



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 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 for the Kavango Region for the financial year 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, August 2013**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE  
ACCOUNTS OF THE REGIONAL COUNCIL OF THE KAVANGO REGION  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011**

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**1. INTRODUCTION**

The Regional Council of 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 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. Deficits are indicated in brackets.

**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 they were only submitted on 16 November 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 statement
- 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 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 OBSERVATIONS AND COMMENTS

##### 4.1 Analysis of financial information

4.1.1 A difference between the current year's financial statements' opening balances with prior year's closing balances for fixed assets at cost was observed as follows:

<b>Date</b>	<b>Land and buildings</b>	<b>Plant, machinery, equipment and vehicles</b>
	N\$	N\$
31/03/2010 – Closing	25 802 095	6 404 153
01/04/2010 – Opening	25 363 726	5 255 876
<b>Difference</b>	<b>438 369</b>	<b>1 148 277</b>

4.1.2 The following difference between the current year's financial statements' opening balances with the prior year's closing balances for fixed assets accumulated depreciation of plant, machinery, equipment and vehicles was observed.

<b>Date</b>	<b>Amount</b>
	N\$
31/03/2010 – Closing	4 517 138
01/04/2010 – Opening	4 762 156
<b>Difference</b>	<b>245 018</b>

4.1.3 A difference between the annual financial statements and trial balance for retained income was as follows:

<b>Description</b>	<b>Amount</b>
	N\$
Annual financial statements	10 004 900
Trial balance	9 955 139
<b>Difference</b>	<b>49 761</b>

4.1.4 A difference between the annual financial statements and trial balance for fixed assets was as follows:

<b>Date</b>	<b>Fixed assets (Land and buildings)</b>	<b>Fixed assets (Fixtures and furnitures)</b>
	N\$	N\$
Annual financial statements	22 745 118	549 441
Trial balance	22 746 918	497 880
<b>Difference</b>	<b>(1 800)</b>	<b>51 561</b>

4.1.5 A difference between the annual financial statements and trial balance for work in progress (Basic sanitation toilets) was observed as follows:

<b>Description</b>	<b>Amount</b>
	N\$
Annual financial statements	5 113 573
Trial balance	5 108 073
<b>Difference</b>	<b>5 500</b>

4.1.6 A difference between the annual financial statements and trial balance for creditor's control was as follows:

Description	Amount
	N\$
Annual financial statements	1 406 279
Trial balance	1 405 311
<b>Difference</b>	<b>968</b>

4.1.7 A difference between the annual financial statements and note 2 for fixed assets was observed as follows:

Description	Amount
	N\$
Balance sheet note 2	26 210 137
Balance sheet	25 921 329
<b>Difference</b>	<b>288 808</b>

4.1.8 The following unexplained adjustments were made on the property, plant and equipment on note 2:

Description	Amount
	N\$
Land and buildings	(2 383 863)
Plant, machinery, equipment and vehicles	(1 665 962)
Office furniture, equipment and computers	19 753
<b>Difference</b>	<b>(4 030 072)</b>

#### Recommendation

It is recommended that the Council should carry forward the same closing balances to the next financial year as opening balances and ensure that there are no differences between the trial balance and the financial statements. The Council should also explain the adjustments made.

#### 4.2 Fixed assets

4.2.1 At the time of the audit, the Council could not provide the auditors with the updated work-in-progress register for verification. A difference of N\$ 10 529 253 was observed between the ledger and the annual financial statements.

4.2.2 Furthermore, differences of N\$ 4 381 882 for total cost of fixed assets and N\$ 4 043 314 for accumulated depreciation was observed between the annual financial statements and the asset register.

#### Impact

The above-mentioned findings introduce a risk of possible misstatement on the annual financial statements.

#### Recommendation

The Council is recommended to safeguard and update all supporting documents and avail them for audit purposes. The Council should also ensure accuracy of figures presented in the annual financial statements.

#### 4.3 Inventory

4.1 The auditors could not confirm the accuracy and completeness of the inventory figures in the annual financial statements due to the unavailability of supporting documents.

#### Impact

The auditors could not perform important audit tests due to the unavailability of the supporting documents.

**Recommendation**

The Council is recommended to safeguard and update all supporting documents and avail them for audit purposes.

**4.4 Unexplained adjustments**

The Council reported unexplained adjustments amounting to N\$ 13 921 765 and N\$ 4 109 226.

**Recommendation**

The Council should explain the adjustment made at all times.

**5. QUALIFIED AUDIT OPINION**

The accounts of the Regional Council of the Kavango 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 the following reasons:

- Difference between the general ledger and the financial statements amounting N\$ 10 529 25;
- Difference between the financial statements and the asset register in respect of a total cost of fixed assets amounting to N\$ 4 381 882 and accumulated depreciation amounting to N\$ 4 043 314; and
- An unexplained adjustment of N\$ 13 921 765.

Except for the above-mentioned matters, in my opinion, the accounts fairly present the financial position of the Council for the year ended 31 March 2011 and the results of its operations and cash flow for the year then ended.

**WINDHOEK, August 2013**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## REGIONAL COUNCIL OF THE KAVANGO REGION

## BALANCE SHEETS AS AT 31 MARCH

	Notes	2011 N\$	2010 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	2	25 921 329	31 533 792
Work in progress	2.1	10 529 253	6 588 747
		<b>36 450 582</b>	<b>38 122 539</b>
Investment	3	6 950 716	6 644 285
Debtors control & Sundry debtors	4	3 603 865	4 495 973
Cash and cash equivalent	5	28 265 616	45 818 250
VAT Receivables		4 754 633	-
Stock on hand		18 083	73 340
		<b>43 592 913</b>	<b>57 031 848</b>
<b>TOTAL ASSETS</b>		<b>80 043 495</b>	<b>95 154 388</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Liabilities</b>			
Current liabilities		1 435 101	1 431 527
<b>Equity</b>			
Accumulated funds	10	75 808 394	90 922 694
Surplus and deficit for the year		(1 192 536)	2 042 980
Build Together Fund		2 434 000	2 419 461
Development Fund:Capital Project		64 562 030	64 383 093
Retained surplus from previous year		10 004 900	22 077 160
Long term loan-Fedsure		2 800 000	2 800 000
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>80 043 495</b>	<b>95 154 221</b>

## REGIONAL COUNCIL OF THE KAVANGO REGION

## INCOME STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 MARCH

	Notes	2011 N\$	2010 N\$
INCOME	8	21 095 693	19 450 468
EXPENDITURE	9	24 177 027	19 968 036
NET OPERATING SURPLUS/(DEFICIT)		(3 081 334)	(517 568)
Net interest received	8	1 888 799	2 560 548
NET SURPLUS /DEFICIT FOR THE YEAR		(1 192 535)	2 042 980
ACCUMULATED SURPLUS			
Beginning of the year		90 922 694	70 517 572
Prior year adjustment		-	18 362 142
Unexplained adjustment		(13 921 765)	-
End of the year	10	<b>75 808 394</b>	<b>90 922 694</b>



## REGIONAL COUNCIL OF THE KHOMAS REGION

## CASH FLOW STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 MARCH

	Notes	2011 N\$	2010 N\$
<b>Cash flow from operating activities</b>			
Net operating surplus/(deficit) before interest		(1 192 535)	2 042 980
Surplus over-expenditure for the year			
Adjusted for non-cash items:			
Movement in current assets (increase)/decrease	7	(3 806 801)	(2 013 862)
Net cash flow from operation		(4 999 336)	29 118
<b>Cash flow from investing activities</b>			
Interest received		1 888 799	2 560 548
Investments- Decrease/ (Increase)	3	(306 431)	(1 123 436)
Plant and equipment acquired		1 091 983	8 102 995
Plant and equipmennt disposed		-	(10 823 319)
<b>Net cash out flow from investing activities</b>		(2 324 985)	(1 254 094)
Net change in cash and cash equivalents			
Adjustment		(4 109 226)	
Adjustments from income & expenditure		(13 921 765)	20 884 147
Current liabilities-Increase/(decrease)	7	3 574	1 076 342
Movement fund			1
Long -term loan- Fedsure		2 800 000	2 800 000
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning fo the year		45 818 018	22 311 623
<b>End of the year</b>	5	<b>28 265 616</b>	<b>45 818 018</b>

## REGIONAL COUNCIL OF THE KAVANGO 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 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 functions 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 years

**2. PLANT AND EQUIPMENT**

As at 31 March 2011

	<b>Land and buildings</b>	<b>Plant, machinery equipment &amp; vehicles</b>	<b>Office furniture equipment &amp; computers</b>	<b>Total</b>
	N\$	N\$	N\$	N\$
<b>Opening carrying amount</b>	<b>25 363 726</b>	<b>5 255 876</b>	<b>914 190</b>	<b>31 533 792</b>
Gross carrying amount	26 957 471	10 018 032	3 090 920	40 066 423
Accumulated depreciation	(1 593 745)	(4 762 156)	(2 176 730)	(8 532 631)
Depreciation charge	(498 075)	(1 486 881)	(400 609)	(2 385 565)
Adjustments	(2 383 863)	(1 665 962)	19 753	(4 030 072)
Additions	263 330	531 104	297 549	1 091 983
	<b>(2 618 608)</b>	<b>(2 621 739)</b>	<b>(83 307)</b>	<b>(5 323 654)</b>
Gross carrying amount	24 901 925	11 571 548	3 404 705	39 878 178
Accumulated depreciation	(2 156 807)	(8 937 412)	(2 573 823)	(13 668 042)
<b>Closing carrying amount</b>	<b>22 745 118</b>	<b>2 634 136</b>	<b>830 882</b>	<b>26 210 136</b>

## REGIONAL COUNCIL OF THE KAVANGO REGION

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

Client financial statement  
As at 31 March 2010

	Land and buildings	Plant, machineries equipment	Motor vehicle	Furniture & fittings	Computers equipment	Other assets	Office equipment	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$	N\$
<b>Opening carrying amount</b>	<b>19 714 782</b>	<b>4 284 738</b>	<b>681 337</b>	<b>639 537</b>	<b>19 298</b>	<b>2 047</b>	<b>97 436</b>	<b>25 439 175</b>
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)	(421 732)
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)
<b>Closing carrying amount</b>	<b>25 802 095</b>	<b>4 167 318</b>	<b>2 236 834</b>	<b>667 102</b>	<b>141 838</b>	<b>8 303</b>	<b>96 947</b>	<b>31 533 792</b>
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 OF THE KAVANGO REGION

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

## 2.1 CAPITAL PROJECTS STATUS

Project no	Project names	Opening balance	Cost to date	Projects completed in 2009/10	WIP 2009/10	WIP 2010/2011
		N\$	N\$	N\$	N\$	N\$
5	Divundu survey	566 898	566 898	566 898	-	566 898
8	Ndiyona settlement	245 267	245 267	245 267	-	245 267
9	Government hall	508 605	508 605	-	-	-
10	Muroro settlement area	123 852	123 852	123 852	-	123 852
11	Kayengona settlement area	127 452	127 452	127 452	-	127 452
12	Constitutency office at Ncuncuni	1 256 674	1 256 674	-	-	-
14	Survey of Kahenge settlement area	300 000	300 000	300 000	-	300 000
15	Mpungu constituency office	835 030	835 030	21 760	-	-
21	Constitutency office at Mukwe	-	-	1 392	-	-
22	Service Desing - Divundu	76 878	76 878	76 878	-	76 878
24	Proclamation feasibility study	90 044	90 044	90 044	-	90 044
26	Constituency office at Ndiyona	1 511 985	1 511 985	1 511 985	-	-
	Dumushi Project	-	-	-	-	(5 199)
	Divundu water Phase 2	-	-	-	-	2 928 524
27	Divundu water Phase1	1 004 498	1 004 498	1 004 498	-	-
30	Construciton of survey Divundu	1 805 000	4 595 829	-	2 790 829	-
31	Kapako constituency office	-	1 628 049	41 642	-	-
34	Rundu rural east constituency	2 112 419	2 112 419	2 112 419	-	-
35	Divundu water sewerage & roads phase 3	-	84 028	-	84 028	7 395 855
36	Divundu survey extension	280 412	280 412	280 412	-	280 411
40	Construciton of Rundu urban office	-	1 130 918	-	1 130 918	2 320 083
	Construciton of Rundu rural west office	-	-	-	-	105 480
	Preplanning of Divundu	-	-	-	-	166 865
	Acquisition of land - Divundu	-	-	-	-	756 908
41	Katwiwi settlement area	-	158 009	-	158 009	158 009
44	Basic sanitation in rural area	-	2 430 163	-	2 430 163	(5 113 573)
	<b>TOTAL</b>	<b>10 845 014</b>	<b>19 067 009</b>	<b>6 504 498</b>	<b>6 593 946</b>	<b>10 523 754</b>

## REGIONAL COUNCIL OF THE KAVANGO REGION

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

	2011	2010
	N\$	N\$
<b>3. INVESTMENTS</b>		
Shares in Nored	714 286	-
Insurance company	6 236 430	6 644 285
	<b>6 950 716</b>	<b>6 644 285</b>
<b>4. DEBTORS</b>		
<b>Debtors control</b>	<b>3 246 292</b>	<b>2 253 445</b>
Building Together Housing Scheme	-	2 058 107
Others receivables	-	195 338
<b>Sundry debtors</b>	<b>357 573</b>	<b>2 242 528</b>
Subsistence & Travel Advance	19 672	34 275
Staff study financial assistance	337 901	325 517
Salary advance	-	700
Value Added Tax Control	-	1 881 217
Suspense Account/Opening Balance	-	232
Others	-	587
	<b>3 603 865</b>	<b>4 495 973</b>
<b>5. CASH AND CASH EQUIVALENTS</b>		
FNB Operational account	-	29 712
FNB Main Call Account	118 862	117 991
Development funds: current account	-	-
FNB Development Fund	644 464	-
FNB Development Fund Call	23 313 505	42 277 008
FNB Build together Receipt	248 856	159 930
FNB Build together Disburse	84 233	415 271
FNB Build together Call	3 372 254	2 149 668
FNB Cheque Account	845 894	1 168 338
FNB Revenue account	89 440	2 151 340
STD Fleet Management account	46 607	49 396
KRC BT Post Office	97	97
FNB Cash for Work	269 226	-
Drought Relief	889	-
Interbank transfer	-	10 826
Cash Control (Cash in hand)	11 807	21 496
	<b>29 046 134</b>	<b>48 551 073</b>
<b>5.1. Bank overdraft</b>		
FNB Operational account	(780 518)	-
Development funds: current account	-	(2 733 055)
<b>Net cash and cash equivalents</b>	<b>28 265 616</b>	<b>45 818 018</b>

## REGIONAL COUNCIL OF THE KAVANGO REGION

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

	2011 N\$	2010 N\$
<b>6. CREDITORS</b>		
Sundry Creditors	1 436 069	1 431 309
Salaries and Wages	-	218
	<b>1 436 069</b>	<b>1 431 527</b>
<b>7. MOVEMENT IN CURRENT ASSETS AND LIABILITIES</b>		
Accounts receivable	(3 806 801)	(2 013 862)
Accounts payable	3 574	1 076 342
	<b>(3 803 227)</b>	<b>(937 520)</b>
<b>8. INCOME</b>		
Government Transfer-Mrlghrd	19 254 186	16 796 000
5% Rates from Local Authorities	338 595	148 057
Income from Settlement Areas	45 770	109 668
Royalties and Other income	579 750	944 730
Hiring of properties	15 970	59 672
Interest and dividends received	1 888 799	2 560 548
Other income	183 742	136 429
Delegated functions income	677 680	1 255 913
<b>Total income</b>	<b>22 984 492</b>	<b>22 011 016</b>
<b>9. EXPENDITURE</b>		
Remuneration	11 495 300	9 522 179
Employer s contribution -GIPF &MOP	1 419 005	991 670
Other condition of services	1 628 115	382 511
Subsistence & Travel	1 300 113	1 013 704
Materials and Supplies	353 647	386 716
Transport Charges	1 270 125	1 157 184
Utilities	1 274 917	1 249 655
Maintance Charges	86 895	43 167
Property Rentals	217 309	244 735
Depreciation expenses	-	1 451 228
Other services and expenditures	3 693 122	1 884 711
Subsidies, grants and contributions	-	869 131
Current transfer to ind & non-profit making	48 187	-
Current transfer -public & dept & pvt individual	639 138	-
Delegated functions expenditure	751 154	771 444
	<b>24 177 027</b>	<b>19 968 036</b>
<b>SURPLUS /(DEFICIT) FOR THE YEAR</b>	<b>(1 192 535)</b>	<b>2 042 980</b>

## REGIONAL COUNCIL OF THE KAVANGO REGION

## NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

	<b>2011</b>	<b>2010</b>
	N\$	N\$
<b>10. ACCUMULATED FUNDS</b>		
Retained surplus	10 004 900	22 077 160
Development Capital Funds	64 562 030	64 383 093
Build Together Capital Fund	2 434 000	2 419 461
Surplus and deficit for the year	(1 192 536)	2 042 980
Balance at year end	<b>75 808 394</b>	<b>90 922 694</b>
Prior year adjustment	-	18 362 142
Unexplained adjustments from Income & Expenditure	(13 921 765)	20 884 147
Unexplained adjustments to balance cash flow statement	(4 109 226)	-