the end of the year		81 255 590	80 575 071

REGIONAL COUNCIL OF THE OMUSATI REGION

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 MARCH

	2011	2010
	N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES	(3 809 969)	1 372 298
Surplus over-expenditure for the year adjusted for non-cash items:		
Movement in current assets		
- (Increase)/decrease	3 520 337	(482 971)
Net cash inflow from operations	(289 632)	889 327
Cash flows from investing activities		
Dividends and Royalties	316 586	-
Interest Received	913 544	1 892 387
Property, plant and equipment acquired		
value adjustments	(4 584 212)	5 771 097
Net change in cash and cash equivalents	(3 643 714)	8 552 811
Adjustments	(21 139)	(8 966 758)
Current liabilities – Increase/(decrease)	383 356	(2 480 302)
CASH & CASH EQUIVALENTS		
Beginning of the year	14 364 367	17 258 616
End of the year	11 082 870	14 364 367

REGIONAL COUNCIL OF THE OMUSATI REGION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 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 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 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.

	2011	2010
	N\$	N\$
2. GOVERNMENT SUBSIDY		
Recurrent budget	24 451 400	20 903 000
Development budget	-	1 480 000
Total	24 451 400	22 383 000

REGIONAL COUNCIL OF THE OMUSATI REGION

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

	2011	2010
	N\$	N\$
3. ADMINISTRATIVE AND OTHER EXPENSES		
Personnel expenditure	17 537 534	14 796 854
Travel and subsistence expenses	1 219 875	1 033 511
Materials and suppliers expenses	860 028	159 240
Transport expenses	1 955 972	1 504 198
Utilities expenses	4 062 331	2 968 575
Depreciation expenses	2 599 547	2 887 148
Maintenance expenses	447 904	420 043
Properties rental expenses	86 400	82 273
Other service and expenses	3 558 754	2 657 878
Finance cost - Build Together, Development and Current Fund	58 929	61 785
Work in progress	3 621 745	-
Total	36 009 019	26 571 505

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.

Ministry of Regional and Local Government, Housing and Rural Development

	2011	2010
	N\$	N\$
Build Together		
Income		
Interest received	271 496	-
Expenses		
Water sewer reticulations – Onesi	(616 658)	-
Finance cost	(4 869)	-
Deficit for the year	(350 031)	-

REGIONAL COUNCIL OF THE OMUSATI REGION

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

5. PROPERTY, PLANT AND EQUIPMENT

YEAR 2011

	Assets at cost	Accumulated depreciation	Net book value
	N\$	N\$	N\$
Land and building	69 054 166	6 484 308	62 569 858
Motor vehicles	5 188 211	3 564 670	1 623 541
Furniture, fixture & fittings	3 310 081	2 119 705	1 190 376
Machinery	6 976 353	2 921 144	4 055 209
Office equipments	738 643	510 508	228 135
Computer equipment	1 143 087	957 468	185 619
Total	86 410 541	16 557 803	69 852 738

Recognition of closing net book value for 2011

	Land and building	Motor vehicles	Furniture, fixture and fittings
	N\$	N\$	N\$
1. Opening balance at cost	62 824 856	4 486 818	2 762 522
2. Additions	9 826 007	719 333	763 663
3. Disposal/Transfer	(3 596 697)	(17 940)	(216 104)
4. Accumulated depreciation	(6 484 308)	(3 564 670)	(2 119 705)
Closing net book value	62 569 858	1 623 541	1 190 376

	Plant and machinery	Office Equipment	Computers equipment
	N\$	N\$	N\$
1. Opening balance at cost	5 534 272	592 153	1 133 571
2. Additions	1 448 664	194 875	110 784
3. Disposal	(6 583)	(48 385)	(101 268)
4. Accumulated depreciation	(2 921 144)	(510 508)	(957 468)
Closing net book value	4 055 209	228 135	185 619

REGIONAL COUNCIL OF THE OMUSATI REGION

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

PROPERTY, PLANT AND EQUIPMENT (continued)

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 equipment	592 153	440 224	151 929
Computer equipment	1 133 571	888 960	244 611
Total	77 334 192	13 761 813	63 572 379

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. Accumulated depreciation	(5 238 432)	(3 182 369)	(1 841 239)
Closing net book value	57 586 424	1 304 449	921 283

	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. Accumulated depreciation	(2 170 589)	(440 224)	(888 960)
Closing net book value	3 363 683	151 929	244 611

REGIONAL COUNCIL OF THE OMUSATI REGION

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

	2011	2010
	N\$	N\$
6. CAPITAL PROJECT UNDER CONSTRUCTION		
Construction of Consituency Office-Outapi	-	239 405
Construction of Service –Onesi sewer	-	1 322 295
Total	-	1 561 700
7. ACCOUNTS RECEIVABLE		
Traditional Authority vehicle	5829	-
S&T – Line Ministries	3030	-
Less: Provision for bad debts	(111 721)	-
Build Together – Accounts receivable	903 898	737 581
Construction of Okalongo Traditional Authority	-	159 449
Accounts receivable – Recurrent Fund	1 117 214	1 008 492
Advance	44 568	109 819
OPM account	61 395	22 811
Total	2 024 213	2 038 152
8. CASH AND BANK BALANCE		
FNB – Current Account	8 110	259 883
FNB – Call Account	1 635 388	3 244 404
Building Together – Call Account	-	1 715 628
FNB Disaster Account	-	183
Nampost Account	244 119	433 233
Bank Windhoek – Capital Project Current Account	438 979	1 388 361
Bank Windhoek – Capital Call Account	7 090 575	6 581 593
Traditional Authority – Current Account	-	33 329
Traditional Authority – Call Account	-	215 316
Build Together – Current Account	27 711	25 452
Build Together – Call Account	1090 674	-
Build Together – 32 Days Account	547 314	466 985
Total	11 082 870	14 364 367

REGIONAL COUNCIL OF THE OMUSATI REGION

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

	2011	2010
	N\$	N\$
9. RETAINED EARNING		
Retained earning -Recurrent Fund	11 336 020	10 811 630
Retained earning - Development Fund	69 596 836	72 720 300
Retained earnings - Build Together Fund	2 902 573	2 745 215
Total	83 835 429	86 277 145
10. TRADE CREDITORS		
Accounts payable - Recurrent Fund	11 183	5 898
Accounts payable - Development Fund	-	656 352
Accounts payable - Agricultural activities Development Center	1 000 000	-
Traditional Authority Control Account	-	248 645
Contingency - Rural Sanitation	153 362	-
Rural sanitation - Professional fees	-	(304 713)
Rural sanitation - Material fees	-	281 779
Rural sanitation - Labour cost	-	265 154
Rural sanitation- Saving	-	173 917
Staff savings	77 710	55 850
Build Together - Accounts payable	17 055	43 074
Accrued expenses	164 148	204 618
Retention	633 472	-
Total	2 056 930	1 673 574

REGIONAL COUNCIL OF THE OMUSATI REGION

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

		2011	2010
		N\$	N\$
11. REVENUE			
Income		25 746 213	23 598 820
Government subsidy	2	24 451 400	22 383 000
Income from water		1 111 814	1 091 774
Income from Settlement		40 009	-
PTO/Lease		142 990	124 046
Other Income		7 682 967	6 237 370
Interest on Development Funds account		368 713	669 631
Interest in Recurrent Account		-	314 753
Interest received		273 335	-
Rental Income		599 201	625 935
Revenue from Build Together		271 496	158 236
Photo copy sale & Other income		82 053	52 541
5% Rate & levy from Local Authority		152 595	92 085
Tender fees development		49 840	-
Tender fees		51 590	46 400
Dividends		-	707 143
Assets disposal		-	9141
Royalties Development		268 295	-
Royalties		48 291	200 860
Penalty received		-	18 500
VAT refund		5 291 947	1 197 003
Refund		165 950	2 094 289
Discount received		38 582	30 727
Commission received on insurance premium		21 079	20 126
Total		33 429 180	29 836 190

REGIONAL COUNCIL OF THE OMUSATI REGION

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

	2011	2010
	N\$	N\$
Expenditures		
Personnel expenditure	17 537 534	14 796 854
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