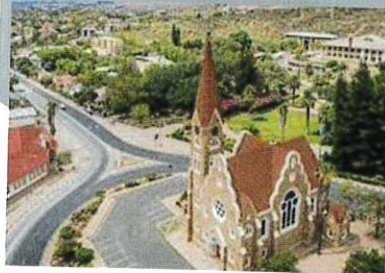




**REPUBLIC OF NAMIBIA**



**KHOMAS REGIONAL COUNCIL**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**  
**REGIONAL COUNCIL OF THE KHOMAS REGION**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

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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 2019 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.

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

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**WINDHOEK, February 2021**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
REGIONAL COUNCIL OF KHOMAS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

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**1. ADVERSE AUDIT OPINION**

I have audited the financial statements of the Regional Council of Khomas for the financial year ended 31 March 2019. These financial statements comprise the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the annual financial statements.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Audit Opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of the Regional Council of Khomas as at 31 March 2019 and its financial performance and their cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

**2. BASIS FOR ADVERSE 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 the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements, 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 adverse audit opinion.

Basis for Adverse audit opinion are as follows:

**2.1 Unrecorded liabilities for Work in Progress**

The Council did not recognize capital project invoices amounting to N\$ 27 972 757 and N\$ 5 365 043 during 2016/17 and 2017/18 financial periods respectively. These invoices were only recognized as work in progress in 2018/19 financial year when payment was done; this is non-compliance to the accrual basis of accounting method. Accrual basis means a basis of accounting under which transactions and events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recorded in the accounting records and recognized in the financial statements of the period to which they relate. The elements recognized under accrual accounting are assets, liabilities, equity, revenue and expenses.

**2.2 Fruitless expenditure**

Fruitless and wasteful expenditure refers to expenditure that was made in vain and could have been avoided had reasonable care been taken. The Council paid fruitless and wasteful expenditure in interest amounting to N\$ 5 920 848 for failing to pay capital project invoices mentioned above on time.

## **2.3 Value-Added Tax Returns**

The Council did not submit VAT returns on time, this is in contravention with the Value-Added Tax Act which requires that VAT returns should be submitted on or before 25<sup>th</sup> of the month following end of second (2)-month tax period.

## **2.4 Non-compliance to International Public Sector Accounting Standards (IPSASs)**

- The Council did not fully comply with IPSAS 24 (1), which requires a comparison of budget and actual amounts, the Council did not disclose an explanation of the reasons for material differences between the budget and actual amounts;
- Exemption that affects fair presentation and compliance with accrual basis IPSAS 33 (4) not disclosed. Where these transitional exemptions and provisions are applied, a first-time adopter is required to disclose information about the transitional exemptions and provisions adopted, and progress towards fair presentation and compliance with accrual basis IPSASs;
- IPSAS 33 (136), the Council did not disclose the extent to which it has taken advantage of the transitional exemptions that affect or do not affect the fair presentation of the financial statements and its ability to assert compliance with accrual basis IPSASs;
- IPSAS 33 (141), explanations of transition to IPSASs not disclosed; and
- IPSAS 33 (142), the Council did not present a reconciliation of its balance of net assets/ equity and accumulated surplus/ deficit in accordance with its previous basis of accounting to its opening balances at the date of adoption of IPSASs.
- IPSAS 16 (90) state that in addition to the disclosures required by paragraph 86, an entity that applies the cost model in paragraph 65 shall disclose:
  - (a) The depreciation methods used; and
  - (b) The useful lives or the depreciation rates used.

## **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. I do not have anything to report on this matter.

## **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.

### **4.1 Audit of Key Performance Information**

The Council has a strategic and annual plan in place and reviews were conducted and an annual report was issued.

## **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 International Public Sector Accounting Standards and legislation, and for such internal control as management determines is 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 issue 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 (ISSAIs), 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, I also;

- 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 used 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.

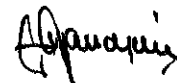
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- I communicate with those charged with governance regarding, 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)**

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 except that they were only submitted to the Auditor-General on the 10 September 2019 instead of three months after the financial year-end.

## **8. ACKNOWLEDGEMENT**

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



**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**WINDHOEK, February 2021**



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

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**KEY COUNCIL INFORMATION AND MANAGEMENT**

**Background information**

Khomas Regional Council was established under Regional Council Act, (Act 22 of 1992) and was entrusted with the responsibility of implementing central government policies at regional level with the objective of improving the overall living standard of its residents as per Regional Council Act. The financial powers, duties and functions of the Council are stipulated in Section 28 of the Regional Councils Act, (Act no. 22 of 1992) as amended. The accounts of the Khomas Regional Council, for the year ended 31 March 2019, are being reported on in accordance with the provisions set out in the State finance Act, (Act 31 of 1991) and the Regional Council Act, (Act 22 of 1992).

**REGIONAL COUNCILLORS**

Underneath are the names of the Councillors of the Khomas Regional Council as at 31 March 2019:

Hon. R. Jacob (Chairperson)  
Hon. P.I. Ita  
Hon. J. N. Namuhuja  
Hon. A. Kandjii  
Hon. G. Trepper  
Hon. M. David  
Hon. R. Sheehama  
Hon. F.S. Shivute  
Hon. M. Mensah-Williams  
Hon. C. Likuwa

**MANAGEMENT COMMITTEE MEMBERS**

Underneath are the names of the members of the Management Committee as at 31 March 2019:

Hon. R. Jacob (Chairperson)  
Hon. P.I. Ita  
Hon. G. Trepper  
Hon. M. David

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

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**REGIONAL COUNCIL ADMINISTRATIVE MANAGEMENT AS AT 31<sup>st</sup> MARCH 2019**

Underneath are the names of the Management Cadre of the Khomas Regional Council:

C.M Mafwila	Chief Regional Officer
L.S Muttotta	Director: Finance and Administration
G.M Benjamin	Director: Development Planning
S. Keib	Deputy Director: Human Resource Management
A.S.M Amadhila	Deputy Director: Finance
F.C Chilinda	Deputy Director: Planning
D. Andreas	Deputy Director: Technical Services
T.R Iishitile	Deputy Director: Rural Services
H. Katjivena	Deputy Director: Administration

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Windhoek  
Namibia

**Postal address** P.O. Box 3379  
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Namibia

**Business Contacts** Telephone: (264) 61 292 4444  
**E-mail:** cmafwila@khomasrc.gov.na  
Website: www.khomasrc.gov.na

**Bankers** Standard Bank Namibia  
Bank Windhoek

**Independent Auditors**

Auditor-General  
Office of the Auditor-General  
123 Robert Mugabe  
Private Bag 13299  
Windhoek

**Principal Legal Adviser:** Government Attorney

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

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**CHIEF REGIONAL OFFICERS' (CRO) RESPONSIBILITIES**

Section 40 of the Regional Council Act, 22 of 1992 requires the Chief Regional Officer (CRO) to prepare financial statements in respect of the Council within three months after the end of the financial year, which give a true and fair view of the state of affairs of the Council at the end of the financial year and the operating results of the Council for that year. The Chief Regional Officer are also required to ensure that the Council keeps proper accounting records which disclose with reasonable accuracy the financial position of the Council. The Chief Regional Officer is also responsible for safeguarding the assets of the Council.

The CRO is responsible for the preparation and presentation of the Council's financial statements, which give a true and fair view of the state of affairs of the Council for and as at the end of the financial year ended on 31 March 2019. These responsibilities include: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Council; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Council; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

**REGIONAL COUNCIL RESPONSIBILITIES AND APPROVAL**

The Regional Council is required by the State Finance Act, 1991 (Act 31 of 1991) and the Regional Council Act, (Act 22 of 1992) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Regional Council as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the State Finance Act, 1991 (Act 31 1991) and the Regional Council Act, (Act 22 of 1992).

The Office of the Auditor-General is engaged to express an independent opinion on the annual financial statements.

The Regional Council accept responsibility for the Council's financial statements. The Regional Council is of the opinion that the Council's financial statements give a true and fair view of the state of Council's transactions during the financial year ended 31 March 2019, and of the Council's financial position as at that date. The Regional Council further confirm the completeness of the accounting records maintained for the Council, which have been relied upon in the preparation of the Council's financial statements as well as the adequacy of the systems of internal financial control.

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

Nothing has come to the attention of the Regional Council to indicate that the Council will not remain a going concern for at least the next twelve months from the date of this statement.

The Council's financial statements were approved by the Chief Regional Officer on the 26 February 2020 and signed by him.

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

**ANNEXURE A**

	Note	2019 N\$	2018 N\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	56 977 321	72 327 298
Receivables from exchange transactions		46 961 577	64 046 842
Receivables from non-exchange transactions	5.1	2 209 656	1 529 892
Provision for doubtful debts		38 486 330	28 591 640
Inventory	7	(30 915 654)	(22 493 254)
		235 412	652 178
<b>Non-current assets</b>			
Buildings	3	72 315 011	74 223 234
Motor vehicles		54 865 666	55 877 703
Furniture and fittings		780 105	1 642 447
Office equipment		342 583	418 940
Computer equipment		92 192	27 898
Investment properties	2.4	189 657	35 930
		16 044 808	16 220 316
<b>Work in progress</b>			
Capital projects	4	54 702 258	40 917 593
		54 702 258	40 917 593
<b>Total assets</b>		<b>183 994 590</b>	<b>187 468 125</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables from exchange transactions	6	20 882 055	11 262 555
Payables from non-exchange transactions		10 394 251	2 301 218
Refundable deposits from customers		493 544	5 400
Provisions-employee benefits obligation		77 541	59 141
Other payables		9 506 676	8 351 136
		410 043	545 660
<b>NET ASSETS/EQUITY</b>		<b>163 112 535</b>	<b>176 205 570</b>
Development fund - capital projects		-	47 661 402
Accumulated funds		163 112 535	128 544 168
<b>Total net assets and liabilities</b>		<b>183 994 590</b>	<b>187 468 125</b>

## ANNEXURE B

**KHOMAS REGIONAL COUNCIL**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH**

	Note	2019 N\$	2018 N\$
<b>Revenue from non - exchange transactions</b>		<b>112 227 194</b>	<b>67 486 450</b>
Subsidies from Government		44 308 384	46 016 725
Grants Income		41 161 402	-
5% Levies on rates and taxes		26 499 411	21 458 725
Rural development project income		257 997	11 000
<b>Revenue from exchange transactions</b>		<b>1 944 051</b>	<b>2 812 653</b>
Rental income		1 320 377	1 260 575
Other income		334 252	1 318 801
Interest received from bank		289 422	233 277
Delegated functions income	13	192 487 811	156 206 716
<b>Total income</b>		<b>306 659 056</b>	<b>226 505 819</b>
<b>Expenditure</b>		<b>66 574 335</b>	<b>82 769 885</b>
Bank charges		71 730	70 678
Current transfer	12	2 308 551	3 486 365
Depreciation expense	11	2 268 913	2 361 779
Grants and transfer		37 469	2 300 848
Maintenance		1 470 346	578 228
Material and supplies		1 058 180	16 525
Membership fees and subscription		313 595	127 762
Other related expenses		13 866 035	28 175 213
Personnel expenditure: Staff	10.1	33 653 700	34 331 287
Council remuneration	10.2	4 146 892	4 146 891
Other condition of services		213 567	270 193
Properties and other related expenses		426 237	506 441
Transport expenses		920 810	1 089 325
Subsistence and travelling expenses		645 764	597 954
Utilities		5 172 546	4 710 397
Delegated functions expenses	13	171 674 789	150 086 728
<b>Total expenditure</b>		<b>238 249 124</b>	<b>232 856 613</b>
<b>Surplus/(deficit) for the year</b>		<b>68 409 932</b>	<b>(6 350 794)</b>

**KHOMAS REGIONAL COUNCIL**

**ANNEXURE C**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH**

	Development Reserve: Capital projects	Accumulated funds	Total net assets
Note	N\$	N\$	N\$
<b>Balance as at 01 April 2018</b>	<b>47 661 402</b>	<b>128 544 168</b>	<b>176 205 570</b>
Surplus for the year	-	68 409 932	68 409 932
Decrease in Development Reserve – Capital projects	(47 661 402)	-	(47 661 402)
Adjustments from prior year	-	(33 841 565)	(33 841 565)
Total changes	(47 661 402)	34 568 293	(13 093 109)
<b>Balance as at 31 March 2019</b>	<b>-</b>	<b>163 112 535</b>	<b>163 112 535</b>

## ANNEXURE D

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

	2019	2018
	N\$	N\$
<b>Cash flow from operating activities</b>		
Cash received from customers, government subsidies, local authority 5% levy	255 090 138	217 561 610
Cash paid to suppliers	(186 387 167)	(170 155 784)
Cash paid to employees	(35 318 511)	(35 972 220)
Interest received	502 032	883 768
Cash paid for interest and bank charges	(120 159)	(87 395)
<b>Net cash flow from operating activities</b>	<b>33 766 333</b>	<b>12 229 979</b>
<b>Cash flow from investing activities</b>		
Proceed from sales of property, plant and equipment	-	-
Purchase of property, plant and equipment	(790 076)	440 503
Purchase of property, plant and equipment - Work in progress	(50 061 522)	257 545
<b>Net cash flow from investing activities</b>	<b>(50 851 598)</b>	<b>(698 048)</b>
<b>Cash flow from financing activities</b>		
Movement in Development fund capital project	-	41 161 402
<b>Net cash flow from financing activities</b>	<b>-</b>	<b>41 161 402</b>
Net increase/(decrease) in cash and cash equivalents	(17 085 265)	52 693 333
Cash and cash equivalents at beginning of period	64 046 842	11 353 509
<b>Cash and cash equivalents at end of period</b>	<b>46 961 577</b>	<b>64 046 842</b>



**KHOMAS REGIONAL COUNCIL**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR ENDED 31**  
**MARCH**

ANNEXURE E

<b>Subdivision descriptions</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Differences</b>
<b>INCOME</b>				
Government Subsidies:	44 278 125	44 278 125	44 308 384	30 259
Opening Balance	4 923 254	4 923 254	4 923 254	-
5% Levy Rates and Taxes	4 800 000	4 800 000	4 800 000	-
Rental Income	1 952 500	1 952 500	1 142 208	(810 292)
Rural Development Fund	192 308	192 308	257 997	65 689
Interest	100 430	100 430	289 422	188 918
Other Incomes:	190 900	190 900	414 723	223 823
<b>TOTAL INCOME</b>	<b>56 437 517</b>	<b>56 437 517</b>	<b>56 135 988</b>	<b>(301 603)</b>
Remuneration	32 206 313	32 206 313	31 774 996	431 317
Employers Contribution to the G.I.P.F. and M.P.O.O.B.P.F.	3 380 955	3 810 955	3 939 636	(128 641)
Other Conditions of Service	1 228 000	798 000	372 957	425 043
<b>PERSONNEL EXPENDITURE - SUBTOTAL</b>	<b>36 815 268</b>	<b>36 815 268</b>	<b>36 087 589</b>	<b>727 719</b>
Travel and Subsistence Allowance	606 000	606 000	645 764	(397 640)
Materials and Supplies	1 020 000	1 020 000	1 058 180	(38 180)
Transport	1 400 000	1 060 000	920 810	139 190
Utilities	4 774 918	6 654 918	5 244 276	1 410 642
Maintenance Expenses	612 700	562 700	748 395	(185 695)
Property Rental and Related Charges	709 893	469 893	426 236	43 657
Other Services and Expenses	6 767 000	5 517 000	5 443 636	73 364
<b>GOODS AND OTHER SERVICES - SUBTOTAL</b>	<b>15 890 511</b>	<b>15 890 511</b>	<b>14 487 297</b>	<b>1 045 338</b>
Membership Fees and Subscriptions: Domestic Government Organization	300 000	300 000	313 595	(13 595)
Individuals and Non-Profit Organizations	178 270	178 270	37 469	140 801
2 736 793	2 736 793	1 173 544	1 563 249	
<b>SUBSIDIES &amp; OTHER CURRENT TRANSFERS - SUBTOTAL</b>	<b>3 215 063</b>	<b>3 215 063</b>	<b>1 524 608</b>	<b>1 690 455</b>
Furniture and Office Equipment	486 675	486 675	356 133	130 542
Vehicles	-	-	-	-
Operational Equipment, Machinery & Plants	30 000	30 000	-	30 000
<b>ACQUISITION OF ASSETS - SUBTOTAL</b>	<b>516 675</b>	<b>516 675</b>	<b>356 133</b>	<b>160 542</b>
<b>TOTAL OPERATIONAL EXPENDITURE</b>	<b>56 437 517</b>	<b>56 437 517</b>	<b>52 455 627</b>	<b>3 624 054</b>

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

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**1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION – IPSAS 1**

The Council's financial statements have been prepared in accordance with accrual basis International Public Sector Accounting Standards (IPSAS). IPSAS 33 allows a first-time adopter a period of up to three years to recognise and/or measure certain assets and/or liabilities. The Council took advantage of this transitional exemption in determining a deemed cost, and to measure its land and building and investment property. As a result, it is unable to make an explicit and unreserved statement of compliance with accrual basis IPSAS in preparing transitional IPSAS financial statements for this period. The Council intends to measure its land and building and investment by 31 March 2020.

The financial statements are presented in Namibian dollar, which is the functional and reporting currency of the Council. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

Income and expenditure in relation to Delegated Functions is accounted for during the year on a cash accounting basis 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, except Department of Education this does not materially affect the Regional Council's Financial Statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Revenue from non-exchange transactions – IPSAS 23**

**2.1.1 Fees, taxes and fines**

The Council recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Council and the fair value of the asset can be measured reliably.

**2.1.2 Transfers from other government entities**

Revenues from non-exchange transactions with government transfer are measured at fair value and recognized on obtaining control of the asset (cash) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Council and can be measured reliably.

**2.1.3 5% Contribution from Local authorities**

The Council received contribution from local authorities as per the provision of section 77(1) of the Local Authority Act.

**2.2 Revenue from exchange transactions –IPSAS 9 (Rendering of services)****2.2.1 Interest income**

The Council recognise interest income from commercial banks

**2.2.2 Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue. The Council recognises revenue from renting out Parkfood Properties and Council's halls.

**2.3 VALUE ADDED TAX (VAT)**

VAT charged on a purchase of assets or services and services which is not recoverable from the Receiver of Revenue, such amount is realised as part of the cost of acquisition of the asset or such amount is expensed. The Council has outsourced PWC to assist with VAT as from 2016 – 2018 hence the amount reflected in the financial statement (is not the same as the returns) would not give a true and fair presentation of VAT as at 31 March 2019. The net amount of VAT recoverable from or payable to the Receiver of Revenue is included in the Statement of Financial Position as part of receivables or payables.

**2.4 INVESTMENT PROPERTY – IPSAS 16**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

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

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The Council held Parkfood property with a cost of N\$ 13 576 662 and net book value of N\$ 11 928 473 for rental income and Land with a cost of N\$ 4 116 335 for capital appreciation.

**2.5 PROPERTY, PLANT AND EQUIPMENT – IPSAS 17**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. 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 follow:

Land	Not depreciated	
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	

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

**3. Property Plant and Equipment**

Description	Land	Buildings	Machinery	Furniture and Fixtures	Motor Vehicles	Computer equipment	Office Equipment
	2019	2019	2019	2019	2019	2019	2019
Reporting period	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Opening balance	4 020 310	68 077 709	-	418 940	1 642 447	35 931	27 898
Additions	96 025	337 917	-	73 400	-	195 512	87 222
Disposals	-	-	-	-	429 389	-	-
Depreciation	-	1 621 487	-	149 758	432 954	41 786	22 928
Revaluation	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>4 116 335</b>	<b>66 794 139</b>	<b>-</b>	<b>342 582</b>	<b>780 105</b>	<b>189 657</b>	<b>92 192</b>
Revaluation surplus	-	-	-	-	-	-	-
Revaluation deficit	-	-	-	-	-	-	-
Carrying amount	4 116 335	81 130 690	7 397	3 451 050	5 886 010	2 798 340	1 003 824
Accumulated depreciation	-	14 336 552	7 397	3 108 468	5 105 905	2 608 683	911 632
<b>Carrying amount</b>	<b>4 116 335</b>	<b>66 794 138</b>	<b>-</b>	<b>342 582</b>	<b>780 105</b>	<b>189 657</b>	<b>92 192</b>

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

**3. Property Plant and Equipment (continued)**

Description	Land	Buildings	Machinery	Furniture and fixtures	Motor vehicles	Computer equipment	Office equipment
	2018 N\$	2018 N\$	2018 N\$	2018 N\$	2018 N\$	2018 N\$	2018 N\$
Reporting period							
Opening balance	-	57 687 916	-	457 924	2 198 084	310 806	15 780
Additions	-	11 982 584	-	97 801	-	6 969	23 427
Disposals	-	216 587	-	-	-	-	-
Depreciation	-	1 376 204	-	136 785	555 636	281 844	11 309
Revaluations	-	-	-	-	-	-	-
<b>Closing balance - Financial position</b>		<b>68 077 709</b>	<b>-</b>	<b>418 940</b>	<b>1 642 447</b>	<b>35 931</b>	<b>27 898</b>
Revaluation surplus	-	-	-	-	-	-	-
Revaluation deficit	-	-	-	-	-	-	-
Carrying amount	4 020 310	80 792 773	7 397	3 377 650	6 499 422	2 602 828	916 602
Accumulated depreciation	-	12 715 064	7 397	2 958 710	4 856 975	2 566 897	888 704
<b>Carrying amount</b>	<b>4 020 310</b>	<b>68 077 709</b>	<b>-</b>	<b>418 940</b>	<b>1 642 447</b>	<b>35 931</b>	<b>27 898</b>

**KHOMAS REGIONAL COUNCIL**

**ANNEXURE F**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH (continued)**

	<b>2019</b>	<b>2018</b>
	N\$	N\$
<b>4. Work in Progress</b>		
	<b>54 702 258</b>	<b>40 917 593</b>
Construction: Services and Survey –Groot-Aub	-	35 121 906
Renovation: Samora Machel	845 086	845 086
Construction: Katutura Constituency	1 510 541	1 510 541
Construction: Windhoek	785 109	785 109
Survey - Groot Aub	-	1 154 951
Extension of Khomas	51 561 522	1 500 000

**5. Trade and other receivables**

Trade receivables are carried at anticipated realizable value. All outstanding amounts at year end which are older than 120 days are provided as provision for doubtful debts. Bad debts are written off during the year in which they are identified.

**5.1 Receivables from non-exchange transactions**

	<b>38 486 330</b>	<b>28 591 639</b>
S & T advance	451 807	451 807
Salaries advance	15 317	15 317
Salaries	21 783	21 783
Other receivables	37 928 138	28 100 127
Sundry debtors – (Other debtors)	-	900
Sundry creditors: salary and wages	-	1 705
Salaries and wages - Insurance	536	-
Salaries and wages	2 327	-
S&T advance	66 422	-

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

	<b>2019</b>	<b>2018</b>
	N\$	N\$
<b>6. Trade and other payables</b>		
	<b>20 882 055</b>	<b>11 262 555</b>
Trade payables	10 394 251	2 301 218
Sundry creditors-Rental deposit	77 541	59 141
Provision for leave days	8 706 125	7 580 106
Provision for accrued bonus	800 551	771 030
Salaries and wages - PAYE	493 544	-
Salaries and wages-Garnishees	-	600
VAT control account	398 143	534 660
Suspense account	11 900	11 000
Salaries and wages –Salary overpayment	-	4 800

**7. Inventories – IPSAS 12**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

<b>Inventories</b>	<b>235 412</b>	<b>652 178</b>
Stationeries	187 972	527 300
Cleaning	43 155	118 157
Accessories	2 299	5 233
Groceries	1 986	1 488

**8. PROVISIONS – IPSAS 19**

Provisions are recognised when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.



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

**9. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

	<b>2019</b>	<b>2018</b>
	N\$	N\$
<b>Cash and cash equivalents</b>	<b>46 961 503</b>	<b>64 046 841</b>
Standard Bank Current Account	148 947	459 401
Standard Bank Call account 004	13 143 052	51 175 684
Standard Bank Call account 005	367 370	355 481
Standard Bank Call account 006	826 854	42 791
Standard Bank Drought Relief Account	1 887	4 004
Standard Bank HIV/AIDS	-	1 091
Standard Bank 32 Days	-	11 960
Bank Windhoek-Khomas Rural Development Project	522 613	1 145 555
Standard Bank DOE Call	84 040	83 275
Standard Bank Ministry of Gender Current Account	-	1 181 888
Bank Windhoek-Works Maintenance	335 676	8 166
Bank Windhoek - MICT	46 263	131 919
Directorate of Education - Current Account	21 289 697	97 287
Directorate of Education - Capital	49 897	48 593
Directorate of Education - Interest	8 992 613	9 290 240
Directorate of Education - Teachers Award	779	2 563
Bank Windhoek - Ministry of Land	117 266	6 943
Bank Windhoek - Ministry of Gender	1 034 549	-

## ANNEXURE F

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

	2019	2018
	N\$	N\$
<b>10 .EMPLOYEE COSTS</b>		
<b>10.1 Staff Members Remuneration</b>	<b>33 653 702</b>	<b>34 331 219</b>
Salaries and wages	21 152 713	20 460 414
Contributions to pensions	3 396 493	3 312 774
Contributions to SSC	90 163	90 639
Transport/Car allowances	1 558 919	1 612 477
Service Bonuses and other bonuses	2 588 349	2 574 838
Housing benefits and allowances	2 796 340	2 574 838
Overtime payments	450 029	597 749
Leave Gratuity	65 339	700 360
Acting Allowances	395 588	168 552
Leave days expenses	1 126 019	2 239 952
Remote Allowances	33 750	14 250
<b>10.2 Councilor's Remuneration</b>		
<b>Chairperson</b>	<b>755 485</b>	<b>755 485</b>
Basic Salary	465 767	465 767
Car/Transport Allowance	-	-
Housing Allowance	127 304	127 304
Water and Electricity	44 280	44 280
Telephone Allowance	720	720
Employer Contribution to SSC	972	972
Employer Contribution to Pension	116 442	116 442
<b>Members of Management Committee</b>	<b>1 814 241</b>	<b>1 814 241</b>
Basic Salary	947 844	947 844
Transport Allowance	236 100	236 100
Housing Allowance	268 272	268 272
Water and Electricity	120 960	120 960
Telephone Allowance	2 160	2 160
Employer Contribution to SSC	1 944	1 944
Employer Contribution to Pension	236 961	236 961

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

**ANNEXURE F**

	<b>2019</b>	<b>2018</b>
	N\$	N\$
<b>10.2 Councilor's remuneration ( continued)</b>		
<b>Ordinary Council Members</b>	<b>1 577 165</b>	<b>1 577 165</b>
Basic Salary	758 961	758 961
Transport Allowance	236 100	236 100
Housing Allowance	268 272	268 272
Water and Electricity	120 960	120 960
Telephone Allowance	2 160	2 160
Employer Contribution to SSC	972	972
Employer Contribution to Pension	189 740	189 740
<b>11. Depreciation and amortization expense</b>		
	<b>2 268 912</b>	<b>2 361 782</b>
Property, plant and equipment	1 621 487	1 376 208
Motor vehicles	432 953	555 636
Computer equipment	41 786	281 844
Furniture, fixture and fittings	149 758	136 785
Office equipment	22 928	11 309
<b>12. Current transfer</b>		
	<b>2 308 552</b>	<b>3 486 366</b>
Income generating activities	1 135 007	1 173 410
Rural Development projects	906 382	2 114 915
HIV /AIDS - Raccoc	252 472	115 121
HIV/AIDS - work place	14 691	82 920

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

**13. Delegated functions**

The Council is performing the functions delegated by central governmental ministries, in accordance with the Decentralization Enabling Act 2000 (Act 33 of 2000).

Under delegation, the Regional Council only acts as an agent for a particular line Ministry, while the delegating line ministries retains the full control and overall responsibility to approve the related budget. Once the Ministry approves the budget it is then transferred to the Regional Council for execution.

	<b>2019</b>	<b>2018</b>
	N\$	N\$
<b>Delegated functions</b>		
<b>Income</b>	<b>192 487 811</b>	<b>156 206 716</b>
Ministry of Gender	1 402 692	1 288 500
Office of the Prime Minister	-	48 272
Ministry of Urban and Rural Development	-	99 024
Directorate of Education	185 992 005	150 504 497
Works maintenance	4 708 612	3 882 691
Ministry of Lands	221 230	148 098
Ministry of Information	163 272	235 634
<b>Expenditure</b>	<b>171 674 789</b>	<b>150 086 728</b>
Contribution to Rural	-	29 458
Ministry of Gender	1 834 031	1 294 542
Directorate of Education	165 097 702	143 919 530
Works Maintenance	4 381 103	4 525 408
Ministry of Lands	110 908	143 162
Ministry of Information (MICT)	248 928	121 339
Office of the Prime Minister	2 117	53 289
<b>Surplus</b>	<b>20 813 022</b>	<b>6 119 988</b>

**KHOMAS REGIONAL COUNCIL**

**ANNEXURE F**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH (continued)**

	<b>2019</b>	<b>2018</b>
	N\$	N\$
<b>14. Adjustments from prior year</b>		
Daily subsistence and travel allowances (DSA)	<b>(33 841 565)</b>	-
Accounts payable	(13 739)	-
Accounts receivable	(20 523)	-
Salary overpayment	(6 000)	-
Reversal of provision for accrued bonus 2017-18	1 600	-
Reversal Development fund	771 029	-
Drilling of Investment	6 500 000	-
Groot Aub (Donation to City of Windhoek)	(220 134)	-
Interest payable	(36 276 857)	-
Depreciation	(4 464 483)	-
	(112 458)	-

