



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 2011

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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 years ended 31 March 2011, 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 2013

**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 2011**

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. Figures in brackets represent negative figures.

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 15 December 2011 instead of three months after the end of the financial year as stipulated in the Act.** 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

Management's responsibility for the financial statements

The Accounting Officer of the Regional Council is responsible for the preparation and fair presentation of these financial statements and for ensuring the regularity of the financial transactions. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly. The Auditor-General conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

4. AUDIT OBSERVATIONS AND COMMENTS

No material observations were made.

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. AUDIT OPINION

The accounts of the Regional Council of the Erongo region for the financial year ended 31 March 2011 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 an unexplained adjustment of N\$ 3 909 072.

In my opinion, the accounts fairly present the financial position and related transactions of the Council, for the year ended 31 March 2011.

WINDHOEK, July 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

REGIONAL COUNCIL OF THE ERONGO REGION

BALANCE SHEET AS AT 31 MARCH

	Notes	2011 N\$	2010 N\$
ASSETS			
Non-current assets			
Fixed Assets	2	31 827 339	39 955 060
Investments	3	4 617 713	4 368 621
Current assets			
Cash on hand and bank	4	24 237 040	25 100 047
Debtors	5	5 364 960	4 314 168
Stock on hand		302 690	177 597
Value Added Tax		-	652 339
Total assets		66 349 742	74 567 832
EQUITY AND LIABILITIES			
Accumulated funds	Annexure B	35 385 597	43 327 219
Development Fund: Capital Project		29 667 848	29 667 848
Development Fund: Build Together		925 000	925 000
Current liabilities	6	371 297	647 765
Total equity and liabilities		66 349 742	74 567 832

REGIONAL COUNCIL OF THE ERONGO REGION

INCOME STATEMENT AS AT 31 MARCH

	Notes	2011 N\$	2010 N\$
Income	8	25 308 009	22 071 875
Expenditure	9	25 616 996	19 382 966
Net operating surplus/(loss)		(308 987)	2 688 909
Interest on current account		1 359 338	1 696 940
Accumulated income/(deficit)		1 050 351	4 385 849
~ at the beginning of the year		43 327 219	41 836 114
~adjustments		(8 991 973)	2 894 744)
~ at the end of the year		35 385 597	43 327 219

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

	Notes	2011	2010
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipt from customers		25 308 009	22 071 875
Cash paid to suppliers		(35 408 983)	(23 764 682)
Cash (Utilized)/generated by operations	10	(10 100 974)	(1 692 807)
Interest received		1 359 338	1 696 940
(Increase)/decrease in investment		(249 092)	(258 621)
Increase/(decrease) in funds		-	5 797 300
(Increase)/decrease in fixed assets		8 127 721	(11 683 652)
Nett (decrease)/increase in cash and cash equivalents		(863 007)	(6 140 840)
CASH AND CASH EQUIVALENTS			
-Beginning of the year		25 100 047	31 240 887
- End of the year		24 237 040	25 100 047

ANNEXURE D

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

2011	Work in progress	Land & buildings	Machinery equipment & vehicles	Office Furniture equipment & computers	Total
	N\$	N\$	N\$	N\$	N\$
Opening net book value (cost)	24 994 366	12 789 590	1 491 956	679 148	39 955 060
Adjustment	(22 114 421)	(3 909 072)	-	-	(26 023 493)
Plus: Purchases	2 975 392	4 190 942	14 387 540	248 203	21 802 077
Less: Charge for the year	-	(264 338)	(3 388 762)	(253 205)	(3 906 305)
Closing net book value (cost)	5 855 337	12 807 122	12 490 734	674 146	31 827 339

REGIONAL COUNCIL OF THE ERONGO REGION

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

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
				2011	2010
				N\$	N\$
3. INVESTMENTS					
Treasury Bills				4 551 906	4 268 621
Shares in Erongo Red				65 807	100 000
				4 617 713	4 368 621
4. CASH ON HAND AND BANK					
Call account				2 101 628	2 992 739
Current account				160 510	(7 110)
FNB cheque				-	12 496
FNB call				492 222	288 079
Traditional Authority				3 958 062	3 901 599
Pro-save: Build together				174 816	77 410
Build together call account				14 249	10 758
Pro-save: Capital projects				4 987 623	6 252 915
StanLib account				12 347 430	11 569 262
Cash on Hand				500	1 899
				24 237 040	25 100 047
5. DEBTORS					
Build Together Programme				1 459 143	1 328 983
Local Authorities				2 479 784	2 444 100
Adjustment (to be reconciled)				-	-
Water Customers				608 340	524 693
Subsistence & Travel Advance Unclaimed				80 644	(18 063)
Sundry Debtors - Sanlam Pension Fund				70 722	34 455
Receiver of Revenue				666 327	-
				5 364 960	4 314 168

REGIONAL COUNCIL OF THE ERONGO REGION

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

	2011	2010
	N\$	N\$
6. CURRENT LIABILITIES		
Creditors	371 297	647 765
	371 297	647 765

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.

	2011	2010
	N\$	N\$
Line Ministry		
INCOME		
Ministry of Gender Equality and Child Welfare	55 000	99 600
Ministry of Health and Social Services	-	-
Office of the Prime Minister	45 349	153 515
Rural Develop. Projects - MRLGHRD	565 472	-
Ministry of Agriculture and Forestry	7 000	-
Ministry of Education	379 717	-
Total of Income	1 052 538	253 115
EXPENDITURE		
Ministry of Gender Equality and Child Welfare	62 990	191 168
Ministry of Local GRN - Expenses	504 737	11 329
Office of the Prime Minister	17 349	93 953
Ministry of Agriculture and Forestry	-	-
Total	585 076	296 450
SURPLUS/(DEFICIT)	467 462	(43 335)

REGIONAL COUNCIL OF THE ERONGO REGION

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

	<u>2010/2011</u>	<u>2009/2010</u>
	N\$	N\$
8. INCOME		
5 % Assessment rates - Head Office	4 292 081	4 482 189
Revenue from settlements	764 791	698 170
Subsidy from Government	18 657 032	15 921 200
Subtotal	<u>23 713 904</u>	<u>21 101 559</u>
OTHER INCOME		
Other revenue	541 567	717 201
Delegated functions	1 052 538	253 115
Subtotal	<u>1 594 105</u>	<u>970 316</u>
Grand total	<u>25 308 009</u>	<u>22 071 875</u>
9. EXPENDITURE		
Personnel Expenditure	13 264 399	10 797 973
Transport Cost	813 326	801 295
Subsistence and Travel	1 243 531	1 127 725
Property Rental	142 227	147 626
Utilities	2 285 458	1 706 676
Maintenance Expenses	269 173	231 938
Depreciation Expenses	3 906 305	1 046 980
Bank Charges	16 852	14 793
Other Expenditure	2 929 250	3 059 511
Subsidies, Grants Contributions Paid	161 400	152 000
Delegated Functions	585 076	296 449
Total expenditure	<u>25 616 996</u>	<u>19 382 966</u>
NET OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	<u>(308 987)</u>	<u>2 688 909</u>
NET FINANCIAL INCOME		
Interest received	1 359 338	1 696 940
SURPLUS/(DEFICIT) FOR THE YEAR	<u>1 050 351</u>	<u>4 385 849</u>

REGIONAL COUNCIL OF THE ERONGO REGION

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

	<u>2011</u>	<u>2010</u>
	N\$	N\$
10. CASH (UTILISED/GENERATED BY OPERATIONS)		
Net (deficit)/surplus before adjustments and before interest received	(308 987)	2 688 909
Adjustment for:		
Explained adjustments	(8 991 973)	(2 894 744)
Operating income before changes in working capital	<u>(9 300 960)</u>	<u>(205 835)</u>
CHANGES IN WORKING CAPITAL		
(Increase)/decrease in debtors	(523 546)	(1 880 915)
(Decrease)/increase in current liabilities	(276 468)	393 943
	<u>(10 100 974)</u>	<u>(1 692 807)</u>