



AUDIT REPORT ON THE ACCOUNTS OF THE

REGIONAL COUNCIL OF THE CAPRIVI REGION

FOR THE FINANCIAL YEARS ENDED 31 MARCH 2004 AND 2005

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Regional Council of the Caprivi region for the financial years ended 31 March 2004 and 2005, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, August 2007

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE
ACCOUNTS OF THE REGIONAL COUNCIL OF THE CAPRIVI REGION
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2004 AND 2005**

1. INTRODUCTION

The Regional Council of the Caprivi region was established with effect from 31 August 1992 under Section 2(1) of the Regional Councils Act, 1992 (Act 22 of 1992).

The financial powers, duties and functions of the Council are stipulated in Article 108 of the Namibian Constitution and Section 28 of the Regional Councils Act. Sections 39 and 40 of the Act require that accounting records of the Council shall be kept and its financial statements shall be prepared by its Chief Regional Officer.

Figures in the report are rounded off to the nearest Namibian dollar.

2. FINANCIAL STATEMENTS

The Regional Council's financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 40(1) of the Regional Councils Act, 1992, **except that these were only received on 28 January 2005 instead of within three months after the end of a financial year as stipulated by the Act.** The abridged balance sheets, Annexure A, are a true reflection of the originals.

The following annexures are also attached to this report:

- Annexure B: Statements of income and expenditure
- Annexure C: Cash flow statements
- Annexure D: Notes to the financial statements

3. SCOPE OF THE AUDIT

The Chief Regional Officer of the Regional Council is responsible for the preparation of the financial statements and of ensuring the regularity of the financial transactions. It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and the regularity of the financial transactions included in them and to report his opinion to the National Assembly.

The audit as carried out by staff of the Office of the Auditor-General, included:

- examination on a test basis of the evidence relevant to the amounts, disclosure and regularity of financial statements.

The audit was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence to give reasonable assurance that:

- the financial statements are free from material misstatement, whether caused by error, fraud or other irregularity;
- in all material respects, expenditure and income have been applied to the purposes intended by the Regional Councils Act; and
- the financial transactions conform to the authorities, which govern them.

4. AUDIT OBSERVATIONS AND COMMENTS

At the time of finalizing the report, the audit observations were communicated to the Chief Regional Officer by way of a management letter. The reply to the issues has not yet been received.

At the time of the audit, these issues were also communicated to the staff of the Council by way of debriefing. The following observations were made:

4.1 Non-submission of documents for audit purposes (2004 & 2005)

The following documents were not submitted for audit purposes during the audit:

- ◆ General Ledger
- ◆ Trial balance (2005 – The trial balance submitted is not the final draft and does not correspond to the figures in the submitted annual financial statements)
- ◆ Expenditure cash-book
- ◆ Revenue cash-book
- ◆ Asset register

4.2 Income (2004 & 2005)

Income could not be verified due to the absence of the General Ledger, trial balance and cash-book.

4.3 Bank and cash (2004 & 2005)

The Regional Council did not perform monthly bank reconciliations on the following bank accounts:

Build Together Revolving Fund (2004 & 2005)
Revenue Account (2005)
Equity Provision Account (2005)
Capital Project Account (2004 & 2005)
Development Fund Account (2004 & 2005)
Build Together Receipt Account (2005)
Build Together Special Account (2005)
NDP- 3000276488 (2005)
NDP 3000071420 (2005)
Call deposits (2004)
Water and electricity (2004)

Bank reconciliations are regarded as an important internal control measure to ensure that all income and expenditure transactions have been recorded.

The bank statements of some bank accounts do not have an account name, only an account number. In cases where the account name was not indicated on the bank statements, the account numbers are listed for reference purposes.

4.4 Fixed assets (2004 & 2005)

At the time of the audit the trial balance and asset register could not be provided for audit purposes. As such the existence and value of fixed property could not be confirmed.

4.5 Trade and other receivables (2004 & 2005)

(i) Debtors from the Build Together Programme

There are no internal control measures with regard to debtors arising from the Build Together Program for both financial years under review.

The list of debtors provided for audit purposes does not indicate the date on which the loan was given to the beneficiaries.

According to the progress report provided by the Regional Council in 2003/04, the Council did not disburse any amount to beneficiaries but the balance remained at N\$ 588 285 for the past three consecutive years. The annual financial statements reflect the debt as N\$ 431 432 – 2005 and N\$ 438 494 – 2004.

(ii) 5% Assessment rates contributions

The 5% contributions from assessment rates levied by the Katima Mulilo Town Council which are due to the Regional Council could not be established due to a lack of records. No provision for debts has been made in the balance sheets.

(iii) At present it does not seem for both financial years under review that controls are in place to ensure that:

- (a) All debtors are accounted for promptly and
- (b) Debtors in default can be identified and appropriate action taken.

4.6 Salaries and wages (2004 & 2005)

A reconciliation of the salaries and wages register with the general ledger could not be performed due to the absence of the general ledger.

4.7 Independence celebrations (2004 & 2005)

It was observed that Councillors of different constituencies received funds for Independence celebrations. The Regional Council could not provide the audit team with a financial statement indicating the total amounts paid by the Regional Council and how the funds were spent by the constituencies.

4.8 General expenditure (2005)

The Regional Council did not have a proper filing system in place. As a result, expenditure to the value of N\$ 5 001 172 could not be confirmed to official payment vouchers or invoices.

5. ACKNOWLEDGEMENT

The courtesy and assistance extended to the Auditor-General's staff by the Chief Regional Officer and his staff during the audit is appreciated.

6. DISCLAIMED AUDIT OPINION

The accounts of the Regional Council of the Caprivi region for the financial years ended 31 March 2004 and 2005 have been audited in terms of Section 38 of the Regional Councils Act, 1992 (Act 22 of 1992) and Section 25(1)(b) of the State Finance Act, 1991 (Act 31 of 1991).

Due to the significance of the remarks mentioned in paragraphs 4.1 – Non submission of documents, 4.2 – Income, 4.3 - Cash & bank, 4.4 – Fixed assets, 4.5 – Trade and other receivables, 4.6 – Salaries and wages and 4.8 – General expenditure, I do not express an opinion on the financial statements for the respective years and the financial position of the Council as at 31 March 2004 and 2005.

WINDHOEK, August 2007

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

REGIONAL COUNCIL OF THE CAPRIVI REGION

BALANCE SHEETS AT 31 MARCH

	Notes	2005 N\$	2004 N\$	2003 N\$
ASSETS				
Non-current assets				
Fixed assets	2	11 041 031	7 743 234	5 114 751
Current assets				
Debtors	3	431 432	438 494	436 620
Cash and bank	4	18 263 325	13 687 093	12 345 189
Total assets		29 735 788	21 868 821	17 896 560
EQUITY AND LIABILITIES				
Accumulated Funds		29 735 788	21 868 821	17 896 560
Total equity and liabilities		29 735 788	21 868 821	17 896 560

REGIONAL COUNCIL OF THE CAPRIVI REGION

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDING 31 MARCH

		2005	2004	2003
		N\$	N\$	N\$
Income	6	16 881 849	11 101 746	11 647 327
Expenditure	6	(9 570 227)	(7 812 620)	(5 800 997)
Net operating surplus/(loss)		7 311 622	3 289 126	5 846 330
Interest earned	6	550 345	683 135	804 612
		7 861 967	3 972 261	6 650 942
Accumulated funds				
~ at the beginning of the year		21 868 821	17 896 560	11 245 618
~adjustments	5	5 000	-	-
~ at the end of the year		29 735 788	21 868 821	17 896 560

REGIONAL COUNCIL OF THE CAPRIVI REGION

CASH FLOW STATEMENT AS AT 31 MARCH

	Notes	2005	2004	2003
		N\$	N\$	N\$
Cash flow from operating and investment activities		7 861 967	3 972 261	6 650 942
Surplus over expenditure for the year adjusted for non-cash items:				
Depreciation for the year	2	408 394	430 248	225 460
Adjustments to the opening balance of accumulated funds		5 000	-	-
Movement in current assets – decrease/(increase)		7 062	(1 874)	(57 980)
Net cash inflow from operations and investments		8 282 423	4 400 635	6 818 422
Cash flow from investing activities				
Property, plant and equipment acquired	2	3 706 191	3 058 731	2 679 841
Net cash outflow from investing activities		3 706 191	3 058 731	2 679 841
Net change in cash and cash equivalents - increase		4 576 232	1 341 904	4 138 581
Cash and cash equivalents				
- At the beginning of the year		13 687 093	12 345 189	8 206 608
- At the end of the year	4	18 263 325	13 687 093	12 345 189

REGIONAL COUNCIL OF THE CAPRIVI REGION

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The annual financial statements are prepared under the historical cost convention. The following accounting policies are consistent, in all material respects, with those of the previous year:

- 1.1 The annual financial statements are prepared in line with the accrual based concept. It should be noted, however, that income and expenditure in relation to Delegated Functions is accounted for during the year on a cash accounting concept, in line with the State Finance Act, 1992. However, since all liability in relation to Delegated Functions remains with the relevant Line Ministry and all unexpended Delegated Funds are returned to the State Account as at 31 March, this does not materially affect the Regional Council's financial statements.
- 1.2 All fixed assets are stated at historical cost less accumulated depreciation. Depreciation is calculated using the straight-line method to write-off the cost of each asset over their estimated useful lives as follows:

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

2. FIXED ASSETS

31 March 2005	Motor vehicles	Assets under construction	Office furniture & equipment	Total
	N\$	N\$	N\$	N\$
Opening net book value as at 1 April 2004	509 686	6 895 990	1 269 175	8 674 851
Additions	228 575	3 447 596	30 020	3 706 191
Cost as at 31 March 2005	738 261	10 343 586	1 299 195	12 381 042
Depreciation as at 1 April 2004	101 937	-	829 680	931 617
Charge for the year	147 652	-	260 742	408 394
Depreciation as at 31 March 2005	249 589	-	1 090 422	1 340 011
Net book value as at 31 March 2005	488 672	10 343 586	208 773	11 041 031

REGIONAL COUNCIL OF THE CAPRIVI REGION
NOTES TO THE FINANCIAL STATEMENTS (continued)

31 March 2004	Motor vehicles	Assets under construction	Office furniture & equipment	Total
	N\$	N\$	N\$	N\$
Opening net book value as at 1 April 2003	-	4 913 102	703 018	5 616 120
Additions	509 686	1 982 888	566 157	3 058 731
Cost as at 31 March 2004	509 686	6 895 990	1 269 175	8 674 851
Depreciation as at 1 April 2003	-	-	501 369	501 369
Charge for the year	101 937	-	328 311	430 248
Depreciation as at 31 March 2004	101 937	-	829 680	931 617
Net book value as at 31 March 2004	407 749	6 895 990	439 495	7 743 234

31 March 2003	Assets under construction	Office furniture & equipment	Total
	N\$	N\$	N\$
Opening net book value as at 1 April 2002	2 419 334	516 945	2 936 279
Additions	2 493 768	186 073	2 679 841
Cost as at 31 March 2003	4 913 102	703 018	5 616 120
Depreciation as at 1 April 2002	-	275 909	275 909
Charge for the year	-	225 460	225 460
Depreciation as at 31 March 2003	-	501 369	501 369
Net book value as at 31 March 2003	4 913 102	201 649	5 114 751

REGIONAL COUNCIL OF THE CAPRIVI REGION
NOTES TO THE FINANCIAL STATEMENTS (continued)

	2005	2004	2003
	N\$	N\$	N\$
3. DEBTORS			
Build Together advances	431 432	438 494	436 620
4. CASH AND BANK			
Build Together receipts	60 847	60 077	-
Special account	1 602 106	1 522 137	-
Current account	4 203 627	5 133 185	8 632 635
Build Together Revolving Fund	459 850	458 929	1 575 347
Call deposit	333 727	313 931	289 765
Capital projects	4 849 190	5 559 127	1 248 652
Water & electricity	691 080	622 479	581 449
Development Fund	16 989	17 228	17 341
Call account	2 004 027	-	-
Equity Provision account	4 041 882	-	-
	18 263 325	13 687 093	12 345 189
5. ACCUMULATED FUNDS			
The opening balance was adjusted for the following:			
Equity provision bank account which was not accounted for in the previous year	5 000	-	-
	5 000	-	-

REGIONAL COUNCIL OF THE CAPRIVI REGION
NOTES TO THE FINANCIAL STATEMENTS (continued)

	2005	2004	2003
	N\$	N\$	N\$
6. INCOME			
Government transfers:			
Ministry of Regional, Local Government and Housing	15 566 140	10 715 079	8 682 924
Ministry of Agriculture, Water and Rural Development	-	41 165	-
Income from other sources	827 332	118 932	2 570 650
Other income	-	226 570	393 753
Commission received	120 000	-	-
Income from Disaster Fund	314 321	-	-
Property rentals	4 382	-	-
Royalties	49 674	-	-
Total Income	16 881 849	11 101 746	11 647 327
EXPENDITURE			
Depreciation expenses	408 394	430 247	225 460
Maintenance expenses	73 854	109 758	74 682
Material and supplies	36 410	381 364	248 709
Other expenditure	-	1 023 029	986 465
Personnel expenditure	4 279 300	2 971 242	2 037 296
Property rental	22 583	3 938	12 325
Transport expenses	246 792	405 757	262 247
Utilities	1 860 294	1 780 853	1 389 306
Subsistence and Traveling allowance	636 902	706 432	564 507
Emergency Management Unit and Orphan and Vulnerable children	1 290 400	-	-
Membership fees and subscriptions	30 000	-	-
Other conditions of service	289 755	-	-
Other services and expenses	395 543	-	-
Total expenditure	9 570 227	7 812 620	5 800 997
NET SURPLUS FOR THE YEAR	7 311 622	3 289 126	5 846 330
NET FINANCIAL INCOME			
Interest and dividends received	550 345	683 135	804 612
NET SURPLUS FOR THE YEAR	7 861 967	3 972 261	6 650 942