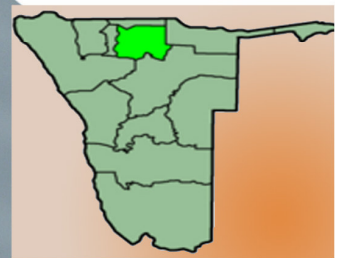




REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

REGIONAL COUNCIL OF THE OSHIKOTO 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 of the Oshikoto 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, July 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**OF THE AUDITOR-GENERAL ON THE
ACCOUNTS OF THE REGIONAL COUNCIL FOR THE OSHIKOTO REGION
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2010**

1. INTRODUCTION

The Regional Council for the Oshikoto region was established with effect from 31 August 1992 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 these were submitted on 01 September 2010 for the financial year ended 31 March 2010 and they were only completed on 23 August 2010. The Act allows a period of three months after year end.** The abridged balance sheets, Annexure A, are a true reflection of the original.

The following annexure are also attached to this report:

- Annexure B: Statements of income and expenditure
- Annexure C: Cash flow statements
- Annexure D: Notes to the financial statements

3. SCOPE OF THE 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, expenditures 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 information

4.1.4 Unauthorized expenditure

Over-spending was observed in the following account areas:

	N\$
Other condition of services	(306 486)
Utilities	(1 069 717)
Travelling and subsistence	(166 943)
Material and supplier	(3 372)
Property rental	(17 773)
Membership fees	(425)
Furniture & office equipment	(73 902)
Total	(1 638 618)

4.1.5 Comparison between the trial balance and the balance sheet

2009/2010 financial year

A difference of N\$ 411 371 was observed in fixed assets between the trial balance and balance sheet and N\$ 411 369 in equities between the balance sheet and trial balance.

4.1.6 Cash and bank

4.1.6.1 Bank Confirmation

The bank account for Oshikoto Communal Land Board, with a balance of N\$ 34 693 was confirmed by the bank but not reflected in the trial balance.

4.1.7 Stale Cheques

Stale cheques to the amount of N\$ 119 666 were not written back at year-end.

4.1.8 Fixed assets

4.1.8.1 Difference between fixed assets register, general ledger and financial statements

Differences between the general ledger and the fixed asset register were observed. Details are shown in the table below:

Description	General ledger	Assets register	Difference
	N\$	N\$	N\$
Land and buildings	17 570 833	91 409 389	73 838 556
Assets under construction	-	2 129 177	2 129 177
Total	17 570 833	93 538 566	75 967 733

4.1.8.2 Fixed assets register and annual financial statements

Difference between the fixed assets register and the annual financial statements were observed as follows:

Description	Annual financial statements	Assets register	Difference
	N\$	N\$	N\$
Machinery and equipment	1 344 177	14 742	1 548 554
Motor vehicles		2 877 989	
Furniture and fittings	1 283 040	3 249 088	2 416 926
Computer equipment		450 878	
Total	2 627 217	6 592 697	3 965 480

4.1.9 5% Rate levies

At the time of the audit, notification letters/remittance advices for money levied on property were not provided for audit purpose. In addition, 5 % rates levies to the value of N\$ 339 072 could not be confirmed. Furthermore, debtors could not be confirmed as well.

4.1.10 Unexplained adjustments

An adjustment of N\$ 10 800 238 was made to balance the accumulated funds. (See note 12 of the annual financial statements.)

Note 3 – Fixed assets

The opening balances for the net book value are incorrectly brought forward from the closing balances of the prior year.

Depreciation charged for the year under review were incorrectly deducted from the cost of assets instead of it being added to the accumulated depreciation.

5. ACKNOWLEDGEMENT

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

6. QUALIFIED AUDIT OPINION

The accounts of the Regional Council Oshikoto 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:

- Unauthorized expenditure to the amount of N\$ 1 638 618.
- Differences between the general ledger and the fixed asset register amounting N\$ 75 967 733.
- Difference between the asset register and the annual financial statements amounting N\$ 3 965 480.
- Unexplained adjustments to the amount of N\$ 10 800 238.

Except for the remarks in paragraph 4, I certify as a result of my audit that, in my opinion, the accounts fairly present the transactions during the respective year and the financial position of the Council as at 31 March 2010.

WINDHOEK, July 2011

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

REGIONAL COUNCIL FOR THE OSHIKOTO REGION

BALANCE SHEET AS AT 31 MARCH

	Notes	2010	2009
		N\$	N\$
Assets		97 839 684	78 485 816
Property, plant & equipment	3	96 165 784	76 889 000
Investments	5	1 673 900	1 596 816
Current Assets		22 247 665	24 954 915
Accounts receivable	6	5 189 519	4 074 220
Cash and cash equivalent	7.1	17 058 147	20 880 695
Total Assets		120 087 349	103 440 731
Equity and liability			
Accumulated funds	10	116 706 720	103 103 212
Current Liabilities			
Creditors	8	2 619 739	261 556
Bank overdraft	7.2	760 890	75 963
Total equity and liabilities		120 087 349	103 440 731

REGIONAL COUNCIL FOR THE OSHIKOTO REGION

STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
		N\$	N\$
Income	11.1 & 2.3	34 185 575	47 209 985
Expenditure	11.2	32 661 404	29 893 099
Net operating surplus/(Loss)		1 524 171	17 316 886
Interest on current account	2.3	1 279 100	2 174 906
Accumulated income/(deficit)		2 803 271	19 491 792
~ At the beginning of the year		103 103 212	83 731 747
~Adjustments		10 800 237	(120 327)
~At the end of the year	10	116 706 720	103 103 212

REGIONAL COUNCIL FOR THE OSHIKOTO REGION

CASH FLOW STATEMENTS AS AT 31 MARCH

	Notes	2010	2009
		N\$	N\$
CASH FLOWS FROM OPERATING ACTIVITIES	Annexure B	2 803 271	19 491 792
Surplus over expenditure for the year			
Adjusted for non-cash items:			
Depreciation for the year		1 018 125	740 892
Movement in current assets and liabilities	13	1 242 884	(4 490 963)
Net cash flow from operation		5 064 280	15 741 721
Cash flow from investing activities			
Property, plant and equipment:			
Property, plant and equipment acquired, value adjustments		(20 294 909)	(15 499 185)
Investments (acquired)/utilised	5	(77 083)	252 185
Net cash out flow from investing activities		(20 371 992)	(15 247 000)
Net change in cash and cash equivalents		(15 307 712)	494 721
Adjustments	12	10 800 238	(120 328)
CASH AND CASH EQUIVALENTS			
- Beginning of the year		20 804 732	20 430 339
- End of the year	7.1 & 7.2	16 297 258	20 804 732

REGIONAL COUNCIL FOR THE OSHIKOTO REGION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

1. ACCOUNTING POLICIES

The Annual Financial Statements are prepared in accordance with and comply with Namibian Statements of Generally Accepted Accounting Practice.

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, 1992, however, since all liability in relation to Delegated Functions remains with the relevant Line Ministry and all unexpected Delegated Funds are returned to the State Account as at 31 March, this does not materially affect the Regional Council financial statements.

1.2 Property, 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 assets to its residual value over its estimated useful economic life. The estimated useful economic lives for each category of asset are as follows:

2009 & 2010

Buildings	50 years	2% per annum
Machinery and equipment	5 years	20% per annum
Motor vehicles	5 years	20% per annum
Office furniture and equipment	3 years	33.3% per annum
Computer equipment	3 years	33.3% per annum

Land and infrastructure assets are not depreciated. It is assumed that land will appreciate in value over time, and that infrastructure assets (i.e water, sewage and electricity networks) will maintain their value due to the necessity of maintenance.

2. REVENUE**2.1 Government Transfer: MRLGH&RD**

The Council receives administrative grants from the Ministry of Regional and Local Government, Housing and Rural Development. The grants are for the day-to-day operations of the Council. In the current financial year, the Council received N\$ 28 672 200 (2009: N\$36 364 000).

2.2 Rates levy from Local Authorities

The Council per the Regional Council's Act of 1992, levies an amount equal to 5% of the rates levied on all rateable property in constituent local authority areas. This year the Council received N\$ 339 072.

The Council will actively pursue the outstanding levies from the local authority in the new financial year.

REGIONAL COUNCIL FOR THE OSHIKOTO REGION

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

	2010	2009
	N\$	N\$
2.3 Interest received		
Capital Project call account	630 756	2 174 906
General Expense call account	518 634	-
Build Together Programme call account	19 959	-
Other current accounts	109 751	-
	1 279 100	2 174 906

Interest for 2009 was grouped together.

2.4 Royalties

NORED electricity (Pty) Ltd	1 035 190	225 667
	1 035 190	225 667

The Regional Council receives royalties in respect of surcharges levied on its behalf by NORED. The rates are based approved tariffs by the Electricity control Board. These tariffs vary from time to time.

	2010	2009
	N\$	N\$
2.5 Other income		
VAT refunds	-	7 243 196
Sundries and other	410 562	364 456
	410 562	7 607 652

REGIONAL COUNCIL FOR THE OSHIKOTO REGION

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

3. PROPERTY, PLANT AND EQUIPMENT

March 31, 2010	<i>Assets under construction</i>	<i>Land & building</i>	<i>Total</i>	Assets under construction	Machinery and vehicles	Officer furniture equipment	<i>Total</i>
				land & buildings	and vehicles	computers	
				N\$	N\$	N\$	N\$
Opening net book value	57 440 159	17 570 833	75 010 992	75 010 992	455 447	1 422 561	76 889 000
Additions	18 527 574	-	18 527 574	18 527 574	1 184 967	582 367	20 294 908
Transfers (land & building)		73 838 556	73 838 556	73 838 556	-	-	73 838 556
Transfers (asset under construction)	(73 838 556)	-	(73 838 556)	(73 838 556)	-	-	(73 838 556)
Charges for the year	-	-	-	-	(296 237)	(721 888)	(1 018 125)
Closing net book amount	2 129 177	91 409 389	93 538 566	93 538 566	1 344 177	1 283 040	96 165 783
Cost	75 967 733	17 570 833	93 538 566	93 538 566	2 892 730	3 699 967	100 131 264
Capitalized WIP	-	73 838 556	73 838 556	73 838 556	-	-	73 838 556
Capitalized WIP	(73 838 556)	-	(73 838 556)	(73 838 556)	-	-	(73 838 556)
Accumulated Depreciation	-	-	-	-	(1 548 553)	(2 416 927)	(3 965 480)
Net book amount	2 129 177	91 409 389	93 538 566	93 538 566	1 344 177	1 283 040	96 165 784

Asset under construction and land buildings is a combined accounts, therefore openings, additions and charges are added together.

The opening balance is (N\$ 57 440 159 + 17 570 833) = N\$ 75 010 992

Cost is consist of N\$ 75 967 733 + 17 570 833 = N\$ 93 538 566

March 31, 2009	<i>Assets under construction</i>	<i>Land & building</i>	<i>Total</i>	Assets under construction	Machinery vehicles	Office furniture equipments & computers	<i>Total</i>
				land buildings			
				N\$	N\$	N\$	N\$
Opening net book amount	43 586 418	-	43 586 418	43 586 418	609 004	364 452	44 559 874
Additions	13 853 741	17 570 833	31 424 574	31 424 574	-	1 645 444	33 070 018
Disposals	-	-	-	-	(153 557)	(587 335)	(740 892)
Depreciation charges	-	-	-	-	-	-	-
Closing carrying amount	57 440 159	17 570 833	75 010 992	75 010 992	455 447	1 422 561	76 889 000
Cost	17 832 624	17 570 833	35 403 457	35 403 457	1 707 763	3 117 600	40 228 820
Capitalized work in progress	39 607 535	-	39 607 535	39 607 535	-	-	39 607 535
Accumulated depreciation	-	-	-	-	(1 252 316)	(1 695 039)	(2 947 355)
Closing carrying amount	57 440 159	17 570 833	75 010 992	75 010 992	455 447	1 422 561	76 889 000

REGIONAL COUNCIL FOR THE OSHIKOTO REGION

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

	2010	2009
	N\$	N\$
4. ASSETS CONSTRUCTED AND UNDER CONSTRUCTION		
Small scale Shelters for pensioners of Oshipala	16 514	-
Small scale - Shelters for pensioners of Esheshete	17 984	-
Small scale - Shelters for pensioners of Lipopo - Olukonda	18 887	-
Small scale- Shelters for pensioner fo Olukonda	20 601	-
Planning Omuthiya	-	-
Omuntele community hall	28 871	-
Small Scale - Sherters for pensioners of Omuntele	29 715	-
Small Scale- Sherters for Pensioners of Omugulugoonime	41 715	-
Small scale San community - Bread making project	76 747	-
Construciton of Omutele - Constituency office	-	1 193 074
Eengodi constituency office	77 264	-
Regional water project	-	-
Olukonda - Constituency office	13 400	-
Oshivelo - Community hall	12 876	-
Small scale projects: Onathing Open Market	11 100	-
Small scale - Electrification of Eengodi	79 483	-
Construction of sewer and water - Omuthiya	-	4 757 590
Construciton of water reticulation - Omuthiya	-	-
Okankolo constituency office	85 147	-
Station and s/line	-	-
Ondonga Traditional Authority	154 446	-
Onayena storm water	8 717	-
Omuntele constituency office	194 947	-
Small scale - Onathing open market	8 615	-
Omuthiya - Electrucity rectification	408 730	-
Small scale three stalls - Tsumeb	2 064	-
Onankali water supply	3 981	-
Small scale rural water - Onankali	4 334	-
Small scale Onayena 2 VIP toilets	3 500	-
Small scale pensioner shelter - Olukanda	6 700	-
Onyaanya open market	8 549	-
Construction of Oniipa constituency office	1 455 132	142 468
Construction of Omuthiya Town Council	-	-
Construction of Oshivelo community hall	-	515 038
Construction of Tsumeb constituency office	-	1 647 181
Construction of Omuntele community hall	-	772 434
Omuthiya Town Council office	170 967	-

REGIONAL COUNCIL FOR THE OSHIKOTO REGION

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

	2010	2009
	N\$	N\$
Cleaning of settlements	-	-
Onayena constituency office	173 636	-
Head Office – Omuthiya office construction	-	3 997 169
Onayena - Sewer system and pump station services	190 698	-
Head Office - Professional fees	-	-
Okankolo -Office construction	-	-
Onethindi - Professional fees	-	-
Okankole - Professional fees	-	-
Surveying - Settlements	-	-
Land purchase - Omuthiya	-	828 788
Oshikoto regional office complex in Omuthiya	1 055 978	-
Omuthiya oxidation ponds and gravel roads	3 327 939	-
Omuthiya - sewerage reticulation, pumpstation &pump	5 903 508	-
Prior year adjustments on assets under constructions	3 931 014	-
Tsumeb constituency office	983 815	-
Total	18 527 574	13 853 742
5. INVESTMENTS		
MetropolitanFedsure Life: Endowment policy	960 211	915 458
Metropolitan Fedsure Life:Endowment policy	693 688	661 358
Joint Venture:Etosha Safari Lodge	20 000	20 000
	1 673 900	1 596 816
6. ACCOUNTS RECEIVABLE		
Trade debtors	1 480 325	1 033 691
Build together debtors	4 898 492	2 211 082
Other bank accounts	-	-
Total	6 378 817	3 244 773
Less: Provision for doubtful debts	(1 199 357)	(346 799)
Receiver of Revenue - VAT	-	1 169 521
Staff loans	10 059	6 745
Total	5 189 519	4 074 240

REGIONAL COUNCIL FOR THE OSHIKOTO REGION

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

	2010	2009
	N\$	N\$
7.1 Bank balances and cash on hand		
FNB General expenses call account	1 198 920	1 676 927
FNB Capital project call account	12 976 720	14 970 559
FNB Capital project current account	303 180	322 080
BTP disbursement - Current account	115 144	11 247
BTP receipt - Current account	298 574	219 080
Ondonga Traditional / A current account	5 406	49 824
Ondonga T/A call account	-	162 191
Settlement call account	211 939	30 739
FNB Drought Aid Fund current account	173 206	574 754
Social Housing Scheme current account	355 403	339 567
Early Child Development current account	-	154 740
Early Child Development call account	412	14 909
HIV/AIDS current account	842	-
Wesbank fleet management account	50 527	169 159
Okashana RDC current account	11 303	31 957
Okashana RDC call account	464 570	51 241
ORC - French Embassy	101 796	-
Build Together call account	790 206	2 101 721
Total	17 058 147	20 880 695
7.2. Bank overdraft	(760 890)	(75 963)
Net cash and cash equivalents	16 297 257	20 804 732
8. CREDITORS		
Sundry creditors	-	10 769
Leave pay	1 983 372	-
Receiver of Revenue - VAT	(934 574)	-
Namwater	1 570 942	250 787
	2 619 739	261 556

REGIONAL COUNCIL FOR THE OSHIKOTO REGION

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

		2010	2009
		N\$	N\$
9. DELEGATED FUNCTION FROM LINE MINISTRY			
Line Ministry Delegated function			
9.1 Income		2 462 866	1 840 645
Ministry of Gender Equality and Child Welfare	Early Childhood Development	200 553	150 889
Ministry of Health and Social Services	Aids co-ordinators	-	828 199
Ministry of Regional, Local Government, Housing and Rural Development	- National Draught Fund	15 217	50 265
	- Social Housing Scheme		761 692
	- Rural Development	1 945 884	49 600
French Embassy	ORC	301 213	-
9.2 Expenditure		2 111 086	1 849 025
Ministry Gender Equality and Child Welfare	Early Childhood Development	157 382	160 326
Ministry of Regional, Local Government, Housing and Rural Development	Social Housing Scheme		
	National Drought Fund	701 642	550 022
	Rural Development	789 618	881 156
	Word Food Day		190 918
Ministry of Health and Social Services	Aids co-ordinators	262 445	66 603
French Embassy	ORC	200 000	-
SULPLUS/(DEFICIT)		351 780	(8 380)
10. ACCUMULATED FUNDS			
Retained surplus		34 825 993	15 780 528
Development Capital Funds		66 912 219	66 912 219
Build Together Capital Fund		1 365 000	1 365 000
Surplus for the year		2 803 271	19 491 792
Prior year adjustment		10 800 238	(446 327)
Balance at the end of the year		116 706 720	103 103 212

REGIONAL COUNCIL FOR THE OSHIKOTO REGION

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

	Notes	2010 N\$	2009 N\$
11.1 Income			
Government transfer : MRLGH	2.1	28 672 200	36 346 000
Rates levy from Local Authorities	2.2	339 072	35 698
Rates, charges and fees (settlement area)		-	-
Interest and dividends received	2.3	1 279 100	2 174 906
Other income	2.5	686 476	7 607 652
Water sales		989 771	1 206 873
Royalties	2.4	1 035 190	173 117
Sub- total		33 001 809	47 544 246
Delegated functions	9.1	2 462 866	1 840 645
Total income	11.1	35 464 675	49 384 891
11.2 Expenditure			
Depreciation expense		1 018 125	740 892
Maintenance expenses		920 979	5 624 939
Other expenditures		238 472	4 136 460
Property rental		301 243	200 578
Personnel expenditures		15 171 037	11 175 657
Travel and subsistence expenses		1 286 455	1 394 029
Transport expenses		0	812 868
Utilities		4 479 701	3 706 464
Loss on investment		0	252 185
Advertising, publications and stationery		246 984	-
Bad debt provisions		852 558	-
Bank charges		273 129	-
Insurance		119 746	-
Motor vehicle expenses		1 128 924	-
Professional fees		75 879	-
Security		303 936	-
Subscription fees		51 138	-
Telephone and fax charges		518 279	-
Trade fairs, commemorations and donations		266 920	-
Training and entertainment		307 103	-
Water purchases		2 989 710	-
Sub total		30 550 318	28 044 072

REGIONAL COUNCIL FOR THE OSHIKOTO REGION

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

11.2 Expenditure (continued)

	Notes	2010	2009
		N\$	N\$
Delegated functions	9.2	2 111 086	1 849 027
Total expenditure	11.2	32 661 404	29 893 099
Surplus		2 803 271	19 491 792

12. ADJUSTMENT TO ACCUMULATED FUNDS

Adjustments	10 800 238	(120 328)
	10 800 238	(120 328)

ADJUSTMENTS TO ACCUMULATED FUNDS

13. MOVEMENT IN CURRENT ASSETS AND LIABILITIES

Accounts receivable - (Increase)/decrease	(1 115 299)	(893 699)
accounts payable - Increase/(decrease)	2 358 183	(3 597 265)
	1 242 884	(4 490 964)