



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON PERFORMANCE AUDIT STUDY ON

***Service Delivery by the Regional Councils***

IN THE

**MINISTRY OF REGIONAL AND LOCAL  
GOVERNMENT, HOUSING AND  
RURAL DEVELOPMENT**

FOR THE FINANCIAL YEARS 2006, 2007, 2008 AND 2009

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# REPUBLIC OF NAMIBIA



## TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my performance audit report of Service Delivery by the Regional Councils in the Ministry of Regional and Local Government, Housing and Rural Development for financial years 2006, 2007, 2008 & 2009 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, November 2011**

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

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## **ABBREVIATIONS**

<b><i>ABBREVIATION</i></b>	<b><i>EXPLANATION</i></b>
MRLGHRD	Ministry of Regional and Local Government, Housing and Rural Development
MME	Ministry of Mines and Energy
NPC	National Planning Commission
M/O/A	Offices/Ministries/Agencies
Line-Ministry	A Ministry in respect of which a function has been or is to be decentralized
Minister	Minister responsible for regional and local government matters
DRLGTAC	Directorate of Regional Local Government and Traditional Authorities Co-ordination
DCC	Directorate Decentralization Co-ordination
RC/ RC's	Regional Council/Regional Councils
LA's	Local Authorities
SA	Settlement Areas (proclaimed in terms of the Regional Councils Act)
RDCC	Regional Development Committee
CDC	Constituency Development Committee
SDC	Settlement Area Development Committee
VDC	Village Development Committee
PTO's	Permission To Occupy Land
PIF's	Project Identification Forms
NGO	Non Governmental Organisation
HR	Human Resources
TC	Training Committees
TNA	Training Needs Analysis
PHC	Primary Health Care

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## **EXECUTIVE SUMMARY**

The Auditor-General is authorized to carry out Performance audits in terms of section 26 (1) (b) (iv) of the State Finance Act 1991, (Act 31 of 1991), which reads as follows: (The Auditor-General) “may investigate whether any moneys in question have been expended in an efficient, effective and economic manner”.

This report is based on the efficiency and effectiveness of the RC’s through the Ministry of Regional, Local Government, Housing and Rural Development (MRLGHRD). The audit focused on the allocation of subsidy, service delivery at the settlement areas, availability of skilled staff, decentralization of functions from Ministries/Offices/Agencies (M/O/A) to the RC’s and revenue collection at the settlement areas via the Regional Councils (RC’s).

### **Findings**

- The audit found that there is no clear-cut formula for determining of the subsidy, therefore there are regions that are underfunded while there are some that are over-funded. Therefore, the regions are not providing similar services in all the settlements as prescribed.
- Service delivery by the RC’s at the settlement areas is not as prescribed in the Regional Councils Act and the Local Authorities Act, because not all the prescribed services are provided, due to shortage of funds. There is also little investment on new infrastructure for water and sewerage as well as to maintain the existing infrastructure at the settlement areas.
- Dumping sites are too close to the settlements and are posing a health risk.
- There is a shortage of skilled and well-trained staff, since there are no training units at the RC’s, which are supposed to streamline the training process. This leads to staff not being able to perform their jobs properly. There is also a shortage of staff in certain positions like development planners and engineers among others. Vacancies take long to be filled due to proper procedures not being followed, while there are no suitable candidates for some positions.
- The decentralization process is still at the delegation phase, which means little or no progress have been made since the adoption of the Decentralization Policy in 1997. At the time of the audit there were only three functions delegated to the RC’s namely: the Rural Water Supply, Maintenance Section and Education (primary and secondary schools).
- There is a delay in the harmonization of various Acts for the smooth implementation of decentralization.
- Revenue collection is not properly done at settlement areas since some of the services are not provided, while in other cases, there are not enough staff at the settlement areas to perform the tasks of revenue collection. This leads to a shortfall in the money that can be used to provide the services, meaning the funds are becoming less to provide better services in future.

### **Conclusions**

- The absence of clear-cut formula for allocating subsidy to the RC’s has resulted in the over/under funding of RC’s and this has an effect on the service delivery by the RC’s that are underfunded. The absence of formula also cause unequal distribution of state funds to the RC’s to provide similar services to the Namibian citizens.
- Delays and poor monitoring of implementation of capital projects by the RC’s will slow down the pace of development in the respective regions and might even lead to cost implications.
- The limited capital investment in local infrastructure such as water and sanitation slows down the process of serviced land and subsequently limits the number of houses to be built because without land that is developed there can be no housing and revenue income for the RC’s. Inadequacy of basic

services provided to the communities by the RC's through the settlement areas has a negative impact on the operations of the RC's to deliver sustainable municipal services which will pave way for socio-economic and business opportunities at the settlement areas and region as a whole.

- The non-existence of dustbins to all settlement areas contributes badly to the health and tidiness of the settlement areas as well as the proper and timely removal of refuse. Payments of such services will also not be well controlled and charged due to poor management of customer data base.
- Poor planning has led to dumpsites being too close to the settlements and are posing health risks.
- The lack of the RC's to establish or take ownership of established cemeteries at the settlement areas result in lack of control and management because the people will continue to bury human remains without the approval of the settlement area office.
- Lack of proper planned streets due to people occupying un-serviced land will result in under-development of townships because they are not properly planned and surveyed.
- The non-availability of serviced land in settlement areas in most regions contributes to people not having access to basic services.
- Occupants are not paying rent even though they are occupying government houses, because no lease agreements are signed.
- The RC's are unable to control debts at the settlement areas due to a lack of a credit policy. The people will owe huge amounts of debts which they will not pay due to non-affordability.
- There is no functional Training Unit at the RC's that were visited. Therefore, the functions that the Training Units were supposed to perform are neglected or only partly covered by the TC's that are in place or mainly the HR divisions in the RC's. The training unit was supposed to do a proper need analysis every year for all RC staff and this is not being done. Since no training need analysis is done, no proper training across the board is being done and therefore, staff at the RC's are not equipped to provide the necessary services to the residents of the region. In addition, the many vacant positions that take long to be filled are also hampering the operations of the RC's, since the RC's currently do not have all the staff to provide in the needs of the residents of the region. The factors mentioned above leads to poor service delivery.
- The delay in the delegation of functions to the RC's is denying the people the services that are supposed to be brought closer to them in terms of the decentralization policy.
- The delay in the harmonisation of the relevant Acts with regard to decentralization will result in certain provisions not being provided for and subsequently delaying the smooth implementation of decentralization.
- The inability of the RC's to accommodate the delegated functions will result in Line-Ministries being reluctant to delegate the functions.
- The non-payment of the 5% levy to the LA's/RC's affects the implementation of small capital projects in the regions because the income is used to fund small capital projects.
- The RC's are not generating revenue on a cost recovery basis in the settlement areas because the revenue they are collecting from the services they are rendering is not sufficient.

### **Recommendations**

- The MRLGHRD should formulate a formula that will assist the MRLGHRD to fairly allocate subsidy to the RC's.

- The MRLGHRD should make sure that all the RC's are getting the required subsidy amount.
- There should be a ceiling amount for the RC's on subsidy for each financial year.
- The MRLGHRD should help the RC's to finish their capital projects on time as planned.
- The RC's should prioritise the integration and upgrading of the water and sanitation infrastructures which are the basic human necessities at the settlement areas to realise Vision 2030 which projects 50% access to acceptable sanitation in the rural areas.
- Proper planning should be done in order to ensure that dumpsites are not too close to settlements and do not pose health risks.
- Training Units must be established at the various RC's and since the post of the Training Officer has been approved, those posts need to be filled as this will be the person that will spearhead the training unit and its functions.
- Training needs analysis should be done at least once a year, so that the needs be established and addressed in order for the RC to provide proper services to the residents of the region.
- Proper training based on the TNA should then be carried out. This will ensure that staff receives the training that they need across the board and not only for certain staff members.
- The provision of training should especially be carried out for the technical staff such as Engineers and Town Planners and also for financial staff like internal auditors and accountants.
- The training that is being provided to the technical and financial staff of the RCs should limit the money spent on outsourcing these functions to private companies, therefore saving money for the RC's which can be used to provide better services.
- All the current vacancies that exist at the RC's for the approved posts, need to be filled.
- Councilors or staff members from the RC's, should refrain from interfering in the filing of vacant positions. The correct procedures should be followed at all time.

Since it is a problem to find technical staff such as engineers and town planners, the qualification for the posts at the RC should either be lowered or the salary should be increased, since these technical people normally get more money from private companies than from government. This also applies to the financial posts.

- The MRLGHRD should set a deadline for the delegation of functions to the RC's in order to speed-up the process of decentralization.
- The MRLGHRD should ensure that the relevant Acts to decentralization are harmonised to ensure the smooth delegation of functions to the RCs.
- The MRLGHRD should ensure that the RC's are ready to receive the delegated functions i.e capacity and financial etc.
- RC's should provide the necessary means i.e dustbins, charge and collect revenue from all the services that they provide.
- RC's should apply the Act for them to transfer and take control of government properties in the settlements area that are not under their control up to now.
- RC's should also ensure that occupants of government property, sign lease agreements, in order for them to pay rent.

- The MRLGHRD should help RC's with funds so that they can put up proper water and sewerage infrastructures in the settlement areas to generate revenue.
- The MRLGHRD should put up control measures to ensure that the LA's are paying over their 5% levy to the RC's as required by law and that the valuation roll is made available to all the RC's to ensure that the LA' pays the exact amount that they are supposed to pay to the RC's.

**NB: Please note that no comments from the auditee, the MRLGHRD, have been included in this report. Many requests were made for the auditee to submit comments and extension was also granted on the request of the auditee but upon finalization of this report no comments were received. However, I appreciate contributions made by staff members of the Ministry, Regional Councils and settlements in terms of documents and interviews.**

# CHAPTER 1

## 1. Introduction

The audit focuses on the performance of the thirteen (13) RC's in terms of service delivery. The audit concentrates more specifically on the Directorate of Regional, Local Government and Traditional Authorities Coordination (DRLGTAC) under the MRLGHRD that has been entrusted to oversee the functions of the RC's, and also to ensure that resources which the RC's receives from central government are used to provide quality services in an efficient, effective and economical manner without compromising quality to their communities in their respective regions.

### 1.1 Background

The MRLGHRD have traditionally been responsible for providing a range of services to Town Councils and Village Councils. Local governments outside the municipality areas (in towns, villages and settlement areas) have most not often maintained their own finances and have been dependent on the MRLGHRD for financial and in the case of villages and settlements, logistical support for the provision of all services. The enactment of the Regional Councils Act, 1992 (Act 22 of 1992) paved way for the establishment of the RC's who are currently the statutory LA's to administer the proclaimed settlement areas in terms of the Local Authorities Act, 1992 (Act 23 of 1992).

### 1.2 Project motivation

The audit on the RC's was motivated to establish why the structures of the RC's in all the 13 regions are the same irrespective of population and geographical size, development needs and poverty. The audit envisages establishing the economic viability, sustainability as well as improved financial implications on regional development if the structures are to remain the same.

The following risks were identified:

- The staff provided for on these structures, are not having sufficient work load,
- The structures do not provide positions for Chief Accountants for their Finance sections. As a result, the work of the accountants is not supervised. The accountants report directly to the Deputy Director, who does not have a thorough understanding of what is happening on the lower level,
- The establishment for RC's set up, do not consider the fact that most towns, municipalities are having similar functions as that residing under RC's,
- Unavailability of financial information (general ledger, trial balance, asset register, investment register) when requested for audit purposes,
- Most RC's do not collect assessment rates of 5% in respect of immovable property situated within a local authority jurisdiction, as required by the Local Authorities Councils' Act.

*Focus areas:*

- RC structures,
- Operations of the RC's,
- Size of the regions and number of constituencies,
- Population size per region,
- Development in region/rural areas i.e. water, electricity, communication networks and transport systems,

- Economic development in the regions and
- The general land utilization pattern etc.

### **1.3 The Mandate, goals, functions and mission statement of the Directorate of Regional, Local Government and Traditional Authorities Co-ordination (DRLGTAC) and the Regional Councils**

The DRLGTAC of the MRLGHRD has been mandated to oversee the activities of the thirteen (13) RC's.

#### **(a) Mandate of Directorate and Regional Councils**

The following legislations guide the Directorate and the Regional Councils to carry out its mandate:

- Regional Councils Act, 1992 (Act 22 of 1992, as amended)
- Local Authorities Act, 1992 (Act 23 of 1992 as amended)
- Council of Traditional Leaders Act, 1997 ( Act No. 13 of 1997)
- Trust Fund for Regional Development and Equity Provisions Act, 2000 (Act No. 22 of 2000)
- Traditional Authorities Act (Act No. 25 of 2000)
- Fire Brigade Services Act, 2006 (Act is still to commence)

#### **(b) Mission Statement**

##### **(i) Directorate:**

- To facilitate the establishment and development of effective Regional and Local Government and Traditional Authorities that bring Government closer to the people and capable of delivering services to the satisfaction of all communities.

##### **(ii) Regional Councils**

- The mission of RC's is dedicated to plan, facilitate, coordinate, and implement integrated and sustainable regional development and provide quality services in collaboration with all our stakeholders in order to improve the living standards for all in the region.

#### **(c) Goals/Objectives**

##### **(i) Directorate:**

- To complete the creation of enabling, regulatory and legal environment in which all sub-national levels of Government will be able to maximize their governing, development and services delivery mandate.
- To improve the delivery capacity of regional, local and traditional authorities and expand client-service relationships and commitment of greater levels.

##### **(ii) Regional Councils**

- To improve the delivery capacity of regional, local and traditional authorities and expand client-service relationships and commitment to greater levels.

#### **(d) Functions**

##### **(i) Directorate:**

- Sector Standards for performance monitoring and legislative compliance,
- Policies and Legislation for regional and local authorities administration,
- Enhancing capacity for provision of services.

**(ii) Regional Councils**

- Socio-economic development planning in their respective regions,
- Establishing, administering and controlling of settlement areas in their respective regions,
- Providing support to LA's in their region to enable LA's to improve their status and,
- Advising National Government on matters affecting their respective regions.

**1.4 Organizational Structure**

The DRLGTAC is headed by a Director and is responsible to facilitate the establishment and development of effective Regional and Local Government and Traditional Authorities that brings government closer to the people and capable of delivering services to the satisfaction of all communities. The DRLGTAC looks after the administrative requirements of the regions, villages and settlement areas and traditional affairs which are its subdivisions.

There are thirteen (13) RC's and each has a Chief Regional Officer as Accounting Officer. The structure of the RC's has the following Directorates: General Services, Planning and Development Services, Education and Community Health headed by directors. There are divisions under each Directorate which are headed by Deputy Directors. Each RC has constituency support offices depending on the number of constituencies in a region, each with an elected councilor. Each RC has a settlement area support office which provides support services to the proclaimed settlement areas under its responsibility and it has the direct responsibility for rendering municipal services in the proclaimed settlement areas.

**1.5 Financing and budget allocation**

The total funds allocated and actual expenditure according to the budget of the main division DRLGTAC is as follows:

**Table 1: Finances**

<b>Financial year</b>	<b>Authorised expenditure</b>	<b>Actual expenditure</b>	<b>Difference</b>
	N\$	N\$	N\$
2006/07	353 819 754	347 971 500	315 470 400
2007/08	390 871 000	399 093 393	8 222 393
2008/09	461 640 000	312 600 087	149 039 913

Source: Budget Main Division: DRLGTAC

**1.6 Staffing**

**Table 2: Staff complement of Directorate**

<b>Financial year</b>	<b>Provision</b>	<b>Filled</b>	<b>Vacant</b>	<b>% post vacant</b>
2006/07	47	38	10	21.2
2007/08	45	38	7	15.6
2008/09	45	38	7	15.6

Source: Budget Main Division: DRLGTAC

## **CHAPTER 2**

### **2. AUDIT DESIGN**

#### **2.1 Audit scope**

##### **2.1.1 Audit object**

The audit object is the DRLGTAC in the MRLGHRD. The audit deals with “Service Delivery by the RC’s”.

##### **2.1.2 Audit objective**

The objective of the audit is to find out whether RC’s are providing services needed in the region as well as to the settlement areas in regions as anticipated.

##### **2.1.3 Geographical limits**

During the audit seven RC’s in seven regions were visited and they are as follows Kunene, Omaheke, Omusati, Ohangwena, Erongo and Karas and the Khomas RC’s.

The above regions visited were selected based on the following criteria:

- (a) The geographical size of the region,
- (b) The population of the region,
- (c) The number of constituencies in the region,
- (d) The level of infra-structure development in the region and
- (e) The number of settlement areas in the region.

##### **2.1.4. Time period covered**

Three financial years were covered, 2006/2007, 2007/2008 and 2008/2009. They were selected on the basis of having the most recent information available and also to establish a trend.

### **2.2 Audit methodology**

#### **2.2.1 Document reviews**

The objective of documents review as well as conducting the interviews was to gather relevant and sufficient audit evidence to support the findings in the audit report.

The documents below have been analyzed:

- Strategic Plans for the RC
- Annual plans and budgets
- Quarterly reports as per the directorate
- Capital projects reports
- List of capital projects funded with the 5% levy
- List of NPC capital projects
- Management reports
- Updated organizational structure, indicating the vacancies

- Internal audit reports
- Training reports
- Plans for decentralization
- Training needs identified
- Budget/ actual expenditure for conducting trainings
- Staff turn-over statistics
- Summary of revenue from water sales
- Summary of revenue on property charges at settlement areas
- Summary of revenue on PTOs (Permission to occupy land)/lease agreement
- Summary of revenue refuse removal
- Summary of revenue surcharges, interest as well as commission.

### **2.2.2 Interviews**

The following key persons have been interviewed during the audit to provide the information needed by the auditors.

Head Office:

- Deputy Director: Directorate Decentralization Coordination
- Accountant: Regional Council's Finance,

Regional Councils:

- Chief Regional Officers
- Development Planners
- Human Resources Practitioners
- Administration Personnel
- Finance Personnel
- Officers in charge of Settlement Areas

### **2.2.3 Observations**

The observations were conducted at the following settlement areas visited to establish whether the infrastructures are in place and that the inhabitants are receiving the basic services that the RC's should provide:

- Otjinene
- Aminuis
- Sesfontein
- Okanguati
- Onesi
- Tsandi
- Ongenga
- Omungwelume
- Okombahe and
- Wolzkasbaken.

## CHAPTER 3

### 3. SYSTEMS DESCRIPTION

#### 3.1 Allocation of Funds

##### (i) Operational Funds

There is no documented system description for this matter that auditors can use.

##### (ii) Development Funds

Process of planning and identification of developmental projects at the regional level are as follows:

- **Identification of developmental projects**

Identification of developmental projects begins at Constituency Development Committees (CDC's) or Village Development Committees (VDC's), which is the grassroots level where community members meet to deliberate on developmental needs to be brought about in the community. Community members at that level have to meet at least six times per year and after identifying the needs, they are forwarded to the Regional Development Co-ordination Committee (RDCC) at regional level through the development planner who co-ordinate all developmental projects in the region.

At the RDCC, the identified needs (projects) are tabled in the management meetings and discussed extensively. Potential projects identified in the current financial year will only be funded in the next financial year upon the prioritization of tabled potential projects.

- **Planning of developmental projects**

Planning of developmental projects begins after the projects identified have been discussed and viable ones being selected for execution. During the budget hearing at the regional level, identified projects are presented and looking at the viability of the projects, they are then prioritized depending on the availability of financial resources. Once the project is approved by the management, it is than budgeted for, for the next financial year for execution.

After the projects have been approved and budgeted for, the RC carries out a feasibility study on the project before the tender is advertised and mostly they consider giving the tenders to the local tenders before looking at outsider's in order to empower local small companies.

Once the tender has been awarded, the RC monitors and evaluates progress done on the project and this is normally done by the development planners.

Identified projects that are not approved at RDCC are included in the strategic plans of the RC's for further considerations when resources are available.

#### 3.2 Service delivery

The RC's are established to provide the communities with basic services through the settlement areas and constituency offices. There are proclaimed and un-proclaimed settlement areas. These are discussed as follows:

##### **Proclaimed Settlement Areas**

According to the Regional Councils Act, 1992 (Act 22 of 1992), Section 32 (1), the proclaimed settlement areas are the responsibility of the RC's in terms of service delivery. These areas are administered by the RC's through the provisions of the Local Authorities Act, 1992 (Act 23 of

1992), Section 32(1) (a), Subsection (iv) of the Regional Councils Act, 1992 and as amended (Act 30 of 2000) and the provisions of the Local Authorities Act, 1992, Section 30 Subsection 1 except paragraphs (p), (s), (t), (v), (w), (y), and (z) of subsection (1), 33 to 62, 66 to 76, 78, (89), 79, 90, 91 and (93), 94 for the management and control of settlement areas.

The following are the overall administrative functions that must be performed at the proclaimed settlement areas by the RC's:

- (i) Supply and delivery of basic services such as water, sewerage, refuse removal, cemeteries, street maintenance, public places and transport, electricity and gas, housing schemes, markets and traffic service;
- (ii) Acquire, hire or let movable or immovable property and sell or dispose of such property;
- (iii) To levy income in respect of any service, amenity or facility established and provided by it under the Act, including security deposits, raising of interest on unpaid debts;
- (iv) Identify charges that can be levied in respect of immovable properties and minimum charges, whether or not the service is being used;
- (v) Guarantee the due fulfillment of the contracts and obligations of any person and enter into surety bonds or deeds of security;
- (vi) Accept donations; and
- (vii) Make grants and donations for the purpose of entering into joint business ventures, commercializing any function, farming and promoting tourism.

### **Un-proclaimed Settlement Areas**

According to the Regional Councils Act, 1992, Section 32 (2), notwithstanding the repeal of the Peri-Urban Development Board Ordinance 19 of 1970 Section (9), the un-proclaimed settlement areas where communities have begun to develop, but no formal administrative authority has been established and are not covered by the Local Authority Act of 1992, the "Administrator" in this case the MRLGHRD must serve these areas. The MRLGHRD is responsible for the provision of infrastructure, maintenance and the collection of revenues through a range of services. Other stakeholders also provides services at the un-proclaimed settlement areas depending on the nature of services that need to be provided i.e electricity and water must be provided by the Ministry of Mines and Energy through the Rural Electricity Distribution Master Plan and Ministry of Agriculture, Water and Forestry through Rural Water Supply respectively. Therefore legally the RC's are responsible to serve only the proclaimed settlement areas in their respective regions.

### **Proclamation and Upgrading of Settlement Areas**

According to the Regional Councils Act, 1992 (Act 22 of 1992) Section 31 (1), it defines a proclaimed settlement area as an area falling within the region but outside the local authority area, as defined in Section 1 of the Local Authorities Act, 1992 (Act 23 of 1992). The proclamation of a settlement area is a legal process whereby the requests to declare a settlement area have to be submitted by the RC's to the MRLGHRD. The proclamation of a settlement area must be based on its size (population), income for self-sustainability and the services that can be provided to the residents. A proclaimed settlement area can be upgraded to become a local authority in this case a village council as it grows and develops or can be downgraded if it does not develop or perform properly. The time-frame for the development of an area from settlement to a village or town is not yet defined (for some it takes a year while for others 5 to 10 (ten) years). It all depends on the socio-economic growth opportunities in that specific area. Each region should at least have an existing one-to-six declared or proclaimed settlement areas. A Division Settlement Area Administration was created on the current new structure for each RC with the understanding that the unit will deal with one settlement area at a time until it has been proclaimed and then move to another.

### **Handling of personnel after the proclamation**

Once a settlement area develops to either a village or town (which implies that it is now a local authority), the staff employed in that particular settlement are to be permanently transferred to the establishment of the LA and will cease to be staff members of the RC. The RC should employ its own staff members at the proclaimed settlement areas.

The Services as indicated above according (i) are discussed as follows:

### **Water**

The RC's are subjected to the provisions of Part VI of the Local Authorities Act, 1992, Subsection 34 (1) (a-e) (2) (a-c), (3) (a-b) and (4) to supply water to the residents in its area for households, businesses or industrial purposes. According to the provision of the aforementioned Act, the RC's as the administrators of the settlement areas (to be referred herein as proclaimed) is responsible to establish, acquire or construct, maintain and carry on any waterworks whether within or outside its area. The RC's may enter into an agreement with the owner of immovable property and lay across, through or under any such property any waterworks of which the ownership vests with the RC. The RC's must provide water meters for the purpose of determining the quantity of water supplied out of any waterworks to residents in its area and maintain such water meters and accessories. The RC's may stop or limit the supply of water if it is of the opinion that it is reasonably necessary to do so on account of the construction, repair or maintenance of any waterworks. The RC's are subjected to the provisions of the Water Act, 1956 (Act 54 of 1956) to discharge from any waterworks into any public water source (supply water to the residents through water pipes).

### **Electricity**

According to the provisions of Section 30(1)(f) and Section 52 (a-d) Part X of the Local Authorities Act, 1992, the RC's may establish, acquire, construct or provide for the purposes of the supply of electricity to the residents in its area, any works and machinery whether within or outside its area and maintain and carry on such works and machinery. The RC's may in accordance with the Expropriation Ordinance, 1978 (Ordinance 13 of 1978) by mutual agreement with the owner of any moveable property lay across, through or under any such immovable property, whether within or outside its area, any main and branch cables, wires and conduits for conveying electric current of which the ownership will vest with the RC and may connect, at the request of the owner of such a property, cables, wires and conduits within such a property. The RC may lay cables, wires and conduits through, across, under or over any street or public place and perform any other functions which is necessary to the power of supplying electricity to the residents in its area.

The MRLGHRD and Ministry of Mines and Energy (MME) have coordinated to provide electricity in rural areas (outside municipal areas and towns) through the Rural Electrification program. The Rural Electrification program is administered by MME. The MME is responsible to contract independent experts to design and construct electricity networks for extension into rural areas. Once the construction work is finalised, MME hand-over the networks to the MRLGHRD for operation and maintenance. The MRLGHRD remains responsible for the expansion and reinforcement of the network within the electrified areas, including the connection of the new customers. In 2004, the MME outsourced the management of the establishment and operations of REDs to the Electricity Control Board (ECB).

The distribution function has been contracted out through the establishment of Regional Electricity Distributors (RED's). The RC's are the shareholders of the RED's. The RED's are regional electricity distributing companies supplying the electricity to the residents in a specific region. The RED's are divided into five geographical areas of Namibia and are responsible for electricity distribution in that area.

The five Regional Electricity Distributors (RED's) are as follows: Northern Regional Electricity Distributors (NORED), Central-North Regional Electricity Distributors (CENORED), Central Regional Electricity Distributors (Southern RED), Erongo RED and Southern RED (SORED). NORED shareholders are Oshana, Omusati, Kavango, Caprivi, Kunene, Ohangwena RC's, Nampower and LA's (municipalities, town councils and village councils). Erongo RED shareholders are Erongo RC, Nampower and the LA's. CENORED shareholders are Otjozondupa RC, Kunene RC, Nampower and the LA's. The Central RED and SORED are not yet functional.

The RED's must pay dividends and subcharges or royalties to the RC's to ensure that the RC's do not lose revenue since they were using electricity to subsidise other services that are not generating much revenue. The dividends must be declared and paid at the end of the financial year. The calculation of the dividends must be based on the profits made during a particular financial year whereas the royalties must be paid on a monthly basis while the calculations are based on the monthly income of the RED's.

### **Sewerage and drainage**

The RC's are subjected to the provisions of Part VII, Section 38 Subsection (1) (a-e) (2) (a-b), (3) (a-b) of the Local Authorities Act to provide sewerage and drainage services to the residents in its area for households, businesses or industrial purposes. According to the provision of the aforementioned Act, the RC's as the administrators of the settlement areas are responsible to acquire or construct, maintain and carry on a system of sewerage and drainage including sewerage works, public sewers and stormwater drains. The RC's may by mutual agreement with the owner of any immovable property lay across, through or under such property any public sewer, combined with private sewer or stormwater drain; carry any pipe for the ventilation of any sewer under or against any building of which the ownership vests with the RC; lay across, through or under any street or public place any public sewer, combined private sewer or stormwater drain, subject to the provisions of the Water Act, 1956 (Act 54 of 1956) discharge stormwater into any public watercourse and divert, discontinue the use of, close up or destroy any public sewer or stormwater drain. The RC's may if it has reason to believe that on any immovable property occupied by any resident within its area there is no sufficient provision for the disposal of sewerage or that on any such immovable property which is by way of a private sewer connected in any manner whatsoever with a public sewer there are no sanitary conveniences, baths or wash-basins by notice in writing to such owner and require such owner to construct a private sewer or as the case may be provide a number of sanitary conveniences, baths or wash-basins as may be specified in such notice within such period less than 30 days as may be so specified. If the owner refuses or fails within the period specified in the notice to comply with the order contained in such notice to the satisfaction of the RC, the RC may cause such steps to be taken as may be necessary in order to comply with such notice and recover the costs connected therewith from the person concerned. According to Section 39, Subsection (1) no private sewer shall be constructed without the permission and otherwise than in accordance with such conditions as may be prescribed or determined by the RC.

### **Refuse removal**

According to Section 30(1)(c) of the Local Authorities Act, the RC's should provide, maintain and carry on services such as the refuse removal, destruction or disposal of nightsoil, rubbish, slop water, garden and stable litter, derelict vehicles, carcasses of dead animals and other kinds of refuse or otherwise offensive or unhealthy matter from residential and businesses. The RC should provide dustbins to residential and businesses as required. The refuse removal at the settlement areas should be done at least once per week.

### **Establishment of cemeteries and maintenance**

According to the Local Authorities Act, 1992, Section 30(1)(d), Part VIII, the RC's should establish and maintain cemeteries or take over any cemetery situated within its settlement area. Any person who without the approval in writing to the RC establishes a cemetery within the settlement area or

burial or causes to bury any human remains in a cemetery established without such approval or burials in a cemetery which has been closed in terms of Section 45(1 and 2) of the aforementioned Act shall be guilty of an offence and conviction.

### **Streets and maintenance of public places**

According to the Local Authorities Act, 1992, Section 30(1)(e), Part IX, the RC's may construct and maintain streets and public places. The RC's may construct or lay drains, culverts, bridges, sewers, water-mains, underground drains, electric mains, cables, lines, poles and pipes in streets and public places.

### **Servicing of land and allocation**

According to the Peri-Urban Development Board Ordinance, 1970 (Ordinance 19 of 1970), Section (10)(1), the land must be surveyed (for the provision of sanitation, water and other basic necessities such as electricity before any construction could take place on the land) first before permission to establish a township has been granted and the township owner, in this case the RC's must submit a plan showing the proposed design of such a township to the Townships Board. On the approval of the design, the RC's must ensure that the township is surveyed in accordance with the approved design.

According to the Regional Councils Act, 1992, the RC's should charge rates for all immovable properties situated in the proclaimed settlement areas as provided for in the Regional Councils Act, 1992, Section 33 (1) (b). The RC's should enter into contract lease agreements as provided in accordance with Sect 28 (1) (i) with the businesses and residentials for occupying land. There are two types of residentials: those with proper structures are paying property tax and those without proper structures pay PTO's (permission to occupy land). The approved rates by the Line-Ministry should be applied accordingly with regard to the leases for residential, business and town lands. The community should enter into agreement with the RC's to lease the town lands, residential and for business purposes.

### **Billing of services**

The billing for water, electricity, sewerage and refuse removal is based on the approved tariff structures. The settlements offices staff have to do the meter readings on the 15<sup>th</sup> of each month for water and electricity (conventional meters only) and are recorded on the yellow cards and deposited. The meter readings calculations are based on the approved tariff structures which vary from region to region. The billing should be done accordingly on the computer system or can be done manually. According to the Financial Accounting Policies and Procedures Manual, the monthly statements of the bills should be issued and sent to the respective customers showing all the amounts owed to the RC's, with the total due amount grouped according to the age of the debt (in 30 day intervals). Outstanding amounts should be recovered on a monthly basis. The payments at the settlement areas should be done at the settlement offices and all cash received should be deposited in a RC's account on the next business day, or on a later date as circumstances allow, at the discretion of the RC concerned. The RC's utility tariff increase should rise in line with the costs of their providers (Namwater, Nampower etc.) in order to maintain a margin on their costs. The RC's were advised by the Line-Ministry to assume a 5% to 8% utility tariff increase after every 12 month period.

For the pre paid water and electricity systems, the water and electricity cards are sold on a cash basis. The same procedure applies for deposits as indicated above.

The RC's should enter into contract agreements with businesses and residentials in the settlement areas for the leasing of land. The leases should be paid on a monthly basis and a 10% charge increase on all leases should be added after every 12 month period the lease has been in operation.

### 3.3 Human resources

#### Appointments

The appointment of staff at the RC's should follow the same procedures that are prescribed for the appointment of staff in the Public Sector as a whole. Therefore, the Regional Councils Act, 1992, states that any person that shall be appointed in the service of the RC shall be appointed in accordance with the Public Service Commission, 1990, (Act 2 of 1990). Thus, the process of appointments is normally guided by the rules laid down by Public Service Commission in the Office of the Prime Minister.

#### Training

Training needs to be provided as necessary and as follows:

A training unit should be established within the RC and should be functional in order to:

- ✓ Conduct proper need analysis once per year for staff at both RC's and Settlement areas.
- ✓ Provide training to staff as per the need analysis which must include:
  - Training of staff at settlement areas once per year to maintain the infrastructure for water and electricity.
  - Training of Accountants two to three times per year to empower them to draw up financial statements.
  - Training of Accountants annually (including, chief clerks at the settlement areas) in Pastel Software.
  - Training of senior managers at the RC (chief regional officers, directors and deputy directors) and chief clerks at the settlement areas once per year on effective financial control measures.

#### Filling of vacant posts

For the filling of vacant posts, the RC's should handle the filling of vacancies as follows:

- Operational positions must be filled as provided for on the approved structure of RC's which include settlement areas;
- Identify vacancies and must advertise within a period of four weeks after a post became vacant;
- Advertisements for positions should run for a period of four-five weeks;
- To acknowledge receipt of application forms from applicants within one week of receipt thereof;
- To notify the applicants for interview within two weeks of closing dates
- Recommendations from the selection committee/panel must be implemented two weeks after the interview for internal positions;
- If it is a promotional post, forward the recommendation and approval to the PSC within two weeks of holding interviews and
- Feedback from PSC must be implemented within two weeks of receipt thereof at the Regional Office.
  
- The requirements for posts at RC's and settlements should be as follows:
  - (i) Below SP2: A Grade 12 Certificate (or equivalent) plus appropriate experience
  - (ii) SP2 and Higher: A three year B-degree (or equivalent) plus appropriate experience or Grade 12 Certificate plus approximately eight years appropriate experience
  - (iii) Management Cadre: A three year B-degree (or equivalent) plus appropriate experience or Grade 12 Certificate plus approximately 12 years.

Staff should comply with the stipulations of their job descriptions, meaning to perform the functions as required by the job description.

### **3.4 Decentralization**

#### **The main aim of decentralization**

The Government has adopted the policy of decentralization as a means of achieving national goals like improved public service provision and equal economic, cultural and social development across the country. These goals are set out in Vision 2030, the National Development Plan I and II and SWAPO Party's 2004 Election Manifesto. Priority areas like primary health care, primary education, rural water supply, community development and environmental issues have been identified for decentralization to RC's and LA's, with the aim of moving service provision, planning and decision-making as close to the end users and taxpayers as possible.

To accommodate the implementation of the Policy, the Government has adopted a two-phase strategy: firstly a phase of delegation of functions from the Line-Ministries to RC's or LA's, which enables and empowers them to perform the functions as agents, on behalf of the Line-Ministries. Secondly, a phase of devolution, where the political and administrative responsibility for the delivery of services that has been vested in the Line-Ministries will be devolved to the RC's and LA's.

Decentralization is enshrined in Article 102(1) of the Namibian Constitution and reads as follows: "For the purposes of regional and local government, Namibia shall be divided into regional and local units, which shall consist of such region and LA's as may be determined and defined by Act of Parliament."

Decentralization is provided for in four legislations, namely the Regional Councils Act, 1992 (Act 22 of 1992) and the Local Authorities Act, 1992 (Act 23 of 1992), the Trust Fund for Regional Development and Equity Provisions Act, 2000 (Act 22 of 2000) and most importantly, the Decentralization Enabling Act 2000 (Act 33 of 2000), which makes provision for the implementation of these phases of delegation and devolution. The Decentralization Enabling Act 2000 governs the implementation of the Decentralization policy and aims at enabling its smooth and effective implementation. This is done by giving the Act an overriding effect vis-à-vis sector legislation, and by giving the Minister of RLGHRD upon Cabinet's approval, powers to decentralise functions currently performed by sector Ministries.

#### **Decentralization of functions**

The National Decentralization Policy was approved in 1996 and adopted in 1997 by the National Assembly as a national policy. This meant that Central Government must start, delegating and devolving functions to the RC's and LA's. To facilitate the decentralisation process, six Cross-Ministerial Task forces i.e personnel, finance, training, development planning, housing and office matters were established.

The decentralization of a function must be done in consultation with the Cabinet, and the Cabinet has to give its consent before the MRLGHRD can go ahead with the decentralization of a function. The Minister must also consult the Line-Minister responsible for that function. However, the Minister does not need the Line Minister's consent to decentralise the function.

**The following six steps must be followed from identification to transfer of function:**

1. Line-Minister or MRLGHRD identifies the function for decentralization
2. Consultation between the two ministers, (Minister of RLGHRD and the Minister of the Line-Ministry decentralising the function), takes place with the aim of establishing reasons for/benefits of the decentralization
3. Minister of MRLGHRD decides to recommend the function for decentralization
4. Minister of MRLGHRD consults with Cabinet to obtain its consent to decentralise the function
5. Notice of the decentralization function is given in the Government Gazette
6. The function is decentralised to LA's or RC's, as well as the standard procedures for the handing-over of functions, resources and assets.

**Functions performed by Government Agencies or Offices**

If government agencies or offices functions are to be decentralised, the President may declare the agency or office that performs the function to be a Line-Ministry for the purposes of the Decentralization Enabling Act, 2000, so that the Act applies to the function. This declaration must be published in the Government Gazette and may be made subject to such conditions, if any, as the President may determine.

According to the Decentralization Enabling Act 2000, the functions during delegation and devolution must be managed as follows:

**Financial responsibility**

Delegation phase: The Line-Ministry remains financially responsible i.e whether a Permanent Secretary or Chief Regional Officer is charged with the responsibility of accounting for all receipts and payments and continues to budget for the function. The Permanent Secretary or Chief Regional Officer being the accounting officer.

Devolution phase: The RC's or LA's takes on financial responsibility and assumes budgetary powers. The Permanent Secretary or Chief Regional Officer being the accounting officer.

**Independence**

Delegation phase: The RC's and LA's acts as an agent on the behalf of the Line-Ministry. The Ministry remains responsible for the delegated function.

Devolution phase: The RC's and LA's acts independently on its own account.

**Accounts and money**

Delegation phase: The RC's and LA's opens an account specifically for the delegated function and the money received is deposited in that account. Any expenditure relating to the delegated function is paid from this account or the income can be paid into the Trust Fund on behalf of the RC's and LA's. Payments relating to the function is made into or from the Fund.

Devolution phase: RC's and LA's opens an account for the function or makes use of the Trust Fund.

### **Responsibility for damage or loss**

Delegation phase: The damage or loss caused in performing the function must be paid for by the Line-Ministry, even if it is the fault of the RC's and LA's.

Devolution phase: The RC's and LA's accounts to Parliament and is responsible for any damage or loss caused by its employees.

### **Seconded personnel**

Delegation phase: The Minister of the Line-Ministry identifies personnel whose work is related to the delegated function, these personnel are seconded (placed elsewhere, without being formally transferred) to the RC's and LA's. The Line-Ministry must provide guidelines and set standards for seconded personnel and is responsible for their training, supervision, inspection, monitoring and evaluation of their performance. If for any reason, the delegated function is ended, the staff return to the Line-Ministry. Secondment can also end through mutual agreement or of demanded by circumstances. The staff member retains all benefits from the Line-Ministry (Government Pension Fund (GIPF) membership, accumulated vacation and sick leave).

Devolution phase: It is very similar to delegation, but the seconded personnel are offered a transfer and thus become full-time employees of the RC's and LA's. As with delegation, the benefits are brought across and the employees remain the members of the GIPF. The accounting officer of the Line-Ministry must give advice or recommendations about how the function should be performed and supervise the performance of the RC's and LA's regarding the function.

### **Ownership of property**

Delegation phase: The ownership of property remains with the Line-Ministry.

Devolution phase: The Minister decides if ownership of any moveable property (e.g. tables and chairs) or immovable property (e.g. buildings) of the Line-Ministry should be transferred to the RC's and LA's.

### **Withdrawal of delegation or devolution**

Delegation phase: The Minister may withdraw the delegation of a function if requested to do so by the RC's/LA's or if the RC's/LA's is not able to perform the function. The Minister must first consult with the RC's/LA's, the Line-Ministry and Cabinet. The termination should be published in the Government Gazette, unspent funds must be repaid to the Line-ministry within 30 days of the publication and secondment of employees must be terminated.

Devolution phase: The Minister must consult with the RC's/LA's and the Line-Minister, and only act in consultation with Cabinet. The withdrawal of the devolution must be published in the Government Gazette. The property that was transferred to the RC's/LA's must return to the Line-Ministry concerned. Unspent funds must be returned to the Line-Ministry, which also becomes responsible for paying the expenses related to the function. The Line Ministry must identify staff of the RC's/LA's who were involved in performing the function. These staff members must be transferred to the Public Service retaining all benefits and remain the members of the GIPF.

### **The timing of decentralization**

The functions to be decentralised are divided by timing of decentralization, that is whether immediate, medium term or long term, whether they, or which ones are to be decentralised to RC's or LA's and where the LA's are differentiated between Part 1 and 2, municipalities, towns, proclaimed villages and settlements. The effective date for starting the implementation of the decentralization programme was first of April 1998.

The functions that must be decentralized immediately to the RC's and LA's after the adoption of the decentralization policy are as follows:

Community Development and Early Childhood Development, Administration of settlement areas, Rural Water Development and Management, Management and control of communal lands, Responsibility over personnel, including paying salaries, Primary Health Care, Pre-primary education, Conservation, Forest development and management, Physical and economic planning (including capital development projects), Emergency management, Resettlement, rehabilitation and housing, Agency services to villages and settlements.

The functions that must be decentralized in the intermediate terms to the regions and this should be delegated/devolved by the financial year 2000/2001. They are as follows:

Regional assets management now under the Ministry of Works, Transport and Communication, Small miners development, Informal trade licenses, Informal market dues and Rural electrification under the MME.

The following functions that may not be decentralized to the RC's in the near future (long-term) are as follows:

All agreed government functions being implemented by Line-Ministries at regional levels should eventually be decentralized to RC's, all those functions, or parts of functions, which in theory can be decentralized, according to the above criteria, but are not listed above, will continue to be carried out by Line-Ministries in the foreseeable futures and for that to happen, the Line-Ministries should be organized so that their representatives have specific regional responsibilities, and RC's should know what these are and which region(s) they are responsible for. Lastly, there will always be those functions which can never be decentralized in a unitary State.

### **3.5 Revenue Collection**

1. The funds of a RC shall consist of:

- Moneys appropriated by law for purposes of the RC,
- The rates, charges, fees and other moneys levied by the RC under any provision of this Act in respect of immovable property situated within the settlement area in its region and services rendered by it or the regulation and control of any matter in a settlement area;
- Any moneys borrowed by the RC by way of loans or the issue of debentures, bills of exchange or other negotiable instruments;
- Any interest or dividends derived from investments made under subsection (3);
- The fines imposed in respect of any contravention of, or failure to comply with, any provision of this Act or any other provision administered by the RC by virtue of the provision of Section 31 or 32,
- Any moneys received by donation;
- Any moneys accruing to the funds of the RC from any other source.

2. A RC shall utilize any donations contemplated in subsection (1)(f) in accordance with the conditions, if any, imposed by the donor concerned in so far as such conditions are capable of being carried out.

3. A RC may invest any unexpended portion of its funds with a banking institution as defined in Section 1 of the Bank Act, 1965 (Act 23 of 1965), a building society as defined in Section 1 of the Building Societies Act, 1986 (Act 2 of 1986), and the Post Office Savings Bank controlled and managed by the Namibia Post Limited established by Section 2 of the Post and

Telecommunications Companies Establishment Act, 1992, or such other financial institution as may be approved by the Minister.

4. A RC may establish such reserve or other funds and deposit therein such amounts as may be determined by it.

## CHAPTER 4

### 4. Findings

#### 4.1 Allocation of Funds

##### (i) Operational funds

The audit found that the RC's are receiving a subsidy from the Line-Ministry, MRLGHRD through the DRLGTAC which is being used for operational purposes. The auditors used the subsidy amounts for the period under review and determined an average amount allocated to the RC's as N\$ 13 355 271. The auditors were informed that factors such as population size, geographical size, number of settlement areas in a region, infrastructure in place, tasks to be performed and level of income are considered in determining the subsidy allocation.

However, the document analyzed indicated that the allocation of subsidy to RC's is not done according to the above criteria or requirements. It was also indicated during the audit that there is no formal directives/calculations used in allocating the subsidy to RC's. The factors mentioned above are supposed to be considered by the Line-Ministry when allocating the subsidy to the RC's but these factors are not considered doing the allocation. The analysis indicated that the regions that are vast geographically with a high population rate, low income levels and poor infrastructure receives less subsidy compared to the regions that are small geographically with a low population rate but have better income levels and infrastructure. Therefore the allocation of subsidy to the RC's is not on par with the factors mentioned to determine the subsidy amount. The Line-Ministry could not prove through the formula how they have arrived at the amounts allocated to different RC's. The table underneath indicate the subsidy received by the different RC's

**Table 3: Government Subsidy received by the thirteen (13) Regional Councils**

Regional Councils	2006/07	2007/08	Increase in %	2008/09	Increase in %
	N\$	N\$		N\$	
Omusati	17 473 723.00	18 470 000.00	5.39	19 070 000.00	3.15
Omaheke	14 087 631.00	14 700 631.00	4.17	15 400 000.00	4.54
Ohangwena	10 612 073.00	12 600 000.00	15.78	13 840 147.09	8.96
Karas	11 122 677.00	12 125 000.00	8.27	12 825 000.00	5.46
Erongo	11 462 617.00	12 463 000.00	8.03	13 163 000.00	5.32
Khomas	11 388 701.00	12 392 250.00	8.10	12 390 675.00	(0.01)
Kunene	13 547 645.00	12 050 000.00	(12.43)	12 750 000.00	5.49
Oshana	10 824 800.00	11 825 000.00	8.46	12 525 000.00	5.59
Hardap	10 088 520.00	11 100 000.00	9.11	11 800 000.00	5.93
Oshikoto	13 626 022.00	14 620 000.00	6.80	15 320 000.00	4.57
Otjozondjupa	15 743 203.00	15 745 000.00	0.01	15 745 000.00	0
Kavango	10 200 197.00	12 200 000.00	16.39	12 900 000.00	5.43
Caprivi	9 277 226.00	10 780 000.00	13.94	11 500 000.00	6.26

*Source: Budgets 2006/07, 2007/08 and 2008/09*

Analysis of the subsidy amounts of the three financial years (2006/07, 2007/08 and 2008/09) showed that four RC's namely: Omusati, Omaheke, Oshikoto and Otjozondjupa allocation is above the determined average subsidy amount of N\$ 13 355 271 during all the financial years. The Kunene regional council only received the amount equivalent to the average subsidy in 2006/07 but

for the 2007/08 and 2008/09 financial years it received less than the average amount. During all the three financial years under review, all the other RC's not mentioned above did not receive the amount equivalent to the average of N\$ 13 355 271 for their operations.

The analysis showed that it is only Omusati, Omaheke, Oshikoto and Otjozondjupa RC's that have received more subsidies for all the three financial years under review but all the other nine RC's were getting subsidy below the average amount of N\$ 13 355 271. The underfunding of the RC's has an impact on service delivery because they do not have money to cover their recurrent costs as well as providing the necessary services to the people in the region.

There is no consistency in the alteration/adjustment of the subsidy for the next financial year. With reference to the above table most of the RC's subsidy increased during the 2007/08 financial year with a small margin. Consistency of the percentage which is used to increase or decrease the subsidy amounts has an advantage to the RC helping them with budgeting because they will know with how much their subsidy will be cut or increased.

An example can be taken with the increase subsidy amount for Khomas RC during the 2007/08 financial year whereby the subsidy was increased by 8.10% (N\$ 1 003 549) whilst during the 2008/09 financial year there was no increment in the subsidy amount. While for the Karas RC during the 2007/08 financial year the subsidy increased by 8.27% (N\$ 1 002 323) and 2008/09 financial year it increased with 5.46% (N\$ 700 000). The subsidy for Kunene RC decreased with 12.43% (N\$ 1 497 645.00) during the 2007/08 financial year but during the 2008/09 financial year it was increased with 5.49% (N\$ 700 000.00). Such inconsistencies in increasing and decreasing the subsidy also happened with the other RC's. The inconsistency when increasing or decreasing the subsidy amount has been caused by the absence of a formula or specific criteria that could guide the allocation of the subsidy to RC's in order to help the RC's with budgeting as well.

The interviews with all the seven RC's visited revealed that the Line-Ministry does not have a formula for the allocation of subsidy to the RC's. Neither do they know how the subsidy allocation is determined, what determines the amount in a given year. Lack of clarity on these issues, makes it difficult for the RC's to plan their activities effectively because of the uncertainty that prevails over the allocation of subsidy.

## **(ii) Development Funds**

### **Capital projects (National Planning Commission projects)**

The audit found that Subdivision Development and Planning at the RC's is planning development capacities for the region, coordinate planning, programme management and evaluate planned performance and all other related activities in the region. The capital projects are identified at settlement area level by the Constituency Development Committees in consultation with the communities and the proposals are submitted to the RDCC for deliberation. The projects are prioritised in terms of the needs whereby the Project Identification Forms (PIF's) are completed and submitted to NPC for funding. The NPC development fund and the 5% levy received from the LA's form part of the total budget of the RC's.

Documentation analyzed for the seven RC's visited for the three financial years (2006/07, 2007/08 and 2008/09) under review, indicated that all the RC's were allocated funding to implement the approved projects in their respective regions. However, document and interview reviews indicated that not all the proposed and submitted projects were approved for funding by the Line Ministry. RC's like Kunene and Ohangwena did not get any of their proposed projects approved for the three financial years, so they only got funding for the ongoing projects for the previous years. The non approval of the proposed projects has an effect on the slow development in the regions especially the Kunene region is underdeveloped.

The planning divisions at Ohangwena, Kunene and Erongo RC's indicated that the Line-Ministry re-prioritize capital projects after budget cuts by the Ministry of Finance without consulting them, the RC's. The RC's indicated that what the Line Ministry considers as a priority is not what they regard as a priority because of the need in the region and therefore the RC's would like the Line Ministry to consult them before the projects are re-prioritized.

The RC's also complain about the delays of implementing the approved projects due to late transfer of funds to the RC's. It was indicated that the funds are transferred around October each financial year, which gives them less time for tendering and the subsequent project implementation. By the time the tendering procedure is finalised which can take three months including advertising, deliberation of tenders and awarding, the financial year comes to an end. At the Kunene and Ohangwena RC's, the audit found projects that were ongoing since 2006/07 and no new projects were implemented up to 2008/9 financial year. These ongoing projects were water and sewerage at Otuzemba, water reticulation at Kamanjab, construction of constituency offices as examples of some of the capital projects that run for three financial years under review.

The other issue that the RC's are concerned with is the consultants that the Line Ministry appoints to head the projects in the regions. These consultants report to the Line-Ministry and not to the RC's directly whilst the RC is responsible to appoint the contractors on recommendation of the consultant. The RC's does not have control over the consultants and these cause unnecessary delays of capital projects. The Ministry has only one engineer based in Windhoek, at Head Office who has to supervise the capital projects in all the regions, so this contributes to the slow implementation of projects in the country.

Omundaugilo Constituency Office in the Ohangwena region was not completed but the contractor was already paid an amount of N\$ 625 225.13. The building was later demolished because it was not up to standard due to poor workmanship though the structure was almost completed. The consultant recommended that the office be reconstructed because the current structure is not strong enough as it may collapse in the future and the new tender to reconstruct the office was awarded. The whole project exceeded the initial amount allocated to the project. The Council had to look for an additional N\$ 318 922.12 to complete the reconstruction of the office. The contractor was not held liable and no action was taken as it is the responsibility of the consultant to have taken such action and not the RC. This also happened with the construction of the Opuwo Constituency Office whereby the office could not be completed on time due to problems with the contractor and additional funds that were needed which delayed the project. This project was started in July 2008 and was supposed to be completed by March 2009 but when the auditors visited the region the office was not yet completed. This shows that RC's do experience problems with implementation of the capital projects through the consultants which are appointed by the Line-Ministry.

RC's are expected to invest the 5% levy that they receive from their LA's into small capital projects in their regions. However, the audit found that RC's with few or less LA's finds it hard to implement capital projects as they receive less funds compared to those RC's that have many LA's.

## **4.2 Service delivery**

The audit found that basic services i. e water, electricity, sewerage and drainage, refuse removal, establishment of cemeteries and maintenance, streets and maintenance of public places, servicing of land for construction purposes, and billing of customers at the proclaimed settlement areas must be provided and administered by RC's through the provisions of the Local Authorities Act, 1992. However, the audit found the following problems with regard to the services provided at the proclaimed settlement areas through the RC's.

These are discussed as follows:

### Water

The RC's buys bulk water for all the settlements areas from Namwater which is pumped from the boreholes to the settlement reservoirs. Most of the settlements visited have water infrastructure such as the water pipe-lines from the reservoir to the communities and businesses, communal taps, prepaid, and conventional systems were found to be in place though it was lacking at some areas where the Build Together houses are built. The people were already settled in the settlement areas before their proclamation and as a result the land is not surveyed in order to comply with the laid down procedures for township development i.e township planning designs to ensure the water infrastructures will be laid down.

It was found at Sesfontein settlement in the Kunene region that the water is pumped directly from the fontein to the residents and the water is not treated before distribution to the residents. At Woltskzbaken, in the Erongo region there is no water infrastructure and as a result the water distribution to the residents' tanks is done on a weekly basis by truck.

Overall the settlements indicated that they experience regular pipe bursts and the water infrastructure is dilapidated causing leakages underground which results in water losses. It was also indicated that the staff cannot repair the pre paid water systems due to lack of skills because they were never trained by the consultant, Water Masters to do the repairs. The RC's have to contract the consultants to do the repairs at the settlement areas which is very costly. The prepaid meter systems at Warmbad Settlement, in the Karas region were converted from prepaid to conventional meter systems because of constant breakdowns due to alcanic water. The staff interviewed at all the settlement areas visited indicated that water is their main source of income. The dilapidated water infrastructure causes leakages and loss of water resulting in high bills that the RC's have to pay to Namwater i.e Kunene region. Underground water leakages resulted in the Kunene RC paying a lot of money to Namwater on an annual basis.

The payments to Namwater are summarized as follows:

**Table 4: Water bills paid to Namwater by the Kunene RC**

Settlement Area	Water expenses per month	Financial year		
		2006/07	2007/08	2008/09
		N\$	N\$	N\$
Fransfontein	Highest	123 242.05	122 935.46	94 287.12
	Lowest	66 823.69	35 885.26	70 066.51
	Total annual bill	867 934.20	923 245.68	934 115.56

*Source: Report on the Expenses for Fransfontein Settlement*

The Kunene RC spent on water bills N\$ 123 242.05 as the highest amount, N\$ 66 823.69 the lowest amount per month whereas the annual bill totaled to N\$ 867 934.20 for financial year 2006/07. For financial year 2007/08 the highest water bill paid in a month was N\$ 122 935.46, the lowest amount was N\$35 885.26 and the annual bill totalled to N\$ 923 245.68. For financial year 2008/09 the highest bill was N\$ 94 287.12, the lowest was N\$ 70 066.51 and the annual bill totalled to N\$ 934 115.56. It was indicated during the interviews that the water infrastructure is dilapidated therefore the underground leakages. It was recommended to the Kunene RC by the WML Consulting Engineers during the 2008/09 financial year to rehabilitate the water and sewerage reticulation systems in order to save water lost through leakages. The WML Consulting Engineers submitted an estimated quotation amounting to N\$ 5 189 100.00 for the replacement of the water and sewer reticulation system for 181 ervens to the Kunene RC. The upgrading of water and

sewerage systems at Fransfontein Settlement are one of the critical capital projects that were identified for serious consideration by the Line-Ministry and the budget were estimated for the 2010/11 and 2011/2012. At the time of the audit the construction of the water and sewerage upgrading did not yet take place at Fransfontein. The lack of proper water infrastructures denies RC's the opportunity to collect sufficient revenue in the selling the water.

### **Electricity**

The audit found that the electricity provision at the settlement areas is either with the settlements, Nampower or other distributors such as NORED, ErongoRED and CENORED which are paying royalties to the RC's. Some of the settlements visited have prepaid or a combination of both prepaid and conventional electricity. The Warmbad is the only settlement visited selling both prepaid and conventional electricity whereas all the other settlements are either served by Nampower or are getting royalties from the RED's namely: NORED, Erongo RED and CENORED for selling electricity in their respective areas. There are instances where Nampower have subcontracted the selling of prepaid electricity to the local businesses like in the case of Ariamsvlei. The only problem reported is power outages which disrupts the pumping of water from the reservoirs to the residents. It was indicated that electricity is also one of the main income generators at the settlement areas in comparison to the other services. Most of the households and businesses at the visited settlement areas were having access to electricity.

Documentation analysed indicated that only three of the five RED's, NORED, Erongo RED and CENORED are functional and Erongo, Ohangwena, Oshana, Omusati, Kavango, Caprivi and Kunene RC's are the shareholders and receive dividends if declared and royalties on a monthly basis. The RED's pays for electricity two cents per unit sold and the RC's are formally informed about the quantities of units sold whereby the RC's bills them accordingly. Four (Ohangwena, Omusati, Erongo and Kunene) of the six RC's visited indicated that they are receiving the dividends if they are declared and royalties from Nored and Erongo RED. However, it was indicated that the royalties are not always received on time as should be the case from the RED's. As a result this is having an impact on the operational activities of the RC's because the royalties are part of the operational budget.

### **Sewerage and Drainage**

Sewerage services are one of the basic services that the RC should provide through the settlements. The audit found that from the ten (10) visited settlement areas there is no sewerage reticulation systems at Ariamsvlei, Warmbad, Sesfontein, Okanguati, Woltskazbaken, Groot-Aub (not yet proclaimed) and if it is in place, it is mainly at the government institutions, businesses and some residential houses having drains whereby the removal of night soil is pumped into a septic tank once per month. The residents making use of the bucket system indicated that the night soil is not removed as required and as a result the buckets are overflowing forcing them to make use of the bushes. However, the settlement areas without sewerage reticulation systems do make use of the bucket systems, dry toilets and bushes. The bucket systems at the Ariamsvlei and Fransfontein settlement areas are contracted out to the local people by the RC's to do night soil removal twice per week. The lack of sewerage reticulations systems at the settlement areas result in the RC's not being able to generate sufficient revenue from this service but rather spent more on such service (N\$ 5 896 per month) during the 2008/09 financial year as in the case of Fransfontein whereas at Ariamsvlei, the RC uses its own septic tank to remove night soil on a monthly basis. The use of bushes poses a health risk to the community and can result in outbreak of diseases such as cholera.

The audit also found that all the settlements visited do not have proper oxidation ponds and are either closely located to the residential areas or not fenced-off. The settlements were found to be having one-to-three oxidation ponds. At settlements such as Ongenga, Omungwelume and Warmbad the oxidation ponds were found to be overflowing into the Oshanas and the river especially during heavy rains which can cause a health hazard to the animals and residents in the

areas. The oxidations at Ariamsvlei and Warmbad were found to be in the same location as the refuse dumps.

### Refuse removal

The refuse removal at most of the settlements is done once per week and maximum three times per week depending on the agreement with the contractors. Refuse is collected from businesses, government institutions, residential and community collection points. The audit found that six of the ten (10) settlements areas visited has contracted out refuse removal to the local residents. The settlement areas that have contracted out refuse removal contracted are Okanguati, Ongenga, Omungwelume, Otjinene, Onesi and Tsandi.

The payments to the refuse contractors are summed as follows:

**Table 5: Payments made to refuse removal contractors**

Regional Council	Financial year		
	2006/07	2007/08	2008/09
	N\$	N\$	N\$
Ohangwena	375 011.45	339 704.55	414 309.85
Kunene	60 000.00	60 000.00	60 000.00
Omaheke	182 081.34	164 737.00	162 187.00
Omusati	267 063.01	231 570.83	233 700.00
Karas	176 604.03	140 832.00	111 872.16

*Source: General ledgers 2006/07, 2007/08 and 2008/09*

The settlements visited in Erongo and Karas RC did not outsource the refuse removal service and are doing the refuse removal themselves. It was found at settlements areas such as Okanguati, Ongenga, Omungwelume in Ohangwena region that the dustbins are not provided to all the households although all the businesses are getting them. As a result the settlement areas that are not providing all the dustbins to the households are experiencing loss of income because the refuse will still be collected by the contractors. The refuse removal in Kunene region is only contracted out at two settlement areas namely Okanguati and Fransfontein at a fixed rate of N\$ 2 500 per month for all the financial years under review.

The audit also found that most of the settlements visited do not have proper dumping sites and waste management, as they are not off-road and not fenced-off to prevent animals and children in search of grass or food. The dumping sites at Ongenga, Omungwelume, and Tsandi are located within the residential/business areas and are not fenced-off. This is causing a health risk i.e the dumping site at Ongenga settlement area, is close to the school and it poses a health risk to the residents and the school children.

### **Cemeteries and maintenance**

The RC's through the settlements are required to establish and maintain or take over any cemetery situated within its settlement area. However, it was found that the cemeteries at the settlement areas visited were established before their proclamation and are maintained by the churches, communities or the traditional authorities. The RC's have not yet take ownership of these cemeteries as required by law in order to have control over land for burial purposes on a cost recovery basis. From the ten (10) settlement areas visited only one settlement, Warmbad were charging for this service whereas at Ariamsvlei it was indicated that the service is supposed to be charged but that the people are refusing to pay and therefore conduct burials without the approval of the settlement office. It was also indicated at Ariamsvlei that the people cannot pay due to non-affordability though some are not paying due to ignorance that the settlement area has been proclaimed. The lack of the RC's not exercising their mandate to take control of land under its jurisdiction result in loss of income in terms of land that could be sold for burial purposes.

### **Streets and maintenance of public places**

The RC's are required to construct and maintain streets (gravel or tarred roads) on a regular basis at the settlement areas. There are no tarred roads in all the settlement areas. The observation done at the settlement areas visited revealed that the streets are constructed but not maintained and there are no proper streets in the settlements because in the past the land was not surveyed before the construction could take place. The staff at the settlements indicated that the streets are not maintained because some of the RC's do not have graders or have to hire them but cannot due to financial constraints. It was found that the Omusati and Kunene RC's were having graders but the one for Kunene was not functional at the time of the audit. Most settlements were found without street lights apart from the main gateway roads.

### **Land servicing**

The housing policy stipulates that the land should be serviced (water, sewerage and electricity) before any construction could take place. The audit found that the people at the settlement areas visited were already settled on unserviced land before they were proclaimed and as a result no proper planning were done in terms of providing serviced land. As a result the Build Together houses at the settlement areas are being built on unserviced land and the people have to live without proper sanitation and water. Moreover, most of these houses were having prepaid electricity, but lacked proper sanitation and water. No Build Together houses were found in Ariamsvlei settlement area but it was indicated during the audit that plans were underway to implement the Build Together program. All the Build Together houses at Otjimbingwe settlement in the Erongo region were having proper water/sanitation and individual taps for water whereas these services were lacking at the other proclaimed settlement areas visited in the same region as well as at the other regions such as Karas and Kunene regions. The infrastructure for these services are lacking due to insufficient funds as these projects are regarded as capital projects and need to be funded through the Development Fund, NPC. Limited investment in water and sanitation infrastructures has slowed down the process of serviced land delivery and the housing output because without developable land there can be no housing and without proper housing the RC's will not be able to provide services to expand its revenue base. The RC's will not achieve the Regional Planning and Development frame work for NDP III if not much is invested in infrastructure such as i.e water, sanitation and electricity.

It was indicated that the delay in surveying of land at the settlement areas is caused by the delay in the approval of plans at the quantity surveyors office which used to take two years and currently it has reduced to three months and financial constraints because the projects are prioritised.

### **Establishment and maintenance of community buildings**

The audit found that the settlement areas visited do not have any community buildings. However, the audit found a number of Government buildings at the settlement areas visited and when follow-ups were made with the staff at the RC's, it was indicated that the buildings are not yet registered as assets of the RC's because the handing-over is not officially done by the Ministry of Works and Transport. According to the Regional Councils Act, 1992, Section 31 (2)(d), the assets in a declared settlement area must become the assets of the RC's. It was indicated by the staff at the settlement offices at Omungwelumbe in the Ohangwena region and Sesfontein and Okanguati settlements in the Kunene region that the residents are occupying Government houses but it was not certain whether rent is paid and most of these houses were in arrears with payments of municipal services. It was also indicated by the staff interviewed at the Okanguati settlement area that those who occupy the houses claim to own the houses because they were given the houses by the previous regime before independence. The lack of control of Government assets may result in misuse and theft by the people who are residing in those houses. As a result the Government will be losing a lot of assets and money in terms of maintenance and theft.

### **Billing of services**

The audit found that the billing of water, electricity (conventional meters), sewerage and refuse removal is done each month based on the approved tariff structures for the relevant RC's. The meter readings are done on the 15<sup>th</sup> of each month for water and electricity (conventional meters) and statements of the bills are issued to the residential and businesses on month-end. The outstanding amounts on customers' bills must be paid monthly. The pre paid water and electricity cards are sold on a cash basis. It was indicated during the interviews that the appointment of Chief Control Officers at the settlement areas according to the new RC's structure have ensured increased revenue income at the settlement areas although some of the posts were still vacant at the time of the audit. However, the audit found that the RC's are not collecting sufficient revenue from the services that they are rendering and the outstanding amounts are not recovered on a monthly basis. The settlement areas do not have a credit policy in place and this makes it difficult for the RC's to institute action against the defaulters. As a result the RC's will not be able to control its debt customer database and guide the process that requires credit control at the settlement area offices.

More-over, the settlement offices visited have strong control rooms for the safekeeping of money. The banking is done on a daily basis for those settlements offices that are in close vicinity of Nampost or banks while the others do their banking weekly or monthly. Settlement areas such as Omungwelumbe, Ongenga, Okombahe and Woltzkasbaken do not have banking institutions whereas the others such as Tsandi, Onesi, Otjinene, Aminuis, Ariamsvlei and Warmbad are banking at Nampost. As a result the accountants from the RC's have to collect the money from the settlement areas on a monthly basis for banking i.e the banking for Omungwelumbe and Ongenga is done in Oshakati. Settlement area premises such as Omungwelumbe, Ariamsvlei, Warmbad are not safe guarded and it was indicated by the staff that they rely on the police who are situated closely to the settlement office. The settlement offices that are not banking revenue daily are at risk for break-in and robbery of council money.

The staff at the RC's also indicated that they are experiencing transport problems to collect the money at the settlement areas and do the reconciliations at the settlement areas. As a result the money received for payments may not be recorded as required and this creates a loophole for theft.

The problems experienced with the collection of revenue at the settlement areas are discussed as follows:

### **Water and electricity**

During the interviews it was indicated that the staff at the settlement areas lack the skills to do the meter readings for water and electricity (conventional meters). As a result the readings are misread or misinterpreted which result in the issuing of wrong billing. This resulted in loss of income for the RC's if the meter readings are not read correctly meaning that the customers at the respective settlement areas will be under-charged and not paying what they actually should pay.

### **Sewerage**

The audit found that the settlement areas visited are either billing or not billing for sewerage services because it depends whether there is an availability of sewerage reticulation systems. It was noted that sewerage is being charged only at places such as government institutions, NGO's and businesses which have flush toilets as well as where night soil is removed i.e bucket systems or pumping of night soil from the drains in all the settlement areas visited during the audit. However, in the settlement areas where sanitation is lacking, the people are making use of the bushes or dry toilets due to lack of serviced land. As a result the RC's cannot be billed for sewerage services on land that is not serviced due to lack of sewerage infrastructure. The lack of sewerage reticulation systems hampers the RC's ability to attract potential investors who can help develop the settlement areas through payment of services.

### **Cemeteries**

Furthermore, the audit found that the cemeteries at the settlement areas visited are still under the management of the churches or the communities apart from the Warmbad settlement areas which is maintaining its cemeteries and charging for such services. Therefore the RC's are not generating income from this service because the cemeteries are not maintained by them as stated by Section 30(1)(d), Part VIII of the Local Authorities Act, 1992, which requires the RC's to establish and maintain cemeteries or take over any cemetery situated within the proclaimed settlement areas.

### **Refuse removal**

The audit found that the billing for the refuse removal is done each month at all settlement areas visited by the settlement office staff or contractors contracted by the RC's. The businesses, government institutions, NGO's and some households are being billed for this service. However, it was found that the dustbins are being provided to all the businesses, government institutions and NGO's but not to the households' without plots. Those without plots are being provided the service free of charge because they have not been provided with the dustbins. As a result there is a loss of income for the RC's because those without dustbins do not pay for the service rendered by the cleaning contractors contracted by the RC's.

Furthermore, the audit also found that there is no refuse removal guide at the RC's as to who should pay for the refuse removal services at the settlement areas i.e those with or without permanent structures. It is not clear whether those without permanent structure should be allocated with dustbins. As a result it is difficult for the RC's to guide and control the refuse removal process in terms of payments as well as referencing by the settlement staff.

### **Community buildings**

The audit found that the RC's do not have or establish community buildings at the settlement areas that were visited. As a result there is no billing for this type of service for income generation.

### **Leases (land)**

The RC's should charge rates for all immovable properties situated in the proclaimed settlement areas as stipulated in the RC's Act, 1992, Section (1) (b). The lessees should enter into contract agreements with the RC's. The audit found that property tax for households (with plots), businesses and town lands are being charged at the settlement areas visited. PTO's (permission to occupy land) is also being charged. However, the audit found that some of the households, those with or without plots were not paying leases. The households without plots were not paying because they are settled on un-serviced land without proper structures. It was indicated during the interviews that it is difficult for the settlement offices to force the community to pay rates because they are settled on un-serviced land. Those with plots do not make payments due to ignorance. The Omaheke RC is not charging PTO's at its settlement areas because no agreements were entered with the community. As result the RC's is losing out on income from leases due to lack of control which is aggravated by the lack of a credit policy.

Moreover, it was indicated that the RC's do not have an updated valuation roll which makes it difficult to calculate property rates. As a result the correct rates will not be billed for the leases and the RC's will not generate revenue on a cost recovery basis.

## **4.3 Human resources**

### **The responsibilities of the training unit**

A functional training unit within the RC should conduct proper need analysis once per year for staff at both RC's and Settlement areas, provide training to staff as per the need analysis which must include, training of staff at settlement areas once per year to maintain the infrastructure for water and electricity, training of Accountants two to three times per year to empower them to draw up financial statements, training of Accountants annually (including, chief clerks at the settlement areas) in Pastel Software and training of senior managers at the RC (chief regional officers, directors and deputy directors) and chief clerks at the settlement areas once per year to put up effective financial control measures.

### **The filling of vacancies**

Operational positions must be filled as provided for on the approved structure of RC's which include settlement areas. Vacancies should be identified and advertise within a period of four weeks after a post became vacant. Advertisements for positions should run for a period of four to five weeks. Application forms from applicants must be acknowledged within one week of receipt thereof. The applicants must be notified for interviews within two weeks of the closing dates. Recommendations from the selection committee/panel must be implemented two weeks after the interview for internal positions. If it is a promotional post, the recommendation and approval must be forwarded to the PSC within two weeks of holding the interviews. The feedback from PSC, must be implement within two weeks of receipt thereof at the Regional Office.

### **The requirements for posts at Regional Councils and Settlements**

The audit found that for the posts that are below SP2 level, a Grade 12 Certificate (or equivalent) plus appropriate experience, is required. For the posts that are at SP2 level and higher, a three-year B-degree (or equivalent) plus appropriate experience or Grade 12 Certificate plus approximately eight years appropriate experience, is required. For the posts that are in the Management Cadre, a three-year B-degree (or equivalent) plus appropriate experience or a Grade 12 Certificate plus approximately 12 years, is required.

Another requirement is that all staff should comply with the stipulations of their job descriptions.

### Findings on training

The budget item that provided for training is included in **Vote: 027 – Other Services and Expenses**, in the Regional Council’s Budget document. This also includes symposiums, workshops and seminars. However, there are also other services that are provided for under this vote such as Advertisements and Marketing, Security and Official Entertainment among others. The money that has been allocated to the various RC’s for training varies greatly. According to the information, even though it is not complete, the Omusati RC, has spent more money on training in the three financial years, 06/07, 07/08, 08/09 than the other RC’s. The reason being is that they have received the biggest subsidy from government during the said financial years. The budget for training for the three financial years for the various regions are as follows:

**Table 6: Training budget for the Regional Councils**

	2006/2007		2007/2008		2008/2009	
	Budget	Actual	Budget	Actual	Budget	Actual
	N\$	N\$	N\$	N\$	N\$	N\$
1. <b>Khomas</b>	*	*	*	*	*	*
2. <b>Kunene</b>	125	*	140	*	140	*
3. <b>Omaheke</b>	150	91	150	69	150	*
4. <b>Omusati</b>	270	240	283	*	298	*
5. <b>Ohang-wena</b>	90	*	300	*	320	*
6. <b>Erongo</b>	127	*	224	*	250	*
7. <b>Karas</b>	70	*	110	*	115	*

\* - No information was available

The amounts are measured in 000’s.

There is no sufficient, functional training unit at all seven RC’s visited. The training units or their substitutes are insufficient in terms of performing all the functions that are highlighted in the criteria. Meaning that the functions, as highlighted in the criteria above, that are supposed to be performed by the Training Unit, is not carried out. However, the auditors found that some, not all, of these activities are being carried out by the Human Resources (HR) division within the RCs as complimentary in the absence of a Training Unit. In the absence of a training unit a proper training needs analysis is not being done. Information on available courses are only passed around by the HR division. Those interested, must register that interest in order to be considered to attend the particular course. The reason that there is no functional Training Unit is because the post for Training Officer was only approved in the current financial year. The Training Officer is the one who spearheads the training activities and in the absence of this person, the functions of the training unit are not being done.

At present, the HR Divisions will solicit training needs by way of requests from various divisions in the RCs. The training needs per division are compiled by the Divisional Heads and forwarded to the HR division for their consideration. Two of the seven regions, Omusati and Karas, has Training Committees (TC), made up of senior managers, who receive the training needs and compile a Training Needs Analysis (TNA). The TC in the Karas RC is not operating since 2006, but plans are underway to get it functional again, after staff was appointed to serve on the TC. The TC’s decides who should be sent on a specific training. In the other regions where there is no TC, the needs are given to the Chief Regional Officer with a proposal from the TC stating who should be sent to attend the training.

The effect that this is having is that no proper needs analysis is being done and no proper training across the board is being carried out. Furthermore, there are cases like in the Ohangwena RC where staff goes on training without informing the HR Division.

Furthermore, complaints have been highlighted to the auditors that the HR Divisions in the RCs are not readily receiving the training needs from the various divisions in the RC's and therefore find it difficult to design a proper TNA. On the other hand, there are also complaints from the various divisions that training is not equitably provided to all staff. The personnel that suffers the most from a lack of training are the staff at the settlement offices, especially in the area of accounting and technical skills, to enable them to operate and maintain the infra-structure that provide the services at the Settlement Areas. It was also highlighted that while the managers are receiving training, the lower-level staff is not receiving any.

Apart from the staff at the settlement areas that complained about a lack of training in all the regions, the accountants or finance staff is also complaining of insufficient training. The auditors have found that all the RC's, accountants and finance staff have received training, which was normally provided by the Line-Ministry. However, they have complained that the training has not been enough and this is evidenced by them still struggling to do their accounting properly. Accounting Computer Software changes regularly and the staff need to be updated on the new technology.

The auditors were also informed and discovered through the review of documents that there is no specific section within the budget of the RC's that specify, how much money has been budgeted for training. The budget is being prepared by the Finance Divisions in the RC's and sent to the Line Ministry, when the budget is being allocated to the RC's, they will determine whether there are any funds available for training. For all the RC's the money is not enough to attend all the training courses and that is also why, most of the training courses are being provided by the Line-Ministry.

The records of training courses that have been conducted are kept by the HR Divisions at the RC's, but in the Karas region, the HR Division could not provide the auditors with records of the training, because there is no database that has been kept.

Due to the constraints that were mentioned above, no functional training unit among others, are leading to a lack of training, leading to untrained staff, which impacts on the performance of the staff members of the RC's in a negative way. This in general has an impact on the service that is being delivered to the people of the Region, since the staff of the RC's are not properly trained.

### **Findings on the filling of vacancies**

The filling of vacant positions at the RC's is regulated by the Public Service Commission (PSC) at the Office of the Prime Minister, just like all other vacancies in Government. Therefore the rules laid down by the PSC apply to all the advertising of posts, qualifications required from candidates, short-listing of candidates, interviews with candidates, approval and eventual appointment of the successful candidates.

In general, there are many vacancies at the RC's. There are posts that exist on the establishment that has not yet been filled for one or another reason while some are as a result of high staff turnover. This has a negative effect on the operations of the RC's to deliver quality service to the residents of the regions.

The number of vacancies at the RC's varies considerably from the 43 vacancies in the Karas RC to 35 at the Omusati RC. While staff turnover is also a contributing factor with staff members that are leaving the RC's per year averaging around 6-8 staff members. Another factor that leads to the high number of vacancies is the delay in filling the posts. In the respective regions it takes from 47 days in the Omusati region up to 10 months in the Karas region for the posts to be filled. It also depends on which posts are actually advertised, since some of the posts, are not getting suitably qualified candidates.

The posts that we found vacant in all of the RC's are as follows:

- Accountants
- Internal Auditors
- IT Systems Administrators
- Development Planners
- Town Planners
- Engineers

At some of the RC's like Omaheke and Karas, there are also vacancies for CRO's, while at all the regions there were vacancies for training officers, since the post has only recently been approved by the Ministry and therefore not yet filled at the RC's.

For some of the posts like the financial posts such as accountants and internal auditors, the staff members leave for greener pastures while for other posts, there seems to be a lack of suitable candidates as earlier mentioned such as for engineers and planners. For the latter, there is a shortage in Namibia and the Lin-Ministry has resorted to advertising these posts in the SADC region. However, no suitable candidates from the SADC Region have yet applied for the posts; therefore these vacancies still exist at the RC's.

The approved posts on the RC's establishment are not all filled due to budgetary constraints. Therefore, posts are gradually filled and RC's are informed when they can advertise and fill certain posts as funds become available. This was recently the case with the post of Training Officer at the RC's.

Another constraint is the re-advertisement of posts that were not filled, which takes a long time to be filled. There are cases where suitable candidates were not found or other procedural problems were experienced. Thus the process to appoint a suitable candidate has to be started all over again, with the same pitfalls as indicated earlier.

Another obstacle mentioned during interviews and through information that was obtained through documents, are the submissions that are referred back from PSC, because the right procedures were not followed in motivations for appointments from the RC's to the PSC. The auditors noted that in the Erongo, Kunene and Ohangwena RC's, the councilors are interfering with the appointments at the RC's, thus delaying the whole process. In these regions, the councilors insist on being part of the process as they are part of the RC Meetings, proceeding to either approve the appointment of a person that is not qualified or not following the correct procedure.

One of the effects of not filling vacant posts is financial costs that come with it. In four of the seven RC's, the Finance Division were unable to draw up their own financial statements and therefore had to outsource it to consultants at an extra costs outlined in the table below. These RC's are suffering from the absence of a full staff compliment in their Finance Division and are as follows, Erongo, Khomas, Kunene and Ohangwena.

At the Erongo RC, there is no senior accountant, while the chief accountant and deputy director for finance only joined recently while the Ohangwena Region is also hampered by being understaffed in the Finance Division. At Kunene and the Khomas RC, there is no Senior Accountant and Chief Accountant, which makes it difficult for them to draw up their financial statements.

The cost of outsourcing this function adds another burden to the RC's budget. The extra expense for those RC's for the specific financial years are as follows:

**Table 7: Cost of Outsourcing**

<b>Financial Years</b>	<b>Erongo</b>	<b>Khomas</b>	<b>Kunene</b>	<b>Grand Total</b>
	N\$	N\$	N\$	N\$
2006/07	35 640,00	28 500	60 030	<b>124 170.00</b>
2007/08	35 640,00	18 700	67 597	<b>121 937.00</b>
2008/09	25 639,25	7 350	61 985	<b>94 974.25</b>
<b>Total</b>	<b>96 919.25</b>	<b>54 550</b>	<b>189 612</b>	<b>341 081.25</b>

*The figures for the Ohangwena Regional Council were not available.*

All the vacant positions mentioned above, particularly those in the settlement areas, means that the operations of the RC's are hampered. Since the staff at the settlement areas is not sufficient, they are unable to effectively collect revenue for the basic services provided such as water, electricity, sewerage and sanitation. The absence of above-mentioned staff, together with Internal Auditors and Accounting Personnel affects the proper financial procedures to be hard to follow and adhered to at the RC's.

The development of the regions and their settlement areas, are hampered by the lack of technical personnel such as planners and engineers who are necessary to oversee capital projects and monitor their implementation. Instead of the RC's using their own staff, money is also lost on outsourcing the above-mentioned tasks to external consultants, while the skills and the knowledge are lacking from the side of the RC's.

#### **4.4 Decentralization of functions**

The audit found that decentralization at the RC's is still at its initial stage of delegation since the adoption of the policy in 1997 while the implementation of the decentralization programme which was supposed to be first of April 1998 was not met. The delegation phase to the RC's started in year 2007 with three functions delegated to the RC's so far at the time of the audit. Documentation analysed indicated that some of the functions that were identified for immediate delegation to the RC's were not yet delegated. At the time of the audit only three functions namely: Education, Maintenance and Rural Water Supply were delegated to all the thirteen (13) RC's except Khomas RC to which the Rural Water supply is not delegated because there are no rural areas in the region. The Rural Water Supply function was delegated on the first (1<sup>st</sup>) of August 2007 whereas the Maintenance and the Primary and Secondary functions were delegated on the first of April 2009. However, in the case of the Primary and Secondary functions, the handing-over officially took place on 01 April 2010. However, the Rural Water Supply function was recalled by its Line-Ministry but the staff at Directorate Decentralization Co-ordination (DCC) indicated that the Line-Ministry has to prove beyond reasonable doubt that the RC's cannot perform the function.

The audit also found that the Health function consisting of the Primary Health Care (PHC) and non-nursing services which were identified for decentralization were not yet delegated to all the thirteen RC's. The staff interviewed at the Regional Health Directorates indicated that its Line Ministry are hesitant to delegate the function because the PHC is very big and doubt whether the RC's will be able to manage it. A technical field visit to Botswana was undertaken in year 2008 to study the successfulness of the decentralization of PHC to the local governments with the purpose of finding out how Namibia could benefit from the Botswana experience. The technical team advised the Ministry of Health and Social Services to proceed with the delegation of the PHC services to the RC's immediately but at time of the audit the function was not yet delegated as recommended. Documentation analysed indicated that the Minister of Health proposed a revisit to Botswana at the

level of accounting officers and another visit to Lesotho after the Minister of MRLGHRD communicated to all the Ministers about the speech he wants to present to the National Assembly on progress made with the implementation of the decentralization reform. This has been attributed to a lack of commitment on the part of the Line Ministry and the other contributing factor is the lack of a deadline for the functions to be decentralized to the RC's. The lack of a deadline is a loophole and as a result the transfer of identified functions and sanctions for non-compliance may not be instituted as required. As a result the objective of the government to bring the services closer to the people will be delayed unnecessarily as the functions are not decentralized according to the decentralization policy.

### **Harmonization of legislation for decentralization**

The staff interviewed and documentation analysed indicated that the existing legislations namely the Decentralization Enabling Act, 2000, Regional Councils Act, 1992, the two Public Service Acts (Act 2 of 1980 and Act 13 of 1995), Education Act, Civil Defense Proclamation, 1978 (Proc. A. G. 54 of 1978), Fire Brigade Services Ordinances, 1978 (Ordinance 10 of 1978), Atmospheric Pollution Prevention Ordinance, 1976 (Ordinance 11 of 1976), Hazardous Substances Ordinance, 1974 (Ordinance 14 of 1974), National Housing Development Act, 2000 (Act 28 of 2000), the Squatters Proclamation Reform Act, 1985 (Proc. A. G. 2 of 1985), Agriculture Land Reform Act, 1995 (Act 6 of 1995), the Roads Authority Act, 1999 (Act 17 of 1999) and Road Fund Administration Act, 1999 (Act 18 of 1999), the Roads Ordinance, 1972 (Ordinance 17 of 1972), Advertising on Roads and Ribbon Development Ordinance, 1960 (Ordinance 60 of 1960), the Liquor Act, 1998 (Act 6 of 1998) and Namibia Tourism Board Act, 2000 (Act 6 of 1998) needs to be harmonized with specific reference to the decentralization policy.

At the time of the audit it was indicated during the interviews that a Cross-Ministerial Decentralization Taskforce was established in year 1992 to review the aforementioned existing legislations with a view to identify those legislations conflicting with the decentralization policy and to propose the required amendments. A final draft amendment report was compiled by the taskforce and consultative discussions were still being held with the different stakeholders' i.e the MRLGHRD; Ministry of Justice, Private Sector, RC's and OPM for the input to streamline the various Acts. If the various legislations are not harmonised, the aforementioned legislations will be in conflict with each other and will not be aligned with the decentralization policy to accommodate and smoothen the process of decentralization.

The shortcomings and recommendations proposed by the Cross-Ministerial Decentralization Taskforce in the various Acts is summarised as attached in Annexure 1.

### **Regional Councils readiness to receive the functions**

The audit found that some of the RC's are not yet ready to receive the functions to be decentralized due to inadequate office space and human resource capacity. It was found during the audit that the Karas RC were renting office space from the Regional Education offices whereas the other RC's such as Ohangwena, Erongo, Omaheke are not having enough office space to accommodate the delegated functions especially the Line Ministries that do not have offices in all the regions as well as for the staff that will be seconded from the head offices in Windhoek. The lack of adequate office space delays the decentralization of functions to the regions and subsequently the services will not be brought closer to the people.

#### 4.5 Revenue Collection

##### 5% levy

*Each local authority should pay the 5% levy quarterly (rates levied on all rateable properties situated in a local authority area) to the RC. (Local Authorities Act 1992, Section 77 (1) and (2))*

**Table 8: 5% Levy rate**

<b>Regional Councils</b>	<b>No. of local authorities</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>Total</b>
		N\$	N\$	N\$	N\$
Omusati	4	98 593.10	-	69 433.31	<b>168 026.41</b>
Omaheke	3	140 000.00	200 000.00	210 000.00	<b>550000.00</b>
Ohangwena	2	-	158 085.48	174 800.00	<b>332 885.48</b>
Karas	8	638 318.00	735 081.00	805 334.78	<b>2 178 733.78</b>
Erongo	8	3 182 818.56	7 062 454.00	3 826 147.00	<b>14 071 419.56</b>
Khomas	1	-	7 150 000.00	7 200.500	<b>14 350 500.00</b>
Kunene	5	-	89 996.52	17 083.33	<b>107 079.85</b>

The table shows 5% levy money received by the RC's from LA's for the three financial years

According to the financial records for the seven RC's visited it came to light that there are RC's that experience problems with LA's not paying on time and those that are not paying at all. In 2006/07 financial year Ohangwena RC did not receive any 5% from its LA's while for the 2007/08 and 2008/09 financial year it was only one LA's out of two that paid. In the Karas region the LA's still owe the RC N\$ 927 499.56 for the three financial years under review. In the 2006/07 financial year, the Kunene RC did not receive the 5% levy from all its five LA's while in 2007/08 one of the five did not pay the levy while for the 2008/09 all LA's have paid.

For the financial year 2006/07 the Erongo RC did not receive their 5% from two of the eight (8) LA's under the RC's but for 2007/-8 and 2008/09 there were no report of local authority that did not pay. Documentation analysis indicated that the RC's are struggling to get the 5% levy from the LA's which the money that is supposed to fund the smaller capital projects in the regions. This can result in the local authority paying the RC little money instead of what the council is supposed to get.

The other issue regarding the 5% levy payment is that RC's indicated that the LA's are not submitting the relevant documentation as to how they arrived at the amount they pay to the RC's. The RC's make follow-ups with the LA's to make payments and submit supporting documents but they are not submitting anything. There are RC's such as the Ohangwena and Karas RC's that have decided to base the calculation of the 5% on the valuation roll that they request from the Line Ministry or the LA's and will invoice LA's accordingly. According to the "Financial Accounting Policies and Procedures Manual MRLGHRD was supposed to develop specific instructions in relation to the collection and transfer of the money to the RC's but at the time of the audit the RC's had nothing in place to use apart from using the valuation roll.

## Income from settlement areas

- Lease of plots

**Table 9: Income from lease of plots**

<b>Regional Councils</b>	<b>No. of settlement areas</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>Total</b>
		N\$	N\$	N\$	N\$
Omusati	3	14 024.00	42 019.00	58 353.00	<b>114 396</b>
Omaheke	6	-	-	558	<b>588</b>
Ohangwena	3	18 845.20	61 051.70	206 711.29	<b>286 608.19</b>
Karas		-	-	-	-
Erongo	3	-	121 000.00	135 520.00	<b>256 520.00</b>
Khomas	0	-	-	-	-
Kunene	3	-	-	-	-

*The table contains the money received by the RC's through PTO from settlement areas for the three financial years.*

RC's are supposed to collect revenue through PTO agreement whereby residents should pay for occupying the land in their settlement areas. There are RC's that are collecting money through this service but some of the RC's do not get any revenue through this service. (Refer to the table below). Analyses for the three financial years (2006/07, 2007/08 and 2008/09) under review Erongo regional council only collected revenue through PTO at one of its three settlement areas which is Wlotzkasbaken (N\$121 000.00 for 2007/08 and N\$135 520 in 2008/09) and nothing for 2006/07 but at Otjimbingwe and Okombahe nothing was received for the three financial years. In Omaheke in all the three financial years the RC only collected N\$558 from one settlement area out of its six settlements in 2008/09. At the Ohangwena regional council there were some plots that were not billed in two of the settlements since April 2006 and March 2009, Kunene and Karas RC's did not collect any revenue through PTO during all the three financial years under review while the Khomas regional council does not have any proclaimed settlement so that it can collect revenue. All the settlements in the visited RC's do not collect good revenue through PTO's.

According to the interviews with settlement staff at Erongo RC revenue collection through PTO's has been put on hold in the past eight years that is why the RC did not collect at the two settlements but the RC is still collecting at Wlotzkasbaken even though they said PTO's was put on hold. The auditors could not get the letter that put the revenue collection from PTO's on hold. This directive is not known to all the RC's because some are still collecting through PTO's like Omusati and Ohangwena. In the seven RC's visited, the Council experience problems with the payment of lease fees because some of the land that people occupy is not serviced that makes them not willing to pay and the Council is just losing out on lease income. Most RC's are losing revenue on lease (PTO) while people continue occupying plots for free in the settlement areas.

- **Water Sales**

**Table 10: Income from water sales**

<b>Regional Councils</b>	<b>No. of settlement areas</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>Total</b>
		N\$	N\$	N\$	N\$
Omusati	3	1 057 429.00	1 017 450.00	1 206 332.00	<b>3 281 211.00</b>
Omaheke	6	405 409.46	2 076 830.55	1 064 018.19	<b>3 546 258.20</b>
Ohangwena	3	651 510.70	793 178.40	765 471.80	<b>2 210 160.90</b>
Karas	2	679 681.00	917 845.00	1 067 972.00	<b>2 665 498.00</b>
Erongo	3	442 074.71	228 654.53	204 913.54	<b>875 642.78</b>
Khomas	0	-	-	-	-
Kunene	3	26 868.27	12 257.35	18 874.00	<b>57 999.62</b>

*The table above contains the revenue collected through water sales from the settlement areas within the RC's visited for the three financial years.*

RC's also sell water to the settlements to recover its cost for supplying water in the settlement areas, the rate for selling water in settlements should be approved by the ministry. The audit found that Ohangwena and Erongo RC's are charging for water in the un-proclaimed settlement areas which are against the Regional Councils Act and there is no agreement in place. According to Section 30 they should enter into an agreement with the Central Government in such regard.

Kunene RC only collects revenue through water sales at one of its three settlement areas but can't collect at the other two settlement areas because there are no proper water infrastructures for the RC to bill the residents. That means the RC is supplying water/service without recovering its cost and consequently will not be able to sustain such service in the settlements. At the Fransfontein where the council is billing the residents they are collecting less than what they spend in supplying water to the settlement.

The RC generated N\$ 26 868.27 through water sales in 2006/07 while they actually paid N\$ 867 934.20 to buy the same quantity of water from the bulk supplier. The RC could not recover its cost through water sales during the 2007/08 financial year. The trend continued during the financial year 2007/08 where by the Council just generated N\$ 12 257.35 while the annual water bill that the RC has to settle with NamWater for supplying water to residents was N\$ 923 245.68. In the financial year 2008/09 the council only generated N\$ 18 874.00 compared to the N\$ 934 115.56 that the council has to settle with NamWater. This has been a problem for all the three financial years under review and it is caused by old infrastructure which according to the council are also costly to maintain.

Ohangwena RC is really doing well in terms of collecting revenue from its settlements in selling of water.

RC's visited are not billing the government institutions in their settlement areas but those institutions are rather billed by NamWater while the settlement is supposed to provide all the services in the settlement like water.

*NB: The auditors could not get the separate revenue for water sales from Omusati and Omaheke RC's because they only report on one account which is "Municipal Services". This account includes revenue from water, sewerage and refuse removal.*

- Refuse removal

**Table 11: Income for refuse removal**

<b>Regional Councils</b>	<b>No. of settlement areas</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>Total</b>
		N\$	N\$	N\$	N\$
Omusati	3	1 057 429.00	1 017 450.00	1 206 332.00	<b>3 281 211.00</b>
Omaheke	6	405 409.46	2 076 830.55	1 064 018.19	<b>3 546 258.20</b>
Ohangwena	3	56 682.40	106 222.20	145 308.15	<b>308 212.75</b>
Karas	2	142 253.00	130 814.00	227 450.00	<b>500 517.00</b>
Erongo	3	-	1 500	44 937.44	<b>46 437.44</b>
Khomas	0	-	-	-	-
Kunene	3	-	-	-	-

*The table above contains the revenue collected through refuse removal from the settlement areas within the RC's visited for the three financial years.*

For providing refuse removal services within the settlement areas RC's are expected to charge residents and generate revenue from the service. This service is one of the integral sources of revenue for the RC's in the settlement areas. In the seven RC's visited, four of the RC's (Ohangwena, Karas, Omusati and Erongo) do collect the revenue through refuse removal service in their settlements areas. For the 2006/07 and 2007/08 financial years settlements in Erongo RC did not perform well in generating revenue through refuse removal at the three settlement areas. During the three financial years (2006/07, 2007/08 and 2008/09) under audit the Kunene RC did not collect any revenue through refuse removal even though the RC pays N\$ 2 500/per month for the three financial years on two of the three settlement areas through contracting a third party to collect refuse in the settlements. The RC just send the money without recovering a cost while the council is suppose to generate revenue by charging residents for collecting refuse from their places. Khomas RC can't generate revenue by providing refuse removal because there is no proclaimed settlement area up to now. RC's are losing out on their revenue if they are not collecting revenue through this service and such revenue can be used to supplement the council's budget.

***NB:** The auditors could not get the separate revenue for refuse removal from Omusati and Omaheke RC's because they only report on one account which is "Municipal Services". This account includes revenue from water, sewerage and refuses removal.*

- Sewerage

**Table 12: Income from Sewerage**

Regional Councils	No. of settlement areas	2006/07	2007/08	2008/09	Total
		N\$	N\$	N\$	N\$
Omusati	3	1 057 429.00	1 017 450.00	1 206 332.00	<b>3 281 211.00</b>
Omaheke	6	405 409.46	2 076 830.55	1 064 018.19	<b>3 546 258.20</b>
Ohangwena	3	16 690.00	18 269.00	28 261.60	<b>63 220.60</b>
Karas	2	142 253.00	130 814.00	227 450.00	<b>500 517.00</b>
Erongo	3	-	6 600.00	26 240.23	<b>32 840.23</b>
Khomas	0	-	-	-	-
Kunene	3	-	-	-	-

*The table above contains the revenue collected through sewerage services from the settlement areas within the RC's visited for the three financial years under review.*

Sewerage is one of the basic services that the RC is expected to provide to the settlement areas. RC's should charge residents for providing this service in the settlements to generate revenue for their councils. Most of the RC's visited generates revenue by charging for sewerage service in the settlement areas but the Kunene RC do not make revenue out of this service because it does not have a proper sewerage infrastructure in its settlement areas, they only make use of the bucket or bush.

RC's are experiencing problems with the collection of revenue in the settlements through sewerage because there are settlements with plots that do not have a sewerage system which makes the collection of revenue difficult.

***NB:** The auditors could not get the separate revenue for sewerage from Omusati and Omaheke RC's because they only report on one account which is "Municipal Services". This account includes revenue from water, sewerage and refuses removal.*

### **House rental/Properties rental**

RC's also have properties that they rent out to get income in order to supplement their budget to fund other activities they need to undertake. There are some RC's that have problems with getting money from tenants because some of the buildings that were supposed to be registered under the RC's in the settlements are still not registered in the RC's name and are occupied by people that do not pay rent to the Councils. This is because the RC does not have ownership documents for those buildings even though they belonged to the old Government. Under the Regional Councils Act such buildings should be taken over by the RC. People who are occupying such houses do not want to pay rent because they are also claiming the ownership for those buildings while the RC's can't prove ownership as well. Kunene, Ohangwena and Erongo RC's are the RC's that have buildings in the settlement areas but they do not get rental income from such buildings.

During the observation at Omungwelum settlement area (Ohangwena RC), the audit team counted nine government houses and one traditional authority building which were inherited from the previous regime. It was found that none of the occupants of these nine houses are paying rent and whether the Ministry of Gender operating from the traditional authority building together with the settlement office is paying rent but the settlement area Chief Control Officer did not know whether any payments are being made. A follow-up was made with the RC to clarify the issue on the government houses at Omungwelum settlement area and they clarified that the houses are not yet

registered as assets of the RC and that currently a debate is ongoing on the ownership of the government houses in the settlement areas. As a result the RC is not in the position to charge rent. At the time of the audit all those nine houses are not in a good condition and need renovation. Since the houses are not yet registered as the assets of the RC, revenue is lost to the government and the occupants misuse the properties. It was indicated that houses still belongs to the Ministry of Works and Transport and are occupied by the teachers while the staff of the RC are renting from the community.

At Okombahe settlement in Erongo region there are 21 government houses and other buildings that belonged to the old government and they are supposed to be transferred to the RC. The RC was supposed to get income through rent but the tenants in those houses never paid rent to the RC. Documents and interviews indicated that tenants that occupy those buildings do not pay rent because they feel that they have inherited those houses from the previous government.

At Okanguati settlement in Kunene region there are 14 government houses and one (1) guest house that were owned by the old government and they are supposed to be transferred over to the RC. The RC was supposed to administer them and get income through rent but the tenants in those houses never paid rent to the RC. The council can't force tenants to pay because those building are not under the ownership for the RC up to now. This situation is depriving the RC to collect its revenue from these houses to bust their income as well as bust their asset base.

The audit found that the Regional Councils Act is not applied because according to the Regional Councils Act, 1992, Section 31(2)(a-b) "the assets used in a declared settlement area and all rights, liabilities and obligations of such assets shall vest in the RC's concerned to an extend and as from such date as may be determined by the Minister. The deeds of immoveable property which vests by virtue of the provisions of subsection (a) in a RC shall be endorsed by the registrar of deeds to the effect that the immoveable property vests in the RC and shall make the necessary entries in the registers and thereupon that deed shall serve and avail for all purposes of the title of that RC". Therefore by this provision, the RC should be in the position to charge rent and ensure that the services that are being rendered to the occupants are paid for.

**Table 13: Income from rental of properties**

<b>Regional Councils</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>Total</b>
	<b>N\$</b>	<b>N\$</b>	<b>N\$</b>	<b>N\$</b>
Omusati	71 279.00	65 967.00	436 281.00	<b>573 527.00</b>
Omaheke	-	-	-	-
Ohangwena	53 517.00	50 027.00	52 474.00	<b>156 018.00</b>
Karas	11 341.00	5 440.00	15 760.00	<b>32 541.00</b>
Erongo	68 440.16	108 086.86	220 491.22	<b>397 018.24</b>
Khomas	51 774.00	83 684.00	149 963.00	<b>285 421.00</b>
Kunene	-	31 850.00	46 200.00	<b>78 050.00</b>

*This table shows income collected by the RC's through rental of properties of the council for the three financial years under audit.*

RC's also having other sources of income where the Councils get income to supplement income that they get from settlement areas. Those sources of income are sales of tender documents, royalties from the REDS, VAT claims from Ministry of Finance, interest from Council's investments, private calls done by the officials. Some of the RC's like Omusati Kunene and Ohangwena have photocopier machines where they as well get their additional income for making copies to the public.

Among the seven RC's visited it is only Ohangwena RC that gets money by charging the business communities for erecting their Advertising Boards within the areas under their control but other RC's do not charge though it is a good source of getting income for the RC's.

## CONCLUSIONS

- The absence of clear-cut formula for allocating subsidy to the RC's has resulted in the over/under funding of RC's and this has an effect on the service delivery by the RC's that are underfunded. The absence of formula also cause unequal distribution of state funds to the RC's to provide similar services to the Namibian citizens.
- Delays and poor monitoring of implementation of capital projects by the RC's will slow down the pace of development in the respective regions and might even lead to cost implications.
- The limited capital investment in local infrastructure such as water and sanitation slows down the process of serviced land and subsequently limits the number of houses to be built because without land that is developed there can be no housing and revenue income for the RC's. Inadequacy of basic services provided to the communities by the RC's through the settlement areas has a negative impact on the operations of the RC's to deliver sustainable municipal services which will pave way for socio-economic and business opportunities at the settlement areas and region as a whole.
- The non-existence of dustbins to all settlement areas contributes badly to the health and tidiness of the settlement areas as well as the proper and timely removal of refuse. Payments of such services will also not be well controlled and charged due to poor management of customer data base.
- Poor planning has led to dumpsites being too close to the settlements and are posing health risks.
- The lack of the RC's to establish or take ownership of established cemeteries at the settlement areas result in lack of control and management because the people will continue to bury human remains without the approval of the settlement area office.
- Lack of proper planned streets due to people occupying un-serviced land will result in under-development of townships because they are not properly planned and surveyed.
- The non-availability of serviced land in settlement areas in most regions contributes to people not having access to basic services.
- Occupants are not paying rent even though they are occupying government houses, because no lease agreements are signed.
- The RC's are unable to control debts at the settlement areas due to a lack of a credit policy. The people will owe huge amounts of debts which they will not pay due to non-affordability.
- There is no functional Training Unit at the RC's that were visited. Therefore, the functions that the Training Units were supposed to perform are neglected or only partly covered by the TC's that are in place or mainly the HR divisions in the RC's. The training unit was supposed to do a proper need analysis every year for all RC staff and this is not being done. Since no training need analysis is done, no proper training across the board is being done and therefore, staff at the RC's are not equipped to provide the necessary services to the residents of the region. In addition, the many vacant positions that take long to be filled are also hampering the operations of the RC's, since the RC's currently do not have all the staff to provide in the needs of the residents of the region. The factors mentioned above leads to poor service delivery.

- The delay in the delegation of functions to the RC's is denying the people the services that are supposed to be brought closer to them in terms of the decentralization policy.
- The delay in the harmonisation of the relevant Acts with regard to decentralization will result in certain provisions not being provided for and subsequently delaying the smooth implementation of decentralization.
- The inability of the RC's to accommodate the delegated functions will result in Line-Ministries being reluctant to delegate the functions.
- The non-payment of the 5% levy to the LA's/RC's affects the implementation of small capital projects in the regions because the income is used to fund small capital projects.
- The RC's are not generating revenue on a cost recovery basis in the settlement areas because the revenue they are collecting from the services they are rendering is not sufficient.

## RECOMMENDATIONS

- The MRLGHRD should formulate a formula that will assist the MRLGHRD to fairly allocate subsidy to the RC's.
- The MRLGHRD should make sure that all the RC's are getting the required subsidy amount.
- There should be a ceiling amount for the RC's on subsidy for each financial year.
- The MRLGHRD should help the RC's to finish their capital projects on time as planned.
- The RC's should prioritise the integration and upgrading of the water and sanitation infrastructures which are the basic human necessities at the settlement areas to realise Vision 2030 which projects 50% access to acceptable sanitation in the rural areas.
- Proper planning should be done in order to ensure that dumpsites are not too close to settlements and do not pose health risks.
- Training Units must be established at the various RC's and since the post of the Training Officer has been approved, those posts need to be filled as this will be the person that will spearhead the training unit and its functions.
- Training needs analysis should be done at least once a year, so that the needs be established and addressed in order for the RC to provide proper services to the residents of the region.
- Proper training based on the TNA should then be carried out. This will ensure that staff receives the training that they need across the board and not only for certain staff members.
- The provision of training should especially be carried out for the technical staff such as Engineers and Town Planners and also for financial staff like internal auditors and accountants.
- The training that is being provided to the technical and financial staff of the RCs should limit the money spent on outsourcing these functions to private companies, therefore saving money for the RC's which can be used to provide better services.
- All the current vacancies that exist at the RC's for the approved posts, need to be filled.
- Councilors or staff members from the RC's, should refrain from interfering in the filing of vacant positions. The correct procedures should be followed at all time.

Since it is a problem to find technical staff such as engineers and town planners, the qualification for the posts at the RC should either be lowered or the salary should be increased, since these technical people normally get more money from private companies than from government. This also applies to the financial posts.

- The MRLGHRD should set a deadline for the delegation of functions to the RC's in order to speed-up the process of decentralization.
- The MRLGHRD should ensure that the relevant Acts to decentralization are harmonised to ensure the smooth delegation of functions to the RCs.

- The MRLGHRD should ensure that the RC's are ready to receive the delegated functions i.e capacity and financial etc.
- RC's should provide the necessary means i.e dustbins, charge and collect revenue from all the services that they provide.
- RC's should apply the Act for them to transfer and take control of government properties in the settlements area that are not under their control up to now.
- RC's should also ensure that occupants of government property, sign lease agreements, in order for them to pay rent.
- The MRLGHRD should help RC's with funds so that they can put up proper water and sewerage infrastructures in the settlement areas to generate revenue.
- The MRLGHRD should put up control measures to ensure that the LA's are paying over their 5% levy to the RC's as required by law and that the valuation roll is made available to all the RC's to ensure that the LA' pays the exact amount that they are supposed to pay to the RC's.

**ANNEXURE 1: A summary of various Acts that need to be harmonised for the smooth implementation of decentralization policy**

<b>The Acts to be harmonised</b>	<b>Identified shortcomings</b>	<b>Recommendations made</b>
<p>Decentralization Enabling Act, 2000 (Act 33 of 2000)</p>	<p>-The definition of the word ‘function’ as reflected in section 1 of the Act. A concern was raised by the taskforce that the definition of the word function was not exhaustive enough as it doesn’t cover functions performed by line ministries but not conferred or imposed on them by any substantial law.</p> <ul style="list-style-type: none"> <li>• The list of functions earmarked for decentralization is not included in the Act. It was felt that functions earmarked for decentralization should be included in the Act in the form of a schedule. This will make them binding to everybody; and ensure adherence to decentralization policy by the Line-Ministries.</li> <li>• It was suggested that for the purposes of implementing the decentralization policy, the establishment of Developmental Committees i.e Regional Development Co-ordinating Committees (RDCCs) and Local Development Co-ordinating Committees (LDC’s) and Village Development Co-ordinating Committees (VDCs), etc should be empowered by legislating them in the Decentralization Enabling Act, 2000.</li> </ul>	<ul style="list-style-type: none"> <li>• That the Decentralization Enabling Act No. 33 of 2000 be amended so that the definition of the word “function” include powers of he president to decentralise and also any other task performed by a respective Line-Ministry.</li> <li>• That the Decentralization Enabling Act No. 33 of 2000 be amended by adding a section or sections which will provide for the <ul style="list-style-type: none"> <li>▪ Schedule of functions earmarked for decentralization.</li> <li>▪ Establishment of Regional Development Co-ordinating Committees, Local Development Co-ordinating Committees and the Village Development Co-ordinating Committees.</li> </ul> </li> </ul>
<p>Regional Councils Act, 1992 (Act 22 of 1992) and the 2 Public Service Acts (Act 2 of 1980 and Act 13 of 1995)</p>	<ul style="list-style-type: none"> <li>• Currently the procedures for recruitment and appointment and conditions of services at RC’s are governed by Public Service Act, 1980, Public Service Act 1995 and the Regional Councils Act No. 23 of 1992. However, inconsistencies were identified in the application of the Public Service Act, 1980, Public Service Act 1995 and the Regional Councils Act No. 23 of 1992 as far as the procedures for recruitment and appointment and conditions of services are concerned.</li> <li>• Concerns were raised that those regulations made under the Public Service Act of 1980 were retrogressive hence disadvantaging the RC’s.</li> <li>• The use of the 2 Government Acts was reviewed as duplication and unnecessary.</li> </ul>	<ul style="list-style-type: none"> <li>• Section 24 of the Regional Councils Act of 1992 be amended to be in line with the Public Service Act of 1995.</li> </ul>

<p>Education Act, 2001 (Act 16 of 2001)</p>	<ul style="list-style-type: none"> <li>• The decentralization policy envisages that the Pre-primary and Primary Education will be decentralised to RC's and Local Authority Councils in the immediate future. However, the provision of the Pre-primary education is currently governed by the Education Act No. 16 of 2001. Although the Education Act currently governs the Pre-Primary activity, the function however resorts under the Ministry of Gender and Equality and Child Welfare.</li> <li>• Since the Education Development Fund is a national fund, it is not quite clear how, regions and LA's in cases where the function of providing education has been delegated to a region or local authority will benefit from the Fund.</li> </ul>	<ul style="list-style-type: none"> <li>• That a formula be worked out that will ensure an equitable and fair distribution of funds to all regional education development funds.</li> <li>• That Section 69 of the Education Act, 2001 be amended so that it removes the responsibility of providing support and assistance to persons or communities providing Pre-Primary Education from the Minister of education to the Minister of Gender Equality and Child Welfare.</li> </ul>
<p>Civil Defense Proclamation, 1978 and Civil Defense Ordinance 1979</p>	<ul style="list-style-type: none"> <li>• Both the Acts do not confer powers on the RC's to exercise any power or to perform a function which relates to emergency management.</li> </ul>	<ul style="list-style-type: none"> <li>• The Civil Defense Proclamation, 1978 and Civil Defense Ordinance 1979 and all the regulations made under both Acts be repealed and substituted by one Act and if necessary one set of regulations which, will regulate emergency and disaster management in Namibia.</li> </ul>
<p>Fire Brigade Services Ordinances, 1978 (Ordinance 10 of 1978)</p>	<ul style="list-style-type: none"> <li>• The Ordinance only confers powers to establish fire brigades to local authority councils and not RC's. At the time of drafting the Ordinance, the country was not divided into regions yet.</li> </ul>	<ul style="list-style-type: none"> <li>• That a new Act be introduced which will regulate the rendering of fire fighting or emergency services by a local authority or a RC to its inhabitants.</li> </ul>
<p>Atmospheric Pollution Prevention Ordinance, 1976 (Ordinance 11 of 1976)</p>	<ul style="list-style-type: none"> <li>• The Ordinance only confers powers to the Minister of Environment and LA's and not RC's. The omission is for historic reasons because at the time the Ordinance was drafted while the country was not divided into regions yet.</li> </ul>	<ul style="list-style-type: none"> <li>• That the Atmospheric Pollution Prevention Ordinance 11 of 1976 be amended and that provision is made to also empower RC to take steps and measures to prevent atmospheric pollution in their regions.</li> </ul>

<p>Hazardous Substances Ordinance, 1974 (Ordinance 14 of 1974)</p>	<ul style="list-style-type: none"> <li>• The Ordinance prohibits any person to sell Group I hazardous substances without a license issued by the Director.</li> <li>• The Ordinance only confers powers to the Director of Health and Social Services (currently Permanent Secretary of Health and Social Services) to appoint persons as inspectors of the different groups of hazardous substances. No power is conferred to the LA's or RC's do to control or regulate the sale, manufacture and use of hazardous substances.</li> </ul>	<ul style="list-style-type: none"> <li>• Hazardous Substances Ordinance, 1974 (Ordinance 14 of 1974) be amended so that the terminology is brought in line with the current political order.</li> <li>• Hazardous Substances Ordinance, 1974 (Ordinance 14 of 1974) be amended so as to give the Minister responsible for health matters the power to delegate functions, power and duties to a local authority council with respect to the control and regulation of hazardous substances.</li> </ul>
<p>National Housing Development Act, 2000 (Act 28 of 2000)</p>	<ul style="list-style-type: none"> <li>• The National Housing Development Act throughout makes reference to a RC or local authority but sect 29 only establishes a Decentralized Build Together Committee for each region. Apart from the fact that the Decentralized BT Committee is only established in respect of a region, it appears that the members of a Decentralized Build Together Committee will only be elected from the inhabitants of a village council or a settlement area. This is because Sect 29(1) provides that the members of Decentralized BT Committee will be elected from the inhabitants of the geographical area for which the Committee is established and Section (1) of the National Housing Development Act, 2001 defines "geographical area only as village or settlement area". In view, the Decentralized Build Together Committees should be all formally established in respect of local authority areas.</li> </ul>	<ul style="list-style-type: none"> <li>• Section (1) of the National Housing Development Act, 2000, be amended so that the definition of geographical area is extended to include a local authority area.</li> <li>• That Section 29 (1) of the National Housing Development Act, 2000, be amended by the addition of the phrase "or local authority are".</li> </ul>

<p>Squatters Proclamation A.G. 21 of 1985</p>	<ul style="list-style-type: none"> <li>• The administration of settlement areas to RC's and LA's is envisaged in terms of the decentralization policy. However, the Proclamation A. G. 21 of 1985 contain some provisions which clearly infringe on the Constitutional provisions relating to the Human Rights of other persons; (e.g. Sections 4 &amp; 5) and some provisions which have become redundant and no longer enforced or enforceable (sect 5 and 8).</li> <li>• The question of legally regulating and controlling the informal and illegal settlements was raised at the workshops conducted by the taskforce. It was concluded that there is a need for legal control and regulation of informal and illegal settlements on regional and local authority councils' land.</li> </ul>	<ul style="list-style-type: none"> <li>• That the Squatters Proclamation A. G. 21 of 1985 be repealed in its entirety and that it be replaced with a new Act which will be within the constitutional framework control and regulate occupation of land which belongs to a local authority or a RC.</li> </ul>
<p>Agricultural (Commercial) Land Reform Act, 1995 (Act 6 of 1995)</p>	<ul style="list-style-type: none"> <li>• The Act empowers the state to acquire agricultural land (as defined in the Act) and to divide it into farming units and allocate it to Namibians who have been socially, economically and educationally disadvantaged. However, the RC's does not have a representative or someone who is acquainted with regional matters on the Land Reform Advisory Commission</li> <li>• The taskforce also submitted that the RC's be represented on the Land Reform Advisory Commission and that the management and control of farming units allocated under the Act, be decentralized to the RC's, so the Act needs to be amended.</li> </ul>	<ul style="list-style-type: none"> <li>• That Sect 4 of the Agricultural Land Reform Act No. 6 of 1995 be amended so that the composition of the commission include the RC's.</li> </ul>
<p>Roads Authority Act, 1999 (Act 17 of 1999) and the Road Fund Administration Act, 1999 (Act 18 of 1999)</p>	<ul style="list-style-type: none"> <li>• The 2 Acts are congruent. However, the Road Fund Administration does not reimburse the LA's with the actual costs incurred for the maintenance of roads that runs through the LA's' area of jurisdiction as they are currently only paid a certain percentage and not the actual cost on services rendered.</li> </ul>	<ul style="list-style-type: none"> <li>• That the Road Fund Administration must reimburse LA's with the actual costs incurred in the maintenance of roads running through their areas as they are currently being compensated only a certain percentage of the actual services rendered.</li> </ul>

<p>Roads Ordinance 17 of 1972</p>	<ul style="list-style-type: none"> <li>• The Ordinance does not make provision the role played by regions in proclamation and supervision of proclaimed roads. The Ordinance was drafted before the Country was divided into regions.</li> <li>• In Chapter IV of the Ordinance, the local authority councils role is reduced to that of being consulted and some intentions may even be rejected and never implemented.</li> </ul>	<ul style="list-style-type: none"> <li>• The provisions of the Roads Ordinance 17 of 1972 be amended to empower the Minister to, as contemplated by the Decentralization Enabling Act, 2000 decentralize some of the functions and powers conferred by the Roads Ordinance 17 of 1972 to the RC's.</li> <li>• That Sect 25 of the Roads Ordinance 17 of 1972 be amended so that it confers the power to determine the traffic measures which a local authority intends to effect on an urban trunk or main road, on the local authority council but with a provision that the local authority first consult the Minister responsible for transport before it puts into effect its intention.</li> </ul>
<p>Advertising on Roads and Ribbon Development Ordinance 60 of 1960</p>	<ul style="list-style-type: none"> <li>• Under the Decentralization policy, the proclaimed roads that run through the area of jurisdiction of the LA's, requires the LA's to take charge of the economic and social development. However, the LA's do not have powers to approve the setting up of advertising signs and erection of such structures on proclaimed roads.</li> </ul>	<ul style="list-style-type: none"> <li>• In sect 2, so as to confer the power to approve advertising signs, which are visible from proclaimed roads, if the proclaimed roads run through a local authority area.</li> <li>• In Sect 8, so as to confer the power to approve the erection of a structure within one hundred meters from the central line of trunk, main or building restriction road, if the trunk, main or building restriction road runs within the area of a local authority.</li> </ul>

Liquor Act, 1998 (Act 6 of 1998)	<ul style="list-style-type: none"> <li>• The Liquor Act No. 6 of 1998 does not make any provision for LA's to be involved in the process of granting and issuing liquor licenses. The only involvement of a local authority is with the lodging of objections against the issuing or granting of liquor licenses.</li> </ul>	<ul style="list-style-type: none"> <li>• Sections 3, 27 and 32 of the Liquor Act No. 6 of 1998 be amended so that provision is made for the LA's to issue or grant liquor licenses (especially shebeen liquor licenses, restaurant liquor licenses, club liquor licenses and special liquor licenses).</li> </ul>
Namibia Tourism Board Act, 2000 (Act 21 of 2000)	<ul style="list-style-type: none"> <li>• There is no representation of regional or local authority councils in the Namibian Tourism Board.</li> </ul>	<ul style="list-style-type: none"> <li>• Section 4 of the Namibia Tourism Board Act be amended so that the LA's nominated by the Association of Local Authorities in Namibia and representatives of RC's by the RC's in Namibia.</li> </ul>

Excerpts are taken from the report prepared by the Cross-Ministerial Taskforce on the harmonization of the various Acts