



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 2012

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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 2012, 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 2014

**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 2012**

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. Deficits are indicated in brackets.

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. 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 THE AUDIT

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with General Acceptable Accounting Practice (GAAP) and legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly. The said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm comply with ethical requirements, plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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 my audit opinion.

4. AUDIT OBSERVATIONS AND COMMENTS

4.1 Adjustment

Auditors have calculated accumulated funds to the value of N\$ 78 292 579, while the total amount is N\$ 78 909 237, therefore, an adjustment to the amount of N\$ 616 658 and N\$ 2 348 087 was used 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 2012 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 unexplained adjustment.

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 2012.

WINDHOEK, January 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

REGIONAL COUNCIL FOR THE OMUSATI REGION

BALANCE SHEET AS AT 31 MARCH

	Notes	2012 N\$	2011 N\$
ASSETS			
Non-current assets			
Property, plant & equipment	5	67 778 316	69 852 738
Capital project under construction	6	1 002 440	-
Current assets			
Accounts receivable	7	2 490 840	2 024 213
Cash on hand and bank	8	13 162 247	11 082 870
Inventory		366 218	352 699
Total assets		84 800 061	83 313 520
EQUITY AND LIABILITIES			
Equity			
Retained earning	9	81 872 248	83 835 429
Surplus/(Deficit)		(2 963 011)	(2 579 839)
Current liabilities			
Trade creditors	10	5 890 824	2 056 930
Total equity and liabilities		84 800 061	83 312 520

REGIONAL COUNCIL FOR THE OMUSATI REGION

INCOME STATEMENT AS AT 31 MARCH

	Notes	2012 N\$	2011 N\$
Income	11	32 758 016	32 199 050
Expenditure	11	36 792 916	36 009 019
Net operating surplus/(loss)		(4 034 900)	(3 809 969)
Dividends and royalties		462 296	316 586
Interest		609 593	913 544
(Deficit)	11	(2 963 011)	(2 579 839)
Accumulated funds:			
~At the beginning of the year		81 255 590	80 575 071
~Adjustments		616 658	3 260 358
~At the end of the year		78 909 237	81 255 590

REGIONAL COUNCIL FOR THE OMUSATI REGION

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 MARCH

	<u>2012</u>	<u>2011</u>
	N\$	N\$
CASH FLOWS FROM OPERATING ACTIVITIES	(4 034 900)	(3 809 969)
Surplus over expenditure for the year adjusted for non-cash items:		
Movement in current assets (Increase)	<u>(466 627)</u>	<u>3 520 337</u>
Net cash inflow from operations	(4 501 527)	(289 632)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends and royalties	462 296	316 586
Interest received	609 593	913 544
Property, plant and equipment acquired value adjustments	<u>(672 966)</u>	<u>(4 584 212)</u>
Net change in cash and cash equivalents	(4 102 604)	(3 643 714)
Adjustments	2 348 087	(21 139)
Current liabilities – Increase/(decrease)	3 833 894	383 356
CASH & CASH EQUIVALENTS		
Beginning of the year	<u>11 082 870</u>	<u>14 364 367</u>
End of the year	<u>13 162 247</u>	<u>11 082 870</u>

REGIONAL COUNCIL FOR 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 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 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 equipments	3 years	33.33%
Furniture	5 years	20%
Office equipments	3 years	33.33%
Building equipment	50 years	2%

2. Revenue

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

2.1 GOVERNMENT SUBSIDY

	<u>2012</u>	<u>2011</u>
	N\$	N\$
Recurrent budget	27 751 400	24 451 400
Total	<u>27 751 400</u>	<u>24 451 400</u>

REGIONAL COUNCIL FOR THE OMUSATI REGION

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

	2012	2011
	N\$	N\$
3. ADMINISTRATIVE AND OTHER EXPENSES		
Personnel expenditure	22 961 210	17 537 534
Travel and subsistence expenses	1 067 664	1 219 875
Materials and suppliers expenses	468 480	860 028
Transport expenses	1 619 016	1 955 972
Utilities expenses	3 822 458	4 062 331
Depreciation expenses	3 392 358	2 599 547
Maintenance expenses	202 173	447 904
Properties rental expenses	201 304	86 400
Other service and expenses	2 975 047	3 558 754
Finance cost	83 206	-
Finance cost - Development and current funds	-	58 929
Working in progress	-	3 621 745
Total	36 792 916	36 009 019

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, 2000 (Act No.33 of 2000).

Under delegation, the Regional Council acts as an Agent on behalf of the Ministry of Regional and Local Government, Housing and Rural Development. Their budget allocation is transferred to the Regional and Council via cash transfers.

Ministry of Regional and Local Government, Housing and Rural Development.

	2012	2011
	N\$	N\$
Build Together Programme		
Income		
Revenue: Interest received	123 196	271 496
Other expenses: Water sewerage reticulation – Onesi	-	(616 658)
Finance cost	(3 274)	(4 869)
Deficit for the year	119 92	(350 031)

REGIONAL COUNCIL FOR THE OMUSATI REGIONAL

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

5. PROPERTY, PLANT AND EQUIPMENT

YEAR 2012

	Assets at cost	Accumulated depreciation	Net book value
	N\$	N\$	N\$
Land & building	70 145 220	7 917 754	62 227 466
Motor vehicles	5 188 211	3 873 512	1 314 699
Furniture, fixture & fittings	3 390 374	2 568 266	822 108
Machinery	6 976 353	3 951 635	3 024 718
Office equipments	826 561	603 569	222 992
Computer equipments	1 201 758	1 035 425	166 333
Total	87 728 477	19 950 161	67 778 316

Recognition of closing net book value for 2012

	Land and building	Motor vehicles	Furniture, fixture and fittings
	N\$	N\$	N\$
1. Opening balance at cost	69 054 166	5 188 211	3 310 081
2. Additions	1 091 054	-	80 293
4. Accumulated depreciation	(7 917 754)	(3 873 512)	(2 568 266)
Closing net book value	62 227 466	1 314 699	822 108

	Plant and machinery	Office equipments	Computers equipments
	N\$	N\$	N\$
1. Opening balance at cost	6 976 353	738 643	1 143 087
2. Additions	-	87 918	58 671
3. Accumulated depreciation	3 951 635)	(603 569)	(1 035 425)
Closing net book value	3 024 718	222 992	166 333

REGIONAL COUNCIL FOR THE OMUSATI REGION

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

PROPERTY, PLANT AND EQUIPMENT

YEAR 2011

	Assets at cost	Accumulated depreciation	Net book value
	N\$	N\$	N\$
Land & 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 equipment	738 643	510 508	228 135
Computer equipment's	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)	(951 468)
Closing net book value	4 055 209	228 135	185 619

6. CAPITAL PROJECT UNDER CONSTRUCTION

	2012	2011
	N\$	N\$
Construction of services – Ogongo	649 601	-
Services design – Tsandi	352 839	-
Total	1 002 440	-

REGIONAL COUNCIL FOR THE OMUSATI REGION

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

	2012	2011
	N\$	N\$
7. ACCOUNTS RECEIVABLE		
Development	186 025	-
Traditional Authority vehicle	5 195	5 829
S & T line Ministries	18 990	3 030
Less: provision for bad debts	(111 721)	(111 721)
Build Together accounts receivables	958 924	903 898
Account Receivable Recurrent Fund	1 423 742	1 117 214
Advance	-	44 568
OPM account	9 685	61 395
Total	2 490 840	2 024 213
8. BANK AND CASH BALANCE		
(a) FNB – Current account	(413 961)	8 110
(b) FNB – Call account	405 854	1 635 388
(c) Nampost account	66 872	244 119
(d) Bank Windhoek – Capital Project current account	527 984	438 979
(e) Bank Windhoek – Capital call account	7 791 646	7 090 575
(f) Rural Development current account	184 439	-
(g) Rural Development current account	2 907 231	-
(h) Build Together current account	26 879	27 711
(i) Build Together current account	1 044 474	1 090 674
(j) Build Together 32 Days account	620 829	547 314
Total	13 162 247	11 082 870
9. RETAINED EARNING		
Retained earning – Recurrent Fund	10 390 469	11 336 020
Retained earning – Development Fund	68 957 549	69 596 836
Retained earning – Build Together Fund	2 524 230	2 902 573
Total	81 872 248	83 835 429

REGIONAL COUNCIL FOR THE OMUSATI REGION

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

	Note	2012 N\$	2011 N\$
10. TRADE CREDITORS			
Accounts payable – Recurrent Fund		233 884	11 183
Accounts payable – Development Fund		208 378	-
Development center		-	1 000 000
Contingency – Rural sanitation		149 215	153 362
Retention		365 942	633 472
Iita rural water pipe		1 768 523	-
Rural Development – Micro finance		282 576	-
Rural Development – Cash for worker		348 407	-
Rural Development – RD Center		2 000 000	-
Rural Development (OROI)		250 000	-
Rural Development – Food security plan		153 000	-
Rural Development – World Food Day		17 000	-
Staff savings		106 945	77 710
Build Together – Accounts payable		6 954	17 055
Accrued expenses		-	164 148
Total		5 890 824	2 056 930
11. REVENUE			
Income		29 640 478	25 746 213
Government subsidy	2	27 751 400	24 451 400
Income from water		1 177 902	1 111 814
Income from Settlement		487 034	40 009
PTO/Lease		224 142	142 990
Other income		7 682 967	7 682 967
Interest on Development Funds account		315 391	368 713
Interest received		128 166	273 335
Rental Income		1 200 954	599 201
Photo copy sale & other income		53 742	82 053
5% Rate & levy from Local Authority		235 904	152 595
Tender fees development		252 300	49 840
Tender fees		-	51 590
Assets disposal		54 531	-
Royalties development		462 296	268 295
Royalties		-	48 291
VAT refund		588 409	5 291 947
Refund		405 710	165 950
Interest received – Build Together		123 196	271 496
Interest received – Rural Development		42 840	-
Discount received		46 616	38 582
Commission received on insurance premium		23 229	21 079
Total		33 829 905	33 429 180

REGIONAL COUNCIL FOR THE OMUSATI REGION

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

	Note	2012	2011
		N\$	N\$
Expenditures			
Personnel expenditure	3	22 961 210	17 537 534
Travel and subsistence expenses		1 067 664	1 219 875
Material and suppliers		468 480	860 028
Transport expenses		1 619 016	1 955 972
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Properties rental		201 304	86 400
Other services and expenses		2 975 047	3 558 754
Finance cost		83 206	58 929
Work in progress		-	3 621 745
Total		36 972 916	36 009 019
Accumulated income/(deficit)		(2 963 011)	(2 579 839)