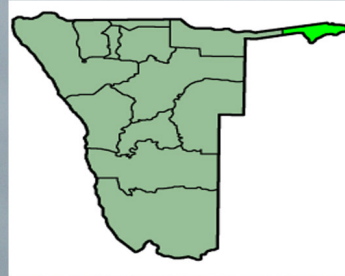




REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

REGIONAL COUNCIL OF THE CAPRIVI REGION

FOR THE FINANCIAL YEARS ENDED 31 MARCH 2006 AND 2007

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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 2006 and 2007, 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 2009

**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 2006 & 2007**

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 Council Act. Sections 39 and 40 of the Act require that accounting records of the Council shall be kept and its financial statements shall be prepared by its Chief Regional Officer.

Figures in the report are rounded off to the nearest 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 submitted on 22 October 2007 and 27 December 2007 respectively instead of three months after the end of the financial year as stipulated in the Act.** The abridged balance sheets, Annexure A, are true reflections 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

* No cash flow statement has been compiled by the Council. The attached statements at annexure C have been compiled by the auditors in the required format.

3. DELAY OF THE REPORT

The Office of the Auditor-General experienced a lack of capacity which contributed to the delay.

4. SCOPE OF 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 the financial statements.

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

- the financial statements are free from material misstatement, whether caused by error, fraud or other irregularity;
- in all material respects, the 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.

5. AUDIT OBSERVATIONS AND COMMENTS

5.1 ANALYSIS OF FINANCIAL STATEMENTS (2006 & 2007)

It was noted that the signed annual financial statements submitted to the Office of the Auditor-General were wrong, but after the audit the Council approved updated annual financial statements on 16 October 2008 (2007) and 12 October 2008 (2006) which were signed by the Chief Regional Officer on 16 February 2009.

5.2 FIXED ASSETS (2006 & 2007)

5.2.1 Fixed asset register

At the time of the audit, the Council provided a fixed asset register which was not updated. Date of purchase, cost, depreciation and accumulated depreciation is not recorded. The value of the assets as recorded in the balance sheets could as such not be confirmed.

5.3 SALARIES AND WAGES

5.3.1 2007

A difference of N\$ 315 703 was noted between the VIP payroll and general ledger amounts, which indicate that no periodic reconciliations were done. Furthermore, variance reports are not printed. No proper segregation of duties exists in the finance department. No proper back up procedures are followed on the financial systems.

5.3.2 2006

A reconciliation could not be satisfactory carried out due to the unavailability of approved salary payment vouchers for the months May, June and November 2005.

The net salary control account was not maintained during the year under review.

5.4 EXPENDITURE

5.4.1 It was noted that the following cheques were signed by one signatory instead of the mandatory two:

DATE	CHEQUE #	AMOUNT
		N\$
2006/2007 financial year		
18/04/06	7146	2 696.16
2005/2006 financial year		
27/05/05	6040	8 470.00
31/03/06	7084	20 956.31
29/07/05	6225	1 009.19

5.4.2 Furthermore, at the time of the audit supporting documents for expenditure to the value of N\$ 399 767 (2007) and N\$ 317 254 (2006) were not provided for audit purposes. Details of these expenditure transactions are contained in the management letter.

5.4.3 It was further observed that the following transactions were recorded as general expenditure:

Date	Details	Cheque #/ Reference	Amount	Remarks
			N\$	
09/03/2007	Payment	096	31 696.61	No cheque
27/03/2007	Starter for truck	212	15 525.00	No cheque
28/12/2006	Salary	001	424 129.00	No cheque
01/12/2006	Payment	81	16 000.00	No cheque
Total			487 350.61	

General

In some cases the Council processes beneficiary details in the general ledger as “payment”. Confirmation of the beneficiary was made difficult in cases where cheques are not available for audit purposes.

The Council should process the payee/beneficiary details as recorded on the invoices/cheques.

5.4.4 Subsistence and travelling

2007

At the time of the audit, supporting documents for S&T claims to the value of N\$ 84 211 were not provided for audit purposes. Details of the claims are contained in the management letter.

It was further observed that the amount for cheque number 7866 dated 13 November 2006 was wrongly processed as N\$ 41 004.00 instead of N\$ 410.04. Hence the expenditure on S&T is overstated with N\$ 40 593.96.

It was further noted that the Council reflected an amount of N\$ 484 065 as S& T advances under accounts receivable. This indicates that the S&T advances were not cleared off against reimbursement claims.

General

In some cases the Council processes beneficiary details in the general ledger as “payment”.

Confirmation of beneficiaries was made difficult in cases where cheques are not available for audit purposes. In some cases cheque numbers were not recorded on the claim form.

The Council should process the payee/beneficiary details as recorded on the advances/claim forms.

5.5 BANK CHARGES (2006 & 2007)

At the time of the audit, differences of N\$ 41 572: 2007 and N\$ 8 572: 2006 were noted between the general ledger (N\$ 86 732: 2007 and N\$ 47 352: 2006) and the bank statement charges (N\$ 45 160: 2007 and N\$ 38 780: 2006). These differences were mainly from the main account where other payments were recorded as bank charges.

5.6 BUILD TOGETHER DEBTORS (2007)

During the audit it was noted that an amount of N\$ 597 085 could not be verified for accuracy due to the fact that the Council could not provide the list of build together debtors. Furthermore the Council did not maintain an updated build together accounting system.

5.7. CREDITORS (2006 & 2007)

The debit amounts of N\$ 84 690: 2007 and N\$ 85 907: 2006 could not be verified for accuracy as no list/details of creditors were submitted for audit purposes. It is also not clear why the balances are reflected as debit amounts.

5.8 CAPITAL PROJECT - EXPENDITURE

2007

Supporting documents for capital project expenditure to the value of N\$ 812 589 could not be provided at the time of the audit. Details of these expenditure transactions are contained in the management letter.

5.9 DELEGATED FUNCTIONS – EXPENDITURE

2007

Supporting documents for delegated functions expenditure to the value of N\$ 549 569 could not be provided at the time of the audit. Details of these expenditure transactions are contained in the management letter.

5.10 CASH AND BANK

5.10.1 The following bank reconciliations as at 31 March 2007 were not provided for audit purposes at the time of the audit:

Account Name	Balance
	N\$
Bank Windhoek Build Together Receipt	61 329.36
Bank Windhoek Call Deposit Account No 1	663 239.58
Bank Windhoek Capital Project Account	14 266 032.81
Bank Windhoek Traditional Authority Account	48 106.93
Bank Windhoek Work for Food Account	(69 554.76)
First National Bank Disaster Fund Account	667 502.91

5.10.2 At the time of audit, the following differences were noted between the cash-book and the bank reconciliation:

2007 Account name	Bank reconciliation	Cash-book	Differences
	N\$	N\$	N\$
Bank Windhoek Main Account	(9 885.04)	(108 354.45)	98 469.41
Bank Windhoek Revenue Account	232 971.32	362 521.32	(129 550.00)
Bank Windhoek Independence Account	1 737.14	2 063.99	(326.85)
Bank Windhoek Build Together Special Fund	1 834 996.57	3 471 999.45	(1 637 002.88)
Bank Windhoek Call Deposit Account No.2	23 258.92	(66 843.58)	90 102.50

The difference of N\$ 1 637 002.88 for the Build Together Special Fund account has been noted to be the opening balance which was reflected twice in the general ledger and cash-book.

2006 Account name	Bank reconciliation	Cash-book	Differences
	N\$	N\$	N\$
Bank Windhoek Main Account	216 821.82	(89 491.18)	306 313.00
Bank Windhoek Revenue Account	698 264.36	828 264.36	(130 000.00)
Bank Windhoek Build Together Special Fund	1 673 436.63	1 637 066.23	36 370.40
Bank Windhoek Build Together Receipt	34 993.16	43 397.84	(8 404.68)
Bank Windhoek Capital Project Account	3 789 947.01	8 639 137.40	(4 849 190.39)
Bank Windhoek Traditional Authority	-	38 292.70	(38 292.70)
FNB Regional Disaster Fund	194.53	(5 899.84)	6 094.37

5.11 MEDICAL AID EMPLOYER- CONTRIBUTION (2006)

It was noted with great concern that the Council contributed the same amount which was deducted from the staff members for medical aid contributions towards the medical aid fund instead of only the member contributions.

6. ACKNOWLEDGEMENT

The courtesy and assistance extended by the Regional Council's staff to the staff of the Office of the Auditor-General during the audit is appreciated.

7. DISCLAIMED AUDIT OPINION

The accounts of the Regional Council for the Caprivi region for the financial years ended 31 March 2006 and 2007 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).

I am unable to express an audit opinion as to whether these financial statements fairly present the financial position of the Council at 30 June 2006 and 2007 and the results of its operations and cash flow for the years then ended due to the following reasons:

- The value of fixed assets as stated in the balance sheets could not be confirmed (2006 & 2007).
- Salaries and wages could not be reconciled (2006 & 2007).
- Supporting documents for expenditure transactions to the amounts of N\$ 483 978: 2007 and N\$ 317 254 could not be submitted.
- Build Together debtors to the amount of N\$ 597 085 could not be confirmed (2007).
- Supporting documents for capital expenditure transactions to the amount of N\$ 812 589 could not be provided (2007).
- Supporting documents to the amount of N\$ 549 569 related to delegated functions could not be submitted (2007).
- Bank reconciliations have not been carried at all bank accounts (2007).
- Vast differences were found between the reconciled cash-book balance and the bank reconciliation amounts.
- Unexplained adjustments of N\$ 13 109 624: 2007 and (N\$ 15 437 201): 2006 had to be made to balance the accumulated funds with the figures presented by the Council.

WINDHOEK, November 2009

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

REGIONAL COUNCIL OF THE CAPRIVI REGION

BALANCE SHEETS AS AT 31 MARCH

	Notes	2007 N\$	2006 N\$	2005 N\$
ASSETS				
Non-current assets		14 473 154	9 200 456	11 041 031
Fixed assets	2	14 473 154	9 200 456	11 041 031
Investments		-	-	-
Current assets		24 401 950	16 491 923	18 694 757
Cash on hand and bank	4	23 236 109	15 770 519	18 263 325
Debtors	3	1 165 841	721 404	431 432
Total assets		38 875 104	25 692 379	29 735 788
EQUITY AND LIABILITIES				
Accumulated funds	6	22 344 200	9 382 940	29 735 788
Government Funds		16 287 151	16 287 151	-
Accounts payable	5	243 753	22 288	-
Total equity and liabilities		38 875 104	25 692 379	29 735 788

REGIONAL COUNCIL OF THE CAPRIVI REGION

INCOME STATEMENTS FOR THE YEARS ENDED 31 MARCH

	Notes	2007 N\$	2006 N\$	2005 N\$
Income	7	12 438 136	4 780 746	16 881 849
Expenditure	8	(13 243 052)	(10 621 989)	(9 570 227)
Net operating surplus/(loss)		(804 916)	(5 841 243)	7 311 622
Interest earned	8	656 552	925 596	550 345
		(148 364)	(4 915 647)	7 861 967
Accumulated funds				
~at the beginning of the year		9 382 940	29 735 788	21 868 821
~adjustments		13 109 624	(15 437 201)	5 000
~ at the end of the year		22 344 200	9 382 940	29 735 788

REGIONAL COUNCIL OF THE CAPRIVI REGION

CASH FLOW STATEMENTS AS AT 31 MARCH

	Notes	2007	2006	2005
		N\$	N\$	N\$
Cash flow from operating activities		(804 916)	(5 841 243)	7 311 622
Surplus over expenditure for the year adjusted for non-cash items:				
Movement in current assets (Increase)/decrease		(444 437)	(289 972)	7 062
Net cash inflow/(outflow) from operations		(1 249 353)	(6 131 215)	7 318 684
Net cash flow of investing activities				
Interest received	8	656 552	925 596	550 345
Property, plant and equipment acquired, value adjustments		(5 272 698)	1 840 575	(3 297 797)
Net change in cash and cash equivalents		(5 865 499)	(3 365 044)	4 571 232
Adjustments		13 109 624	(15 437 201)	5 000
Current liabilities - Increase/Decrease	5	221 465	22 288	-
Movement in funds		-	16 287 151	-
CASH AND CASH EQUIVALENTS				
- Beginning of the year		15 770 519	18 263 325	13 687 093
- End of the year		23 236 109	15 770 519	18 263 325

REGIONAL COUNCIL OF THE CAPRIVI REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH

1. ACCOUNTING POLICIES

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

- 1.1** The annual financial statements are prepared in line with the accrual concept. It should be noted, however, that income and expenditure in relation to Delegated Functions is accounted for during the year on a cash accounting concept in line with the State Finance Act, 1992.
- 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 the estimated useful life as follows:

Buildings	50 years	2 % pa
Machinery and equipment	5 years	20 % pa
Motor vehicles	5 years	20 % pa
Office furniture and equipment	3 years	33.33 % pa
Computer equipment	3 years	33.33 % pa
		2007
		N\$

Grants & donations

UNICEF	11 000
Total	11 000

1.3 Delegated functions

The Regional Council is current performing the following functions delegated by Central Government line ministries, as indicated in accordance with the Decentralization Enabling Act, 2000.

Under delegation the Regional Council acts as an agent on behalf of the relevant Line Ministry. The relevant Line Ministry, however, retains overall responsibility for performance of the functions, and also retains the responsibility to approve the related budget. This budget allocation is transferred to the Regional Council via monthly cash transfers.

REGIONAL COUNCIL OF THE CAPRIVI REGION

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

Line Ministry	2007 N\$	2006 N\$
INCOME		
San Empowerment	-	250 000
World Habitat Day - MLRGH	10 000	-
MGECW	180 489	-
MOHSS	15 000	-
MAWF	7 000	-
OPM Disaster Fund	2 122 419	-
Total income	2 334 908	250 000
EXPENDITURE		
San Empowerment	31 360	250 000
MGECW	174 783	-
MOHSS	102 191	-
MAWF	-	-
OPM	1 240 778	-
Total expenditure	1 549 112	250 000
Surplus/Deficit	785 796	-

2. FIXED ASSETS

2007	Work in progress N\$	Machinery, vehicles & operational equipment N\$	Office furniture, equipment & computers N\$	Land & buildings N\$	Total N\$
Opening net book value as at 1 April 2006	6 217 457	2 626 110	1 380 113	5 020 941	15 244 621
Additions	-	109 333	96 698	-	206 031
Cost as at 31 March 2007	6 217 457	2 735 443	1 476 811	5 020 941	15 450 652
Depreciation as at 1 April 2006	-	-	-	-	-
Charge for the year	-	559 184	317 895	100 419	977 498
Depreciation as at 31 March 2007	-	559 184	317 895	100 419	977 498
Net book value as at 31 March 2007	6 217 457	2 176 259	1 158 916	4 920 522	14 473 154

REGIONAL COUNCIL OF THE CAPRIVI REGION

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

FIXED ASSETS (continued)

2006	Work in progress	Machinery & vehicles	Office Furniture, equipment, & computers	Operating equipment	Total
	N\$	N\$	N\$	N\$	N\$
Opening net book value as at 1 April 2005	6 155 203	738 261	1 299 195	518 320	8 710 980
Additions	-	1 430 000	80 918	-	1 510 918
Cost as at 31 March 2006	6 155 203	2 168 261	1 380 113	518 320	10 221 898
Depreciation as at 1 April 2005	-	249 589	-	-	249 589
Charge for the year	-	433 652	277 730	60 471	771 853
Depreciation as at 31 March 2006	-	683 241	277 730	60 471	1 021 442
Net book value as at 31 March 2006	6 155 203	1 485 020	1 102 383	457 849	9 200 456

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 AS AT 31 MARCH (continued)

	2007	2006	2005
	N\$	N\$	N\$
3. DEBTORS			
Build Together Housing Scheme	597 085	635 497	431 432
Sundry debtors - Subsistence and Travel	484 066	-	-
Creditors	84 690	-	-
Supplier overpaid - Vantage	-	22 558	-
- Stubenrauch Planning Consultants	-	63 349	-
	1 165 841	721 404	431 432
4. CASH AT BANK AND ON HAND			
Main account	-	109 817	4 203 627
Capital Development	2 751 754	16 587	16 989
Traditional Authority	48 107	38 293	-
Build Together Revolving	459 435	459 884	459 850
Revenue account	362 521	838 816	691 080
Build Together Receipt	61 329	34 993	60 847
Orphans and Vulnerable Children (OVC)	19 842	-	-
HIV/AIDS account	10 905	337	-
Equity Provision	197 021	3 522 675	4 041 882
NDP Call Deposit	-	46 188	2 004 027
Capital Project Call Deposit	14 266 033	8 639 137	4 849 190
CRC Disaster Fund	667 503	-	-
Build Together Call Deposit	3 471 999	1 710 683	1 602 106
Call Deposit account	663 240	352 783	333 727
Independence account	2 064	326	-
Remuneration account	250 990	-	-
World Food Program account	-	-	-
Cash Control account	3 366	-	-
Total	23 236 109	15 770 519	18 263 325
5. CURRENT LIABILITIES			
Overdraft - CRC Disaster Funds	-	22 288	-
Overdraft - World Food Program	68 555	-	-
Overdraft - NDP Call Deposit	66 844	-	-
Overdraft - Main account	108 354	-	-
	243 753	22 288	-

REGIONAL COUNCIL OF THE CAPRIVI REGION

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

	2007	2006	2005
	N\$	N\$	N\$
6. ACCUMULATED FUNDS			
Net operating surplus	(804 916)	(5 841 243)	7 311 622
Add: Interest	656 552	925 596	550 345
	(148 364)	(4 915 647)	7 861 967
Accumulated income			
- at the beginning of the year	9 382 940	29 735 788	21 868 821
- adjustment	13 109 624	(15 437 201)	5 000
	22 344 200	9 382 940	29 735 788
-at the end of the year			
7. INCOME			
Government subsidy	9 847 944	3 810 248	15 566 140
5 % rates levied	54 397	137 500	-
Grants and donations	11 000	-	-
Empowering San Community	-	250 000	-
Settlement areas	-	54 229	-
Property rentals	-	25 374	4 382
Royalties & dividends Nored Electricity	-	278 008	49 674
Tender fees	-	4 736	-
Other income	189 888	202 054	-
Fishing license fees	-	800	-
National days	-	17 797	-
Income from other sources	-	-	827 332
Commission received	-	-	120 000
Income from Disaster Fund	-	-	314 321
Delegated Functions	2 334 907	-	-
	12 438 136	4 780 746	16 881 849

REGIONAL COUNCIL OF THE CAPRIVI REGION

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

	2007	2006	2005
	N\$	N\$	N\$
8. EXPENDITURE			
Personnel expenditure	7 198 481	5 577 487	4 279 300
Emergency Management Unit and Orphans	-	-	1 290 400
Travel and transport	479 955	232 035	246 792
Utilities	900 137	2 589 829	1 860 294
Maintenance expenses	172 406	172 782	73 854
Materials and supplies	-	226 132	36 410
Subscriptions	44 435	36 334	30 000
Subsistence and travel	495 318	530 035	636 902
Depreciation expenses	977 495	771 853	408 394
Interest & bank charges	546	51 401	-
Property rental	-	462	22 583
Other conditions of service	-	50 224	289 755
Other expenditure	1 338 998	374 615	395 543
Donations, grants, contributions paid	86 169	8 800	-
Delegated Functions	1 549 112	-	-
Total expenditure	13 243 052	10 621 989	9 570 227
NET SURPLUS/(DEFICIT) FOR THE YEAR	(804 916)	(5 841 243)	7 311 622
NET FINANCIAL INCOME			
Interest and dividends received	656 552	925 596	550 345
NET SURPLUS/(DEFICIT) FOR THE YEAR	(148 364)	(4 915 647)	7 861 967