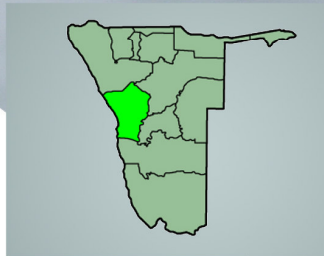




REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

# REGIONAL COUNCIL OF THE ERONGO REGION

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008

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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 Erongo region for the financial year ended 31 March 2008, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

**WINDHOEK, September 2010**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE  
ACCOUNTS OF THE REGIONAL COUNCIL OF THE ERONGO REGION  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008**

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**1. INTRODUCTION**

The Regional Council of the Erongo region was established 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 signed on 11 July 2008 instead of three months after the end of the financial year as stipulated in the Act respectively.** The abridged balance sheet, Annexure A, is a true reflection of the original.

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 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.

## 4 AUDIT OBSERVATIONS AND COMMENTS

### 4.1 Income: Funds

At the time of the audit it was observed that the Council received an amount of N\$ 10 000 for the World habitat day, but was not reflected in the annual financial statement. In the reply the Council indicated that this amount was wrongly allocated to creditors instead of delegated functions. This incorrect allocation should be rectified during the next financial year.

Furthermore note 7 to the financial statements, (Delegated functions), reflects an amount of N\$ 6 766 as income. This amount could not be traced to the general ledger although the expenditure could be traced.

### 4.2 CASH AND BANK

4.2.1 Although reconciliations was satisfactory performed by the Council, it was found that the following bank account did not reconcile.

Description	Nedbank Current Account 1100003360
	N\$
Bank reconciliation	(N\$ 197 905)
Cash-book	(N\$ 124 141)
Difference	<b>N\$ 73 764</b>

4.2.2 At the time of audit the bank confirmed a bank account with a closing balance of N\$ 25 709. This account was not reflected in the annual financial statement.

4.2.3 For the Nedbank current account a difference of N\$ 8 468 was observed between the general ledger's negative closing balance of N\$ 206 373 and the cash-book negative closing balance of N\$ 197 905.

### 4.3 TRADE AND OTHER RECEIVABLES

#### 4.3.1 5% Assessment rates

The Regional Council invoices the Local Authorities which fall under its jurisdiction with the budgeted amount due for the 5 % contributions of assessment rates. These invoices are as such not based on the actual situation at the respective Local Authorities and may misrepresent the actual amounts owed by the Local Authorities.

Furthermore, the Council debits the accounts of the Local Aauthorities again through invoices when payments are received, thus charging local authorities twice. The debt shown for the 5 % assessment rates are as such materially overstated. The Council agreed with the findings of the auditors when they responded on the management letter.

#### 4.3.2 Subsistence and travelling allowances

The Council reflected an outstanding amount of N\$ 91 315 for subsistence and travel allowances, this was due to claims not being processed in pastel for clearing the outstanding balance. These errors were rectified on a later stage reducing the amount to N\$ 8 366 as the closing balance. At the time of audit the balance could not be audited as no source documents could be provided.

#### **4.4 Bank charges**

For the financial year under review, bank charges were understated by N\$ 21 075.

#### **4.5 Capital projects – Expenditure**

Although the capital projects are as fairly stated in the annual financial statement the auditors could not verify the balances of the work in progress.

#### **4.6 Creditors**

At the time of the audit it was observed that the supplier detailed ledger reflects suppliers with debit balances amounting to N\$ 108 275 indicating that invoices were not entered against the payments made, thus this lead to the understatement of creditors with the above-mentioned amount.

#### **4.7 Adjustments**

An adjustment of (N\$ 13 131 896) had to be made by the auditors in the income statement of the Council to balance the accounts. The Council should investigated the reason for such a high adjustment and avoid the re-occurrence of this in future.

#### **4.8 Land and buildings**

The closing balance on 31/03/2007 of Land and buildings was N\$ 2 575 206 but the same account opened with a balance of N\$ 11 712 901 on 01/04/2007. Council should investigate the difference of N\$ 9 137 695 and rectify the mistake.

#### **4.9 Depreciation**

The audit also revealed a difference of N\$ 120 606 related to depreciation between the income and expenditure statement and the trial balance of the Council.

#### **4.10 Stock/Inventory**

The Council did conduct a stock take at year-end. According to the stock verification sheet the value of the stock at year-end was N\$ 173 324. This is however not reflected in the balance sheet of the Council.

### **6. ACKNOWLEDGEMENT**

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

### **7. QUALIFIED AUDIT OPINION**

The accounts of the Regional Council Erongo for the financial year ended 31 March 2008 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).

The audit opinion has been qualified due to the following reasons:

- A difference of N\$ 73 764 was detected between the cash-book balance and the bank reconciliation.
- A bank account with a balance of N\$ 25 709 is not reflected in the financial statements of the Council.
- Bank charges is understated by N\$ 21 075.
- Creditors is understated by N\$ 108 275.
- Unexplained adjustments amounted to N\$ 13 131 896.

- The previous year's closing balance and the current's opening balance in regard of land and building differs with N\$ 9 137 695.
- The financial statements and the trial balance of the Council differ with N\$ 120 606 in regard of depreciation.
- Stock to the value of N4 173 324 is not disclosed in the financial statements of the Council.

Except for the above-mentioned issues, in my opinion, the accounts fairly present the financial position and related transactions of the Council, for the year ended 31 March 2008.

**WINDHOEK, September 2010**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## ANNEXURE A

## REGIONAL COUNCIL FOR THE ERONGO REGION

## BALANCE SHEET AS AT 31 MARCH 2008

	Notes	2007/2008 N\$	2006/2007 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	2	21 552 847	9 282 151
Investments	3	3 600 000	3 600 000
<b>Current assets</b>			
Cash on hand and bank	4	29 865 901	30 955 669
Debtors	5	6 176 767	4 165 765
<b>Total assets</b>		<b>61 195 515</b>	<b>48 003 585</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Accumulated funds		39 276 599	46 398 967
Development Fund: Capital Project		20 979 804	-
Development Fund: Build Together		740 841	-
Overdrawn bank account	4	-	1 266 598
Current liabilities	6	198 271	338 020
<b>Total equity and liabilities</b>		<b>61 195 515</b>	<b>48 003 585</b>

## ANNEXURE B

## REGIONAL COUNCIL FOR THE ERONGO REGION

## INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008	2007
		N\$	N\$
Income	8	20 155 770	19 084 265
Expenditure	9	(17 044 546)	(15 248 885)
Net operating surplus/(loss)		3 111 224	3 835 380
Interest on current account		2 898 304	2 308 773
Accumulated income/(deficit)		6 009 528	6 144 153
~ At the beginning of the year		46 398 967	39 855 967
~ Unexplained adjustment		(13 131 896)	398 847
~ At the end of the year		<b>39 276 599</b>	<b>46 398 967</b>



## REGIONAL COUNCIL FOR THE ERONGO REGION

## CASH FLOW STATEMENTS AS AT 31 MARCH 2008

	<b>Note</b>	<b>2008</b> N\$	<b>2007</b> N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipt from customers		20 155 770	19 084 265
Cash paid to surplus		(32 327 193)	(18 187 491)
Cash (utilized)/generated by operations	10	(12 171 423)	896 774
Interest received		2 898 304	2 308 773
(Increase)/decrease in investments		-	10 798 924
Increase/(decrease) in funds		21 720 645	(740 821)
(Increase) in fixed assets		(12 270 696)	(2 070 256)
Nett (decrease)/increase in cash and cash equivalents		176 830	11 193 394
<b>CASH AND CASH EQUIVALENTS</b>			
-Beginning of the year		29 689 071	18 495 677
- End of the year		<b>29 865 901</b>	<b>29 689 071</b>

## REGIONAL COUNCIL FOR THE ERONGO REGION

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2008

**1. ACCOUNTING POLICIES**

The annual financial statements are prepared under the historical cost convention. The following accounting policies are consistent, in all respect, 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; However, since all liability in relation to Delegated Functions remains with the relevant Line Ministry and all unexpected 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 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

**2. PLANT AND EQUIPMENT**

<b>2008</b>	<b>Work in progress</b>	<b>Land &amp; buildings</b>	<b>Machinery equipment &amp; vehicles</b>	<b>Office furniture equipment &amp; computers</b>	<b>Total</b>
	N\$	N\$	N\$	N\$	
Opening net book value (cost)	3 205 547	11 712 901	1 719 146	1 782 252	18 419 846
Plus: Purchases	4 049 728	-	180 818	97 545	4 328 091
Less: Charge for the year	-	(231 000)	(355 609)	(608 481)	(1 195 090)
Closing net book value (cost)	<b>7 255 275</b>	<b>11 481 901</b>	<b>1 544 355</b>	<b>1 271 316</b>	<b>21 552 847</b>

## REGIONAL COUNCIL FOR THE ERONGO REGION

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2008

2007	Land & building	Motor vehicles	Office equipment	Water network Okombahe	Furniture & fittings	Other assets	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Opening net book value (cost)	1 098 817	1 378 773	821 793	3 205 547	513 362	193 603	7 211 895
Plus: Purchases	1 479 569	820 298	433 001	-	218 275	125 862	3 077 005
Less: Charge for the year	(3 180)	(479 925)	(245 246)	-	(152 536)	(125 862)	(1 006 749)
Closing net book value (cost)	<b>2 575 206</b>	<b>1 719 146</b>	<b>1 009 548</b>	<b>3 205 547</b>	<b>579 101</b>	<b>193 603</b>	<b>9 282 151</b>

## 3. INVESTMENTS

	2008	2007
	N\$	N\$
Treasury Bills	3 600 000	3 600 000
	<b>3 600 000</b>	<b>3 600 000</b>

## 4. CASH ON HAND AND BANK

Call account	794 404	2 663 066
Current account	(206 373)	(1 266 598)
FNB - Cheque account	10 128	13 230
FNB – Call account	663 809	402 720
Traditional Authority	1 224 548	1 122 901
Pro-save: Build Together	762 138	715 884
Build Together call account	3 873	985
Pro-save: Capital projects	14 030 345	14 579 093
StanLib account	12 583 029	11 457 791
	<b>29 865 901</b>	<b>29 689 071</b>

## REGIONAL COUNCIL FOR THE ERONGO REGION

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2008

	<u>2008</u>	<u>2007</u>
	N\$	N\$
<b>5. DEBTORS</b>		
Customer control accounts	107 724	4 165 765
Ministry of Finance - Value Added Tax	139 789	-
Local authorities	5 419 248	-
Water charges		-
- Wlotzkasbaken	33 758	-
- Otjimbingwe	429 190	-
Subsistence & travel advance unclaimed	91 315	-
Sundry debtors	(44 257)	-
	<u><b>6 176 767</b></u>	<u><b>4 165 765</b></u>

**6. CURRENT LIABILITIES**

Creditors	108 300	338 020
Cash control	78 536	-
Sundry creditors	11 435	-
	<u><b>198 271</b></u>	<u><b>338 020</b></u>

**7. DELEGATED FUNCTIONS**

The Regional Council is currently performing the following functions delegated by Central Government Line Ministries, as indicated in accordance with the Decentralisation Enabling Act, 2000. Under delegation the Regional Council act 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. However, any unexpended amount as at 31st March is paid back to the State Account, via the related Line Ministry. For this reason the Income and Expenditure for each delegated function should always net to Nil.

	<u>2008</u>	<u>2007</u>
	N\$	N\$
<b>Line Ministry</b>		
<b>INCOME</b>		
Ministry of Gender Equality and Child Welfare	188 078	-
Office of the Prime Minister	6 766	-
<b>Total of Income</b>	<u><b>194 844</b></u>	<u><b>-</b></u>

## REGIONAL COUNCIL FOR THE ERONGO REGION

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2008

	<b>2008</b>	<b>2007</b>
	N\$	N\$
<b>EXPENDITURE</b>		
Ministry of Gender Equality and Child Welfare	57 600	-
Office of the Prime Minister	6 766	-
<b>Total</b>	<b>64 366</b>	<b>-</b>
<b>SURPLUS/(DEFICIT)</b>		
	<b>130 478</b>	<b>-</b>
<b>8. INCOME</b>		
5 % Assessment rates - Head Office	7 062 454	6 798 155
Water sale - Wlotzkasbaken	-	442 075
Revenue from settlements	331 156	279 372
Subsidy from Government	12 463 000	11 462 617
<b>Subtotal</b>	<b>19 856 610</b>	<b>18 982 219</b>
<b>OTHER INCOME</b>		
Revenue	104 316	102 046
Delegated functions	194 844	-
Subtotal	299 160	102 046
<b>Grand total</b>	<b>22 155 770</b>	<b>19 084 265</b>
<b>9. EXPENDITURE</b>		
Personnel Expenditure	8 555 776	7 803 346
Transport Cost	971 012	566 116
Subsistence and Travel	912 750	943 770
Property Rental	95 929	73 458
Utilities	1 599 361	1 912 270
Maintenance Expenses	380 710	257 404
Depreciation Expenses	1 195 090	-
Bank Charges	6 705	50 333
Other Expenditure	1 322 261	2 142 484
Capital projects	-	1 472 844
Subsidies, Grants Contributions Paid	1 940 586	-
Traditional Authority	-	26 860
Delegated functions	64 366	-
<b>Total expenditure</b>	<b>17 044 546</b>	<b>15 248 885</b>

## REGIONAL COUNCIL FOR THE ERONGO REGION

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2008

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	<b>2008</b>	<b>2007</b>
	N\$	N\$
<b>10. CASH (UTILISED)/GENERATED BY OPERATIONS</b>		
Net (deficit)/surplus before adjustments and before interest		
Received	3 111 224	3 835 380
Adjustments for:		
Unexplained adjustments	(13 131 896)	398 847
Operating income before changes in working capital	(10 020 672)	4 234 227
<b>CHANGES IN WORKING CAPITAL</b>		
(Increase) in debtors	(2 011 002)	(3 473 637)
(Decrease)/increase in current liabilities	(139 749)	136 184
	<b>(12 171 423)</b>	<b>896 774</b>