



AUDIT REPORT ON THE ACCOUNTS OF THE

SOUTHERN AFRICAN CUSTOMS UNION (SACU)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2005

Published by authority

Price (VAT excluded): N\$ 11.48
Report no: 330

Office of the Auditor-General

2005

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 Southern African Customs Union (SACU) for the financial year ended 31 March 2005 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 2005

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE SOUTHERN AFRICAN
CUSTOMS UNION FOR THE FINANCIAL YEAR ENDED 31 MARCH 2005**

1. INTRODUCTION

The firm PricewaterhouseCoopers Windhoek was appointed by the Ministry of Finance to draw up the financial statements of the Southern African Customs Union (SACU) secretariat. The Office of the Auditor - General audited the annual financial statements in terms of Section 25 (1)(b) of the State Finance Act, (Act 31 of 1991). Figures in the report are rounded off to the nearest Namibian dollar. The financial statements are only from July 2004 up to March 2005.

2. FINANCIAL STATEMENTS

A draft set of SACU's financial statements were submitted to the Auditor-General by PricewaterhouseCoopers. The audited financial statements are in agreement with the General Ledger and the Trial Balance and are filed in the Office and with the mentioned accounting firm. The following annexures are attached to this report:

- Annexure A: Balance Sheet
- Annexure B: Income statement
- Annexure C: Cashflow statement
- Annexure D: Notes to the financial statements.

3. SCOPE OF THE AUDIT

The Accounting Officer of the Ministry of Finance is responsible for the preparation of the financial statements and for 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 on the regularity of the financial transactions included in them, and to report his opinion to the Southern African Customs Union Secretariat.

The audit as carried out by the said firm, included:

- (a) examination on a test basis of the evidence relevant to the amounts, disclosure and regularity of financial transactions included in the financial statements;
- (b) assessment of the significant estimates and judgements made by the Accounting Officer of SACU in preparation of the financial statements and of whether the accounting policies are appropriate to the Secretariat's circumstances, consistently applied and adequately disclosed; and
- (c) evaluation of the overall adequacy of the presentation of information in 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 respect, the expenditure and income have been applied to the purposes intended; and
- the financial transactions conform to the authorities which govern them.

4. ACKNOWLEDGEMENT

The assistance and co-operation given by management and staff of PricewaterhouseCoopers and the Ministry of Finance during the audit is appreciated.

5. UNQUALIFIED AUDIT OPINION

The accounts of the Southern African Customs Union for the financial year ended 31 March 2005, summarised in Annexures A to D, have been audited in terms of the Section 25 (1)(b) of the State Finance Act, (Act 31 of 1991).

In my opinion, the financial statements fairly present the financial position of the Southern African Customs Union at 31 March 2005 and the results of its operations and cash flow for the year then ended.

WINDHOEK, September 2005

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

SOUTHERN AFRICAN CUSTOMS UNION

BALANCE SHEET AT 31 MARCH 2005

	Notes	2005 N\$
ASSETS		
Non-current assets		
Property, plant and equipment	2	4 387 730
Current assets		
Current Assets and other receivables	3	10 414 168
Cash and equivalents	7	5 607 971
Total assets		20 409 869
CAPITAL AND LIABILITIES		
Capital and reserves		
Surplus Funds		6 314 938
Non-current liabilities		
Loans Repayable	4	10 013 302
Borrowings	5	3 742 317
Current liabilities		
Trade and Other Payables	6	339 312
Total capital and liabilities		20 409 869

SOUTHERN AFRICAN CUSTOMS UNION

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	Note	2005 N\$	2004 N\$
Income		10 142 428	990 000
Contribution from Namibia		10 000 000	990 000
Interest received		142 428	-
Expenditure		3 827 490	625 457
Advertising		24 664	-
Bank charges		2 592	-
Cleaning		1 774	-
Depreciation		87 671	-
Electricity and water		31 815	-
Finance cost		217 935	-
General expenses		6 336	525 139
Hospitality expenses		10 789	-
Insurance		21 297	-
Motor vehicle expenses		3 534	-
Petrol and oil		5 774	-
Postage		20 167	-
Printing and stationary		74 279	-
Professional fees		167 763	-
Promotions		330	-
Recruitment costs		534 044	-
Repairs and maintenance		261 561	-
Salaries		1 314 173	-
Security		6 287	-
Subscriptions		5 100	-
Telephone and fax		433 504	-
Travel and accommodation		578 723	100 318
Web services		2 500	-
Workshop, venues, facilities and catering		14 878	-
Surplus		6 314 938	364 543

SOUTHERN AFRICAN CUSTOMS UNION

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	Notes	2005 N\$
Cash flow from operating activities		(3 672 245)
Cash utilised by operations	8.1	(3 596 740)
Interest received		142 428
Interest paid		(217 935)
Cash flow from investing activities		
Expenditure to maintain operating capacity Property, plant and equipment acquired	2	(4 475 401)
Cash flows from financing activities		
Loans raised	4&5	13 755 619
Increase in cash and cash equivalents	7	5 607 971
Cash and cash equivalents at beginning of the period	6	-
Cash and cash equivalents at end of the year	7	<u>5 607 971</u>

SOUTHERN AFRICAN CUSTOMS UNION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2005

1. Basis of preparation

The financial statements are prepared in accordance with generally accepted accounting practice. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties where appropriate:

1.1 Property, plant and equipment

All property, plant and equipment are initially recorded at cost and adjusted for any impairment in value.

Increases in the carrying amount arising on revaluation are credited to revaluation and other reserves in capital. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the assets (the depreciation charged to the income statement) and the depreciation based on the asset's original cost is transferred from revaluation and other reserves to retained earnings.

Depreciation is calculated on the straight-line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

Motor Vehicles	20 %
Furniture and fittings	20 %
Household furniture and fittings	20 %
Office equipment	20%
Computer equipment	33%

Land is not depreciated as it is deemed to have an indefinite life.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their 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.

1.2 Borrowing costs

Borrowing costs are recognised as an expense when incurred.

SOUTHERN AFRICAN CUSTOMS UNION

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2005 (continued)

2. Property, plant and equipment	Cost/valuation	2005	Carrying
	N\$	Accumulated Depreciation N\$	value N\$
Owned Assets			
Land and buildings	3 759 807	-	3 759 807
Motor vehicles	494 418	62 524	431 894
Furniture and fittings	115 918	6 979	108 939
House furniture and fittings	18 682	1 557	17 125
Office equipment	42 844	6 427	36 417
Computer equipment	50 198	11 154	39 044
	4 475 401	87 671	4 387 730

The carrying amounts of property, plant and equipment can be reconciled as follows:

2005	Carrying value at beginning of year N\$	Additions N\$	Depreciation N\$	Carrying value at end of year N\$
Owned Assets	-			
Land and buildings	-	3 759 807	-	3 759 807
Motor vehicles	-	494 418	(62 524)	431 894
Furniture and fittings	-	115 918	(6 979)	108 939
House furniture and fittings	-	18 682	(1 557)	17 125
Office equipment	-	42 844	(6 427)	36 417
Computer equipment	-	50 198	(11 154)	39 044
		4 475 401	(87 671)	4 387 730

Certain property, plant and equipment is encumbered as stated in Note 5

The gross cost of fully depreciated property, plant and equipment amounted to N\$ 246 616

The Secretariat had no idle fixed assets at balance sheet date.

3. Trade and other receivables

Trade receivables	10 392 297
Other receivables - VAT	21 871
	10 414 168

SOUTHERN AFRICAN CUSTOMS UNION

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
2005 (continued)**

	2005 N\$
4. Loans payable	
Government of the Republic of Namibia	<u>10 013 302</u>
The loan bears no interest and has no fixed terms of repayment.	
5. Borrowings	
Loan bearing interest at 10.25% per annum secured by mortgage on the secretariat's freehold land and buildings and repayable in monthly instalments of N\$37 665.74	<u>3 742 317</u>
6. Trade and other payables	
Accruals	<u>339 311</u>
7. Bank and cash	
Standard Bank Current Account	(13 150)
Standard Bank Call Account	5 487 935
Petty cash	1 507
	<u>5 607 971</u>
8. Notes to the cash flow statement	
8.1 Cash utilised in operating activities	
Net profit	6 314 938
Adjustment for:	
Depreciation	87 671
Investment income	(142 428)
Finance costs	217 935
	<u>6 478 116</u>
Movements in working capital	
Increase in accounts receivable	(10 414 168)
Increase in accounts payable	339 312
	<u>(3 596 740)</u>