



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 2013

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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 2013, 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 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
ERONGO REGIONAL COUNCIL
FOR THE FINANCIAL YEAR ENDED, 31 MARCH 2013**

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.

1.1 REPORT ON THE 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 30 December 2013 instead of three months after the end of the financial year as stipulated in the Act.** The abridged balance sheets, Annexure A, are 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 statement

Annexure D: Notes to the financial statement

2. 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.

3. 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 said Office conducted the audit in accordance with International Standards on Auditing. Those standards require that the Office 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 Findings

No material findings were observed.

5. Acknowledgment

The courtesy and assistance extended to the Auditor-General staff by the Regional Council 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 2013 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).

In my opinion, the accounts fairly present the financial position and related transaction of the Council, for the year ended 31 March 2013.

WINDHOEK, November 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

REGIONAL COUNCIL FOR THE ERONGO REGION

BALANCE SHEET AS AT 31 MARCH

	Notes	2013 N\$	2012 N\$
ASSETS			
Non-current assets		43 761 168	37 885 112
Fixed Assets	2	38 617 729	32 999 481
Investments	3	5 143 439	4 885 631
Current assets		36 232 165	39 730 475
Cash on hand and bank	4	28 348 706	33 232 750
Debtors	5	7 599 123	6 302 831
Stock on Hand		284 336	194 894
Total assets		79 993 333	77 615 587
EQUITY AND LIABILITIES			
Accumulated funds	Annexure B	47 693 037	44 980 922
Development Fund: Capital Project		29 667 848	29 667 848
Development Fund: Build Together		2 090 000	2 090 000
Current liabilities	6	542 448	876 817
Total equity and liabilities		79 993 333	77 615 587

REGIONAL COUNCIL FOR THE ERONGO REGION

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH

	Notes	2013 N\$	2012 N\$
Income	8	109 986 430	107 804 424
Expenditure	9	108 621 200	100 295 241
Net operating surplus/(loss)		1 365 230	7 509 183
Interest on current account		2 189 943	1 660 366
Accumulated income/(deficit)		3 555 173	9 169 549
~ at the beginning of the year		44 980 922	35 385 597
~Unexplained adjustments		(843 058)	425 776
~ at the end of the year		47 693 037	44 980 922

ANNEXURE C

REGIONAL COUNCIL FOR THE ERONGO REGION
CASHFLOW STATEMENTS AS AT 31 MARCH

	Notes	2013	2012
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipt from customers		109 986 430	107 804 424
Cash paid to suppliers		(111 184 361)	(100 194 020)
Cash (Utilized)/generated by operations	10	(1 197 931)	7 610 404
Interest received		2 189 943	1 660 366
(Increase)/decrease in investment		(257 808)	(267 918)
Increase/(decrease) in funds		-	1 165 000
(Increase)/decrease in fixed assets		(5 618 248)	(1 172 142)
Nett (decrease)/increase in cash and cash equivalents		(4 884 044)	8 995 710
CASH AND CASH EQUIVALENTS			
-Beginning of the year		33 232 750	24 237 040
- End of the year		28 348 706	33 232 750

REGIONAL COUNCIL FOR THE ERONGO 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 respect, with those of the previous year:

- 3.1 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.
- 3.2 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

2013	Work in Progress	Land & Buildings	Machinery Equipment & Vehicles	Office Furniture Equipment & Computers	Total
	N\$	N\$	N\$	N\$	N\$
Opening net book value (cost)	14 763 162	16 118 245	10 085 926	821 798	41 789 131
Adjustment	-	112 390	285 438	265 205	663 033
Plus: Purchases	-	1 039 881	8 735 517	2 357 406	12 132 804
Less: Charge for the year	-	(1 365 559)	(12 113 116)	(2 488 564)	(15 967 239)
Closing net book value (cost)	14 763 162	15 904 957	6 993 765	955 845	38 617 729

2012	Work in Progress	Land & Buildings	Machinery Equipment & Vehicles	Office Furniture Equipment & Computers	Total
	N\$	N\$	N\$	N\$	N\$
Opening net book value (cost)	5 855 337	12 807 122	12 490 735	674 145	31 827 339
Adjustment	-	-	-	-	-
Plus: Purchases	118 175	3 616 990	989 236	453 686	5 178 087
Less: Charge for the year	-	(305 867)	(3 394 045)	(306 033)	(4 005 945)
Closing net book value (cost)	5 973 512	16 118 245	10 085 926	821 798	32 999 481

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

3. INVESTMENTS

	2013	2012
	N\$	N\$
Treasury Bill	5 077 632	4 819 824
Shares in Erongo Red	65 807	65 807
	5 143 439	4 885 631

	2013	2012
	N\$	N\$
4. CASH ON HAND AND BANK		
Call account	738 003	239 168
Current account	1 245 667	35 334
FNB cheque	127 617	-
FNB call	56 174	122 440
Traditional Authority	4 407 840	3 837 010
Pro-save: Build together	3 452 943	1 387 828
Build together call account	1 405 275	34 963
Pro-save: Capital projects	13 775 635	11 393 109
StanLib account	27 098	13 051 032
Emergency Fund	178 250	48 890
Uis	4 034	153 437
Uis Btp	1 995 160	1 426
Erongo Rural Development Project	316 793	1 356 770
Directorate of Education	617 206	1 183 505
Works Maintenance - Erongo	1 011	387 838
	28 348 706	33 232 750
5. DEBTORS		
Build Together Programme	1 592 447	1 531 072
Local Authorities	3 822 894	3 424 926
Water Customers	597 840	748 055
Subsistence & Travel Advance Unclaimed	31 320	6 308
Sundry Debtors - Sanlam Pension Fund	-	81 470
Other Salary & wages control	131	-
Staff members and Sanlam	2 122	-
Receiver of Revenue	1 041 369	-
Rental Deposits-Cuban Consultants Accommodation	11 000	11 000
Usakos Town Council	500 000	500 000
	7 599 123	6 302 831
6. CURRENT LIABILITIES		
Creditors	410 756	590 385
Salaries and Wages Control	-	5 916
Value Added Tax	-	100 316
Retention Fees	131 692	180 200
	542 448	876 817

REGIONAL COUNCIL FOR THE ERONGO REGION
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH

7. DELEGATED FUNCTIONS

The Regional Council is currently 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. However, any unexpended amount as at 31st 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.

	2013	2012
	N\$	N\$
Line Ministry		
INCOME		
Ministry of Gender Equality and Child Welfare	473 130	227 802
Ministry of Health and Social Services	-	7 300 000
Sponsorship & Transfer Private Org	42 500	-
Office of the Prime Minister	103 076	-
Rural Develop. Projects - MRLGHRD	10 000	67 000
Ministry of Agriculture and Forestry	10 000	10 000
Directorate of Works	7 537 801	5 838 494
Ministry of Education	65 750 723	63 480 924
Total of Income	73 927 230	76 924 220

	2013	2012
	N\$	N\$
EXPENDITURE		
Ministry of Gender Equality and Child Welfare	472 451	227 795
Ministry of Local GRN - Expenses	58 571	44 118
Office of the Prime Minister	4 916	-
Ministry of Education	66 617 435	62 304 785
Sponsorship Funds Transfer	40 000	-
Ministry of Health	202 125	-
Directorate of Works	7 308 433	5 853 803
Total	74 703 931	68 430 501
SURPLUS/(DEFICIT)	(776 701)	8 493 719
8. INCOME		
5 % Assessment rates - Head Office	5 624 309	4 957 097
Revenue from settlements	1 748 105	1 122 604
Subsidy from Government	26 964 844	22 401 876
Subtotal	34 337 258	28 481 577
OTHER INCOME		
Other revenue	642,138	822 299
Rural Development Projects Income	1 079 803	1 576 328
Delegated functions	73 927 231	76 924 220
Subtotal	75 649 172	79 322 847
Grand total	109 986 430	107 804 424
9. EXPENDITURE		
Personnel Expenditure	17 292 668	16 364 566
Transport Cost	1 180 585	1 502 802
Subsistence and Travel	1 265 809	1 534 311
Property Rental	247 018	215 623
Utilities	5 379 646	3 889 531
Maintenance Expenses	371 276	619 579
Depreciation Expenses	4 016 945	4 005 944
Bank Charges	47 210	45 642
Other Expenditure	3 425 962	3 212 119

	2013	2012
	N\$	N\$
Subsidies, Grants Contributions Paid	148 000	190 521
Rural Development Projects	542 150	284 102
Delegated Functions	74 703 931	68 430 501
Total expenditure	108 621 200	100 295 241
NET OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	1 365 229	7 509 183
NET FINANCIAL INCOME		
Interest received	1 669 125	1 164 429
Interest received Education	496 868	495 937
Royalties/ Surchrages-Erongo Red	23 950	-
SURPLUS/(DEFICIT) FOR THE YEAR	3 555 172	9 169 549

10. CASH (UTILISED/GENERATED BY OPERATIONS)

Net (deficit)/surplus before adjustments and before interest received	1 365 229	7 509 183
Adjustment for:		
Unexplained adjustments	(843 058)	425 776
Operating income before changes in working capital	522 171	7 934 959
CHANGES IN WORKING CAPITAL		
(Increase)/decrease in debtors	(1 385 733)	(830 075)
(Decrease)/increase in current liabilities	(334 369)	505 520
	(1 197 931)	7 610 404