



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

REGIONAL COUNCIL OF THE KHOMAS REGION

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014

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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 Khomas region for the financial year ended 31 March 2014 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 KHOMAS REGIONAL COUNCIL
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014**

1.1 INTRODUCTION

This report on the accounts of the Khomas Regional Council for the financial year ended 31 March 2014 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.

Figures in the report are rounded to the nearest Namibia dollar and deficits are indicated in (brackets).

I certify that I have audited the accompanying financial statements of the Khomas Regional Council for the financial year ended 31 March 2014. These financial statements comprise of the balance sheet, income statement, cash flow statement and notes to the financial statements for the year then ended.

The Regional Council's financial statements were submitted **untimely** by the Accounting Officer to the Auditor-General on **30 September 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 Statement
- Annexure C: Cash Flow Statement
- 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, 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. ACKNOWLEDGMENT

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

5. AUDIT FINDINGS

5.1 Work in progress

The Council did not disclose in the financial statements an amount of N\$ 11 180 000 financed by the Trust Fund for Regional Development and Equity Provision for upgrading of sewer network at Groot Aub settlement. Therefore, the auditors could not confirm the completeness and accuracy of this project.

Recommendation

The Council is recommended to disclose all information pertaining to the project by recognising the portion financed by the Trust Fund for Regional Development and Equity Provision in the financial statements as follows: debit work-in-progress and credit deferred income (liability).

5.2 Non-submission of supporting documents

Supporting documents amounting to N\$ 686 651 for the Groot Aub settlement were not provided to the auditors. Therefore the auditors could not confirm the accuracy and completeness of those transactions.

Recommendation

The Council is advised to keep all records of information pertaining to the Council and provide it for audit purposes.

5.3 Cash and Bank

The audit found that the Council had an account with a local bank with a balance of N\$ 2 412 579 which was not disclosed in the Financial Statements for the year under review.

Recommendation

It is recommended that all bank accounts held by the Council be disclosed in the financial statements.

5.4 Difference between financial statement and bank confirmation amounts

The difference of N\$ 824 774 was found between the financial statements and bank confirmation amounts for the year under review.

Recommendation

It is recommended that information disclosed in the financial statements should correspond to the bank confirmations.

5.5 Property, plant and equipment

A total difference of N\$ 1 931 984 was observed from the fixed assets when comparing the General Ledger with the Fixed Asset Register for the year under review.

Recommendation

It is recommended that information disclosed in the financial statements should correspond to the fixed asset register.

5.6 Accounts payable

There were unrecorded Liabilities amounting to N\$ 1 516 333 and N\$ 1 300 015 for penalties and Interest on penalties respectively from the receiver of Revenue. These penalties were as a result of the Council contravening the VAT act.

Recommendation

The Council is advised to adhere and keep abreast with legislative requirements in order to avoid penalties.

6. BASIS FOR QUALIFIED AUDIT OPINION

- Non-disclosure of Work-in-Progress in the financial statements amounting N\$ 11 180 000.
- Non-disclosure of bank account in the financial statements with a balance of N\$ 2 412 579.
- Difference between General Ledger and Fixed Asset Register amounting to N\$ 1 931 984.
- Unrecorded Liabilities amounting to N\$ 2 816 348.
- Difference of N\$ 824 774 between financial statement and bank confirmation amounts.
- Non-submission of supporting documents amounting to N\$ 686 651.

7. QUALIFIED AUDIT OPINION

The accounts of the Khomas Regional Council for the financial year ended 31 March 2014 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 199).

Except for the above – mentioned issues in the basis for qualified opinion, in my opinion, the accounts fairly present the financial position of the Council for the year ended 31 March 2014 and the results of its operations and cash flow for the year then ended.

WINDHOEK, July 2015

**JUNIAS ETUNA KANDJELE
AUDITOR-GENERAL**

8. ADDITIONAL REPORTING RESPONSIBILITIES

EMPHASIS OF MATTER

Without expressing an audit opinion on the basis of this paragraph, I draw attention to the following matter(s) that relate to my responsibility in the audit of the financial statements, as disclosed by the Khomas Regional Council in the financial statements:

- Staff housing amounting to N\$ 1 596 177 was recorded under Work- In-Progress while the project was completed in 2013.
- Revenue and Expenditure relating to delegated function are disclosed in the financial statements as part of the Council's operations with emphasis to Income generating activities. This is not in line with the financial accounting policies and procedure manual as these items should be disclosed separately.
- The validity of income received from Park Foods could not be confirmed due to the fact that statements provided by Agent to the Council did not include details of the Agent.
- Furthermore, the auditors could not confirm the accuracy of expenses incurred by the agent for the Park Foods complex as no invoices were provided;
- The calculation of 10% commission fee withheld by the Agent for administration of rentals at Park Foods was done haphazardly and there were no consistencies with regard to whether it was calculated from the gross or net rentals;
- The difference of N\$ 474 200 was found between the amount recorded in the general ledger and the amount reflected in the financial statements with regard to revenue from Park Foods.
- The Council does not have a debtor's policy in place as a result there is no guidance with regard to the treatment of long outstanding debts.
- The debtors reflected in the financial statements for embezzled funds and Park food debtors to the value of N\$ 320 179 and N\$ 801 636 respectively are debts owed since 2007 with no movement.
- The Council is registered as a VAT vendor with the Receiver of Revenue while it does not carry out any trade.

REGIONAL COUNCIL OF THE KHOMAS REGION

BALANCE SHEET AS AT 31 MARCH

	Notes	2014	2013
		N\$	N\$
ASSETS			
Non-Current Assets		72 036 226	70 896 701
Property, Plant & Equipment	3	59 979 812	61 413 491
Work in Progress	4	12 056 414	9 483 210
Investments	5	1 967 397	1 952 630
Current Assets		26 485 028	19 935 820
Closing Stock		92 750	93 797
Accounts Receivable	6	12 693 703	12 587 763
Cash on hand and Bank	7	13 698 576	7 254 260
Total Assets		100 488 651	92 785 151
EQUITY AND LIABILITIES			
Accumulated Funds	8	100 339 135	92 687 284
Current Liabilities		149 515	97 865
Trade Creditors		(115 889)	(25 118)
Other liabilities	9	265 404	122 983
Total Equity and Liabilities		100 488 650	92 785 149

REGIONAL COUNCIL OF THE KHOMAS REGION

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
		N\$	N\$
Income	10	40 847 422	29 674 225
Expenditure	11	<u>33 675 272</u>	<u>26 091 507</u>
Net operating surplus/ (Deficit)		7 172 150	3 582 718
Interest from investments	11	<u>569 396</u>	<u>319 003</u>
Accumulated income/(deficit)		7 741 546	3 901 721
Accumulated funds			
At the beginning of the year		92 687 284	93 917 056
Adjustments		<u>(89 695)</u>	<u>(5 131 493)</u>
At the end of the year		<u>100 339 135</u>	<u>92 687 284</u>

REGIONAL COUNCIL OF THE KHOMAS REGION

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
		N\$	N\$
CASH RETAINED FROM OPERATING ACTIVITIES			
Cash receipts from government and other sources		40 650 712	29 381 993
Cash paid to suppliers and employees		31 667 758	24 018 497
Cash generated from operations	12	8 982 953	5 363 496
Interest Received		569 396	319 003
Net cash inflow from operating activities		9 552 350	5 682 498
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions of property, plant and equipment		(430 366)	(19 555 477)
Investments		(14 767)	18 603
Work in Progress		(2 573 204)	21 905 968
Net Increase / (decrease) in cash and cash equivalents		6 534 012	8 051 593
CASH AND CASH EQUIVALENTS			
Prior year adjustment - Stale cheques		(89 695)	(5 131 493)
Cash and cash equivalents at beginning of the year		7 254 259	4 334 160
Cash and cash equivalents at end of the year		13 698 577	7 254 260

REGIONAL COUNCIL OF THE KHOMAS REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2014

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
Vehicles	5 Years
Machinery & Equipment	5 Years
Office Equipment	3 Years
Computer Equipment	3 Years
Furniture & Fittings	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 & Rural Development. The grants are for the day-to-day operations of the Council. In the current financial year, the council received N\$ 23,000,000 in grants.

REGIONAL COUNCIL OF THE KHOMAS REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH 2014

2.2 Rates Levy from Local Authorities

The Council per the Local Authorities Act of 2000, Section 76A 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 received amounted to N\$ 9,754,530

3. Fixed Assets

2014	Infrastructure, Buildings	Motor Vehicles	Computers & Office Equipment	Furniture, Fixtures & Fittings	Total
	N\$	N\$	N\$	N\$	N\$
Cost as at 1 April 2013	66 408 067	4 567 196	2 369 390	3 018 851	76 363 504
Additions	345 555	-	78 039	33 291	456 885
Prior Adjustmnet for 2013/2014	(246 471)	(365 377)	(20 595)	(423 740)	(1 056 183)
Cost as at 31 March 2014	66 507 151	4 201 819	2 426 834	2 628 402	75 764 206
Depreciation as at 1 April 2013	6 995 433	3 942 180	1 703 463	2 308 939	14 950 014
Charge for the year	1 326 336	282 582	100 341	154 787	1 864 046
Prior Adjustmnet for 2013/2014	(1 133 287)	(223 453)	508 039	(180 964)	(1 029 665)
Depreciation as at 31 March 2014	7 188 482	4 001 309	2 311 842	2 282 762	15 784 395
Net Book Value as at 31 March 2014	59 318 669	200 510	114 992	345 641	59 979 812

REGIONAL COUNCIL OF THE KHOMAS REGION

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

3. Fixed Assets

2013	Infrastructure, Buildings	Motor Vehicles	Computers & Office Equipment	Furniture, Fixtures & Fittings	Total
	N\$	N\$	N\$	N\$	N\$
Cost as at 1 April 2012	46 950 274	4 567 196	2 313 235	2 977 323	56 808 028
Additions	19 457 793	-	44 087	53 597	19 555 477
Cost as at 31 March 2013	66 408 067	4 567 196	2 357 322	3 030 920	76 363 505
Depreciation as at 1 April 2012	5 917 960	3 464 970	1 615 855	2 173 272	13 172 057
Charge for the year	1 077 473	477 210	87 607	135 667	1 777 957
Depreciation as at 31 March 2013	6 995 433	3 942 180	1 703 462	2 308 939	14 950 014
Net Book Value as at 31 March 2013	59 412 634	625 016	653 860	721 981	61 413 491

4. Work in progress

	2014	2013
	N\$	N\$
Katutura Central	1 706 485	936 518
Moses Garoeb	-	-
Windhoek Rural	-	-
Groot Aub Settlement	9 662 912	8 546 691
Katutura East	-	-
Constituency Projects: IGA	-	-
Contribution to Rural Development	-	-
Sanitation Facilities for all Constituencies	-	-

REGIONAL COUNCIL OF THE KHOMAS REGION

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

	2014	2013
	N\$	N\$
Project formulation and Design	-	-
Regional Structure Plan	-	-
Rural Water Supply	-	-
ParkFoods Complex Phase	-	-
Rehabilitation of boreholes:Arovle	-	-
Construction : Khomasdal Constituency Office	687 017	-
	12 056 414	9 483 209
5. Treasury Bills	1 967 397	1 952 630
	1 967 397	1 952 630

Investments 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)

6. Accounts Receivable	2014	2013
	N\$	N\$
City of Windhoek	2 044 380	2 798 910
VAT Receivable	9 591 433	8 316 321
Parkfoods Debtors	801 636	801 636
Embezzled Funds	320 179	320 179
Trade & Other Receivables	168 675	93 763
S & T Advances	159 276	256 953
Sundry Debtors	(391 877)	-
	12 693 703	12 587 763

7. Cash and Cash Equivalents

7. Cash and Cash Equivalents	2014	2013
	N\$	N\$
HIV/AIDS CALL ACC 248907832(001)	2 398	2 322
STD BANK CALL ACC 048798878(005)	468 100	1 664 672
STD BANK CALL ACC 048798878(006)	394 888	169 251
STD BANK CURRENT ACC 041483952	252 296	(931 380)
STD BANK CALL ACC 048798878(004)	12 029 139	5 897 521
STD BANK 32 DAY 008	474 184	451 875
Bank Windhoek Khomas Dev.Project	77 571	-
	13 698 576	7 254 260

REGIONAL COUNCIL OF THE KHOMAS REGION

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

	2014	2013
	N\$	N\$
8. Accounts Funds		
Balance, beginning of the year	92 687 284	93 917 056
Prior Year Adjustments*(CLOsing Stock for 2011/2012)	(89 695)	(5 131 493)
Restated opening balance	<u>92 597 589</u>	<u>88 785 563</u>
Surplus for the year	7 741 546	3 901 721
Balance, end of the year	<u>100 339 135</u>	<u>92 687 284</u>

9. Accounts Payable

	2014	2013
	N\$	N\$
Receiver of Revenue - PAYE	219 733	1 240
Pension	47 157	2 321
Social Security Commision	-	-
Creditors	(142 880)	(25 119)
Union / Party Deductions	1	(80)
Housing Subsidies	4 332	3 562
Insurance	-	(169)
Garnishee / Third party loans	350	350
Sundry Creditors	26 990	116 359
Salary Advanve	(6 871)	(600)
Medical Aid	700	-
	<u>149 515</u>	<u>97 865</u>

REGIONAL COUNCIL OF THE KHOMAS REGION

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

10. Income	2014	2013
	N\$	N\$
Council Operations	39 337 814	29 174 225
Government Transfers:		
MRLGH&RD	29 271 536	20 022 763
Rates Levy from Local Authorities	9 000 000	8 550 033
Rates iro Permission to Occupy (PTO)	4 211	13 786
Rental Income - Prestige Park	21 783	40 842
Rental Income - Community Hall and offices	432 267	327 005
Other Income	573 488	197 241
Electricity Sales	10 830	2 910
2.5% Commission from insurance	23 699	19 645
Delegated functions	1 509 608	500 000
Early Childhood Development	1 400 000	500 000
Income Generating Project	89 608	-
National Days	20 000	-
Total Income	40 847 422	29 674 225

REGIONAL COUNCIL OF THE KHOMAS REGION

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

11. Expenditure

	2014	2013
	N\$	N\$
Council Operations	32 824 326	25 747 043
Advertising	30 155	38 262
Internet/Electronic Bank Charges	202 543	88 654
Books, Magazines and Other Publications	-	16 624
Cleaning Material	17 352	41 778
Computer Expenses	36 128	-
Courier and Postages	9 698	15 931
Depreciation	1 864 046	1 777 957
Disasters & Emergencies	4 305	6 365
Electricity and Water	1 861 345	1 467 206
Entertainment Expenses	271 558	264 263
General Expenses	72 041	38 592
HIV/AIDS Activities	478 056	338 443
Insurance	122 531	138 723
Community Board & Fees	15 130	13 350
Constituency Development	25 262	101 900
Motor Vehicle Expenses	794 966	554 730
National Days	93 568	161 805
Printing & Stationery	220 215	190 785
Professional Fees	14 201	68 726
Protective Clothing	10 175	17 743
Rentals Paid	231 467	103 390
Repairs & Maintenance	415 981	405 049
Salaries & Wages	21 759 654	15 830 708
Security	609 925	566 957
Training Expenses	321 188	493 013
Subscriptions (ARC)	226 319	224 605
Telephone Expenses	741 691	833 913
Income Generating Activities	1 165 665	1 042 384
Contribution to Rural Development	291 936	99 844
Travel & Subsistence	917 228	805 343

REGIONAL COUNCIL OF THE KHOMAS REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH

	2014	2013
	N\$	N\$
Delegated functions	850 947	344 464
Early Childhood Development	832 264	102 220
Community Development	18 682	242 244
Total Expenditure	33 675 272	26 091 507
Net operating surplus/(Deficit)	7 172 150	3 582 718
Interest Received from Investments	569 396	319 003
SURPLUS FOR THE YEAR	7 741 546	3 901 721