



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 2016

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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 2016 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 2018

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

**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 2016**

1. Report on the Financial Statements

1.1 INTRODUCTION

The accounts of the Khomas Regional Council for the financial year ended 31 March 2016 are being reported on in accordance with provisions set out in the Regional Council Act, 1992 (Act 22 of 1992).

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 2016. These financial statements comprise of the following:

Annexure A: Balance sheet
Annexure B: Income statement
Annexure C: Cash flow statement
Annexure D: Notes to the financial statements

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 40(1) of the Regional Council Act, 1992.

The financial statements, and general information provided by the Accounting Officer are attached as Annexure A-D.

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 39 of the Regional Council Act, 1992 and relevant legislation, and for such internal control as management deemed 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. ACKNOWLEDGMENT

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

5. KEY AUDIT FINDINGS

5.1 5 % Assessment Rates & Taxes income

The Council did not submit supporting documents to validate the amount of N\$ 4 688 566 disclosed in the Financial Statements.

Recommendation

It is recommended that the Council provide all the necessary supporting documentation required for auditing purposes.

5.2 Bad debts written off

Bad debts amounting to N\$ 1 121 815.89 were written off without the necessary approval.

Recommendation

It is recommended that the Council should ensure that approval is obtained before writing off debts.

Management Comments

The Council agrees with the findings and in future will ensure that a Council resolution is taken for bad debts to be written off.

5.3 Value Added Tax

A difference of N\$ 844 806 was noted between the VAT amount disclosed in the financial statement and the Auditors VAT Recalculated Balance. Furthermore, VAT returns were not submitted on time.

Recommendation

The Council should ensure that proper reconciliation is performed and VAT returns are submitted on time to avoid interest and penalties.

Management Comment

The Council verified the difference of N\$ 844 806 and discovered that it is a non-allowable VAT, which was processed to the VAT control account. This amount could not be reversed as the Council awaits audits to be carried out by the Receiver of Revenue in order to clear off the balances and do reconciliations in the VAT control account.

5.4 Property, Plant and Equipment

A difference of N\$ 842 762 was observed between the financial statements and the fixed assets register, resulting in the understatement of the financial statements.

Recommendation

It is recommended that the Council should reconcile the asset register and the financial statements to avoid misstatements.

Management Comments

The Council is in agreement with a difference of N\$ 842 762 found and will ensure that the difference between the annual financial statement and fixed asset register is reconciled and cleared during the 2016/2017 financial year.

5.5 Park food income

It was noted that prior year income to the value of N\$ 415 277 was recorded as current year income, instead of receivable.

Recommendation

The Council should ensure that revenue and receivables are recognised in the correct period.

Management Comment

The Council is in agreement and will ensure that accounts receivables are recognised as such in the respective period they are incurred in future.

6. BASIS OF QUALIFIED AUDIT OPINION

- Non-submission of supporting documents amounting to N\$ 4 688 566 relating to assessment rates income;
- Bad debts amounting to N\$ 1 121 816 written off without approval;
- A difference of N\$ 874 162 between Financial Statement and Fixed Asset Register;
- A difference of N\$ 844 806 related to VAT receivable;
- Misstatement of revenue and accounts receivable amounting to N\$ 415 277; and

7. QUALIFIED AUDIT OPINION

The accounts of the Khomas Regional Council for the financial year ended 31 March 2016 have been audited in terms of Section 40(1) of the Regional Council Act, 1992 (Act 22 of 1992).

In my opinion, except for the significance of the matter discussed in the Basis of Qualified Audit Opinion paragraph, the financial statements present fairly, in all material respect of the financial position of Khomas Regional Council as at 31 March 2016, and their financial performance and cash flows for the year then ended.

WINDHOEK, April 2018



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REGIONAL COUNCIL FOR THE KHOMAS REGION
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH**

	Note	2016 N\$	2015 N\$
NON CURRENT ASSETS			
Property plant and equipment	2	92 089 777	81 713 306
Investment	3	-	1 950 137
CURRENT ASSETS			
Cash and Cash equivalents	4	5 545 458	16 223 819
Trade and other receivables	5	15 780 326	16 493 856
Stock on hand		185 832	274 356
TOTAL ASSETS		113 601 392	114 705 337
EQUITY AND LIABILITIES			
Accumulated funds		108 855 747	114 694 212
Development Fund: Capital project		5 000 000	-
Current liabilities	6	(254 355)	11 125
TOTAL EQUITY AND LIABILITIES		113 601 392	114 705 337

**REGIONAL COUNCIL FOR THE KHOMAS REGION
INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH**

	Note	2016 N\$	2015 N\$
Income			
Government Subsidy		36 631 349	44 390 240
Rental Income		1 291 822	371 895
5 % Levies on Rates and taxes		6 499 672	9 600 000
Interest Received from Bank		143 669	2 976 284
Other income		760 997	484 048
Delegated Functions	7	3 855 053	529 000
Rural projects		383 250	-
TOTAL INCOME		49 565 813	58 351 467
Expenditure			
Personnel Expenditure		32 956 771	26 529 611
Subsistence & Travelling Expenses		656 358	909 763
Material & Supplies		141 454	295 933
Transport Expenses		896 155	1 165 115
Utilities		2 442 672	3 459 972
Maintenance		587 533	381 157
Properties and other related Expenses		520 078	366 908
Depreciation Expenses		1 985 295	1 851 185
Bank Charges		171 431	61 286
Other Related Expenses		3 091 123	1 961 531
Membership fees & Subscription		178 479	242 181
Grants and Transfer		565 255	2 930 329
Current Transfer		3 440 247	4 193 533
Delegated Functions	7	2 338 620	-
TOTAL EXPENDITURE		49 971 469	44 348 505
Net Operating surplus/deficit		(405 657)	14 002 962
At the beginning of the year		114 694 212	100 339 136
Adjustments		(5 432 808)	352 113
At the and of the year		108 855 747	114 694 212

REGIONAL COUNCIL FOR THE KHOMAS REGION
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH

		2016	2015
	Note	N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		49 422 143	55 375 183
Cash paid to suppliers		(44 507 542)	(48 115 540)
Cash utilised by operations	11	(4 914 601)	7 259 643
Interest received		143 669	2 976 284
Net cash flow from operating activities		(4 770 932)	10 235 927
CASH FLOW FROM INVESTING ACTIVITIES			
Decrease in Investment		(5 620 667)	(7 709 684)
Increase in funds		1 950 137	17 260
Increase in fixed assets		5 000 000	-
		(12 391 599)	(7 726 944)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(10 391 599)	2 526 243
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR			
		16 223 819	13 698 576
CASH AND CASH EQUIVALENTS - END OF YEAR			
		5 545 458	16 223 819

Note: Cash flow statement is not in accordance with accounting standards. The Council prepared using both indirect and direct methods.

The movement in fixed assets overstated with N\$ 64 991

The movements in debtors as indicated in note 11 is overstated with N\$ 88 524.

**REGIONAL COUNCIL OF KHOMAS REGION
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

1. ACCOUNTING POLICIES

The annual financial statements are prepared under the historical cost convention. The following accounting policies are consistent, in all respect, with those of the previous year:

1.1 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 Functions 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's Financial Statements.

1.2 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 over the estimated useful life as follows:

Buildings	50 years	2 % pa
Machinery and Equipment	5 years	20 % pa
Motor vehicles	5 years	20 % pa
Office Furniture and Equipment	3 years	33.33 % pa
Computer equipment	3 years	33.33 % pa

ANNEXURE D

**REGIONAL COUNCIL OF KHOMAS REGION
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH (continued)**

2. PROPERTY, PLANT AND EQUIPMENT

	Work in Progress	Land & Buildings	Machinery Equipment & Vehicles	Office Furniture & Computers Equipments	Total
	N\$	N\$	N\$	N\$	N\$
2016					
Cost as at 1 April 2015	17 689 485	60 511 242	533 807	1 028 635	79 763 169
Adjustments	-	(61 834)	(371 264)	(321 691)	(754 789)
Additions	14 161 839	-	666 171	238 681	15 006 691
Charge for the year	-	(1 380 746)	(167 458)	(437 090)	(1 985 295)
Net book value as at 31 March 2016	31 851 324	59 068 662	661 256	508 535	92 089 777
2015					
Cost as at 1 April 2014	12 056 414	59 318 670	225 503	435 638	72 036 225
Adjustment		(1 128 571)	7 773	(168 690)	(1 289 488)
Additions	5 633 071	2 530 170	511 037	972 644	9 646 923
Charge for the year	-	(209 027)	(210 507)	(210 958)	(630 491)
Net book value as at 31 March 2015	17 689 485	60 511 242	533 807	1 028 635	79 763 169
				2016	2015
Work in progress				N\$	N\$
Construction of services - Groot Aub				20 238 502	12 400 289
Renovation: Samora Machel				845 086	-
Construction Of Office: Katutura Central				1 510 541	1 706 485
Security Alteration: Tobias Hainyeko				346 089	-
Construction: Khomasdal North				7 750 405	2 414 707
Survey: Groot Aub				1 154 951	1 154 951
Contribution to Rural Development				-	13 052
Purchase of plots				5 751	-
				31 851 324	17 689 485

ANNEXURE D

**REGIONAL COUNCIL OF KHOMAS REGION
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH (continued)**

	2016	2015
	N\$	N\$
3. INVESTMENTS		
Treasury bills	-	1 950 137
4. CASH ON HAND AND BANK		
Standard Bank Current Account	566 472	4 218 407
Standard Bank Call account -004	2 736 505	8 522 199
Standard Bank Call account -005	63 925	68 441
Standard Bank Call account -006	391 870	522 766
Standard Bank HIV/AIDS call	1 029	2 471
Standard bank 32 Days	10 943	495 721
Bank Windhoek Khomas Rural Development Projects	153 561	849 599
Standard Bank Directorate of Education Interest call Account	81 627	545 224
Standard Bank Ministry of Gender - Current Account	1 262 387	998 992
Standard Bank Drought Relief Current account	277 139	-
	5 545 458	16 223 819
5. DEBTORS		
S&T Advance	202 924	120 469
Salaries Advance	-	-5 000
Salaries Overpayment	230 650	237 952
Debtors- parkfood	345 324	-
Debtors	-	768 906
Sundry Debtors Unkown deposit	86 321	81 735
Other Salary & wages control	-	-27 987
Embezzled funds	-	320 179
5% Levy Receivable	-	2 713 632
Receiver of Revenue (VAT)	14 915 107	12 283 969
	15 780 326	16 493 856

ANNEXURE D

**REGIONAL COUNCIL OF KHOMAS REGION
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH (continued)**

	2016	2015
	N\$	N\$
6. CURRENT LIABILITIES		
Creditors	(323 050)	(667)
Other Sundry creditors	60 199	11 792
Other Salary & wages control	8 497	
	(254 355)	11 125

7. DELEGATED FUNCTIONS

The Regional Council is currently performing the following functions delegated by Central Government line ministries, as indicated in accordance with the Decentralisation Enabling Act, 2000. Under delegation the Regional Council acts as an agent on behalf of the relevant Line Ministry. The relevant Line Ministry, however, retains overall responsibility for performance of the functions, and also retains the responsibility to approve the related budget. This budget allocation is transferred to the Regional Council via monthly cash transfers. However, any unexpended amount as at 31st March is paid to the State Account, via the related line ministry. For this reason the Income and Expenditure for each delegated function should always net to Nil.

	2016	2015
	N\$	N\$
INCOME		
Ministry of Gender Equality and Child Welfare	3 311 907	518 000
Office of the Prime Minister	507 146	-
Sponsorship & Transfer - National days	36 000	11 000
Total Income	3 855 053	529 000
EXPENDITURE		
Ministry of Gender Equality and Child Welfare	2 108 612	-
Office of the Prime Minister	230 008	-
Total expenditures	2 338 620	-
SURPLUS/(DEFICIT)	1 516 433	529 000

ANNEXURE D

**REGIONAL COUNCIL OF KHOMAS REGION
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH (continued)**

	2016	2015
	N\$	N\$
8. INCOME		
5 % Levy Assessment rates	6 499 672	9 600 000
Rent received : Parkfood and halls	1 291 822	371 895
Subsidy from Government	36 631 349	44 390 240
	44 422 843	54 362 135
9. OTHER INCOME		
Other revenue	760 997	484 048
Rural Development Projects income	383 250	-
Delegated functions	3 855 053	529 000
	4 999 300	1 013 048
	49 422 143	55 375 183
10. EXPENDITURE		
Personnel Expenditure	32 956 771	26 529 611
Subsistence and Travel	656 358	909 763
Materials and Supplies	141 454	295 933
Transport Cost	896 155	1 165 115
Utilities	2 442 672	3 459 972
Maintenance Expenses	587 533	381 157
Property Rental	520 078	366 908
Depreciation Expenses	1 985 295	1 851 185
Bank Charges	171 431	61 286
Other Expenditure	3 091 123	1 961 531
Membership fees & Subscription	178 479	242 181
Grants and Transfer	565 255	2 930 329
Current Transfer	3 440 247	4 193 533
Delegated Functions	2 338 620	-
	49 971 469	44 348 505
NET OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	(549 326)	11 026 679
NET FINANCIAL INCOME	143 669	2 976 284
Interest received	143 669	2 976 284
SURPLUS/(DEFICIT) FOR THE YEAR	(405 657)	14 002 962

ANNEXURE D

**REGIONAL COUNCIL OF KHOMAS REGION
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH (continued)**

	2016	2015
	N\$	N\$
11. CASH (UTILISED)/GENERATED BY OPERATIONS		
Net (deficit)/surplus before adjustments and before interest received	(549 326)	11 026 679
<i>Adjustment for:</i>		
Adjustments for corrections	(5 432 809)	352 113
Operating profit/(loss) before changes in working capital	(5 982 135)	11 378 792
CHANGES IN WORKING CAPITAL		
(Increase)/decrease in debtors	802 054	(4 283 084)
(Decrease)/increase in current liabilities	265 480	163 935
	(4 914 601)	7 259 643