



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 2018

Published by authority

Price (Vat excluded) N\$ 34.20
Report no: 66/2019

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 2018 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, June 2019

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
KHOMAS REGIONAL COUNCIL
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018**

1. UNQUALIFIED AUDIT OPINION

I have audited the financial statements of the Khomas Regional Council for the financial year ended 31 March 2018. These financial statements comprise the statement of financial position, detailed statement of income and expenditure, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements of the Khomas Regional Council are prepared, in all material respects, in accordance with Namibian GAAP.

2. BASIS FOR UNQUALIFIED AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with code of ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements in Namibia, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the code of ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

No key audit matters were observed during the year under review and in such I have nothing to report in this regard.

4. OTHER INFORMATION

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

6. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to a report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies uses and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (COMPLIANCE)

This audit is as a result of the review of procurement processes within the Khomas Regional Council for the year ended 31 March 2018 audit. Public procurement is the process by which public entities acquire goods, based on services and works from third parties to meet customer and service user needs.

7.1 AUDIT SCOPE AND OBJECTIVES


The audit scope was limited to the review of the implementation of the internal structures section 25 and 26 of the Public Procurement Act, 2015 (Act 15 of 2015)

The objective of the audit was to establish whether the Council has complied with the implementation of the Procurement Act.

7.2 CONCLUSION

The Office of the Auditor-General has conducted a compliance audit of the Regional Council of Khomas on the implementation of the Public Procurement Act, 2015 (No. 15 of 2015) and evaluated compliance with Section 25 and 26 of the Public Procurement Act, 2015 (No. 15 of 2015). Based on the procedures performed, nothing has come to the auditor's attention to cause the auditor to believe that the subject matter is not, in all material respects, in compliance with the applicable criteria.

WINDHOEK, June 2019



JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

ANNEXURE A

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

	Note	2018 N\$	2017 N\$
Assets			
Non-Current assets			
Property, plant and equipment	2	74 223 235	60 670 510
Work in progress	3	40 917 593	54 612 689
Current Assets			
Inventory		652 178	172 611
Trade receivables	4	7 628 278	40 211 999
Cash and cash equivalents	5	64 046 842	11 353 509
Total Assets		187 468 126	167 021 318
Equity and Liabilities			
Equity			
Development fund: capital project		47 661 402	6 500 000
Accumulated funds		128 544 168	159 619 991
Liabilities			
Current Liabilities			
Trade payables	7	2 301 218	29 811
Other payables		8 961 338	871 516
Total Equity and Liabilities		187 468 126	167 021 318

ANNEXURE B

KHOMAS REGIONAL COUNCIL
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH

	Note	2018 N\$	2017 N\$
Income		70 299 103	70 240 931
Subsidies from Government		46 016 725	44 232 116
5% Levies on rates and taxes		21 458 725	19 812 384
Rental Income		1 260 575	1 876 332
Other income	8	1 318 801	697 554
Rural development project income	9	11 000	3 467 452
Interest received from bank		233 277	155 093
Delegated functions	10	156 206 716	228 362 448
Total Income		226 505 819	298 603 379
Expenditure		82 769 885	49 094 396
Bank charges		70 678	85 163
Current transfer		3 486 365	2 964 659
Depreciation expense		2 361 779	2 221 522
Grants and transfer		2 300 848	135 635
Maintenance		578 228	664 020
Material and supplies		16 525	614 667
Membership fees and subscription		127 762	358 445
Other related expenses		28 175 213	2 977 759
Personnel expenditure		38 748 371	32 940 173
Properties and other related expenses		506 441	526 248
Transport expenses		1 089 325	904 043
Subsistence and travelling expenses		597 954	739 130
Utilities		4 710 397	3 962 934
Delegated functions	10	150 086 728	248 860 564
Total expenditure		232 856 613	297 954 960
Surplus(deficit) for the year		(6 350 794)	648 419

**KHOMAS REGIONAL COUNCIL
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH**

	Development fund: capital project	Accumulated funds	Total equity
Note	N\$	N\$	N\$
Balance at 01 April 2017	6 500 000	159 619 991	166 119 991
Deficit for the year	-	(6 350 794)	(6 350 794)
Increase in development fund- Capital project	41 161 402	-	41 161 402
Adjustments from prior year	-	(24 725 029)	(24 725 029)
Total Changes	41 161 402	(31 075 823)	10 085 579
Balance at 31 March 2018	47 661 402	128 544 168	176 205 570

**KHOMAS REGIONAL COUNCIL
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH**

	2018	2017
Note	N\$	N\$
Cash flow from operating activities		
Cash received from customers, government subsidies, and 5% levy	217 561 610	54 535 786
Cash paid to suppliers	(170 155 784)	(24 274 450)
Cash paid to employees	(35 972 220)	-
Interest received	883 768	(155 093)
Cash paid for interest and bank charges	(87 395)	-
Net cash from operating activities	12 229 979	30 106 243
Cash flows from investing activities		
Proceed from sales of property, plant and equipment	-	-
Purchase of property, plant and equipment-WIP	(440 503)	-
Purchase of property, plant and equipment	(257 545)	25 414 942
Net cash from investing activities	(698 048)	(25 414 942)
Cash flows from financing activities		
Movement in development fund capital project	41 161 402	1 500 000
Net cash from financing activities	41 161 402	1 500 000
Total cash movement for the year	52 693 333	6 191 301
Cash at the beginning of the year	11 353 509	5 162 208
Total cash at the end of the year	64 046 842	11 353 509

5

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

1. Accounting policies

The financial statements are prepared on the historical cost basis. They are presented in Namibia Dollar.

The 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 unexpended Delegated Funds are returned to the state Account as at 31 March, this does not materially affect the Regional Council's Financial Statements.

1.1 Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, or for rental to others or for administrative purposes; and are expected to be used during more than one period. Property, Plants and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost include costs incurred initially to acquire or construct an item of property ,plant and equipment and costs incurred subsequently to add to, replace part of ,or service it . If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	50 years
Machinery and equipment	Straight line	5 years
Motor Vehicles	Straight line	5 years
Office furniture and equipment	Straight line	3-5 years
Computer equipment	Straight line	3-5 years
Work in progress		not depreciated

The residual value, depreciation method and useful life of each asset are reviewed only where there is an indication that there has been a significant change from the previous estimate.

Gains and losses on disposals are recognised in the statement of income and expenditure.

Land and Buildings include an investment property (Park food) with a cost of N\$ 13 576 662 and a net book value of N\$ 12 200 006.

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

1.2 Investment property

Investment property held either to earn rental income or for capital appreciation or both. The Council held Park food property with a net book value of N\$ 12 200 006 for rental income.

1.3 Transfer of property to/from the government

The Council transferred (donated) land with a cost of N\$ 251 850 to Ministry of Health and Social Services (Maxwilili Clinic).

1.4 Retained earnings

Adjustments were made to retain earnings to introduce provision for leave amount that was not included in the prior year. VAT amount was written off against the retained earnings after receiving a letter from Ministry of Finance (Receiver of revenue).

1.5 Revenue

Revenue is consisting of rental income, subsidy from the government, levy assessment rates and interest income.

1.6 Provision for doubtful debts

The Council made provision for doubtful debts for all the debts owed for 120 days. The provision for doubtful debts amounts to N\$ 22 493 254 is included in other related expenditures.

1.7 Grants and transfer

Grants and transfer includes the donation of the land (Maxwilili Clinic to Ministry of Health and Social Services) amounts to N\$ 227 133 and the payments of urban and rural sanitation amounts to N\$ 2 019 942.

1.8 Tax

The Khomas Regional Council is not liable for Income Tax.

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

2. Property Plant and Equipment

2018	Land and Buildings	Office equipment	Furniture	Computer equipment	Vehicles	Machinery	Total
	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Carrying as at 01 April 2017	57 687 916	15 780	457 924	310 806	2 198 084	-	60 670 509
Cost	69 037 321	893 175	3 279 849	2 595 859	6 499 422	7 397	82 313 023
Accumulated depreciation	(11 349 406)	(877 395)	(2 821 925)	(2 285 053)	(4 301 339)	(7 397)	(21 642 514)
Adjustment	-	-	-	-	-	-	-
Additions	16 002 894	23 428	97 801	6 969	-	-	16 131 091
Disposal (Donation to Min. of Health)	(227 133)	-	-	-	-	-	(227 132)
Depreciation on asset donated	10 546	-	-	-	-	-	10 546
Depreciation	(1 376 204)	(11 309)	(136 785)	(281 844)	(555 636)	-	(2 361 779)
Carrying as at 31 March 2018	72 098 019	27 898	418 940	35 931	1 642 447	-	74 223 235
Cost	84 813 082	916 602	3 377 650	2 602 828	6 499 422	7 397	98 216 982
Accumulated depreciation	(12 715 063)	(888 704)	(2 958 710)	(2 566 897)	(4 856 975)	(7 397)	(23 993 747)

2. Property Plant and Equipment

2017	Land and	Office	Office	Computer	Motor	Machinery	Total
	Buildings	equipment	furniture	equipment	vehicles		
	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Carrying as at 01 April 2016	59 068 662	(779 288)	288 993	998 830	637 266	23 990	60 238 453
Cost	69 037 321	242 468	2 982 447	2 988 999	5 379 028	31 287	80 661 550
Accumulated depreciation	(9 968 659)	(1 021 756)	(2 693 454)	(1 990 169)	(4 741 762)	(7 297)	(20 423 097)
Adjustment	-	-	-	(424 881)	(380 652)	(23 890)	(829 423)
Additions	-	650 706	297 402	31 742	1 501 047	-	2 480 897
Adjustment to accumulated depreciation	-	156 150	-	-	845 955	-	1 002 105
Depreciation	(1 380 746)	(11 789)	(128 471)	(294 884)	(405 532)	(100)	(2 221 522)
Carrying as at 31 March 2017	57 687 916	15 779	457 924	310 807	2 198 084	-	60 670 510
Cost	69 037 321	893 174	3 279 849	2 595 859	6 499 422	7 397	82 313 024
Accumulated depreciation	(11 349 406)	(877 395)	(2 821 925)	(2 285 053)	(4 301 339)	(7 397)	(21 642 514)

KHOMAS REGIONAL COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

	2018	2017
	N\$	N\$
3. Work in Progress	40 917 593	54 612 689
Construction of services: Groot Aub	36 276 857	38 127 006
Construction of office: Katutura Central	1 510 541	1 510 541
Construction: Khomasdal North	-	8 063 903
Construction: Windhoek	785 109	785 109
Extension of Khomas	1 500 000	1 500 000
Purchase of plots	-	5 750
Renovation : Samora Machel	845 086	845 086
Security Alteration: Tobias Hainyeko	-	3 775 294
4. Trade receivables	7 628 278	40 211 998
S & T Advance	451 807	197 970
Salaries Advance	15 317	-
Salaries	21 783	230 024
Trade Debtors	29 630 019	1 067 227
Provision for Doubtful	(22 493 254)	-
Sundry Debtors	-	39 578
Other Debtors	900	55 271
5% Levy Receivable	-	23 949 902
Unclassified	-	43 100
Sundry Creditors: Salary and Wages	1 705	-
Receiver of Revenue (VAT)	-	14 628 926

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

	2018	2017
	N\$	N\$
5. Cash and cash equivalents	64 046 842	11 353 506
Standard Bank Current Account	459 401	23 318
Standard Bank Call account	51 175 684	3 155 680
Standard Bank Call account	355 481	26 470
Standard Bank Call account	42 791	41 187
Standard Bank Drought Relief Account	4 004	9 152
Standard Bank HIV/AIDS	1 091	1 060
Standard Bank 32 Days	11 960	11 440
Bank Windhoek Khomas Rural Dev. Project	1 145 555	3 405 101
Standard Bank DOE Call	83 275	82 447
Standard Bank Ministry of Gender Current Account	1 181 888	1 073 422
Bank Windhoek-Works Maintenance	8 166	650 882
Bank Windhoek - MICT	131 919	17 624
Directorate of Education	97 287	930 123
Directorate of Education-Capital	48 593	32 952
Directorate of Education-Interest	9 290 240	1 886 196
Directorate of Education-Teacher Award	2 563	4 444
Bank Windhoek-Lands	6 943	2 008
6. Adjustments from prior year	(24 725 029)	-
Prior year error corrected	(949 898)	-
Amount deducted by COW-Bill(Jun-Aug'15)	(701 282)	-
Amount deducted by COW-Bill(Dec'15-Feb'16)	(497 890)	-
Levy income not recognised(June-Aug'15)	(1 811 106)	-
AR balance previously overstated	(1 040 044)	-
Correction of Closing 2016/17	9 524	-
Reversal of Accrual Purchases	786 824	-
Amount written off to retaining earning	47 534	-
Reversal of amount posted to suspense account	(8 000)	-
Reversal of amount posted to suspense account	(8 400)	-
Prior year leave days not recognized end March	(5 340 155)	-
Reversal of Land of wrongly depreciated	10 545	-
VAT amount to be written off to retained earning	(15 222 682)	-

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

	2018	2017
	N\$	N\$
7. Current liabilities	11 262 556	901 328
Trade payables	2 301 218	29 811
Sundry Creditors-Rental Deposit	59 141	24 973
Sundry Creditors	-	47 534
Provision for Leave days	7 580 106	-
Provision For Accrued Bonus	771 030	-
Salaries and Wages	-	3
Salaries and Wages-Garnishees	600	-
Salaries & Wages	-	11 798
Salaries & Wages-Salary Overpayment	4 800	-
VAT Control Account	534 660	-
Suspense Account	11 000	-
Purchases Accrual	-	786 824
S&T Control Account	-	385
8. Other Income	1 318 801	697 554
Tender Fees	724 000	161 266
Electricity Sales	-	420 370
Miscellaneous other	544 983	63 761
Commission:2.5%	48 818	41 952
Advertisement	-	3 200
Permission to occupy	-	7 006
Other Ministries/Office	1 000	-
9. Rural development project income	11 000	3 467 452
Cash/Food for work	11 000	48 078
Micro Finance	-	49 038
One Region One	-	1 000 000
Rural Employment	-	28 846
Region Specific	-	22 260
Rural Sanitations	-	2 307 692
Support for Rural	-	11 538

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

10. Delegated functions

	2018	2017
	N\$	N\$
Income	156 206 716	228 362 448
Ministry of Gender	1 288 500	1 938 306
National Days	-	72 200
Office of the Prime	48 272	14 456
Ministry of Urban and Rural Development	99 024	-
Directorate of Education	150 504 497	208 008 669
Works maintenance	3 882 691	18 306 117
Ministry of Lands	148 098	2 700
Ministry of Information	235 634	20 000
Expenditure	150 086 728	248 860 564
Contribution to Rural	29 458	-
Ministry of Gender	1 294 542	2 554 771
Directorate of Education	143 919 530	223 089 363
Works Maintenance	4 525 408	22 930 921
Ministry of Lands	143 162	692
Ministry of Information(MICT)	121 339	2 376
Office of the Prime Minister	53 289	282 443
Surplus/(deficit)	6 119 988	(20 498 117)