



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

REGIONAL COUNCIL FOR THE KAVANGO REGION

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2010

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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 for the Kavango Region for the financial year ended 31 March 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, August 2012

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE
ACCOUNTS OF THE REGIONAL COUNCIL FOR THE KAVANGO REGION
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2010**

1. INTRODUCTION

The Regional Council for the Kavango 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 Councils 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 the financial statements were only submitted on 07 August 2010 instead of three months after the end of the financial year as stipulated in the Act.** The abridged balance sheets, Annexure A, are true reflection of the original.

Annexure B: Income and expenditure statement
Annexure C: Cash flow statement
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, 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 ANALYSIS OF FINANCIAL STATEMENTS

4.1.1 Income statement

4.1.1.1 It was observed that the amount for total expenditure was wrongly reflected as N\$ 30 791 422 in the income statement, while in the detailed income statement it was indicated as N\$ 19 698 036 instead of N\$ 19 968 036. The amount of N\$ 30 791 422 and the difference of N\$ 270 000 was not explained by the Council.

4.1.2 BALANCE SHEET

4.1.2.1 It was observed that the total closing balance for fixed assets on 31 March 2009 was reflected as N\$ 25 320 394, while the total opening balance on 01/04/2009 was reflected as N\$ 25 439 175. This resulted in an unexplained difference of N\$ 118 781.

4.1.2.2 The total accumulated depreciation closing balance at 31/03/2009 was reflected as N\$ 7 081 402 while the total opening balance on 01/04/2009 was reflected as N\$ 7 865 880. This resulted in an unexplained difference of N\$ 784 478.

4.1.2.3 It was observed that total assets in the balance sheet was supposed to be reflected as N\$ 95 154 155, but was reflected as N\$ 93 722 695. This difference resulted in the assets being understated with an amount of N\$ 1 431 460.

4.1.2.4 It was observed that depreciation charges for Motor Vehicles to the amount of N\$ 514 748 was not deducted.

4.1.2.5 A difference of N\$ 66 was observed between the total Assets and the total Equity.

4.2 ACCOUNTS PAYABLE

Debit balances totalling N\$ 17 337 were recorded as accounts payable in the general ledger. These balances were however not disclosed as prepayments in the annual financial statements as required by the General Accepted Accounting Practice (GAAP).

It was further observed that payments totalling N\$ 200 460 made to Creditors in April 2010 were not reconciled to its applicable financial year (2009/10). The above findings indicate that the Council does not perform proper reconciliation and cut-off procedures for accounts payable.

Management comment

The Council agreed to the finding and indicated that improvement will be made in this regard.

4.3 CASH AND BANK

4.3.1 Bank accounts with a total balance of N\$ 99 329 were not reflected in the annual financial statements. This observation was also reported in the 2008/2009 financial year.

Management comment

The Council agreed to the finding and indicated that the account will be considered in the next financial year (2010/2011) and onwards.

4.4 FIXED ASSETS

4.4.1 Fixed asset register

The Council did not maintain a proper fixed asset register therefore, all tests related to the fixed assets could not be confirmed.

It is recommended that the Council should ensure that the fixed asset register is updated on a regular basis.

Management comment

The Council agreed with the auditors and indicated that the register will be updated during the 2010/2011 financial year.

4.5 INVENTORY

Inventory to the value of N\$ 73 339 was disclosed in the annual financial statement. This amount could not be confirmed to the counter book due to the fact that the counter book was not provided for audit purposes. The auditor could not attend the stock taking.

4.6 DEBTORS

4.6.1 Subsistence and travel advance

Subsistence and travelling advance of N\$ 34 275 was not cleared at the end of the financial year.

Management comment

The Council concurs with the finding and indicated that they will improve the situation by addressing all Honourable Councillors and staff members to submit claims after their trips.

5. ACKNOWLEDGEMENT

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

6. QUALIFIED AUDIT OPINION

The accounts of the Regional Council for the Kavango Region for the financial year ended 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:

- The amount of N\$ 30 791 422 in the income statement and the difference of N\$ 270 000 was not explained by the Council;
- Difference of N\$ 118 781 was observed between the opening balance and closing balance of fixed assets;
- Difference of N\$ 784 478 was observed between the opening balance and closing balance of accumulated depreciation;
- Assets are understated with an amount of N\$ 1 431 460;
- Depreciation charges for Motor Vehicle to the amount of N\$ 514 748 was not deducted;
- Bank accounts totalling N\$ 99 329 were not reflected in the financial statements; and
- Fixed Asset register was not maintained.

Except for the above-mentioned issues, in my opinion the financial statements fairly present the financial position of the Regional Council at 31 March 2010 and the results of its operations and cash flow for the year then ended.

WINDHOEK, August 2012

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

REGIONAL COUNCIL FOR THE KAVANGO REGION

BALANCE SHEET AS AT 31 MARCH

	Notes	2010 N\$	2009 N\$
ASSETS			
Non-current assets			
Fixed assets	2	38 122 539	41 596 745
Work in progress	2.1	31 533 792	25 320 394
		6 588 747	16 276 351
Current Assets			
Investment	3	57 031 615	32 076 012
Debtors control and sundry debtors	4	6 644 285	5 520 849
Cash and cash equivalent	5	4 495 973	2 482 111
VAT receivables		45 818 018	22 311 623
Sundry debtors		-	1 327 122
Stock on hand		-	356 695
		73 339	77 612
Total Assets		95 154 155	73 672 757
EQUITY AND LIABILITIES			
Liabilities			
Sundry creditors	6	1 431 527	355 185
Other liabilities	6	1 431 309	355 185
		218	-
Equity			
Accumulated funds	10	90 922 694	73 317 572
Surplus and deficit for the year		2 042 980	48 440 412
Build Together Fund		2 419 461	22 077 160
Development Fund: Capital Project		64 383 093	-
Retained surplus from previous year		22 077 160	-
Long term loan - Fedsure		2 800 000	2 800 000
Total equity and liabilities		95 154 221	73 672 757

REGIONAL COUNCIL FOR THE KAVANGO REGION

INCOME STATEMENT AS AT 31 MARCH

	Notes	2010	2009
		N\$	N\$
INCOME	8	19 450 468	15 479 778
EXPENDITURE	9	19 968 036	17 662 165
NET OPERATING SURPLUS/(DEFICIT)		(517 568)	(2 182 387)
Net interest received	8	2 560 548	2 120 747
NET SURPLUS /DEFICIT FOR THE YEAR		2 042 980	(61 640)
ACCUMULATED SURPLUS			
Beginning of the year		70 517 572	37 935 411
Prior year adjustment		18 362 142	32 643 801
End of the year	10	90 922 694	70 517 572

REGIONAL COUNCIL FOR THE KAVANGO REGION

CASH FLOW STATEMENT AS AT 31 MARCH

	Notes	2010	2009
		N\$	N\$
Cash flow from operating activities			
Net operating surplus/(deficit) before interest		2 042 980	(2 182 387)
Adjusted for non-cash items:			
Movement in current assets (increase)/decrease	7	(2 013 862)	(697 103)
Net cash flow from operation		29 118	(2 879 490)
Cash flow from investing activities			
Interest received		2 560 548	2 120 747
Investments- Decrease/ (Increase)	3	(1 123 436)	(1 426 229)
Plant and equipment acquired		8 102 995	14 715 514
Plant and equipment disposed		(10 823 319)	-
Net cash out flow from investing activities		(1 254 094)	12 530 542
Net change in cash and cash equivalents			
Unexplained adjustments		20 884 147	3 263 801
Current liabilities - Increase	7	1 076 342	144 009
Movement fund		-	(41 450 323)
Long-term loan - Fedsure		2 800 000	2 800 000
CASH AND CASH EQUIVALENTS:			
Beginning of the year		22 311 623	15 643 594
End of the year	5	45 818 018	22 311 623

REGIONAL COUNCIL FOR THE KAVANGO REGION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

1. ACCOUNTING POLICIES

The annual financial statements are prepared under the historical convention. The following accounting policies are consistent, in all material respects, with those of the previous year:

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 function is accounted for during the year on a cash accounting concept, in line with the State Finance Act, 1991. However, since all liabilities 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 financial statements.

1.1 Plant and equipment

All fixed assets are stated at historical cost less accumulate depreciation. Depreciation is calculated using the straight-line method to write off the cost of each asset to its residual value over its estimated useful economic life. The estimated useful economic lives for each category of asset are as follows:

The estimated useful lives are as follows:

Computer equipment	3 years
Office furniture, equipment and computers	3 years
Motor vehicles	5 years
Assets under construction	20 year

REGIONAL COUNCIL FOR THE KAVANGO REGION

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

2. PLANT AND EQUIPMENT

31 March 2010

	Land and buildings	Plant, machinery & equipment	Motor vehicles	Furniture & fittings	Computers equipment	Other assets	Office equipment	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Opening carrying amount	19 714 782	4 284 738	681 337	639 537	19 298	2 047	97 436	25 439 175
Gross carrying amount	20 891 342	5 401 784	4 478 757	1 629 914	192 663	11 704	698 892	33 305 055
Accumulated depreciation	(1 176 560)	(1 117 045)	(3 797 420)	(990 377)	(173 364)	(9 657)	(601 456)	(7 865 880)
Depreciation charge	(417 184)	(117 420)	514 748	(292 749)	(32 668)	(4 847)	(71 613)	(421 733)
Additions	6 504 498	-	1 040 750	320 314	155 207	11 102	71 124	8 102 995
Disposals	(10 832 319)	-	-	-	-	-	-	(10 832 319)
Closing carrying amount	25 802 095	4 167 318	2236834	667 102	141 838	8 303	96 947	31 533 792
Gross carrying amount	27 395 839	5 401 784	5 519 507	1 950 228	347 870	22 806	770 016	41 408 050
Accumulated depreciation	(1 593 745)	(1 234 466)	(3 282 672)	(1 283 126)	(206 032)	(14 503)	(673 069)	(8 287 612)

REGIONAL COUNCIL FOR THE KAVANGO REGION

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

PLANT AND EQUIPMENT (continued)

31 March 2009

	Land and buildings	Plant, machinery & equipment	Motor vehicles	Furniture & fittings	TOTAL
	N\$	N\$	N\$	N\$	N\$
Opening carrying amount	18 931 715	4 469 658	1 450 303	722 472	25 574 148
Gross carrying amount	19 695 509	5 339 000	446 603	1 422 019	26 903 131
Accumulated depreciation	(763 794)	(869 432)	(2 996 300)	(699 547)	(5 328 983)
Depreciation charge	(412 766)	(247 704)	(801 120)	(290 829)	(1 752 419)
Additions	1 195 833	62 784	32 154	207 894	1 498 665
Closing carrying amount	19 714 782	4 284 738	681 337	639 537	25 320 394
Gross carrying amount	20 891 342	5 401 784	4 478 757	1 629 914	82 401 797
Accumulated depreciation	(1 176 560)	(1 117 045)	(3 797 420)	(990 377)	(7 081 402)

REGIONAL COUNCIL FOR THE KAVANGO REGION

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

2.1 WORK IN PROGRESS

Project No	Project names	Opening balance	Additions 2009/10	Cost to date	Projects completed in 2009/10	WIP
		N\$	N\$	N\$	N\$	N\$
5	Divundu survey	566 898	-	566 898	566 898	-
8	Ndiyona settlement	245 267	-	245 267	245 267	-
9	Government hall	508 605	-	508 605	-	-
10	Muroro settlement area	123 852	-	123 852	123 852	-
11	Kayengona settlement area	127 452	-	127 452	127 452	-
12	Constituency office at Ncuncuni	1 256 674	-	1 256 674	-	-
14	Survey of Kahenge settlement area	300 000	-	300 000	300 000	-
15	Mpungu constituency office	835 030	-	835 030	21 760	-
21	Constituency office at Mukwe	-	-	-	1 392	-
22	Service Design – Divundu	76 878	-	76 878	76 878	-
24	Proclamation Feasibility study	90 044	-	90 044	90 044	-
26	Constituency office at Ndiyona	1 511 985	-	1 511 985	1 511 985	-
27	Divundu water Phase1	1 004 498	-	1 004 498	1 004 498	-
30	Construction of service. Divundu – Phase 2	1 805 000	2 790 829	4 595 829	-	2 790 829
31	Kapako constituency office	-	41 642	1 628 049	41 642	-
34	Rundu rural east constituency	2 112 419	-	2 112 419	2 112 419	-
35	Divundu water Phase3	-	84 028	84 028	-	84 028
36	Divundu survey extension	280 412	-	280 412	280 412	-
40	Construction of Rundu urban office	-	1 130 918	1 130 918	-	1 130 918
41	Katwiwi settlement area	-	158 009	158 009	-	158 009
44	Basic sanitation in rural area	-	2 430 163	2 430 163	-	2 430 163
	TOTAL	10 845 013	6 635 588	19 067 008	6 504 497	6 593 946

REGIONAL COUNCIL FOR THE KAVANGO REGION

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

	2010	2009
	N\$	N\$
3. INVESTMENTS		
Insurance company	6 644 285	5 520 849
4. DEBTORS		
Building Together Housing Scheme	2 058 107	2 187 247
Others receivables	195 338	294 864
Subsistence & travel advance	34 275	-
Staff study financial assistance	325 517	-
Salary advance	700	-
Value Added Tax Control	1 881 217	-
Suspense account/Opening balance	232	-
Others	587	-
	4 495 973	2 482 111
5. CASH AND CASH EQUIVALENTS		
FNB Operational account	29 712	353 598
FNB Main Call account	117 991	1 090 296
Development funds: Current account	-	212 917
FNB Development Fund Call account	42 277 008	15 651 605
FNB Build Together Receipt	159 930	95 126
FNB Build Together Disbursement account	415 271	374 674
FNB Build Together Call account	2 149 668	2 721 887
FNB Cheque account	1 168 338	1 007 059
FNB Revenue account	2 151 340	798 828
STD Fleet Management account	49 396	4 841
KRC BT Post Office	97	97
Interbank transfer	10 826	-
Cash control (Cash on hand)	21 496	695
	48 551 073	22 311 623
5.1 Bank overdraft		
Development funds: Current account	(2 733 055)	-
Net cash and cash equivalents	45 818 018	22 311 623

REGIONAL COUNCIL FOR THE KAVANGO REGION

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

	2010	2009
	N\$	N\$
6. CREDITORS		
Trade and other payable	-	336 682
Sundry creditors	1 431 309	18 500
Salaries and wages	218	3
	1 431 527	355 185
7. MOVEMENT IN CURRENT ASSETS AND LIABILITIES		
Accounts receivable and prepayments	(2 013 862)	(697 103)
Accounts payable	1 076 342	144 009
	(937 520)	(553 094)
8. INCOME		
Government Transfer-MRLGHRD	16 796 000	12 900 000
5% Rates from Local Authorities	148 057	315 018
Income from settlement areas	109 668	82 846
Royalties and other income	944 730	739 036
Hiring of properties	59 672	20 858
Interest and dividends received	2 560 548	2 120 747
Other income	136 429	536 987
Delegated functions income	1 255 913	885 034
Total income	22 011 016	17 600 526

REGIONAL COUNCIL FOR THE KAVANGO REGION

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

	2010	2009
	N\$	N\$
9. EXPENDITURE		
Remuneration	9 522 179	8 026 861
Employer's contribution-GIPF & MOP	991 670	919 378
Other condition of services	382 511	190 295
Subsistence and travel allowances	1 013 703	869 981
Material and supplies	386 716	270 861
Transport charges	1 157 184	991 006
Utilities	1 249 655	1 207 332
Maintenance charges	43 167	202 443
Property rentals	244 735	249 232
Depreciation expenses	1 451 228	1 752 420
Other services and expenditures	1 884 711	1 150 191
Subsidies, grants and contributions	869 131	758 918
Delegated functions expenditure	771 444	1 073 247
Total expenditure	19 968 036	17 662 166
SURPLUS/(DEFICIT) FOR THE YEAR	2 042 980	(61 640)
10. ACCUMULATED FUNDS		
Retained surplus	22 077 160	48 440 412
Development Capital Funds	64 383 093	-
Build Together Capital Fund	2 419 461	-
Surplus and deficit for the year	2 042 980	22 077 160
Balance at year end	90 922 694	70 517 572
11. ADJUSTMENTS		
Prior year adjustment	18 362 142	32 643 801
Unexplained adjustments	20 884 147	3 263 801