



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNT OF THE**

# **OMAHEKE REGIONAL COUNCIL**

**FOR THE FINANCIAL YEARS ENDED 31 MARCH 2011, 2012 AND 2013**

Published by authority

Price (Vat excluded) N\$ 40.00  
Report no: 55/2015

**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 Omaheke Regional Council for the financial years ended 31 March 2011, 2012 and 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, July 2015**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE  
ACCOUNTS OF THE REGIONAL COUNCIL OF OMAHEKE  
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2011, 2012 AND 2013**

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**1. INTRODUCTION**

This report on the accounts of the Regional Council of Omaheke for the financial years ended 31 March 2011, 2012 & 2013 is presented to the National Assembly in accordance with the terms of Article 127(2) of the Constitution of the Republic of Namibia and provisions set out in the State Finance Act, 1991(Act 31 of 1991), as amended.

I have audited the accompanying financial statements of the Regional Council of Omaheke for the financial years ended 31 March 2011, 2012 & 2013. These financial statements comprise the balance sheet, income statement, cash flow statement and notes to the financial statements for the years then ended.

The Regional Council's financial statements were submitted **untimely** by the Accounting Officer to the Auditor-General on **25 August 2014 instead of three months after the end of the financial year as stipulated** in terms of Section 13 of the State Finance Act, 1991.

The financial statements, notes to the financial statements and general information provided by the Accounting Officer are attached as Annexures:

Annexure A: Balance Sheet

Annexure B: Income Statements

Annexure C: Cash Flow Statements

Annexure D: Notes to the financial statements

**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 12 & 13 of the State Finance Act, Act 31 of 1991 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 and 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. AUDIT FINDINGS**

### **4.1 Account Receivable**

Service debtors amounting to N\$16 927 788 were not recorded in the financial statements for the financial years under review.

#### **Recommendation**

The Council should ensure that all the accounts are properly recorded and reflected in the financial statements to avoid misstatements.

#### ***Management comments***

*The ERP Pastel Financial Management Software is not yet integrated. This creates a lot of updating challenges more so for the settlements that are geographically located offsite and treated as stand-alone entities, this becomes a serious challenge in collection of data and support documents as the document movement policy and collection policy is yet to be put into place. This software application will include integrating the activities of the settlements on to the main ERP where analysis reports can be generated and carried out.*

## **4.2 Vat control account for 2010/2011, 2011/2012 and 2012/2013 financial years**

At the time of the audit it was observed that there were inconsistencies in the processing of VAT. Some payment vouchers were VAT inclusive in the general ledger while some payment vouchers were VAT exclusive.

The VAT control account in the financial statements were reflected with amounts of N\$ 254 643 (2011), N\$ 857 126 (2012) and N\$ 1 034 804 (2013). There were no supporting documents such as VAT reconciliations, VAT returns and VAT assessments provided for audit purposes in order to verify these amounts.

### **Recommendation**

The Council is recommended to be consistent in processing of the VAT payments. It is further recommended that VAT returns be timeously completed and submitted to the Receiver of Revenue and also ensure that reconciliations are performed periodically.

### ***Management comments***

*The VAT assessments were done on a backlog basis. This brought a number of challenges, one of which is documents movement, the non-compatibility of the system software that the VAT consultant is using where it will be very difficult to trace the origins of the anomaly. The organisation will from hereon, ensure that the VAT process are not done in isolation, the VAT processing should now be done in comparison with ERP Pastel outcome, the two will have to bear the same outcome, therefore checks and balancing of VAT reconciliations should be applied to the two methodologies, i.e. the Consultant's and the Pastel Evolution. If there are discrepancies, the VAT consultant and accounts department should work to ensure the source of the discrepancy before submission.*

## **4.3 Stock/inventory**

### **Build Together materials (Inventory)**

For the financial years under review 2011, 2012 and 2013, it was observed that inventories amounting to N\$ 17 864 181 for Build Together materials acquired as were reflected in the financial statements, could not be verified to the source documents.

### **Recommendation**

The Council should ensure that all payment vouchers are filed and made available for audit purposes.

#### **4.4 PROPERTY, PLANT AND EQUIPMENT (PPE)**

No supporting documents were provided for audit purposes for Property, Plant and Equipment for transactions amounting to N\$ 829 076 for the year ended 31 March 2011. As a result, the amount could not be verified for accuracy and completeness.

##### **Recommendation**

Council should ensure that supporting documents are properly filed and availed for audit purposes.

##### ***Management Comments***

*We have realised that most of the documents that we hand over to the consultant for VAT consolidation are not returned. As such, it becomes very difficult to trace the actual location of the documents. The organisation is now mulling putting the procurement department in-charge of all the purchases whether project or general expenses. This will centralise the movement, control and security of the documents to ensure that documents do not move randomly. Pastel procurement module will be applied during the year 2015/2016 to ensure that all transactions are centrally administered and accounted for.*

#### **4.5 Depreciation**

##### **2010/2011, 2011/2012 & 2012/2013**

During the analysis of the fixed asset register, it was noted that the Council did not use pro rata basis on depreciation calculation. As a result, depreciation expenses amounting to N\$ 428 259, N\$ 683 058 and N\$ 973 514 for 2010/2011, 2011/2012 & 2012/2013 financial years respectively could be misstated in the financial statements.

##### **Recommendation**

The Council is recommended to calculate depreciation on a pro rata basis.

##### ***Management Comments***

*The Council did not have an Asset register. Most of the assets were purchased far long back and the purchase documentation is not available. Currently the organisation is working to obtain the estimate values from different suppliers in retrospect. This is a slow process but some progress has been made. It is envisaged that all the purchases prices will be available for the 2014/2015 year end financial reports. To avoid such incidents to occur in the future, the procurement department has been trained on Asset register on the ERP pastel and are from here on supposed to put all purchases figures of all capital equipment on presentation of invoice during purchases.*

#### **4.6 Work-in-progress (WIP): Capital projects**

Work in progress for the years ended 31 March 2011, 2012 and 2013 amounting to N\$ 3 419 792, N\$ 948 280 and N\$ 2 281 931 respectively could not be verified for accuracy and completeness due to non-submission of supporting documents.

## **Recommendation**

It is recommended that the Regional Council should improve its filing system and to comply with the provisions of section 26 (1) 6 (1) of the State Finance Act, (Act No. 31 of 1991).

### ***Management comments***

*The Regional Council has since identified that document management is its largest predicament of the **Financial Management Administration** of the Council. The **Management** has however, as previously stated, is putting mechanisms in place to improve the following:-*

- a.) Filing and records management system;*
- b.) Document control and risk management;*
- c.) Confidentiality management;*
- d.) Document movement and transfer system;*
- e.) Document management system;*
- f.) Documents back up system; and*
- g.) Documents policing.*

## **4.7 Comparison of opening balances in the general ledger (2010/2011) with closing balance annual financial statements (2009/2010)**

### **Property, Plant and Equipment (PPE)**

The auditors noted that there were no closing balances on Property, Plant and Equipment disclosed in the financial statements for the year ended 31 March 2010 amounting to N\$ 26 234 190.

## **Recommendation**

It is recommended that the Council should properly carry forward closing balances.

### ***Management Comments***

*The figures in 2011 were obtained from the excel spread sheets record indicating those balances as brought from previous years. In 2010 the figures were omitted, since these figures have no supporting documents. The figures in 2011 were input to have values where a baseline can be created since the challenge of the non-availability of this information would cause huge challenges financially. The authentication of the figure however may be challenged as only the excel spread sheet was used as the source document. The application of these figures was in the notion of progressive management. Rectification may however be done in the following financial years as the Regional Council seeks to conform in all sections of financial administration.*

## **4.8 Comparisons of Fixed Asset Register and Financial Statements**

During the audit, differences amounting to N\$ 25 199 118, N\$ 24 561 991 and N\$ 26 012 778 were observed between the Fixed Asset Register and the Financial Statements for the financial years ended 31 March 2011, 2012 and 2013 respectively.

#### **4.9 Comparisons General Ledger and Fixed Asset Register**

Differences amounting to N\$ 25 333 441, N\$ 24 665 125 and N\$ 24 698 802 for the financial years ended 31 March 2011, 2012 and 2013 respectively were observed for total assets when comparing the General Ledger with the Asset Register.

##### **Recommendation**

It is recommended that information disclosed in the General ledger should correspond to the fixed asset register.

##### ***Management Comments***

*The asset register is still being updated .It should be noted that the Fixed asset register module on ERP Pastel has been activated and currently the sectional employees in the Procurement section are busy with the updating and to bring all the assets and their values to date. It is again a process which the organisation is sure will be completed well ahead of the 2013/2014 financial statement. Asset identification (ID) and marking is on-going. The purchase dates for the Assets are captured correctly as per purchase years.*

#### **4.10 Cash and bank**

It was observed that most bank reconciliations performed had zero closing balances while the physical bank statements had balances. Furthermore, there were unexplained differences between bank statements and cash books which were not reflected in the bank reconciliations. It was further observed that the Council did not perform any bank reconciliations on a monthly basis.

#### **4.11 Difference between bank reconciliation and cash book**

During the analysis of bank reconciliation and cash book, differences amounting to N\$ 8 840 175, N\$ 1 357 385 and N\$ 12 105 687 were observed between bank reconciliation and cash book for the financial years ended 31 March 2011, 2012 and 2013 respectively.

#### **4.12 Difference between cash book and bank statements**

Differences amounting to N\$ 2 236 737, N\$ 4 979 056 and N\$ 3 944 345 were observed between cash book and bank statements for the financial years ended 31 March 2011, 2012 and 2013 respectively.

#### **4.13 Reconciling items (outstanding payments) on the bank reconciliations.**

It was noted that outstanding payments on the bank reconciliations went through the bank the same year but the payments were still shown as outstanding payments.

##### **Recommendation**

The Council is recommended that proper bank reconciliations are performed. The Council should ensure that amounts recorded in the financial statements agree to bank reconciliation balance and cash book. Furthermore, it is recommended that reconciliations for all bank accounts held by the Council should be performed on a monthly basis.



### ***Management comments***

*On investigation, the staff members processing the bank reconciliations did not input the closing balances as per bank statement. This is a software application and knowledge application challenge where Council is now vigorously taking all its sectional employees through continuous improvement on Pastel Evolution accounting training. However, the bank accounts which were affected are not indicated by the auditors making it difficult to easily check, nonetheless, the above response holds.*

This is a software manipulation error. This will be countered when all integration is done, this is what the Council envisages to carry out and achieve. This is an error.

#### **4.14 Development Fund: Capital Projects**

The auditors observed that there was no closing balance disclosed in the financial statements for the year ended 31 March 2010 for Development Fund Capital Projects, while the General Ledger had an opening balance amounting to N\$ 25 500 000.

#### **Recommendation**

It is recommended that balances should be properly disclosed in the financial statement.

### ***Management comments***

*The 2009/2010 was compiled and submitted with incomplete records. This forced the organisation to adopt some formula which is reasonable enough to estimate and acquire figure to be applied as an actual opening balance for the government. This was done in order to restart the accounting process as not applying this value would compound the challenges and put the financial administration of this fund into disarray. The figure of N\$25 500 000 is a reasonable workable figure for the council. This figure is however not a foreign figure in terms of source. It originates from the buildings construction that was funded by the government and as indicated and confirmed by the planning division. This is the closet figure that can be traced through the planning department.*

#### **4.15 Build Together: Capital Funds**

During the audit it was found that there was no closing balance disclosed in the financial statements for the year ended 31 March 2010 for Build Together: Capital Funds, while the General Ledger had an opening balance amounting to N\$ 10 375 500 as at 01 April 2010.

#### **Recommendation**

It is recommended that balances should be properly disclosed in the financial statements.

### ***Management comments***

*The 2009/2010 was compiled and submitted with incomplete records. This forced the organisation to adopt some formula which is reasonable enough to estimate and acquire a figure to be applied as an actual opening balance for the government. This was done in order to restart the accounting process as not applying this value would compound the challenges and put the financial administration of this fund into disarray. The figure of N\$ 10 375 500 was a reasonable workable figure for the Council. This figure is however not a 'foreign' figure in terms of origin. It originates from the total disbursed to **Build Together** beneficiaries funded by the government as presented, indicated and confirmed by the **Planning Division**. This figure can be traced through the Beneficiaries files and records and previous bank statements*

#### **4.16 Payments from Build Together: Capital Funds**

During the analysis of Build Together Capital Funds Account: it was noted that an amount of N\$ 6 047 500 (2011/2012) and N\$ 1 414 641 (2012/2013) were transferred from the Council's account to Municipality of Gobabis. No explanation or supporting documents were provided to the auditors concerning the above-mentioned transactions.

#### **Recommendation**

The Council is recommended to record these transactions in the correct account and submit all documents for audit purposes.

### ***Management comments***

*These were funds for Gobabis Town Council wrongly deposited into Regional Council's Build Together Account, however paper trail cannot be established or obtained to support and present as supporting documents and may have been misplaced.*

#### **4.17. Receipts: Build Together Capital Funds**

During the analysis of Build Together Capital Fund it was detected that there were Build Together Program receipts amounting to N\$ 330 808 from employees of other Government Ministries that were wrongly recorded under this account and no explanation or supporting documents were provided for audit purposes.

#### **Recommendation**

The Council is recommended to properly account for transactions in the correct account and submit all documents for audit purposes.

### ***Management comments***

*This is an issue of a transaction posting error on the part of the processing employee. This will be corrected and the anomaly rectified before the 2014/15 financial years. This will be rectified by debiting the Build Together Capital Funds and crediting the individual beneficiaries account.*

#### **4.18. Build Together Program**

Build Together beneficiaries' files for 2010/2011 financial year with loans amounting to N\$ 719 000 were not submitted for audit purposes.

##### **Recommendation**

It is recommended that all transactions should be supported by appropriate documents. The Council should improve its filing and ensure compliance with the provisions of the State finance Act, (Act No. 31 of 1991).

##### ***Management comments***

*The movement of files is currently a challenge as some files are disappearing or getting lost. A detailed documents management program will be put in place so that the rate of such occurrences is reduced and eventually all files will be protected. There shall be training on document control work instructions that will be rolled out and to be complied by every employee since it will also form part of employees' performance agreements parameters.*

#### **4.19. Non– submissions of payment vouchers**

Payment vouchers amounting to N\$ 815 492 for the financial year ended 31 March 2013 were not provided to auditors at the time of audit.

##### **Recommendation**

It is recommended that all transactions should be supported by appropriate documents. The Council should improve its filing and ensure compliance with the provisions of the State finance Act, (Act No. 31 of 1991).

##### ***Management comments***

*The movement of files to an outside contractor compromised most of the documents. To date all files have not returned.*

#### **4.20. PAYROLL**

##### **Net salary**

During the audit, a difference between the VIP-System and General Ledger amounting to N\$ 1 950 388 was observed for the financial year ended 31 March 2013. Furthermore, it was also observed that VIP Payment sheets are not being checked, verified and approved by way of signatures by the responsible official.

##### **Recommendation**

The Council is recommended that reconciliation between the general ledger and VIP-System be performed. Furthermore, VIP Payment sheets should be checked, verified and approved by way of signatures by the responsible official.

## ***Management comments***

*VIP Payroll is a standalone module working outside the main Pastel ERP. Integrating it or taking up Pastel Payroll will be looked into immediately.*

*Alternatively a strict VIP Payroll management and supervision will be put into place to ensure conformity on a month to month basis.*

*There will be improvement in the financial audit 2015/2016.*

## **15. FORMAL AND INFORMAL QUERIES**

Formal queries are embodied in this report.

Informal queries were addressed to the Acting Chief Regional officer.

## **16. ACKNOWLEDGEMENT**

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

## **17 BASIS FOR AUDIT OPINION**

The reasons listed below are the basis for Disclaimer of Opinion:

- Service debtors with total amount of N\$ 16 927 788 were not recorded in the financial years for the years under review;
- Supporting documents in respect of VAT control account to the value of N\$ 254 643 (2011), N\$ 857 126 (2012) and N\$ 1 034 804 (2013) could not be provided for audit purposes and there were inconsistencies in processing of VAT;
- Stock/Inventory amounting to N\$ 4 644 070 (2011), N\$ 6 284 548 (2012) and N\$ 6 935 563 (2013) could not be verified due to non-submission of supporting documents;
- Supporting documents of Property, Plant and Equipment transactions amounting to N\$ 829 076 were not provided for audit purposes;
- Purchase month was not taken into consideration when calculating depreciation of assets;
- Supporting documents for Work in Progress payments amounting to N\$ 3 419 792 (2011), N\$ 948 280 (2012) and N\$ 2 281 931 (2013) were not submitted for audit purposes;
- Opening balances disclosed in the general ledger for the financial year ended 31 March 2011, while there were no closing balances disclosed in the financial statements for the year ended 31 March 2010;
- Differences amounting to N\$25 199 118 (2011), N\$24 561 991 (2012) and N\$26 012 778 (2013) were observed between fixed asset register and financial statements;
- Differences amounting to N\$ 25 333 441 (2011), N\$ 24 665 125 (2012) and N\$ 24 698 802 (2013) were observed between general ledger and asset register;
- Unexplained differences between bank reconciliation, cash book and bank statements;
- Opening balance of Development Fund Capital Projects for the year ended 31 March 2010 amounting to N\$ 25 500 000 could not be verified;
- Unexplained opening balance for Build Together Capital Funds for the year ended 31 March 2010 amounting to N\$ 10 375 500;
- Supporting documents in respect of Build Together beneficiaries' files for the year ended 31 March 2011 amounting to N\$ 719 000 could not be provided for audit purposes;

- Expenditure payment vouchers amounting to N\$ 815 492 for the year ended 31 March 2013 were not provided for audit purposes;
- Net salary difference between VIP and general ledger amounting to N\$ 1 950 388 was observed for the year ended 31 March 2013.

#### **18. AUDIT OPINION: DISCLAIMER OF OPINION**

The accounts of the Regional Council of Omaheke for the financial years ended 31 March 2011, 2012 and 2013 have been audited in terms of Section 38 of the Regional Council Act, 1992 (Act 22 of 1992) and Section 25(1) (b) of the State Finance Act, 1991 (Act 31 of 1991)

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, **I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.** Accordingly, I do not express an opinion on the financial statements.

WINDHOEK, July 2015

**JUNIAS ETUNA KANDJEKE**  
**AUDITOR-GENERAL**

## BALANCE SHEET FOR THE YEAR ENDED 31 MARCH

	Note	2013	2012	2011	2010
		N\$	N\$	N\$	N\$
<b>ASSETS</b>					
<b>Non-current assets</b>		<b>28 655 370</b>	<b>27 641 046</b>	<b>27 412 190</b>	<b>-</b>
Property, plant and equipment	2	28 655 370	27 641 046	27 412 190	-
<b>Other Non - current Assets</b>					
Work - in - Progress : Capital Projects		28 100 125	21 560 724	12 314 828	-
<b>Current assets</b>		<b>60 994 365</b>	<b>60 934 029</b>	<b>35 535 238</b>	<b>29 708 561</b>
Cash and cash equivalents	6.1 & 6.2	43 237 104	43 481 975	20 263 857	22 598 972
Stock: Build Together Materials	7	6 935 563	6 284 548	4 644 070	-
Accounts receivable	8	10 821 698	11 167 506	10 627 311	7 109 589
<b>Total</b>		<b>117 749 860</b>	<b>110 135 799</b>	<b>75 262 256</b>	<b>29 708 561</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>		<b>112 892 134</b>	<b>109 113 479</b>	<b>75 210 445</b>	<b>28 191 974</b>
Accumulated Fund	11	40 400 321	35 543 479	29 581 395	6 457 414
Development Fund: Capital Projects	9	57 253 550	57 253 550	35 253 550	21 734 560
Build together: Capital Funds		15 238 263	16 316 450	10 375 500	
<b>Current liabilities</b>		<b>4 857 726</b>	<b>1 022 320</b>	<b>51 811</b>	<b>1 516 587</b>
Trade and other payables	3	4 795 605	1 022 320	29 361	14 586
Overdraft	6.3	62 121	-	22 450	1 502 001
<b>Total equity and liabilities</b>		<b>117 749 860</b>	<b>110 135 799</b>	<b>75 262 256</b>	<b>29 708 561</b>

## REGIONAL COUNCIL OF OMAHEKE

## INCOME STATEMENTS FOR THE YEAR ENDED 31 MARCH

	Notes	2013	2012	2011	2010
		N\$	N\$	N\$	N\$
Income	4	28 447 426	26 622 246	26 780 324	22 756 474
Delegated functions income		3 709 187	527 077	365 141	-
Expenditure	10	29 055 858	22 332 664	21 258 031	24 337 891
Net operating surplus/(loss)		3 100 755	4 816 659	5 887 434	(1 581 417)
Interest on current account	5	1 756 087	1 112 604	954 544	479 398
<b>Accumulated income/(deficit)</b>		<b>4 856 842</b>	<b>5 929 263</b>	<b>6 841 978</b>	<b>(1 102 019)</b>
Accumulated funds					
~at the beginning of the year		35 543 479	29 581 395	6 457 414	6 984 676
~ adjustments			32 821	16 282 002	574 757
~at the end of the year		<b>40 400 321</b>	<b>35 543 479</b>	<b>29 581 395</b>	<b>6 457 414</b>

## REGIONAL COUNCIL OF OMAHEKE

## CASH FLOW STATEMENTS AS AT 31 MARCH

	Notes	2013	2012	2011	2010
		N\$	N\$	N\$	N\$
<b>Cash flow from operating activities</b>					
Net operating (surplus)/ loss		3 100 755	4 816 659	5 887 434	(1 581 417)
Movement in current assets (increases)/ decrease		345 808	(540 195)	(3 517 722)	653 735
<b>Net cash inflow from operations</b>		<b>3 446 563</b>	<b>4 276 464</b>	<b>2 369 712</b>	<b>(927 682)</b>
<b>Cash flow from investing Activities</b>					
Interest received (paid)	5	1 756 087	1 112 604	954 544	479 398
Property, plant and equipment acquired (increase)/ decrease		(1 014 324)	(228 856)	(27 412 90)	-
<b>Net change in cash and cash equivalents</b>		<b>4 188 326</b>	<b>5 160 212</b>	<b>(24 087 934)</b>	<b>(448 284)</b>
Adjustments to balance the cash flow statements		(8 268 603)	(4 945 424)	(6 583 398)	-
Adjustments to balance the Income statements		-	32 821	16 282 002	574 757
Current liabilities increase/(decrease)		3 773 285	992 959	14 775	(72 380)
Movement in funds (decreases)/increase		-	22 000 000	13 518 990	9 026 370
<b>Increase in cash and cash equivalents</b>					
Cash and cash equivalents at the beginning of the year		43 481 975	20 241 407	21 096 971	12 016 508
<b>Cash and cash equivalents at the end of the year</b>	6	<b>43 174 983</b>	<b>43 481 975</b>	<b>20 241 407</b>	<b>21 096 971</b>



## REGIONAL COUNCIL OF OMAHEKE

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH

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**1. BASIS OF PREPARATION**

The financial statements are prepared in accordance with Namibian Statement of Generally Accepted Accounting Practice.

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain marketable securities.

**1.1 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Regional Council and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Government grants are recognised as and when received.

Interest is recognised on a time proportion basis which takes into account the effective yield on the assets over the period it is expected to be held.

Income from water, electricity and other services are recognised when the services are rendered. Income from prepaid water and electricity is recognised as and when received.

**1.2 Property, Plant and Equipment**

All property, plant and equipment are initially recorded at cost and adjusted for any impairment in value.

Depreciation is calculated on the straight - line method to write off the cost of each asset, or the revalued amounts, to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

Motor vehicles	20%
Furniture and fittings	20%
Office equipment	33.33%
Computer equipment	33.33%

### **1.3 Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant is related to expenses item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to the Capital Project Fund.

### **1.4 Financial instruments**

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables and trade creditors. The particular recognition methods adopted are disclosed in the individual policy statement associated with each item.

### **1.5 Capital projects**

Capital projects include all direct and related indirect expenditure on contracts. The stage of completion is based on the inspection performed. Once commissioned, they are transferred to other categories of fixed assets. Capital project relating to settlements once the settlements are proclaimed as Town or Village Councils.

## OMAHEKE REGIONAL COUNCIL

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

## 2. PROPERTY, PLANT AND EQUIPMENT

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	N\$	N\$	N\$	N\$
Development expenditure	25 677 361	25 500 000	25 500 000	-
Motor vehicles - Net value	2 055 475	872 266	1 187 947	-
Computer equipment - Net value	324 588	517 427	392 540	-
Office equipment - Net value	93 405	194 393	163 941	-
Furniture & fittings - Net value	497 126	515 567	106 662	-
Machinery & equipment - Net value	7 415	41 393	61 100	-
	<b>28 655 370</b>	<b>27 641 046</b>	<b>27 412 190</b>	<b>-</b>

## OMAEHEKE REGIONAL COUNCIL

## NOTES TO THE FINANCIAL STAMENTS AS AT 31 MARCH 2011-2012-2013 (continued)

<u>2012/2013</u>	<u>Building</u>	<u>Plant &amp; equipment</u>	<u>Motor Vehicle</u>	<u>Furniture &amp; Fittings</u>	<u>Office Equipment</u>	<u>Computer Equipment</u>	<u>Total</u>
			N\$	N\$	N\$	N\$	N\$
Opening carrying amount	-	-	-	-	-	-	-
Cost	25 500 000	103 131	1 486 803	517 217	402 196	1 025 843	29 035 190
Accummulated depreciation	-	61 738	614 537	1 650	207 803	508 416	1 394 144
Additions	177 361	-	1 456 524	282 928	15 941	55 084	1 987 838
Depreciation	-	33 978	273 315	301 369	116 929	247 923	973 514
Closing carrying amount	<b>25 677 361</b>	<b>7 415</b>	<b>2 055 475</b>	<b>497 126</b>	<b>93 405</b>	<b>324 588</b>	<b>28 655 370</b>
Cost	25 677 361	103 131	2 943 327	800 145	418 137	1 080 927	31 023 028
Accummulated depreciation	-	95 716	887 852	303 019	324 732	756 339	2 367 658
<u>2011/2012</u>	<u>Building</u>	<u>Plant &amp; equipment</u>	<u>Motor Vehicle</u>	<u>Furniture &amp; Fittings</u>	<u>Office Equipment</u>	<u>Computer Equipment</u>	<u>Total</u>
			N\$	N\$	N\$	N\$	N\$
Opening carrying amount	-	-	-	-	-	-	-
Cost	25 500 000	91 650	1 486 803	108 312	275 551	660 960	28 123 276
Accummulated depreciation	-	30 550	298 856	1 650	111 610	268 420	711 086
Additions	-	11 481	-	408 905	126 645	364 883	911 914
Depreciation	-	31 188	315 681	-	96 193	239 996	683 058
Closing carrying amount	<b>25 500 000</b>	<b>41 393</b>	<b>872 266</b>	<b>515 567</b>	<b>194 393</b>	<b>517 427</b>	<b>27 641 046</b>
Cost	25 500 000	103 131	1 486 803	517 217	402 196	1 025 843	29 035 190
Accummulated depreciation	-	61 738	614 537	1 650	207 803	508 416	1 394 144

## OMAEHEKE REGIONAL COUNCIL

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 (continued)

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
		N\$	N\$	N\$
<b>3. TRADE AND OTHER PAYABLES</b>	<b>4 795 605</b>	<b>1 022 320</b>	<b>29 361</b>	<b>14 586</b>
Supplier Control Account	4 585 777	1 022 320	29 361	14 586
ORC Stanic Account	209 828	-	-	-

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	N\$	N\$	N\$	N\$

**4. GROSS REVENUE****4.1 Income from PTO's/ Utility income**

	<b>28 447 426</b>	<b>26 622 246</b>	<b>26 378 274</b>	<b>22 756 474</b>
Rates and Levy from local authorities	619 706	-	-	4 556 414
Grants and donations received	821 570	-	-	-
Other services	1 775 746	1 625 965	3 692 461	101 497
Sundry income	826 549	59 428	1 141 917	763 563
Recurring budget from MRLGH	24 403 855	24 936 853	21 543 896	17 335 000

**4.2 Grants and Donations Received**

	-	-	<b>402 050</b>	-
Cash/Food for Work	-	-	61 435	-
Micro Finance	-	-	340 615	-
	<b>28 447 426</b>	<b>26 622 246</b>	<b>26 780 324</b>	<b>22 756 474</b>

**5. INVESTMENT INCOME**

Interest received on investment/own funds	1 756 087	1 112 604	954 544	479 398
	<b>1 756 087</b>	<b>1 112 604</b>	<b>954 544</b>	<b>479 398</b>

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

	2013	2012	2011	2010
	N\$	N\$	N\$	N\$
<b>6. CASH AND CASH EQUIVALENTS</b>				
<b>6.1 Own Funds</b>	<b>8 308 644</b>	<b>3 490 736</b>	<b>3 798 994</b>	<b>740 910</b>
ORC Decentralization account	2 176 381	1 185 491	2 746 004	62 174
Change Project account	90 632	89 731	-	38 389
Fleet Management account	1 740	401 542	196 704	-
5% Account No. 1070990901	4 406 880	811 563	503 723	548 964
Nampost Saving Post	1 633 011	1 002 409	352 563	91 383
<b>6.2 Special Purpose Funds</b>	<b>34 928 460</b>	<b>39 991 239</b>	<b>16 464 863</b>	<b>21 858 062</b>
Capital Projects account	-	265 285	-	319 533
Capital Project call account	23 670 573	25 378 867	13 456 941	14 379 103
Build Together account	1 101 836	1 638 619	182 565	361 471
Build Together call account	2 799 328	3 526 235	2 078 661	6 405 381
Build Together Receipt account	664 971	437 733	-	234 017
Decentralisation call account NDP	1 595 486	7 095 486	95 486	-
Cash Control: Build Together				
Customer Receipts	23 223	65 120	48 257	2 114
Social Upliftment Account	1 207	1 202	-	-
Governor's Social Fund - Call account	-	-	-	66 785
HIV/Aids Awareness account	54 137	53 639	53 639	30 383
Independence Celebrations account	30 892	30 077	30 035	26 599
Orphans and Vulnerable				
Children account	1 918	1 843	3 103	11 497
Emergency Disaster Fund	14 213	13 316	12 415	329
Omaheke Trade Fair Account	10 761	-	-	-
Traditional Authorities cheque account	11 089	11 089	11 089	20 850
Interbank account	4 948 826	1 472 728	-	-
Rural Development Account	-	-	492 672	-

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

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	N\$	N\$	N\$	N\$
<b>6.3 Overdraft</b>	<b>62 121</b>	-	<b>(22 450)</b>	<b>(1 502 001)</b>
ORC Decentralization Account	-	-	-	(1 499 487)
ORC Stannic Current Account Std	-	-	-	(2 255)
Social Upliftment Brick-make pro Capital projects Acc No.62021679066	62 121	-	-	(259)
	-	-	(22 450)	-
	<b>43 237 104</b>	-	<b>43 237 104</b>	<b>22 598 972</b>

**7. STOCK**

Build Together Materials	<b>6 935 563</b>	<b>6 284 548</b>	<b>4 644 070</b>	-
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**8. ACCOUNTS RECEIVABLE**

Customer Control Account	10 186 004	10 310 380	10 327 243	479 266
Build Together Sundry Debtors	(399 110)	857 126	254 643	5 921 000
VAT /Tax Control account	1 034 804		45 425	709 323
	<b>10 821 698</b>	<b>11 167 506</b>	<b>10 627 311</b>	<b>7 109 589</b>

**9. FUND ACCOUNTS**

Capital Project Fund	57 253 550	57 253 550	35 253 550	14 810 680
Build Together Fund			-	6 766 724
HIV/AIDS Awareness Fund			-	30 429
Independence Celebrations Fund			-	25 159
OVC Fund			-	12 486
Emergency Disaster			-	441
Traditional Authorities Fund			-	21 080
Social Upliftment & Brickmaking - Fund			-	1 855
Governor's Social Fund			-	65 706
	<b>57 253 550</b>	<b>57 253 550</b>	<b>35 253 550</b>	<b>21 734 560</b>

## 10. EXPENDITURE

<b>Remuneration</b>	<b>15 674 079</b>	<b>13 258 809</b>	<b>12 470 668</b>	<b>11 332 465</b>
Personnel expenditure	15 674 079	13 258 809	12 470 668	11 332 465
<b>Subsistence &amp; Travelling allowance</b>	<b>1 680 194</b>	<b>1 385 927</b>	<b>1 383 689</b>	<b>1 035 647</b>
Subsistence and Travel	1 680 194	1 385 927	1 383 689	1 035 647



## OMAHEKE REGIONAL COUNCIL

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

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	N\$	N\$	N\$	N\$
<b>Materials &amp; supplies</b>	-	-	-	<b>914 845</b>
General office supplies	-	-	-	604 660
Micro computer supplies	-	-	-	276 838
Protective clothing	-	-	-	22 989
Cleaning materials	-	-	-	10 358
<b>Transport</b>	<b>1 859 433</b>	<b>1 058 571</b>	<b>971 913</b>	<b>427 178</b>
Repairs & services	1 859 433	1 058 571	971 913	427 178
<b>Utilities</b>	<b>5 313 589</b>	<b>3 262 762</b>	<b>3 645 385</b>	<b>7 244 526</b>
Utilities (Diesel for Tallismanus)	5 313 589	3 262 762	3 645 385	7 244 526
<b>Maintenance expenses</b>	<b>1 107 609</b>	<b>474 388</b>	<b>154 012</b>	<b>14 177</b>
Property rental & related charges	1 107 609	474 388	154 012	14 177
<b>Other services &amp; expenses</b>	<b>2 309 920</b>	<b>1 943 657</b>	<b>1 924 523</b>	<b>2 312 500</b>
Symposiums & workshops	-	-	-	143 686
Security contracts	-	-	-	58 508
Official entertainment	-	-	-	60 209
Advertising	-	-	-	17 700
Insurance of assets	-	-	-	120
Other services & expenses	1 643 600	1 222 226	994 396	-
Professional fees	-	-	-	59 342
Refuse removal	-	-	-	165 365
Bank charges	-	-	-	93 051
Grants and contribution	555 977	521 978	864 787	-
Property rentals	110 343	199 453	65 340	-
ORC 5% account expenditure	-	-	-	664 519
Nampost Saving Account Expenses	-	-	-	1 050 000
<b>Furniture &amp; office equipment</b>			-	<b>1 056 553</b>
Vehicles			-	1 056 553
<b>Depreciation</b>	<b>973 514</b>	<b>683 058</b>	<b>428 259</b>	-
Motor vehicles	973 514	683 058	428 259	-
<b>Delegated Functions</b>	<b>137 520</b>	<b>265 492</b>	<b>279 582</b>	-
<b>TOTAL EXPENDITURE</b>	<b>29 055 858</b>	<b>22 332 664</b>	<b>21 258 031</b>	<b>24 337 891</b>

## OMAHEKE REGIONAL COUNCIL

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

## 11. ACCUMULATED FUNDS

	2013	2012	2011	2010
	N\$	N\$	N\$	N\$
	4 856 842	5 929 263	6 841 978	(1 102 019)
Distributable reserve	35 543 479	29 581 395	6 457 414	6 984 676
Adjustments	-	32 821	16 282 002	574 757
Net profit/loss this year	40 400 321	35 543 479	29 581 395	6 457 414