



**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 2017**

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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 2017 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, February 2018**

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

**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 2017**

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**1.1 Report on the Financial Statements**

**1 INTRODUCTION**

The accounts of the Erongo Regional Council for the financial year ended 31 March 2017 are being reported on in accordance with provisions set out in the Regional Council Act, 1992 (Act 22 of 1992).

Figures in the report are rounded to the nearest Namibia Dollar and deficits are indicated in (brackets).

I certify that I have audited the accompanying financial statements of the Erongo Regional Council for the financial year ended 31 March 2017. These financial statements comprise of the following:

Annexure A: Statement of financial position;  
Annexure B: Statement of comprehensive income;  
Annexure C: Statement of cash flow; and  
Annexure D: Notes to the financial statements.

The Regional Council's financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 40 (1) of the Regional Councils Act, 1992.

The financial statements, notes to the financial statements and general information provided by the Accounting Officer are attached as Annexures A- D.

**2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 39 of the Regional Councils Act, 1992 and relevant legislation, and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**3. AUDITOR'S RESPONSIBILITY**

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). These standards require that I comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

## **Powers and duties**

Section 25 (1) (c) of the State Finance Act, 1991, provides that the Auditor-General should satisfy himself that:

- (a) All reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;
- (b) All reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and
- (c) The expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, Section 26 (1) (b) (iv) of the State Finance Act, 1991, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinion.

## **4. ACKNOWLEDGMENT**

The assistance and co-operation given by the management and staff of the Regional Council during the audit is appreciated.

## **5. KEY AUDIT FINDINGS**

### **5.1 Disaster Recovery and Business Continuity Plan**

The auditors observed during the audit that the Council does not have an approved disaster recovery and business continuity plan in place. This matter was also reported in the management letter in the previous year audit .

## **Recommendation**

It is recommended that the Council should ensure that a disaster recovery plan is prepared and approved by management.

### **5.2 Asset Valuation**

Auditors discovered that a vehicle with registration number GRN 81712 acquired by the Council on 13 September 2016 was damaged in an accident a month after its acquisition, but was still recognised at its cost price of N\$ 598 116 instead of its revaluation price at the end of the financial year.

## **Recommendation**

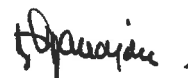
It is recommended that the Council should ensure that the damaged vehicle be disclosed at its revalued market price to reflect its fair value in the financial statements.

## **6. UNQUALIFIED AUDIT OPINION**

The accounts of the Erongo Regional Council for the year ended 31 March 2017 have been audited in terms of Section 38 of the Regional Council Act, 1992 (Act 22 of 1992).

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Erongo Regional Council as at 31 March 2017, and their financial performance and cash flows for the year then ended.

**WINDHOEK, February 2018**



**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REGIONAL COUNCIL FOR THE ERONGO REGION**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH**

	Note	2017 N\$	2016 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>86 359 067</b>	<b>53 949 839</b>
Fixed Assets	2	86 293 260	53 884 032
Investments		65 807	65 807
<b>Current assets</b>		<b>131 972 578</b>	<b>132 262 708</b>
Cash on hand and bank	3	107 692 316	114 483 287
Debtors	4	24 028 072	17 507 858
Stock on Hand		252 190	271 563
<b>Total assets</b>		<b>218 331 645</b>	<b>186 212 547</b>
<b>EQUITY AND LIABILITIES</b>			
Accumulated funds		141 033 991	115 593 185
Development Fund: Capital Project		72 338 312	66 797 914
Development Fund: Build Together		2 090 000	2 090 000
Current liabilities	5	2 869 342	1 731 448
<b>Total equity and liabilities</b>		<b>218 331 645</b>	<b>186 212 547</b>



## ANNEXURE B

**REGIONAL COUNCIL FOR THE ERONGO REGION**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED**  
**31 MARCH**

	Note	2017 N\$	2016 N\$
<b>Income</b>	7	206 549 527	239 025 571
<b>Expenditure</b>	8	186 025 290	179 209 197
<b>Net operating surplus/(loss)</b>		<b>20 524 237</b>	<b>59 816 376</b>
Interest on current account		4 913 693	2 986 849
<b>Accumulated income/(deficit)</b>		<b>25 437 930</b>	<b>62 803 225</b>
~ at the beginning of the year		115 593 185	55 506 289
~Adjustment – Settlement income		2 878	(2 716 327)
~ at the end of the year		<b>141 033 993</b>	<b>115 593 187</b>

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

	Note	2017 N\$	2016 N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipt from customers		206 549 527	239 025 572
Cash paid to suppliers		191 385 360	186 277 959
Cash (Utilized)/generated by operations	9	15 164 167	52 747 613
Interest received		4 913 693	2 986 849
Increase/(decrease) in funds		5 540 398	24 251 726
(Increase)/decrease in fixed assets		(32 409 228)	(4 101 026)
Nett (decrease)/increase in cash and cash equivalents		(6 790 970)	75 885 162
<b>CASH AND CASH EQUIVALENTS</b>			
-Beginning of the year		114 483 286	38 598 125
- End of the year		<b>107 692 316</b>	<b>114 483 287</b>

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

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**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, 1991. 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 Accounts 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 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 and	5 years	20 % pa
Furniture fixture & fittings	5 years	20% pa
Office furniture and equipment	3 years	33.33 %
Computer equipment	3 years	33.33 %

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

**2. PLANT AND EQUIPMENT**

<b>2017</b>	<b>N\$</b>	<b>N\$</b>	<b>N\$</b>	<b>N\$</b>	<b>N\$</b>	<b>N\$</b>
	<b>Work in Progress</b>	<b>Land &amp; Buildings</b>	<b>Machinery &amp; Equipment &amp; Vehicles</b>	<b>Office Furniture &amp; Equipment &amp; Computers</b>	<b>Total</b>	
Opening balance 01/04/2016	19 031 025	32 440 871	24 017 113	4 550 236	80 039 245	
Add: Adjustment	-	(309 809)	-	-	(309 809)	
Add: Additions	12 604 462	2 061 216	26 061 510	715 724	41 442 913	
Less: Disposal	(6 338 248)	-	-	(95 730)	(6 433 978)	
<b>Closing Balance 31/03/2017</b>	<b>25 297 239</b>	<b>34 192 279</b>	<b>50 078 623</b>	<b>5 170 231</b>	<b>114 738 371</b>	
Opening Accumulated Depreciation 01/04/2016	-	2 410 893	20 078 507	3 665 813	26 155 213	
Add: Charge for the year	-	642 332	1 264 829	477 336	2 384 497	
Less: Accumulate Depreciation for disposal	-	-	-	(94 598)	(94 598)	
Closing Accumulated Depreciation 31/03/2017	-	<b>3 053 225</b>	<b>21 343 336</b>	<b>4 048 551</b>	<b>28 445 111</b>	
<b>Closing net book value (cost)31/03/2017</b>	<b>25 297 239</b>	<b>31 139 053</b>	<b>28 735 287</b>	<b>1 121 680</b>	<b>86 293 260</b>	

## ANNEXURE D

**REGIONAL COUNCIL FOR THE ERONGO REGION**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)**

2016	N\$	N\$	N\$	N\$	N\$	N\$
	Work in Progress	Land & Buildings	Machinery Equipment & Vehicles	Office Furniture Equipment & Computers	Total	Total
Opening balance 01/04/2015	28 164 663	17 158 126	23 899 715	4 336 461	73 558 965	
Add: Adjustment	(15 173 082)	-	-	-	(15 173 082)	
Add: Additions	6 039 444	15 282 745	117 398	245 035	21 684 622	
Less: Disposal	-	-	-	31 260	(31 260)	
<b>Closing Balance 31/03/2016</b>	<b>19 031 025</b>	<b>32 440 871</b>	<b>24 017 113</b>	<b>4 550 236</b>	<b>80 039 245</b>	
Opening Accumulated Depreciation 01/04/2015	-	1 926 524	18 606 358	3 243 077	23 775 959	
Add: Charge for the year	-	484 369	1 472 149	449 307	2 405 825	
Less: Accumulate Depreciation for disposal	-	-	-	(26 571)	(26 571)	
Closing Accumulated Depreciation 31/03/2016	-	2 410 893	20 078 507	3 665 813	26 155 213	
<b>Closing net book value (cost)31/03/2016</b>	<b>19 031 025</b>	<b>30 029 978</b>	<b>3 938 606</b>	<b>884 423</b>	<b>53 884 032</b>	

**REGIONAL COUNCIL FOR THE ERONGO REGION**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)**

	<b>2017</b>	<b>2016</b>
	N\$	N\$
<b>3. CASH ON HAND AND BANK</b>		
Nedbank Current account	1 406 319	11 035 554
Nedbank Call	10 783 548	4 683 237
FNB Call Account	498 891	302 495
FNB BT Revolving	27 376	116 868
Capital Projects Call Account	7 054 237	13 903 789
Traditional Authority Call Account	248 703	5 330 708
Nedbank BT call account Account	136 291	54 306
StanLib Investments	4 511 090	4 178 419
Emmergency Fund	301 994	248 378
Nedbank Uis Call Account	3 558 557	250 586
Uis Btp Call 11900038102	4 338	4 295
Erongo Rural Development. Project	4 219 177	1 599 355
Directorate of Education	8 726 929	3 716 055
Works Maintenance	312 778	1 271 711
Uis Nampost Account	230 410	2 103 526
Okombahe Nampost Account	65 952	173 409
Cash on Hand	-	1
ERC Drought Fund Account	64 437	1 054 105
ERC Wlotzkasbaken Account	7 816 934	8 045 369
ERC 5% Levy Account	10 319 313	11 293 129
Wlotzkasbaken Investment Account	292	124 004
Wlotzkasbaken 2nd Investment Account	164 344	44 993 988
Wlotzkasbaken 4th Investment Account	47 220 233	-
Ministry of Land Reform	1 065	-
Ministry of Information, Communication and Technology	19 111	-
	<b>107 692 316</b>	<b>114 483 287</b>

**REGIONAL COUNCIL FOR THE ERONGO REGION****NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)****4. DEBTORS**

	<b>2017</b>	<b>2016</b>
	N\$	N\$
Build Together Programme	3 679 837	3 553 548
Local Authorities	8 797 193	6 368 211
Water Customers	1 159 081	817 608
Subsistence & Travel Advance Unclaimed	294 014	103 118
Receiver of Revenue (VAT)	9 586 753	6 085 510
Rental Deposits-Henric Estate	9 000	9 000
Usakos Town Council	500 000	500 000
Staff Uniforms Loan	2 194	70 863
	<b>24 028 072</b>	<b>17 507 858</b>

**5. CURRENT LIABILITIES**

Creditors	2 138 647	1 606 690
Salaries and Wages Control	7 781	15 096
Retention Fees	722 915	109 663
	<b>2 869 343</b>	<b>1 731 449</b>

**6. 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<sup>st</sup> 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.

## ANNEXURE D

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

	<b>2017</b>	<b>2016</b>
	N\$	N\$
<b>Line Ministry</b>		
<b>INCOME</b>		
Ministry of Gender Equality and Child Welfare	1 234 794	1 255 054
Sponsorship & Transfer Private Org	30 000	85 000
Erongo Regional Emergency fund	296 725	2 500
Office of the Prime Minister	-	3 017 198
Ministry of RLGHRD	-	667 638
Ministry of Agriculture and Forestry	-	11 000
Directorate of Works	6 021 289	10 811 443
Ministry of Education	126 577 356	113 120 368
Ministry of Land Reform	2 000	-
Ministry of Information, Communication and Technology	20 000	-
<b>Total of Income</b>	<b>134 182 164</b>	<b>128 970 201</b>
<b>EXPENDITURE</b>		
Ministry of Gender Equality and Child Welfare	1 234 474	1 959 252
Ministry of RLGHRD - Expenses	-	33 108
Office of the Prime Minister	1 222 544	1 978 453
Ministry of Education	121 566 483	111 551 284
Ministry of Education interest	420 000	153 000
Sponsorship Funds Transfer	25 000	86 417
Ministry of Agriculture	-	10 254
Directorate of Works Maintenance	6 980 222	12 283 427
Ministry of Land Reform	935	-
Ministry of Information, Communication and Technology	889	-
Ministry of Health and Social Services	993 743	-
<b>Total</b>	<b>132 444 290</b>	<b>128 055 195</b>
<b>SURPLUS/(DEFICIT)</b>	<b>1 737 874</b>	<b>915 006</b>



## ANNEXURE D

**REGIONAL COUNCIL FOR THE ERONGO REGION**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)**

	2017	2016
	N\$	N\$
<b>7. INCOME</b>		
5 % Levy Assessment rates	10 657 490	9 019 814
Revenue from settlements	2 784 056	54 729 142
Subsidy from Government	53 564 685	45 054 051
<b>Subtotal</b>	<b>67 006 231</b>	<b>108 803 007</b>
<b>OTHER INCOME</b>		
Other revenue	984 151	652 365
Rural Development Projects grants	4 376 980	-
Delegated functions	134 182 165	128 970 200
Road Fund Administration	-	600 000
<b>Subtotal</b>	<b>139 543 296</b>	<b>130 222 565</b>
<b>Grand total</b>	<b>206 549 527</b>	<b>239 025 572</b>
<b>8. EXPENDITURE</b>		
Personnel Expenditure	32 219 990	31 397 994
Transport Cost	1 767 729	1 929 257
Subsistence and Travel	1 499 161	1 619 652
Property Rental	407 994	430 043
Utilities	5 007 229	6 279 270
Maintenance Expenses	1 058 745	562 684
Depreciation Expenses	2 384 497	2 405 825
Bank Charges	207 096	56 948
Other Expenditure	4 186 703	4 097 740
Subsidies, Grants Contributions Paid	150 000	163 200
Rural Development Projects	1 949 686	604 328
Delegated Functions	132 444 289	128 055 196
Road Fund	-	565 069
5% Rates and Taxes	2 275 294	905 011
Wlotzkasbaken	345 204	136 979
Politicians Furniture	121 673	-
<b>Total expenditure</b>	<b>186 025 290</b>	<b>179 209 196</b>

## ANNEXURE D

**REGIONAL COUNCIL FOR THE ERONGO REGION**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (Continued)**

	<b>2017</b>	<b>2016</b>
	N\$	N\$
<b>NET OPERATING SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>20 524 237</b>	<b>59 816 376</b>
<b>NET FINANCIAL INCOME</b>		
Interest received -Bank and Investement	4 419 708	2 682 791
Interest received Education	493 985	243 857
Royalties/ Surcharges-Erongo Red	-	60 201
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>4 913 693</b>	<b>2 986 849</b>
<b>9. CASH (UTILISED/GENERATED BY OPERATIONS)</b>		
Net (deficit)/surplus before adjustments and before interest received	20 524 237	59 816 376
Adjustment for:		
Settlement income	*2 878	(2 716 327)
Operating income before changes in working capital	20 527 115	57 100 049
<b>CHANGES IN WORKING CAPITAL</b>		
(Increase)/decrease in debtors	(6 500 842)	(4 677 063)
(Decrease)/increase in current liabilities	1 137 894	324 629
	<b>15 164 167</b>	<b>52 747 615</b>

*(\*Adjustments were made to clear WIP 5% expenditure that is not of a capital nature)*