



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

REGIONAL COUNCIL OF THE ERONGO REGION

FOR THE FINANCIAL YEARS ENDED 31 MARCH 2009 AND 2010

Published by authority

Price (Vat excluded) N\$ 25.48
Report no: 1093

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 years ended 31 March 2009 and 2010, 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, July 2012

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE
ACCOUNTS OF THE REGIONAL COUNCIL OF THE ERONGO REGION
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2009 AND 31 MARCH 2010**

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 Namibia 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 28 January 2010 and 29 July 2011 instead of three months after the end of the financial year as stipulated in the Act.** The abridged balance sheets, 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 Adjustments

- 4.1.1 An adjustment of (N\$ 2 262 493) for 2008/2009 and (N\$ 2 894 744) for 2009/2010 financial years was observed by the auditors in the income statement of the Council.

Management comment:

The unexplained adjustment in 2009/2010 financial year resulted from a typing error on the column for "Additions and Adjustment" which was only discovered after the annual financial statements have been submitted to the Office of the Auditor General. Thus these corrections will be adjusted in the next financial statement of 2010/2011 and be submitted to the Office of the Auditor-General.

- 4.1.2 An unexplained adjustment of N\$ 282 643 (Note 5) was made to balance off the account of debtors during the 2008/2009 financial year and another amount of N\$ 888 922 (Note 2) was also made to balance off the fixed assets account during the 2009/2010 financial year.

4.2 FIXED ASSETS

2008/2009

- 4.2.1 At the time of the audit, it was once again noted for the second consecutive year that the fixed asset register for the 2008/2009 financial year was not updated.

It is recommended that the Council should ensure that the fixed asset register is updated at all times.

2009/2010

- 4.2.2 A difference of N\$ 1 328 453 was observed between the work in progress schedule prepared by the Council for assets under construction and the annual financial statements.

The Council should ensure that the amount disclosed in the annual financial statements is correct and is supported by evidence.

- 4.2.3 A difference of N\$ 14 962 was observed between the depreciation disclosed in the fixed asset register and the calculations made by the auditors.

Management comment

The Council agreed to the audit observation and explained that the Pastel Evolution system is programmed to calculate depreciation for a full year, instead of part of the year.

The Council is recommended to ensure that depreciation is correctly disclosed.

4.3 INVENTORY

2008/2009

- 4.3.1 It was observed for the year under review that inventory was not reflected in the annual financial statements. The value of inventory could not be determined due to the absence of the inventory list.

It is recommended that the Council should ensure that inventory lists are kept and maintained.

2009/2010

4.3.2 Although there was an amount of N\$ 177 598 for inventory reflected in the annual financial statements, no inventory report for consumable items was provided to verify this amount.

Management comment

The Council agreed to the finding and explained that, during the preparation of the 2009/2010 financial year, no inventory reports were prepared.

The Council is recommended to ensure that inventory reports are kept and correctly disclosed.

4.4 CASH AND BANK

4.4.1 Bank confirmation

2009/2010

The FNB Money Market account with a closing balance of N\$ 508 305 as at 31 March 2010 was confirmed by the bank, but it was not reflected in the financial statements and no bank statement was provided.

Management comment

The Council confirmed the existence of the bank account opened on behalf of Erongo Region Small Scale Miners Association.

The Council could not disclose the mentioned bank account in its financial statements as the account is an independent bank account and in addition to that, the funds were to be utilised within a very limited period and the account to be closed there-on. Hence, this process is still under way and it will be completed hopefully early January 2012.

5. ACKNOWLEDGEMENT

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

6. QUALIFIED AUDIT OPINION

The accounts of the Regional Council of the Erongo region for the financial years ended 31 March 2009 and 31 March 2010 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:

- An adjustment of (N\$ 2 262 493) for 2008/2009 and (N\$ 2 894 744) for 2009/2010.
- Unexplained adjustment to the amount of N\$ 282 643.
- A difference of N\$ 1 328 453 between work in progress scheduled and financial statements.
- Inventory for 2008/2009 was not reflected in the annual financial statements.

Except for the above-mentioned issues, in my opinion, the accounts fairly present the financial position and related transactions of the Council, for the years ended 31 March 2009 and 31 March 2010.

WINDHOEK, July 2012

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

REGIONAL COUNCIL FOR THE ERONGO REGION

BALANCE SHEET AS AT 31 MARCH

	Notes	2009/2010 N\$	2008/2009 N\$	2007/2008 N\$
ASSETS				
Non-current assets				
Fixed assets	2	44 323 681	32 381 408	25 152 847
Investments	3	39 955 060	28 271 408	21 552 847
		4 368 621	4 110 000	3 600 000
Current assets				
Cash on hand and bank	4	30 244 151	34 504 076	36 042 668
Debtors	5	25 100 047	31 240 887	29 865 901
Stock on hand		4 314 168	3 263 189	6 176 767
Value Added Tax		177 597	-	-
		652 339	-	-
Total assets		74 567 832	66 885 484	61 195 515
EQUITY AND LIABILITIES				
Accumulated Funds	Annexure B	43 327 219	41 836 114	39 276 599
Development Fund: Capital Project		29 667 848	24 054 707	20 979 804
Development Fund: Build Together		925 000	740 841	740 841
Current liabilities	6	647 765	253 822	198 271
Total equity and liabilities		74 567 832	66 885 484	61 195 515

REGIONAL COUNCIL FOR THE ERONGO REGION

INCOME STATEMENT AS AT 31 MARCH

	Notes	2009/2010	2008/2009	2007/2008
Income	8	22 071 875	17 873 129	20 155 770
Expenditure	9	19 382 966	16 686 460	17 044 546
Net operating surplus/(loss)		2 688 909	1 186 669	3 111 224
Interest on current account		1 696 940	3 635 339	2 898 304
Accumulated income/(deficit)		4 385 849	4 822 008	6 009 528
~ At the beginning of the year		41 836 114	39 276 599	46 398 967
~Unexplained adjustments		(2 894 744)	(2 262 493)	(13 131 896)
~ At the end of the year		43 327 219	41 836 114	39 276 599

REGIONAL COUNCIL FOR THE ERONGO REGION
CASH FLOW STATEMENTS AS AT 31 MARCH

	Notes	2009/2010	2008/2009	2007/2008
		N\$	N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES				
Cash receipt from customers		22 071 875	17 873 129	20 155 770
Cash paid to suppliers		(23 764 682)	(15 979 824)	(32 327 193)
Cash (utilized)/generated by operations	10	(1 692 807)	1 893 305	(12 171 423)
Interest received		1 696 940	3 635 339	2 898 304
(Increase)/decrease in investment		(258 621)	(510 000)	-
Increase/(decrease) in funds		5 797 300	3 074 903	21 720 645
(Increase)/decrease in fixed assets		(11 683 652)	(6 718 561)	(12 270 696)
Nett (decrease)/increase in cash and cash equivalents		(6 140 840)	1 374 986	176 830
CASH AND CASH EQUIVALENTS				
-Beginning of the year		31 240 887	29 865 901	29 689 071
- End of the year		25 100 047	31 240 887	29 865 901

REGIONAL COUNCIL OF THE ERONGO REGION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

1. ACCOUNTING POLICIES

The annual 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 accruals 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 Councils financial statements.
- 1.2** All fixed assets are stated at historic 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	2% pa
Machinery & Equipment	5 Years	20% pa
Vehicles	5 Years	20% pa
Office furniture & equipment	3 Years	33.33% pa
Computer equipment	3 Years	33.33% pa

2. FIXED ASSETS

2010	Work in progress	Land and buildings	Machinery equipment & vehicles	Office furniture, equipment & computer	Total
	N\$	N\$	N\$	N\$	N\$
Opening net book value (cost)	14 592 509	11 250 933	1 696 882	731 084	28 271 408
Adjustment	-	1 802 367	(673 819)	(239 626)	888 922
Plus: Purchases	10 401 857	-	1 001 019	438 334	11 841 210
Less: Charge for the year	-	(263 710)	(535 564)	(247 206)	(1 046 480)
Closing net book value (cost)	24 994 366	12 789 590	1 488 518	682 586	39 955 060

ANNEXURE D

REGIONAL COUNCIL OF THE ERONGO REGION

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

	Work in progress	Land & buildings	Machinery equipment & vehicles	Office furniture equipment & computers	Total
	N\$	N\$	N\$	N\$	N\$
2009					
Opening net book value (cost)	7 255 275	11 481 901	1 544 355	1 271 316	21 552 847
Plus: Purchases	7 337 234	32	664 613	109 971	8 111 850
Less: Charge for the year	-	(231 000)	(512 086)	(650 203)	(1 393 289)
Closing net book value (cost)	14 592 509	11 250 933	1 696 882	731 084	28 271 408
	Work in progress	Land & buildings	Machinery equipment & vehicles	Office furniture equipment & computers	Total
	N\$	N\$	N\$	N\$	N\$
2008					
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)	7 255 275	11 481 901	1 544 355	1 271 316	21 552 847
			2009/2010	2008/2009	2007/2008
			N\$	N\$	N\$

3. INVESTMENTS

Treasury Bills	4 268 621	4 110 000	3 600 000
Shares in Erongo Red	100 000	-	-
	4 368 621	4 110 000	3 600 000

ANNEXURE D

REGIONAL COUNCIL OF THE ERONGO REGION

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

	2009/2010	2008/2009	2007/2008
	N\$	N\$	N\$
4. CASH ON HAND AND BANK			
Call account	2 992 739	503 934	794 404
Current account	(7 110)	(671 527)	(206 373)
FNB cheque	12 496	10 165	10 128
FNB call	288 079	111 505	663 809
Traditional Authority	3 901 599	1 331 537	1 224 548
Pro-save: Build Together	77 410	273 122	762 138
Build Together call account	10 758	7 540	3 873
Pro-save: Capital projects	6 252 915	15 589 911	14 030 345
Stanlib account	11 569 262	14 070 078	12 583 029
Cash on Hand	1 899	14 622	-
	25 100 047	31 240 887	29 865 901
5. DEBTORS			
Build Together programme	1 328 983	621 631	107 724
Ministry of Finance - Value Added Tax	-	-	139 789
Local Authorities	2 444 100	2 374 520	5 419 248
Adjustment (to be reconciled)	-	(282 643)	-
Water: Customers	524 693	523 547	462 948
Subsistence & Travel advance unclaimed	(18 063)	1 811	91 315
Sundry debtors - Sanlam Pension Fund	34 455	24 323	(44 257)
	4 314 168	3 263 189	6 176 767
6. CURRENT LIABILITIES			
Creditors	647 765	253 822	108 300
Cash control	-	-	78 536
Sundry creditors	-	-	11 435
	647 765	253 822	198 271

ANNEXURE D

REGIONAL COUNCIL OF THE ERONGO REGION

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

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 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. However, any unexpended amount as at 31 March is paid 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.

	2009/2010	2008/2009	2007/2008
	N\$	N\$	N\$
Line Ministry			
INCOME			
Ministry of Gender Equality and Child Welfare	99 600	8 000	188 078
Ministry of Health and Social Services	-	-	-
Office of the Prime Minister	153 515	6 014	6 766
Ministry of Agriculture and Forestry	-	-	-
Total of Income	253 115	14 014	194 844
EXPENDITURE			
Ministry of Gender Equality and Child Welfare	191 168	57 126	57 600
Ministry of Local GRN - Expenses	11 329	-	-
Office of the Prime Minister	93 953	6 766	6 766
Ministry of Agriculture and Forestry	-	-	-
Total	296 450	63 892	64 366
SURPLUS/(DEFICIT)	(43 335)	(49 878)	130 478

ANNEXURE D

REGIONAL COUNCIL OF THE ERONGO REGION

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

	2009/2010	2008/2009	2007/2008
	N\$	N\$	N\$
8. INCOME			
5 % Assessment rates - Head Office	4 482 189	3 826 147	7 062 454
Water sale - Wlotzkasbaken	-	-	-
Revenue from settlements	698 170	420 611	331 156
Subsidy from Government	15 921 200	13 163 000	12 463 000
Subtotal	21 101 559	17 409 758	19 856 610
OTHER INCOME			
Other revenue	717 201	449 357	104 316
Delegated functions	253 115	14 014	194 844
Subtotal	970 316	463 371	299 160
Grand total	22 071 875	17 873 129	20 155 770
9. EXPENDITURE			
Personnel expenditure	10 797 973	9 485 840	8 555 776
Transport cost	801 295	705 397	971 012
Subsistence and Travel	1 127 725	885 700	912 750
Property rental	147 626	87 046	95 929
Utilities	1 706 676	1 623 745	1 599 361
Maintenance expenses	231 938	332 734	380 710
Depreciation expenses	1 046 980	1 370 990	1 195 090
Bank charges	14 793	29 318	6 705
Other expenditure	3 059 511	1 950 133	1 322 261
Subsidies, grants and contributions paid	152 000	151 665	1 940 586
Delegated functions	296 449	63 892	64 366
Total expenditure	19 382 966	16 686 460	17 044 546
NET OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	2 688 909	1 186 669	3 111 224
NET FINANCIAL INCOME			
Interest received	1 696 940	3 635 339	2 898 304
SURPLUS/(DEFICIT) FOR THE YEAR	4 385 849	4 822 008	6 009 528

ANNEXURE D

REGIONAL COUNCIL OF THE ERONGO REGION

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

	2009/2010	2008/2009	2007/2008
	N\$	N\$	N\$
10. CASH (UTILISED/GENERATED BY OPERATIONS)			
Net (deficit)/surplus before adjustments and before interest received	2 688 909	1 186 669	3 111 224
Adjustment for:			
Unexplained adjustments	(2 894 744)	(2 262 493)	(13 131 896)
Operating income before changes in working capital	(205 835)	(1 075 824)	(10 020 672)
CHANGES IN WORKING CAPITAL			
(Increase) in debtors	(1 880 915)	2 913 578	(2 011 002)
(Decrease)/increase in current liabilities	393 943	55 551	(139 749)
	(1 692 807)	1 893 305	(12 171 423)