



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
REGIONAL COUNCIL OF THE  
OHANGWENA REGION  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014**

Published by authority

Price (Vat excluded) N\$ 32.00  
Report no: 2018/82



**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 Ohangwena 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, May 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  
OHANGWENA REGIONAL COUNCIL  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014**

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**1. Report on the financial statements**

**1.1 INTRODUCTION**

The accounts of the Ohangwena Regional Council for the financial year ended 31 March 2014 are being reported in accordance with the provisions set out in section 38 of the Regional Councils 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 Ohangwena Regional Council for the financial year ended 31 March 2014. These financial statements comprise the following:

Annexure A: Balance sheet;  
Annexure B: Income statement;  
Annexure C: Statements of changes in equity;  
Annexure D: Cash flow statement; and  
Annexure E: Notes to the financial statement.

The financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 40(1) of the Regional Councils Act, 1992, except that they were only submitted on 03 November 2017 instead of three months (3 months) after the year end as required by the Act.

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

**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 Councils Act, 1992 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 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. ACKNOWLEDGEMENT**

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

## **5. KEY AUDIT FINDINGS**

### **5.1 ANALYSIS OF FINANCIAL STATEMENTS**

Differences amounting to N\$ 7 427 292 for Current Assets, N\$ 7 290 775 for Current Liabilities and N\$ 136 457 for Accumulated Funds were observed between the opening balances in the current year and the prior year financial statements.

## **Recommendations**

It is recommended that the Council should ensure that opening balances disclosed in the current financial statements are in agreement with the prior year's closing balances.

### **5.2 CASH AND CASH EQUIVALENT**

The auditors observed that cash and cash equivalent was overstated with N\$ 2 528 000. Furthermore, the auditors observed that the Council's FNB Current account was disclose as an overdraft of N\$ 1 268 815 whereas the bank confirmation reflect a positive amount of N\$ 1 268 815.

#### **Recommendation**

It is recommended that the Council perform regular reconciliations to ensure that balances are accurately disclosed in the financial statements.

### **5.3 OTHER INCOME**

Receipts amounting to N\$ 330 884 were not provided for audit purpose.

#### **Recommendation**

It is recommended that the Council should ensure that supporting documents are properly filed, safeguarded and provided for audit purpose.

### **5.4 EXPENDITURE**

The auditors observed that transactions amounting to N\$ 278 812 were processed in the wrong accounting period. Furthermore, supporting documents amounting to N\$ 244 516 were not provided for audit purposes.

#### **Recommendation**

It is recommended that the Council should ensure that transactions are properly recorded within the relevant accounting period.

It is further recommended that the Council should ensure that supporting documents are properly filed, safeguarded and provided for audit purpose.

### **5.5 5% RATES AND LEVIES FROM LOCAL AUTHORITIES**

The audit revealed that an amount of N\$ 275 000 levied from Eenhana Town Council was recorded in 2013/2014 financial year while it pertains to 2012/2013 financial year.

#### **Recommendation**

It is recommended that the Council should perform cut off procedures in order to ensure that transactions are recorded in the correct year.

## 5.6 VALUE ADDED TAX

It was observed that the Council VAT account was not reconciled to the receiver of revenue statement.

### Recommendation

It is recommended that the Council performs regular reconciliations to ensure that balances are accurately disclosed in the financial statements.

## 5.7 CASH FLOW STATEMENT

The audit revealed that the cash flow statement provided by the Council does not reflect the true cash movement of the Council. The Cash and Cash Equivalent at year end of (N\$ 1 268 815) does not agree to the Balance Sheet Cash and Bank amount of N\$ 46 696 148.

### Recommendation

It is recommended that the Council should ensure that the Cash Flow Statement reflects all cash movements and balances and its balance should agree to the balance sheet cash and bank amount.

## 6. BASIS FOR ADVERSE OF AUDIT OPINION

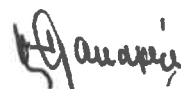
- Non-submission of other income receipts amounting to N\$ 330 884;
- Non-submission of supporting documents amounting to N\$ 244 516;
- Unexplained difference amounting to N\$ 14 854 524 on opening balances;
- Overstatement of Cash and Cash Equivalent with N\$ 2 528 000;
- Misrepresentation of a bank account amounting to N\$ 1 268 815;
- Incorrect disclosure of expenditures amounting to N\$ 278 812;
- Incorrect disclosure of rates and levies amounting to N\$ 275 000;and
- Incorrect Cash Flow Statement.

## 7. ADVERSE OPINION

The accounts of the Regional Council of the Ohangwena Region 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).

In my opinion, because of the significance of the matters described in the Basis for Adverse Audit Opinion paragraph, the financial statements do not give a true and fair view of the financial position of the Ohangwena Regional Council as at 31 March 2014.

WINDHOEK, May 2018



**JUNIAS ETUNA KANDJEKE**  
**AUDITOR-GENERAL**



**REGIONAL COUNCIL FOR THE OHANGWENA REGION  
BALANCE SHEET AS AT 31 MARCH**

	Note	2014 N\$	2013 N\$
<b>Non-current assets</b>		<b>32 970 846</b>	<b>66 984 302</b>
Fixed Assets	4	32 303 833	42 197 048
Work in Progress	5	667 013	24 787 254
<b>Current assets</b>		<b>59 041 214</b>	<b>52 057 943</b>
Cash at bank	7	46 696 148	34 622 390
Sundry debtors	6	2 296 670	*1 239 594
Accounts receivable	6	10 258 101	7 483 707
Other - Delegated Functions		-	8 222 715
Value Added Tax		(209 704)	489 537
<b>Total assets</b>		<b>92 012 060</b>	<b>119 042 245</b>
<b>Equity</b>		<b>114 244 737</b>	<b>94 916 320</b>
Accumulated Funds	9	*20 099 764	15 826 347
Government Funds	10	94 144 973	79 089 973
<b>Current liabilities</b>		<b>(22 232 677)</b>	<b>14 911 230</b>
Accounts payable	11	(22 232 677)	14 911 230
Accumulated depreciation		-	9 214 757
<b>Total equity and liabilities</b>		<b>92 012 060</b>	<b>119 042 306</b>

**\*This does not agree with notes.**

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

	<b>Note</b>	<b>2014</b>	<b>2013</b>
		<u>N\$</u>	<u>N\$</u>
<b>Income</b>	12	40 916 135	28 676 306
<b>Expenditure</b>	13	44 816 084	36 940 633
<b>Net operating surplus/(loss)</b>		<b>(3 899 949)</b>	<b>(8 264 327)</b>
Interest on current accounts	8	1 639 904	1 661 997
<b>Surplus/(Deficit) for the year</b>		<b>(2 260 045)</b>	<b>(6 602 331)</b>

**REGIONAL COUNCIL FOR THE OHANGWENA REGION**  
**STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH**

	<b>Development Funds Capital</b>	<b>Revolving Build Together</b>	<b>Retained earning</b>	<b>TOTAL</b>
	N\$	N\$	N\$	N\$
Balance as at 01 April 2012	73 868 854	4 964 105	24 036 718	102 869 677
MRLGH transfers	11 497 804	-	-	11 497 804
2012 Post balance sheet adjustment	-	-	4 986 952	4 986 952
Deficit for the year	-	-	(6 597 739)	(6 597 739)
Balance as at 31 March 2013	<b>85 366 659</b>	<b>4 964 105</b>	<b>22 425 930</b>	<b>112 756 694</b>
Balance as at 01 April 2013	74 125 868	4 964 105	15 689 890	94 779 862
MRLGH	15 055 000			15 055 000
2013 Post balance sheet Adjustment	-		8 929 964	8 929 964
Deficit for the year	-		(2 260 045)	(2 260 045)
Balance as at 31 March 2014	<b>89 180 868</b>	<b>4 964 105</b>	<b>22 359 809</b>	<b>116 504 781</b>

**\*Opening balance for retained earnings differs with N\$ 6 736 040 from prior year closing balance.**

**REGIONAL COUNCIL FOR THE OHANGWENA REGION  
CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 MARCH**

	<b>2014</b>	<b>2013</b>
	N\$	N\$
<b>Net cash inflow from operations</b>	<b>17 042 496</b>	-
-Cash Receipts from customers	3 740 912	-
-Government Transfer – MRLH, Donations & Delegated Functions	48 437 736	-
-Cash Paid to suppliers and employees	<u>(36 606 133)</u>	-
-Cash generated from/(Utilized In) Operations	11 831 603	-
-Interest received	1 469 980	-
<b>Net cash flow from investing activities</b>	<b>667 419</b>	-
- Purchase of Equipment	667 419	-
<b>Net Increase/(Decrease) in cash and cash equivalents</b>	<b>(56 020)</b>	-
- Cash and Cash Equivalent at the beginning of the year	<u>1 212 795</u>	-
<b>Cash and Cash Equivalent at the end of the year</b>	<b><u>(1 268 815)</u></b>	-

**\*The Regional Council did not provide comparative figures for 2013.**

**REGIONAL COUNCIL FOR THE OHANGWENA REGION**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH**

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**Accounting convention**

The annual financial statements for Ohangwena Regional Council are prepared on the historical cost convention; all transactions are recorded at the original monetary value and no account is taken of the effect of changing prices.

**Currency and foreign exchange**

The financial statements are expressed in Namibia dollars. No transactions denominated in foreign currencies were entered into during the period.

**Accounting policies**

The principal accounting policies followed by the Council and which are consistent in all material respects with those applied in the previous years, except as otherwise indicated, are summarized below:

**1. PROPERTIES, PLANT AND EQUIPMENT**

1.1 Property, plant and equipment (owned or leased) are stated at historical cost less accumulated depreciation. Depreciation is calculated on a straight-line method to write off the cost of each asset to its zero value over its estimated useful life. The following are expected useful economic lives for fixed asset categories:

Buildings	50 Years
Vehicles	5 Years
Computer equipment	3 Years
Office equipment	3 Years
Furniture & fittings	5 Years
Machinery equipment	5 Years
Other assets	3 Years
Land	No depreciation

Land is assumed to have an infinite economic life and is therefore not depreciated.

**2. REVENUE**

The Council derives revenue through rates, charges and fees in respect of property and services rendered within settlement areas in addition to grants from the parent government ministry and donations. The financial statements are prepared in line with the accruals concept. Revenue is recognized in the financial statements at the time services are rendered.

**REGIONAL COUNCIL FOR THE OHANGWENA REGION**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH**  
**(Continued)**

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**3. GRANTS AND DONATIONS**

Grants and donations received by the Regional Council throughout the period are summarized as follows:

	<b>2014</b>	<b>2013</b>
	N\$	N\$
MRLGHRD	33 382 736	25 529 949
Compensation Homesteads	-	-
	<b>33 382 736</b>	<b>25 529 949</b>