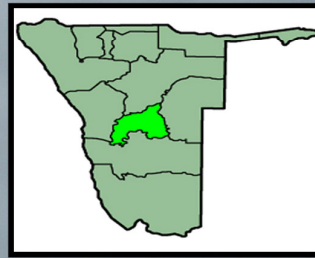




REPUBLIC OF NAMIBIA



AUDIT REPORT ON THE ACCOUNTS OF THE

REGIONAL COUNCIL OF THE KHOMAS REGION

FOR THE FINANCIAL YEARS ENDED 31 MARCH 2008 AND 2009

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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 Khomas region for the financial years ended 31 March 2008 and 2009, 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, October 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE
ACCOUNTS OF THE REGIONAL COUNCIL OF THE KHOMAS REGION
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2008 AND 2009**

1. INTRODUCTION

The Regional Council of the Khomas 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 Namibian 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 statements related to the 2008/09 financial year were signed on 16 March 2010 and those for the 2007/08 financial year on 02 September 2008. The Act allows a period of three months after year-end.**

The abridged balance sheets, Annexure A, are true reflections of the originals.

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

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

The audit observations were communicated to the Chief Regional Officer by way of a management letter. The reply has been received and immaterial matters as well as those that were answered satisfactorily is not included in this report. The auditors were of the opinion that the following issues should still be raised:

4.1 Analysis of financial information

The following differences were observed between the financial statements submitted and the trial balance provided for the 2008/09 financial year:

2008/2009

Description	Balance sheet	Trial Balance	Difference
	N\$	N\$	N\$
Investment	3 966 685	4 013 151	(46 466)
Accounts Receivable			
Embezzled Funds	320 179	-	320 179
Other Receivables	58 528	146 106	(87 578)
Trade Creditors	121 415	89 090	32 325
Other Liabilities: Insurance	5 553	8 399	(2 846)
(Deficit)/Surplus for the year	4 189 008	3 917 855	271 153

4.2 Cash and bank

2007/2008

At the time of the audit, stale cheques to the amount of N\$ 80 572 were not written back yet and therefore the accumulated fund is understated by the amount.

2008/2009

At the time of the audit, the following differences were found between the cash-book balances and the bank balances as reflected in the financial statement of the Council.

Account details	Account No	Bank reconciliation	Cash-book	Differences
		N\$	N\$	N\$
FNB 32 Day Account	74058360120	-	(179 714)	179 714
FNB Call Account	62061967645	-	(155 724)	155 724
HIV/Aids Call Account	248907832 (001)	324 191	21 110	303 081
HIV/Aids Current Account	241007968	-	(7403)	7403
STD Bank 32 Day Account	048798878 (007)	-	(426 516)	426 516
STD Bank Call Account	048798878 (002)	152 222	(5 005 048)	5 157 270
STD Bank Call Account	048798878 (003)	1 231 415	498 487	732 928
STD Bank Current Account	041483952	2 571 286	1 883 395	687 891
STD Bank Prestige Account	248900358 (001)	-	(234 761)	234 761
STD Bank Call Account	048798878 (001)	8 170 395	(769 254)	8 939 648
STD Bank Drought Relief	041449885	(662)	(886)	224
STD Bank Call Account	048798878 (008)	8 202 910	1 464 247	6 738 662

Stale cheques to the amount of N\$ 448 783 were not written back at the end of financial year.

4.3 Inventory

Stock taking reports are in place and consumable items values have been determined. The Council did not reflect the total value of N\$ 27 104 (2008/2009) and N\$ 49 477 (2007/2008) for in the financial statement.

4.4 Interest on investments

2008/2009

At the time of the audit, the audited figure amounted to N\$ 335 150 while the general ledger reflected N\$ 433 863. This implies that interest on investments is overstated by N\$ 98 713.

	N\$
Treasury Bill 1	53 506
Treasury Bill 2	64 877
Treasury Bill 4	80 548
Treasury Bill 5	89 753
Treasury Bill 6	46 466
Audit figures	335 150
General ledger	433 863
DIFFERENCE	98 713

It was also observed that accrued interest amounting to N\$ 33 315 was not reflected in the general ledger.

It was noted that interest to the amount of N\$ 53 507 was not included for the 2007/2008 financial year. This amount is however included in the interest for the 2008/2009 financial year. Interest on investments is thus understated by the said amount for the 2007/2008 financial year and overstated for 2008/2009.

2007/2008

Interest received from Treasury Bills to the amount of N\$ 76 795 is not reflected in the financial statements of the Council.

4.5 S&T expenditure

2008/2009

The audit revealed that during the 2007/2008 financial year outstanding subsistence and travel balances to the amount of N\$ 104 538 was cleared by way of credit notes without actual claims being submitted.

4.6 Accounts receivable

For both years under review the auditors were unable to reconcile the detailed debtor ledger with the main ledger.

4.7 Accounts payable

The auditors were unable to verify creditors of N\$ 121 415 for the 2008/2009 financial year.

4.8 Fixed assets

At the time of the audit it was found that the Regional Council does not maintain an appropriate fixed assets register for assets owned by the Council.

Supporting documentation for additions to fixed assets to the value of N\$ 94 042 for the 2008/2009 financial year could not be provided.

It was also observed that during the 2007/2008 financial year depreciation was calculated for the full year irrespective of the date of purchase. These additions should be depreciated on a pro rata basis. Council should rectify this error during the next financial year.

5. QUALIFIED AUDIT OPINION

The accounts of the Regional Council of the Khomas region for the financial years ended 31 March 2008 and 2009 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 financial statements submitted and the trial balance provided differs on several account areas.
- Stale cheques to the amount of N\$ 80 572 were not written back at the 2007/2008 year-end, therefore the accumulated fund is understated by the said amount.
- The balance of several bank accounts disclosed in the financial statements of the Council does not agree with the cash-book balances in the general ledger.
- Inventories to the amount of N\$ 27 104 for 2008/2009 and N\$ 49 477 for 2007/2008 are not disclosed in the financial statements of the Council.
- Interest on investments are overstated by N\$ 98 713 for the 2008/2009 financial year and understated by N\$ 76 795 for the 2007/2008 financial year.
- Subsistence and travel advances to the amount of N\$ 104 538 was cleared without submitting actual claims.
- The detailed debtor ledger could not be reconciled with the main ledger.
- The auditors were unable to verify creditors of N\$ 121 415 for the 2008/2009 financial year.
- Supporting documentation related to additions of fixed assets to the amount of N\$ 94 042 could not be provided.

Except for the above-mentioned issues, in my opinion, the accounts fairly present the financial position of the Council for the years ended 31 March 2008 and 2009 and the results of its operations and cash flow for the years then ended.

WINDHOEK, October 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

REGIONAL COUNCIL OF THE KHOMAS REGION

BALANCE SHEETS AS AT 31 MARCH

	Notes	2009 N\$	2008 N\$	2007 N\$
ASSETS				
Non-current assets		49 725 045	44 941 794	41 253 384
Property, plant & equipment	3	39 097 448	35 007 428	35 456 972
Work in progress	4	10 627 597	9 934 366	5 796 412
Investments	5	3 966 685	4 025 123	4 025 123
Current assets		23 268 501	23 536 011	21 367 403
Accounts receivable	6	4 295 810	2 514 599	2 708 198
Cash on hand and bank	7	18 972 691	21 021 412	18 659 205
Total assets		76 960 231	72 502 928	66 645 910
EQUITY AND LIABILITIES				
Accumulated funds	8	76 737 238	72 277 168	66 308 287
Current liabilities		222 993	225 760	337 623
Trade creditors		121 415	99 739	134 736
Other liabilities	9	101 578	126 021	202 887
Total equity and liabilities		76 960 231	72 502 928	66 645 910

ANNEXURE B

REGIONAL COUNCIL OF THE KHOMAS REGION

INCOME STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 MARCH

	Notes	2009	2008	2007
		N\$	N\$	N\$
Income	10	20 730 195	20 347 529	21 635 103
Expenditure	11	18 788 007	16 740 964	15 644 621
Net operating surplus/(loss)		1 942 188	3 606 565	5 990 482
Interest on current account		2 246 821	2 020 951	2 460 054
Accumulated income/(deficit)		4 189 009	5 627 516	8 450 536
Accumulated funds				
- At the beginning of the year		72 277 168	66 308 287	57 513 386
- Delegated funds		-	-	282 994
- Adjustments		271 061	341 365	61 371
- At the end of the year		76 737 238	72 277 168	66 308 287

REGIONAL COUNCIL OF THE KHOMAS REGION

CASH FLOW STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 MARCH

	Note	2009 N\$	2008 N\$	2007 N\$
Cash flow from operating activities				
Cash receipt from customers		20 730 195	20 347 529	21 635 103
Cash paid to suppliers		20 300 924	16 317 863	16 407 076
Cash generated by operations	12	429 271	4 029 666	5 228 027
Interest received		2 246 821	2 020 951	2 460 054
Net cash inflow from operating activities		2 676 092	6 050 617	7 688 081
Cash flow from investing activities				
Net capital expenditure		(4 783 251)	(3 688 410)	(3 412 173)
Increase)/decrease in investments		58 438	-	4 249 583
Net (decrease)/increase in cash and Cash equivalents		(2 048 721)	2 362 207	8 525 491
CASH AND CASH EQUIVALENTS				
- Beginning of the year		21 021 412	18 659 205	10 133 714
- End of the year		18 972 691	20 021 412	18 659 205

REGIONAL COUNCIL OF THE KHOMAS REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 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 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 accruals concept.

All fixed assets are stated at historical cost less accumulated 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:

Buildings	50 Years
Furniture, Fixtures & Fittings	5 Years
Motor Vehicles	5 Years
Office Equipment	3 Years
Computer Equipment	3 Years

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, sewerage and electricity networks) will maintain their value due to the necessity regular maintenance.

Buildings that are still under construction are classed as Work in Progress, and are not depreciated until the work is fully completed.

2. REVENUE AND EXPENDITURE

2.1 Government Transfers: 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. The Council received N\$ 12 390 675 in 2009 and N \$ 12 392 250 in 2008.

REGIONAL COUNCIL OF THE KHOMAS REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH

2.2 Rates levy from local authorities

The Council per the Local Authorities Act of 2000, Section 77(1) levies an amount equal to 5% of the rates levied on all rateable property situated in local authority areas. Rates receivable amounted to N\$ 7 569 729: 2009 and N\$ 7 150 000: 2008 (N\$ 6 901 741: 2007).

3. FIXED ASSETS

YEAR 2009	Infrastructure, land & buildings	Motor vehicles	Computer & office equipment	Furniture, fixtures & fittings	Total
Cost	N\$	N\$	N\$	N\$	N\$
Cost as at 1 April 2008	34 757 178	2 848 465	1 209 344	2 176 172	40 991 159
Additions	4 806 632	339 796	567 629	194 340	5 908 397
Disposals	-	-	-	-	-
Cost as at 31 March 2009	39 563 810	3 188 261	1 776 973	2 370 512	46 899 556
Accumulated depreciation					
Opening balance	2 650 495	1 207 658	876 545	1 249 033	5 983 731
Depreciation charge for the year	727 943	529 285	191 566	369 583	1 818 377
Accumulated depreciation as at 31 March 2009	3 378 438	1 736 943	1 068 111	1 618 616	7 802 108
Carrying value at 31 March 2009	36 185 372	1 451 318	708 862	751 896	39 097 448
YEAR 2008					
Cost	N\$	N\$	N\$	N\$	N\$
Cost as at 1 April 2007	34 757 178	2 232 118	1 033 584	1 886 184	39 909 064
Additions	-	616 347	175 760	289 988	1 082 095
Cost as at 31 March 2008	34 757 178	2 848 465	1 209 344	2 176 172	40 991 159
Accumulated depreciation					
Opening balance	1 955 351	801 644	757 730	937 367	4 452 092
Depreciation charge for the year	695 144	406 014	118 815	311 666	1 531 639
Accumulated depreciation as at 31 March 2008	2 650 495	1 207 658	876 545	1 249 033	5 983 731
Carrying value at 31 March 2008	32 106 683	1 640 807	332 799	927 139	35 007 428

REGIONAL COUNCIL OF THE KHOMAS REGION

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

YEAR 2007	Infrastructure, land & buildings	Motor vehicles	Computer & office equipment	Furniture, fixtures & fittings	Total
Cost	N\$	N\$	N\$	N\$	N\$
Cost as at 1 April 2006	33 105 828	1 750 052	846 541	1 709 826	37 412 247
Additions	1 651 350	648 899	187 043	176 358	2 663 650
Disposals	-	(166 833)	-	-	(166 833)
Cost as at 31 March 2007	34 757 178	2 232 118	1 033 584	1 886 184	39 909 064
Accumulated depreciation					
Opening balance	1 293 234	579 617	643 097	660 986	3 176 934
Depreciation charge for the year	662 117	277 639	114 633	276 381	1 330 770
Disposal	-	(55 612)	-	-	(55 612)
Accumulated depreciation as at 31 March 2007	1 955 351	801 644	757 730	937 367	4 452 092
Carrying value at 31 March 2007	32 801 827	1 430 474	275 854	948 817	35 456 972

	2009	2008	2 007
	N\$	N\$	N\$
4. WORK IN PROGRESS			
Katutura Central	579 719	406 225	406 225
Samora Machel	-	314 086	-
Moses Garoeb	173 039	-	-
Windhoek West	-	1 103 018	1 103 018
Soweto	3 028 165	1 701 101	590 413
Groot Aub Settlement – Water infrastructure	3 880 111	2 842 509	2 292 056
Kapps farm – Water infrastructure	240 859	224 696	224 696
Katutura East	-	2 523 473	514 341
Khomasdal North	644 060	644 060	635 110
Dordabis Settlement	-	74 372	-
Arosvlei	-	17 566	-
Aris farm	-	83 260	30 553
Rural electrification	162 925	-	-
Project formulation and design	990 858	-	-
Regional structure plan	18 764	-	-
Rural water supply	909 097	-	-
	10 627 597	9 934 366	5 796 412

5. INVESTMENTS

Treasury Bills	3 966 685	4 025 123	4 025 123
	3 966 685	4 025 123	4 025 123

Investment are initially carried at cost and thereafter at fair value/ guaranteed value with unrealised gains or losses accrued in the income statement. Fair value is determined as net realizable value.

REGIONAL COUNCIL OF THE KHOMAS REGION

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

	2009	2008	2007
	N\$	N\$	N\$
6. ACCOUNTS RECEIVABLE			
City of Windhoek	1 617 584	1 618 086	1 743 119
VAT Receivable	1 520 442	-	-
Park foods debtors	650 871	553 314	522 565
Embezzled funds	320 179	320 179	332 753
Other receivables	58 528	17 946	47 342
S & T advances	128 206	5 074	62 419
	4 295 810	2 514 599	2 708 198

7. CASH AND CASH EQUIVALENTS

FNB 32 Day account	-	179 714	165 905
FNB Call account	-	155 724	145 517
HIV/AIDS Call account	324 191	303 081	285 145
HIV/AIDS Current account	-	7 403	8 153
Standard Bank			
- 32 Day account	-	423 075	384 763
- Call account	152 222	5 157 270	5 405 170
- Call account	1 230 653	432 301	287 508
- Current account	892 982	(575 201)	(1 411 541)
- Prest Park account	-	234 761	120 746
- Call account	8 170 395	8 394 217	7 489 637
- Drought Relief	(662)	224	986
- 32 Day account	8 202 910	6 308 843	5 777 216
	18 972 691	21 021 412	18 659 205

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to amounts of cash and subject to insignificant risk in changes in value.

8. ACCUMULATED FUNDS

Balance, beginning of the year	72 277 168	66 308 287	57 513 386
(Deficit)/Surplus for the year	4 189 009	5 627 516	8 450 536
Delegated Funds	-	-	282 994
Prior year adjustments	271 061	341 365	61 371
	76 737 238	72 277 168	66 308 287

REGIONAL COUNCIL OF THE KHOMAS REGION

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

	2009	2008	2 007
	N\$	N\$	N\$
9. OTHER LIABILITIES			
Receiver of Revenue	524	190 424	190 424
Pension - GIPF	68 520	(47 319)	1
Social Security Commission	5 876	1 056	1 057
Medical Aid - Ministry of Finance	5 310	5 310	5 310
Housing subsidy	1 376	7 406	7 406
Insurance	5 553	7 637	(1)
Garnishee	14 419	(38 493)	(1 310)
	101 578	126 021	202 887
10. INCOME			
Government transfers: MRLGH&RD	12 390 675	12 392 250	12 220 957
Rates levy from local authorities	7 569 729	7 150 000	6 901 741
Grant income – NPC infrastructure development	-	-	1 700 000
Rates iro Permission to Occupy (PTO)	25 026	62 669	13 264
Rental income – Prestige Park	501 870	71 041	362 626
Rental income – Community Hall and offices	54 770	67 200	51 774
Other income	123 780	124 824	174 440
Delegated funds	64 345	479 545	210 301
	20 730 195	20 347 529	21 635 103
11. EXPENDITURE			
Advertising & promotions	137 048	94 967	47 230
Bank charges	65 271	83 228	50 394
Books, magazines and other publications	85 051	3 840	6 482
Cleaning material	28 840	43 388	32 806
Community contributions	10 673	6 350	-
Computer expenses	205 633	17 681	66 826
Courier and postages	5 573	5 880	2 642
Delegated functions	1 252 404	393 293	467 221
Depreciation	1 818 377	1 531 639	1 330 768
Disasters & emergencies	4 728	100 000	180
Electricity and water	369 003	652 854	563 333
Entertainment expenses	269 569	426 670	259 694
General expenses	-	12 578	-

(continued)

REGIONAL COUNCIL OF THE KHOMAS REGION

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

11. EXPENDITURE (continued)

	2009	2008	2 007
	N\$	N\$	N\$
HIV/AIDS activities	352 931	225 844	256 497
Insurance paid	297 999	293 448	241 219
Motor vehicle expenses	392 960	389 665	445 193
National days	574 635	463 318	802 320
Printing & stationery	160 638	145 035	163 320
Professional fees	157 414	107 312	224 955
Protective clothing	9 075	6 479	51 862
Rentals paid	142 748	221 258	106 726
Repairs & maintenance	279 117	142 414	180 396
Salaries & wages	9 712 947	8 885 129	8 393 299
Security	434 285	537 433	396 832
Staff training	402 052	687 729	343 492
Prestige Park expenses	230 717	-	-
Subscriptions	196 350	187 000	175 000
Telephone expenses	376 079	331 904	359 562
Travel & subsistence	815 890	744 628	676 372
Total expenditure	18 788 007	16 740 964	15 644 621
Net operating surplus for the year	1 942 188	3 606 565	5 990 482
NET FINANCIAL INCOME			
Interest received	2 246 821	2 020 951	2 460 054
SURPLUS/(DEFICIT) FOR THE YEAR	4 189 009	5 627 516	8 450 536

12. CASH GENERATED BY OPERATIONS

Net (deficit)/surplus before adjustments and interest received	1 942 188	3 606 565	5 990 482
Adjustments	271 061	341 365	61 371
	2 213 249	3 947 930	6 051 853
Changes in working capital			
(Increase)/decrease in accounts receivable	(1 781 211)	193 599	(1 043 555)
Increase/(decrease) in trade and other payable	(2 767)	(111 863)	(63 264)
Increase/(decrease) in delegated funds	-	-	282 993
Cash generated by operations	429 271	4 029 666	5 228 027