



REPUBLIC OF NAMIBIA



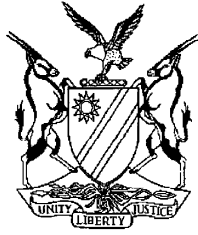
AUDIT REPORT ON THE ACCOUNTS OF THE

REGIONAL COUNCIL OF THE KHOMAS REGION

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2010

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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 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, April 2012

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

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 Namibia dollar.

2. FINANCIAL STATEMENTS

The Regional Council's financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 40(1) of the Regional Councils Act, 1992, **except that the statements were signed on 11 October 2010. 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 Council Act; and the financial transactions conform to the authorities which govern them.

4. AUDIT OBSERVATIONS AND COMMENTS

At the time of finalizing the report, the audit observations were communicated to the Chief Regional Officer by way of a management letter. The reply was received and taken into consideration when finalizing this report.

4.1 Comparison of budget and actual figures

The following differences were observed between the budget and actual figures:

Component	Budget	Actual (from the trial balance)	Difference	Variance
	N\$	N\$	N\$	%
5% Rates levy	-	6 902 449	(i) (6 902 449)	(100)
Fishing licences	50 000	-	(ii) 50 000	100

- (i) According to the Council, the rates and levy was budgeted under capital expenditure, hence it was not part of the operational budget. The amount budgeted for both revenue and expenditure respectively, is N\$ 6 902 449, which includes the accrued amount for 2008/2009 that was received. The auditors disagree with this statement because the budget submitted to them indicated that no revenue was budgeted for “5% rates levied”.
- (ii) According to the Council the amount of N\$ 50 000 was initially budgeted for revenue from fishing licences but after the budget hearing and the indication of the ceiling for Khomas Regional Council’s budget, the Council decided to delete it from the budget, since there is no revenue coming from the Ministry of Fisheries and Marine Resources for the sale of fishing licences.

The auditors disagree with this statement because the budget submitted to them still includes the N\$ 50 000 and no additional budget were submitted to proof the statement of the Council.

4.2 Analysis of financial statements

The following differences were observed between the balance sheet and the trial balance

Description	Balance sheet	Trial balance	Balance sheet (over)/under stated
	N\$	N\$	N\$
Infrastructure, land & buildings	40 107 764	35 432 900	(4 674 864)
Work in progress	13 220 690	17 309 596	4 088 906
Total	53 328 454	52 742 496	(585 958)

The Council responded that the reason for the differences were that the capital projects were not capitalized and no journal entries were passed at year-end.

It is recommended that expenses of a capital nature be timeously reconciled and capitalized to ensure that the balance sheet and trial balance reconcile with each other at year-end.

4.3 Fixed assets

4.3.1 The Council did not maintain an appropriate fixed asset register for the assets owned by the Council.

The Council responded that they are in the process of applying for a fixed asset module through an evaluation system in order to create the appropriate fixed asset register.

4.4 Inventory

Although the Council prepared a list of consumable inventory at the end of the financial year, the value of inventory (N\$ 159 431) is not reflected in the annual financial statements and therefore current assets are understated by the said amount. The auditors did not attend the stocktaking at year-end and therefore could not confirm the value of the undisclosed stock. It is recommended that stock on hand is reflected in the balance sheet at year-end.

The Council responded that the inventory module will be acquired through the Postel Evaluation system and currently the account code has been created on postel partner.

4.5 Creditors

It was found during the audit that creditors tested to the value of N\$ 39 093 which is 51% of total creditors and liabilities were not reconciled at the end of the financial year. This creates a risk that the value of creditors reflected in the annual financial statements could be misstated. It was also noted that creditor's balances of previous years were carried forward without being reconciled.

The Council responded that follow-up and reconciliations of outstanding balances will be done and that outstanding balances will be cleared off.

4.6 Adjustment to the income statement

An adjustment of N\$108 836 was made to the income statement.

The client explained the adjustment as follows:

	N\$
Adjustment for 2008/2009 ledger difference	(1 740)
Written off credits – 2009/2010	36 139
Written off debits – 2009/2010	(330 197)
Written back – cheques – 2009/2010	404 635
	<hr/>
	108 236
	<hr/>

5. QUALIFIED AUDIT OPINION

The accounts of the Regional Council of the Khomas region for the financial years ended 31 March 2010 have been audited by me 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 audit revealed that an amount of N\$ 6 902 499 related to rates and levies was expended but not budgeted for.
- Infrastructure, land and buildings and work in progress in the balance sheet differs with the trial balance with a net figure of N\$ 585 958.

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

WINDHOEK, April 2012

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

REGIONAL COUNCIL FOR THE KHOMAS REGION

BALANCE SHEET AS AT 31 MARCH

	Notes	2010 N\$	2009 N\$
ASSETS			
Non-current assets			
Property, Plant & Equipment	3	57 318 044	49 725 045
Work In Progress	4	44 097 354	39 097 448
		13 220 690	10 627 597
Investments	5	3 937 671	3 966 685
Current assets			
Account receivables	6	20 756 640	23 268 501
Cash on hand and bank	7	7 700 974	4 295 810
		13 055 666	18 972 691
Total assets		82 012 355	76 960 231
EQUITY AND LIABILITIES			
Accumulated Funds	8	81 935 441	76 737 238
Current liabilities			
Trade creditors		76 914	222 993
Other liabilities	9	38 665	121 415
		38 249	101 578
Total equity and liabilities		82 012 355	76 960 231

REGIONAL COUNCIL FOR THE KHOMAS REGION

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH

	Notes	2010 N\$	2009 N\$
Income	10	23 643 989	20 730 195
Expenditure	11	19 694 741	18 788 007
Net operating surplus/(deficit)		3 949 248	1 942 188
Interest on Investments		1 140 119	2 246 821
Accumulated income/(deficit)		5 089 367	4 189 009
Accumulated funds			
At the beginning of the year		76 737 238	72 277 168
Adjustments		108 836	271 061
At the end of the year		81 935 441	76 737 238

ANNEXURE C

REGIONAL COUNCIL FOR THE KHOMAS REGION

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH

	Notes	2010 N\$	2009 N\$
Cash flow from operating activities			
Cash receipts from customers		23 643 989	20 730 195
Cash paid to suppliers		(23 137 148)	(20 300 924)
Cash generated from operations	12	506 841	429 271
Interest Received		1 140 119	2 246 821
Net cash flow from operating activities		1 646 960	2 676 092
Cash flow from investing activities			
Net capital expenditure		(7 563 985)	(4 724 813)
(Increase)/ decrease in investments		29 014	58 438
(Increase)/decrease in cash and cash equivalents		(5 917 025)	(2 048 721)
Cash and cash equivalents			
- At the beginning of the year		18 972 691	21 021 412
- At the end of the year		13 055 666	18 972 691

REGIONAL COUNCIL FOR 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 of 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 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\$ 15 622 813.

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. In the current financial year rates receivable amounted to N\$ 6 902 449 (2009: N\$ 7 569 729).

ANNEXURE D

REGIONAL COUNCIL FOR THE KHOMAS REGION

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

3. FIXED ASSETS

YEAR 2010	Infrastructure, land & buildings	Motor vehicles	Computer & office equipment	Furniture, fixtures & fittings	Total
	N\$	N\$	N\$	N\$	N\$
Cost					
Cost as at 1 April 2009	39 563 810	3 188 261	1 776 973	2 370 512	46 899 556
Additions	4 674 864	1 378 935	282 358	251 658	6 587 815
Cost as at 31 March 2010	44 238 674	4 567 196	2 059 331	2 622 170	53 487 371
Accumulated depreciation					
Depreciation as at 1 April 2009	3 378 438	1 736 943	1 068 111	1 618 616	7 802 108
Depreciation charge for the year	752 472	515 580	140 129	179 728	1 587 909
Accumulated depreciation as at 31 March 2010	4 130 910	2 252 523	1 208 240	1 798 344	9 390 017
Carrying value at 31 March 2010	40 107 764	2 314 673	851 091	823 826	44 097 354
YEAR 2009					
	N\$	N\$	N\$	N\$	N\$
Cost					
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
Cost as at 31 March 2009	39 563 810	3 188 261	1 776 973	2 370 512	46 899 556
Accumulated depreciation					
Depreciation as at 1 April 2008	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

ANNEXURE D

REGIONAL COUNCIL FOR THE KHOMAS REGION

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

	2010	2009
	N\$	N\$
4. WORK IN PROGRESS		
Katutura central	579 719	579 719
Moses Garoeb	980 102	173 039
Windhoek rural	930 577	-
Soweto	-	3 028 165
Groot Aub settlement	7 717 342	3 880 111
Kapps Fam - Water infrastructure	-	240 859
Katutura East	742	-
Khomasdal North	-	644 060
Rural electrification	-	162 925
Project formulation and design	990 858	990 858
Regional structure plan	18 764	18 764
Rural water supply	909 098	909 097
ParkFoods Complex Phase	1 093 488	-
	13 220 690	10 627 597
5. INVESTMENT		
Treasury Bills	3937671	3966685
	3 937 671	3 966 685
Investment are initially carried at cost and thereafter at fair value/ guaranteed value with unrealized gains or losses accrued in the income statement. Fair value is determined as net realizable value.		
6. ACCOUNTS RECEIVABLES		
City of Windhoek	2 675 244	1 617 584
VAT receivable	3 460 054	1 520 442
Parkfoods debtors	804 458	650 871
Embezzled Funds	320 179	320 179
Other receivables	255 208	58 528
S&T advances	185 831	128 206
	7 700 974	4 295 810

REGIONAL COUNCIL FOR THE KHOMAS REGION

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

	2010	2009
	N\$	N\$
7. CASH AND CASH EQUIVALENTS		
HIV/AIDS - Call account	213 004	324 191
Standard Bank - Call account	433 519	152 222
Standard Bank - Call account	330 208	1 230 653
Standard Bank - Current account	(1 662 884)	892 982
Standard Bank - Call account	11 423 973	8 170 395
Standard Bank - Drought Relief	-	(662)
Standard Bank - 32 Days 008	2 317 846	8 202 910
	13 055 666	18 972 691
Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to know amounts of cash and subjects to insignificant risk in changes in value.		
8. ACCUMULATED FUNDS		
Balance - Beginning of the year	76 737 238	72 277 168
(Deficit)/Surplus for the year	5 089 367	4 189 009
Prior year adjustments	108 836	271 061
Balance, end of the year	81 935 441	76 737 238
9. ACCOUNTS PAYABLE		
Receiver of Revenue	1 240	524
Pension - GIPF	-	68 520
Social Security Commission	-	5 876
Medical Aid - Ministry of Finance	-	5 310
Housing subsidy	3 809	1 376
Insurance	-	5 553
Garnishee	-	14 419
Sundry creditors	33 200	-
	38 249	101 578
10. INCOME		
Government transfers: MRLGH&RD	15 622 813	12 390 675
Rates levy from Local Authorities	6 902 449	7 569 729
Rates - Permission To Occupy (PTO)	42 460	25 026
Rental income - Prestige Park	190 667	501 870
Rental income - Community Hall	559 461	54 770
Other Income	40 201	123 780
Electricity sales	49 955	-
Delegated functions	235 983	64 345
	23 643 989	20 730 195

ANNEXURE D

REGIONAL COUNCIL FOR THE KHOMAS REGION

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

	2010	2009
	N\$	N\$
11. EXPENDITURE		
Advertising & Promotions	137 802	137 048
Bank Charges	183 152	65 271
Books, magazines and other publications	184 015	85 051
Cleaning materials	46 091	28 840
Community contribution	-	10 673
Computer expenses	2 740	205 633
Courier and postages	7 881	5 573
Delegated functions	348 277	1 252 404
Depreciation	1 587 909	1 818 377
Disaster & emergencies	7 206	4 728
Electricity and water	639 679	369 003
Entertainment expenses	241 991	269 569
General expenses	700	-
HIV/AIDS activities	161 716	352 931
Insurance	247 344	297 999
Community Board & fees	14 041	-
Motor vehicle expenses	382 980	392 960
National days	503 577	574 635
Park Food expenses	65 426	230 717
Printing & stationery	276 477	160 638
Professional fees	29 955	157 414
Protective clothing	9 676	9 075
Rent Paid	105 738	142 748
Repairs & maintenance	321 549	279 117
Salaries and wages	11 291 463	9 712 947
Security	486 521	434 285
Staff training	666 307	402 052
Subscriptions	182 664	196 350
Telephone expenses	413 238	376 079
Travel & subsistence	1 148 626	815 890
Total expenditure	19 694 741	18 788 007
Net operating surplus for the year	3 949 248	1 942 188
NET FINANCIAL INCOME		
Interest received	1 140 119	2 246 821
SURPLUS/(DEFICIT) FOR THE YEAR	5 089 367	4 189 009

REGIONAL COUNCIL FOR THE KHOMAS REGION

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

	2010	2009
	N\$	N\$
12. CASH GENERATED/(UTILIZED BY OPERATIONS)		
Net (deficit/surplus before adjustments and interest received	5 089 367	4 189 009
Adjustment	108 836	271 061
Less: Interest received	<u>(1 140 119)</u>	<u>(2 246 821)</u>
	4 058 084	2 213 249
Changes in working capital		
(Increase)/decrease in accounts receivable	(3 405 164)	(1 781 211)
Increase/(decrease) in track and other payables	<u>(146 079)</u>	<u>(2 767)</u>
	<u>(3 551 243)</u>	<u>(1 783 978)</u>
	<u>506 841</u>	<u>429 271</u>