



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

REGIONAL COUNCIL OF THE OSHANA REGION

FOR THE FINANCIAL YEARS ENDED 31 MARCH 2011 AND 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 Oshana Region for the financial year ended 31 March 2011 and 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, October 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE
ACCOUNTS OF THE REGIONAL COUNCIL OF THE OSHANA REGION
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2011 and 2012**

1. INTRODUCTION

The Regional Council for the Oshana region was established with effect from 31 August 1992 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.

1.1 Report on the Financial Statements

I have audited the accompanying financial statements of Oshana Regional Council for the years ended 31st March 2011 and 31st March 2012. These financial statements comprise the Balance Sheet, Income statement and Cash flow statement for the years then ended, and a summary of significant accounting policies and other explanatory information.

2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Namibian Statements of Generally Accepted Accounting Practices 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.

3. AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with International Standards for Supreme Audit Institutions. These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Powers and duties

Section 25(1) (c) of the State Finance Act, 1991, provides that the Auditor-General should satisfy himself that:

- (a) all reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;

- (b) all reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and
- (c) the expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, Section 26(1)(b)(iv) of the State Finance Act, 1991, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

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 the audit opinion.

4. AUDIT FINDINGS

No material findings were observed.

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. AUDIT OPINION

The accounts of the Regional Council of the Oshana Region for the financial years ended 31 March 2011 and 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).

In my opinion, the financial statements present fairly, in all material respects, the financial position of Oshana Regional Council as at 31st March 2011 and 31st March 2012, and of its financial performance and its cash flows for the years then ended in accordance with Namibian Generally Accepted Accounting Practice.

WINDHOEK, October 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

REGIONAL COUNCIL OF THE OSHANA REGION

BALANCE SHEET AS AT 31 MARCH

	Notes	2012 N\$	2011 N\$
ASSETS			
Non-current assets		77 966 129	57 578 956
Property, plant and equipment	5	72 966 129	52 578 956
Investments (Shares in Nored)	6	5 000 000	5 000 000
Current assets		57 698 246	48 347 728
Accounts receivable	8	2 520 940	2 692 414
Bank and cash on hand	7	55 177 306	45 655 314
Total assets		135 664 375	105 926 684
EQUITY AND LIABILITIES			
Equity		132 519 551	103 969 570
Capital development Fund		122 433 708	95 074 719
Accumulated Fund		10 085 843	8 894 851
Current Liabilities		3 144 824	1 957 114
Trade and other payables	9	3 144 824	1 957 114
Total equity and liabilities		135 664 375	105 926 684

ANNEXURE B

REGIONAL COUNCIL OF THE OSHANA REGION

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH

	Notes	2012 N\$	2011 N\$
Income	4.1	26 183 313	23 425 069
Expenditure	4.2	26 815 658	25 423 262
Net operating surplus/(loss)		(632 345)	(1 998 193)
Interest on current account		1 823 337	2 206 923
Accumulated income/(deficit)		1 190 992	208 730
~ at the beginning of the year		8 894 851	8 745 364
~adjustment		-	(59 243)
~ at the end of the year		10 085 843	8 894 851

ANNEXURE C

REGIONAL COUNCIL OF THE OSHANA REGION
CASHFLOW STATEMENTS AS AT 31 MARCH

	Notes	2012 N\$	2011 N\$
Cash flow from operating activities			
Cash receipt from customers		26 183 313	23 425 069
Cash paid to supplier		(25 456 474)	(25 587 041)
Cash generated by operations	10	<u>726 839</u>	<u>(2 161 972)</u>
Interest/ dividends received		1 823 337	2 206 923
Increase/(decrease) in Funds		27 358 989	12 000 000
Property, plant and equipment acquired, value adjustments		(20 387 173)	(10 269 983)
Net (decrease)/increase in cash and cash equivalent		<u>9 521 992</u>	<u>1 774 968</u>
CASH AND CASH EQUIVALENTS			
-Beginning of the year		<u>45 655 314</u>	<u>43 880 346</u>
- End of the year		<u>55 177 306</u>	<u>45 655 314</u>

**REGIONAL COUNCIL OF THE OSHANA REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH**

1. ACCOUNTING POLICIES

The annual financial statements are prepared under the historical cost basis. The following are the principal accounting policies used by the entity, which are consistent with those applied in 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 cash accounting concept, in line with the State Finance Act, 1992, however, since all liabilities to Delegated functions remains with the 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 financial statements.

1.1 Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Cost includes all cost directly attributed to bringing the assets to working condition for their intended use.

The residual value and the useful life of each assets are reviewed at each year-end.

Land and infrastructure assets are not depreciated. It is assumed that land will appreciate in value over time, and that infrastructure assets (i.e. water, sewerage and electricity works) will maintain their value due to the necessity of regular maintenance.

Buildings that are still under construction are classed as work-in-progress, and are not depreciated until the work is fully completed.

Where the carrying amount of an asset is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to retained earnings.

REGIONAL COUNCIL OF THE OSHANA REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

Depreciation is calculated on a straight-line method to write off the cost of each asset, or the revalued amount, to their residual values over their estimated useful lives as follows;

Buildings	50 years
Machinery and Equipment	5 years
Motor vehicles	5 years
Office Furniture and Equipment	3 years
Computer equipment	3 years

1.2 Inventories

Inventories are measured at lower cost and net realizable value. The cost of inventories should comprise all cost of purchases, cost of conversion and other cost incurred in bringing the inventories to their present location and condition.

1.3 Trade receivables

Trade receivables are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

1.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

2. Revenue

Revenue consist of the following:

REGIONAL COUNCIL OF THE OSHANA REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

2.1 Government Transfers: MRLGH&RD

The Regional Council receives administrative grants from the Ministry of Regional and Local Government, Housing and Rural Development. The grants are for the day-to-day operations of the Regional Council.

2.2 Rates levy from Local Authorities

The Regional Council, levies an amount equal to 5% of the rates levied on all ratable property situated in Local Authority areas as stipulated in Section 77(1) of the Local Authorities Act, 1992 (Act 23 of 1992).

2.3 Royalties and surcharges

The Regional Council receives royalties in respect of surcharges levied on its behalf by NORED Electricity (Pty) Ltd. The rates are based on approved rates tariffs by the Electricity Control Board.

3. Delegated functions

The Regional council is currently performing the following functions delegated by Central Government Ministries.

Under delegated, the Regional Council acts as an agent for the relevant Ministry. The relevant Ministry, however, retains overall responsibility to approve the related budget. This budget allocation is transferred to the Regional Council via cash transfers.

Line Ministries	Delegated function	Notes	2012	2011
			N\$	N\$
Income			1 282 447	592 893
Min of Gender -	IGA		1 869	60 569
Min of Gender -	ECD		530 257	20 010
Min of RLGH&RD	Micro Finance		369 320	448 923
	Youth Employ			
Min of Agric -	Fund		170 000	-
Off of the Prime Min	ORC		145 354	52 381
Min of RLGH&RD	World Habitant		10 000	10 000
	Oshana Emergency			
Min of RLGH&RD	Fund		55 647	1 010

ANNEXURE D

REGIONAL COUNCIL OF THE OSHANA REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

		2012	2011
		N\$	N\$
Expenditure		390 354	859 068
Min of Gender -	ECD	14 232	36 985
Min of Gender -	IGA	-	115 749
Min of RLGH&RD	Cash for Work	108 196	641 342
Min of Agriculture	Youth Employment Fund	99 644	-
Min of Agriculture	World Food Day	16 990	-
Off of the Prime Min	ORC	-	36 259
Min of RLGH&RD	Drought Aid Fund	137 514	14 339
Min of RLGH&RD	Oshana Emergency Fund	13 778	14 393
Surplus/ Dificit for the year		892 093	(266 175)
4. INCOME AND EXPENDITURE	Notes	2012	2011
		N\$	N\$
4.1 Income			
Government Transfers MRLGH		22 596 849	19 726 176
Government grants - Land Compensation		-	1 375 874
Rates Levy (5 %) from Local Authorities		1 311 391	1 150 814
Rates, Charges and Fees (Settlement Areas)		39 135	46 922
Other income	4.3	774 649	469 946
Royalties and surcharges		178 842	62 444
Sub-total		24 900 866	22 832 176
Delegated Functions	3	1 282 447	592 893
TOTAL INCOME		26 183 313	23 425 069

ANNEXURE D

REGIONAL COUNCIL OF THE OSHANA REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

	2012	2011
	N\$	N\$
4.2 Expenditure		
Remuneration	18 340 054	16 335 056
Subsistence & travel	629 047	567 610
Materials and supplies	511 612	515 367
Transport expenses	733 949	608 035
Utilities	1 165 951	1 180 208
Maintenance expenses	550 170	140 803
Property rental & related charges	123 070	99 127
Other services & expenses	4 112 402	4 717 602
Membership fees & sub domestic	57 426	63 727
Subsidies, grants and donations	201 623	336 659
Sub-total	26 425 304	24 564 194
Delegated Functions	3	390 354
TOTAL EXPENDITURE	26 815 658	25 423 262
NET OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	(632 345)	(1 998 193)
NET FINANCIAL INCOME		
Interest received	1 823 337	2 206 923
ACCUMULATED SURPLUS/(DEFICIT) FOR THE YEAR	1 190 992	208 730
4.3 Other Income	2012	2011
	N\$	N\$
Income	774 649	469 946
Property rentals & equipment hire	48 729	73 407
Other income	-	-
Donations	132 249	-
Sundry Income	593 671	396 539

REGIONAL COUNCIL OF THE OSHANA REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

5. PROPERTY, PLANT AND EQUIPMENT

31 March 2012	Asset Under Construction	Land & Buildings	Machinery & Vehicles	Equipment & Computers	Total
	N\$	N\$	N\$	N\$	N\$
Cost as at 1 April 2011	10 317 029	42 743 109	11 616 003	2 254 683	66 930 824
Additions	22 990 985	-	72 803	302 624	23 366 412
Capitalized WIP/Transfer	(33 308 014)	33 308 014	-	-	-
Cost as at 31 March 2012	-	76 051 123	11 688 806	2 557 307	90 297 236
Depreciation as at 1 April 2011	-	(2 528 438)	(9 966 426)	(1 857 004)	(14 351 868)
Charge for the year	-	(1 521 022)	(1 100 883)	(357 334)	(2 979 239)
Depreciation as at 31 March 2012	-	(4 049 460)	(11 067 309)	(2 214 338)	(17 331 107)
Net book value as at 31 March 2012	-	72 001 663	621 497	342 969	72 966 129
31 March 2011	Asset Under Construction	Land & Buildings	Machinery & Vehicles	Equipment & Computers	Total
	N\$	N\$	N\$	N\$	N\$
Cost as at 1 April 2010	6 643 747	33 681 617	11 072 248	1 745 696	53 143 308
Additions	12 719 096	15 678	543 755	508 987	13 787 516
Capitalized WIP/Transfer	(9 045 814)	9 045 814	-	-	-
Cost as at 31 March 2011	10 317 029	42 743 109	11 616 003	2 254 683	66 930 824
Depreciation as at 1 April 2010	-	(1 673 576)	(7 859 109)	(1 363 925)	(10 896 610)
Charge for the year	-	(854 862)	(2 107 317)	(493 079)	(3 455 258)
Depreciation as at 31 March 2011	-	(2 528 438)	(9 966 426)	(1 857 004)	(14 351 868)
Net book value as at 31 March 2011	10 317 029	40 214 671	1 649 577	397 679	52 578 956

ANNEXURE D

REGIONAL COUNCIL OF THE OSHANA REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

6. INVESTMENTS

	2012	2011
	N\$	N\$
Shares in Nored	5 000 000	5 000 000
	5 000 000	5 000 000

7. CASH ON HAND AND BANK

	2012	2011
	N\$	N\$
Standard Bank- Current account	88 303	54 089
Standard Bank- Call account	13 985 372	615 411
Standard bank- Fleet Management	66 610	49 385
Standard Bank- Equity Provision Fund	1 614 325	1 615 312
Standard Bank - Drought Relief	512	(97)
Standard Bank - Ombuga Tree Planting Project	29 199	29 144
Standard Bank- Oshana Community	523 519	(1 448)
Standard Bank- Emergency Fund	135 128	47 220
First National Bank- Capital Projects	1 141 827	75 179
First National Bank- Call account	31 341 636	37 368 622
First National Bank- Uukwangula Sports Complex	1 414 546	1 362 479
First National Bank- 32 days notice account	164 034	156 952
First National Bank- RACOC	301	9 273
First National Bank- Ongwediva RDC	-	9 967
Bank Windhoek- Revenue account	2 855 866	3 931 722
Bank Windhoek- Christmas Fund	18 235	17 381
Bank Windhoek- Cash-for-work Programme	-	314 726
Bank Windhoek - Oshana Rural Development Project	1 797 893	-
	55 177 306	45 655 317

ANNEXURE D

REGIONAL COUNCIL OF THE OSHANA REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

8. TRADE AND OTHER RECEIVABLES	2012	2011
	N\$	N\$
Trade debtors	1 315 872	1 366 705
Inter-bank transfers	1 205 068	-
Receiver of Revenue VAT	-	1 325 709
	2 520 940	2 692 414
9. TRADE AND OTHER PAYABLES	2012	2011
	N\$	N\$
Trade Creditors	2 345 665	1 750 927
Retention fees	204 387	204 387
Ministry of Education	524 051	-
Customer deposits	1 800	1 800
Salary and wages control	68 921	-
	3 144 824	1 957 114
10. CASH (UTILIZED)/GENERATED BY OPERATIONS	2012	2011
	N\$	N\$
Net (deficit)/surplus before adjustments and before interest received	(632 345)	(1 998 193)
Adjustment for:		
Unexplained adjustments	-	(59 242)
Operating income before changes in working capital	(632 345)	(2 057 435)
CHANGES IN WORKING CAPITAL		
(Increase)/decrease in stock	-	111 693
(Increase)/decrease in accounts receivable	171 474	(1 350 775)
Increase/(decrease) in accounts payable	1 187 710	1 134 545
	1 359 184	(104 537)
Cash generated/utilized by operations	726 839	(2 161 972)