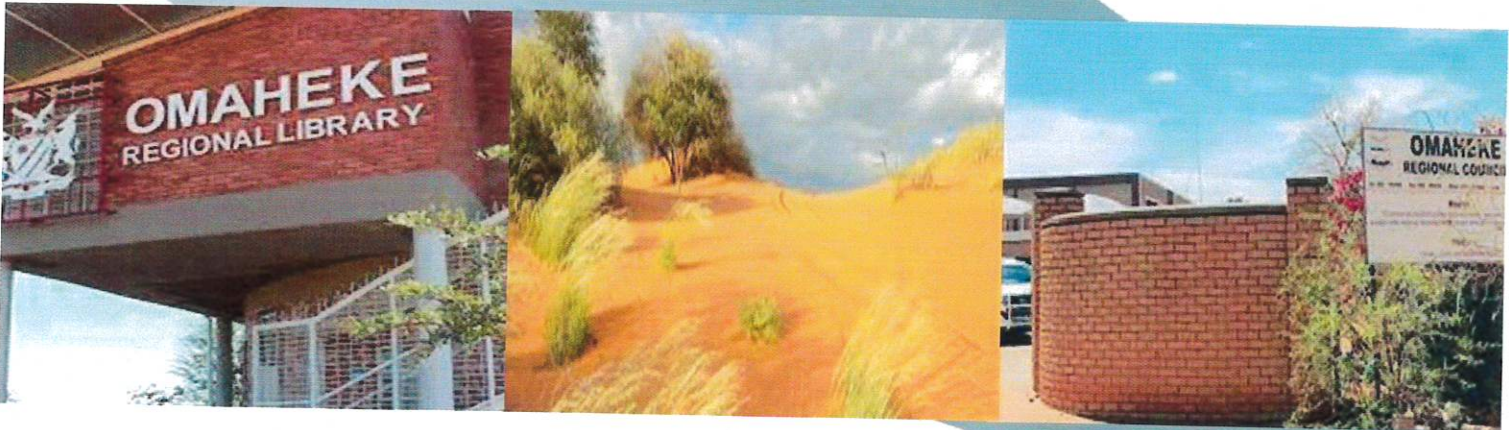


REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
OMAHEKE REGIONAL COUNCIL
FOR THE FINANCIAL YEAR ENDED 31 MARCH 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 Omaheke Regional Council 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 No. 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, September 2023

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Omaheke Regional Council for the financial year ended 31 March 2019. These financial statements comprise the Balance Sheet, Income Statement, Cash Flow Statement and Notes to the annual financial statements for the year then ended, including a summary of significant accounting policies.

In my opinion, because of the significance of the matters described in the Basis for Adverse Audit Opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of the Omaheke Regional Council as at 31 March 2019, and their financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework and the Regional Council Act, (Act No. 22 of 1992).

2. BASIS FOR ADVERSE AUDIT OPINION

I conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAI's). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the audit 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 the 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 the audit opinion. An adverse audit opinion is being expressed due to the following:

2.1 PROPERTY, PLANT AND EQUIPMENT

2.1.1 ABSENCE OF APPROVED FIXED ASSETS POLICY

The auditors observed that the Council does not have an approved fixed assets policy in place, this was reported in the financial audit of the 2018 financial year also. Furthermore, Council does not have a fixed asset register in place; this made it difficult for the auditors to ascertain themselves with the assertion of completeness and existence.

It is recommended that the Council should approve and implement a fixed assets policy, which will cater for important components such as assets valuation policies, depreciation policies, maintenance of fixed asset register, control and security of assets, regular inspection arrangements of assets, disposal of assets etc. It is further recommended that the Council should develop a fixed asset register.

made up of a favourable balance of N\$ 86 534 808 and a bank overdraft balance of N\$ 1 655 594, thereby giving an unexplained difference amounting to N\$ 14 680 731.

It is recommended that the Council should implement strong internal controls, regularly review and reconcile financial data, and ensure that all disclosures are complete, consistent and accurate.

2.3.2 DIFFERENCES BETWEEN BALANCE DISCLOSED IN THE FINANCIAL STATEMENTS AND BANK CONFIRMATION

The auditors noted a difference of N\$ 984 565 between the balance disclosed in the financial statements and the balance confirmed by the bank on one of the accounts held in the name of Council, this was due to improper reconciliations.

It is recommended that the Council should ensure that all bank accounts are properly reconciled to the bank statements obtained from the bank as at year end.

2.3.3 BANK ACCOUNTS NOT CONFIRMED BY THE BANKS

The auditors prepared and sent out bank confirmations to all the respective commercial banks, however, eight (8) bank accounts with balances amounting to N\$ 5 314 509 as disclosed in the financial statements were not confirmed by any of the commercial banks.

It is recommended that the Council ensure that all its' bank account records correspond to the bank accounts reflecting on the banks system through proper monthly reconciliation.

2.3.4 BANK ACCOUNTS NOT DISCLOSED IN THE FINANCIAL STATEMENTS

The auditors noted that bank balances relating to five (5) accounts as at year end with balances amounting to N\$ 206 282 and one (1) bank account with an overdraft balance amounting to N\$ 127 927 were confirmed by the respective individual banks, but not disclosed in the Council financial statements.

It is recommended that the Council should ensure that all bank accounts are disclosed in the financial statements.

2.3.5 DORMANT BANK ACCOUNTS DISCLOSED IN THE FINANCIAL STATEMENTS

The Council disclosed a capital project bank account with a favourable balance amounting to N\$ 10 966 628. Bank confirmations from commercial banks indicate that the bank account is dormant and has a favourable balance amounting to N\$ 5 719, resulting in a difference of N\$ 10 960 909.

It is recommended that the Council should ensure that only active bank accounts are disclosed in the financial statements with the correct balance.

It is recommended that the Council should ensure that documents are always availed to auditors for auditing purpose.

2.5 SALARIES AND WAGES

2.5.1 EMBEZZLEMENT OF FUNDS AT THE OMAHEKE REGIONAL COUNCIL

The report from the Public Service Commission on the embezzlement of funds at the Omaheke Regional Council found evidence indicating that employees in the Human Resources department have engaged in fraudulent activities. Specifically, they have identified instances of employees inflating their working hours, claiming false overtime payments, and misappropriating funds for personal use amounting to N\$ 143 870. At the end of the financial year this case was not yet resolved, however, the employees in question have repaid the Council as at the end of the 2021 financial year and are no longer in the employ of the Council. However, the ineffectiveness of controls that allowed for the embezzlement have not yet been addressed.

It is recommended that the Council should implement more robust internal controls to prevent such fraudulent activities from occurring in the future. It is crucial that the Council takes this finding seriously and takes appropriate action to prevent any further financial losses and uphold the integrity of their financial statements.

2.6 INVENTORY

2.6.1 ABSENCE OF INVENTORY MANAGEMENT POLICY

The auditors observed that the Council does not have an approved accounting policy adopted in measuring inventories, including the cost formula used in place for the period under review. This has made it difficult for the auditors to recalculate the figure disclosed in the financial statements.

It is recommended that the Council should approve and implement an inventory management policy, which will cater for important and the necessary measurement method, and disclosures.

2.7 TRADE AND OTHER RECEIVABLES

2.7.1 PRESENTATION AND DISCLOSURES

The auditors noted that the figure disclosed in the Balance Sheet for Trade and Other Receivables amounting to N\$ 17 387 550 does not agree to the figure disclosed in the corresponding note 11 that has a total amounting to N\$ 239 230 resulting in an unexplained difference of N\$ 17 148 320.

It is recommended that the Council should implement strong internal controls, regularly review and reconcile financial data, and ensure that all disclosures are complete, consistent and accurate.

Furthermore, through inquiries, the auditors noted that the Council does not recognise the 5% levies from the Local Authorities as incurred, only when payment is effected and no debtors were raised thereon.

“This contravenes Section 77(1) of the Local Authorities Act No. 23 of 1992 read with Section 33(1) (b) of the Regional Council’s Act No. 22 of 1992. “Stipulates that each Local Authority must transfer 5% of assessment rates levied on all rateable property to the relevant Regional Council”

2.9.3 CENORED SURCHARGES (DIVIDEND RECEIVED)

The auditors were unable to confirm the accuracy and completeness of the surcharges received amounting to N\$ 682 583 as the Council did not provide the breakdown of the transactions and the approved Electricity Control Board tariffs as supporting documents. Furthermore, the Council does not recognise income when incurred and, only when it appears on the bank statement and no debtors were raised.

2.9.4 EXPENDITURE

Procurement documents for vouchers amounting to N\$ 1 362 883, were not submitted for audit purpose.

2.9.5 VALUATION ROLL

The Council could not provide the auditors with the valuation Roll or the list of the erven for audit purpose as a result the auditor could not verify the existences of erven.

It is recommended that the Council should ensure that documents are always availed to auditors for auditing purpose.

3. KEY AUDIT MATTERS

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

4. OTHER INFORMATION

My audit 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 knowledge obtained in the audit or otherwise appears to be materially misstated. I have nothing to report in this regard.

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 the audit report to the related disclosures in the financial statements or if such disclosures are inadequate to modify the audit opinion. My conclusions are based on the audit evidence obtained up to the date of the audit 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 the 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; and
- 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 the audit 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 the audit 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

The accounts were submitted later than required by the Accounting Officer to the Auditor-General on the 19th April 2022 instead of three months after the financial year end in terms of Section 40 (1) of the Regional Council Act, (Act No. 22 of 1992).

The financial statements for the financial year ended 31 March 2021, 2022 and 2023 have not been submitted at the time of finalising this audit report.

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

ANNEXURE A

	Note	2019 N\$	2018 N\$
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	1	9 339 529	8 982 293
Other Non-Current Assets		240 534 580	189 391 029
Work-in-Progress-Capital Projects	10	240 534 580	189 391 029
Current Assets			
Stock: Consumables		1 045 397	1 029 793
Other Current Assets	12	33 271 919	22 994 357
Prepayments		-	623 824
Trade and Other Receivables	11	*17 387 550	14 676 710
Cash and Cash Equivalents	5	86 534 808	108 662 771
TOTAL ASSETS		388 122 783	346 360 777
EQUITY AND LIABILITIES			
Equity			
Accumulated Fund		8 126 633	28 266 310
Retained Earnings (Accumulated)		20 981 857	-
Retained Earnings (Current)		87 998	-
Development Fund: Capital Projects		322 048 806	285 184 589
Build Together: Revolving Fund		23 978 834	23 978 834
Current Liabilities		12 898 654	8 931 044
Account Payable	13&14	11 243 060	3 462 743
Sundry and Other Creditors		1 655 594	5 468 301
TOTAL EQUITY AND LIABILITIES		388 122 782	346 360 777

**There are several differences noted between the disclosures in the notes and the face of the Balance Sheet, please refer to finding 2.7.1*

REGIONAL COUNCIL FOR THE OMAHEKE REGION
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH

	Note	2019 N\$	2018 N\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash flows/(Outflows) from Operating Activities			
		(4 264 554)	2 111 747
Cash receipts from customers and other receipt	15	6 241 393	3 812 556
Delegated functions funds received		3 007 136	4 071 142
Government Transfer: MRLGHRD		49 395 980	52 235 864
Cash payments to suppliers and employees	16	(59 670 608)	(55 356 575)
Delegated functions payments		(3 238 454)	(2 651 240)
Cash generated from (utilized in) Operations			
		(4 264 554)	2 111 747
Interest received from bank investments		4 352 552	4 387 848
Movement in consumable stock		(19 614)	(240 926)
Change in trade and other receivables		(3 334 826)	(7 291 907)
Change in trade and other payables		(1 568 679)	(19 424 371)
INVESTING ACTIVITIES			
Net cash flow/(Outflow) from Investing Activities			
		52 440 494	(28 432 445)
Capital projects expenditure		51 152 549	(28 950 982)
Disposal of property plant and equipment		-	633 504
Acquisition of property plant and equipment		1 287 945	(114 967)
FINANCING ACTIVITIES			
Net cash flows/(Outflows) from Financing Activities			
		81 625 199	81 625 199
Build Together Funds introduced		566 020	566 020
Capital Projects funds introduced		81 059 179	81 059 179
Net Increase/(Decrease) in cash and cash equivalents			
		108 662 771	32 735 145
Add: Cash and cash equivalents at the beginning of the year		108 662 771	75 927 626
Adjustment for prior year undeclared bank balance		-	-
Cash and Cash Equivalents at the end of the year	5	*70 198 483	108 662 771

**Please refer to finding 2.3.1*

REGIONAL COUNCIL OF THE OMAHEKE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH
(Continued)

The estimated useful lives of the assets are as follow:

Buildings	50 years
Machinery and Equipment	5 years
Vehicles	5 years
Office Furniture and Equipment	3 years
Computer Equipment	3 years
Software	3 years

**REGIONAL COUNCIL OF THE OMAHEKE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH (Continued)**

1. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Building N\$	Motor Vehicles N\$	Furniture & Fittings N\$	Office Equipment N\$	Computer Equipment N\$	Software N\$	Plant Equipment N\$	Totals N\$
Opening Carrying amount-01/04/17	7 595 750	1 514 534	129 975	82 085	372 661	304 296	160 870	10 160 171
Cost	9 630 000	7 230 322	1 155 538	851 615	891 930	304 296	160 870	20 224 571
Accumulated Depreciation	(2 034 250)	(5 715 788)	(1 025 563)	(769 530)	(519 269)	-	-	(10 064 400)
Additions	-	-	34 714	30 070	50 183			114 967
Depreciation expenses	(192 600)	(546 681)	(134 990)	(64 463)	(220 505)	(101 432)	(32 174)	(1 292 845)
Closing Carrying amount-31/03/18	7 403 150	967 853	29 699	47 692	202 339	202 864	128 696	10 160 171
Cost	9 630 000	7 676 765	1 482 684	1 099 485	1 402 968	304 296	160 870	21 757 068
Accumulated Depreciation	(2 226 850)	(6 262 469)	(1 160 553)	(833 993)	(739 774)	(101 432)	(32 174)	(11 357 245)

REGIONAL COUNCIL OF THE OMAHEKE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH
(Continued)

	2019	2018
	N\$	N\$
5. CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalences	72 743 108	108 662 771
Decentralization Account	217 825	1 296 465
5% Assessment Rates Account	18 215	1 501 017
Build Together Account	825 358	173 247
Build Together Revolving Account	888 196	818 758
Rural Development Account	492 004	2 885 159
Capital Project Account	-	7 421
Capital Project Call Account	986 976	1 543 578
Governor's Social Club	759 595	399 369
HIV/AIDS Awareness Account	113 171	52 779
Independence Celebr Account	-	1 314 659
OVC Project Account	-	10 713
Omaheke Trust Fund Account	730 395	123 389
Cash Control Account	-	1 754
Build Together Trust Call Account	1 014 743	2 258 801
Build Together Call Account	5 145 939	5 801 372
Nampost-Epukiro Settlement	-	2 143
Decentralization Call Account	374 235	5 447 468
STD BTP Premium Call Account	988 513	947 882
Emergency Disaster Fund	124 144	515 440
Nampost Tallismanus Settlement	36 958	144 590
Nampost Omitara Settlement	55 617	19 100
STD BTP Premium Call Account	2 666 077	2 526 037
Capital Project Call	28 591 108	43 894 933
Capital Project Chk	11 927 333	26 627 458
Min of Agriculture	69 567	327 066
ORC VAT Call	5 531 000	661 871
ORC Rural Development Call	8 146 620	8 693 675

REGIONAL COUNCIL OF THE OMAHEKE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH
(Continued)

	2019	2018
	N\$	N\$
9. INTEREST RECEIVED	4 352 552	4 387 848
Decentralization Account	87 437	120 965
5% Account	19 418	51 215
Build Together Account	12 977	7 639
Build Together Revolving Account	-	15 237
Capital Project Account	-	11
Capital Project Call Account	48 622	38 970
Governor's Social Club Account	9 465	15 655
Nampost Talismanus Settlement	-	534
Nampost Omitara Settlement	15	2
Omaheke Trust Fund Account	31 097	21 183
Build Together Trust Call Account	55 947	115 547
Build Together Call Account	344 567	336 804
Decentralization Call Account	133 111	463 564
STD BTP Premium Call Account	49 393	49 348
Emergency Disaster Fund	19 506	10 044
Nampost Epukiro Settlement	142	-
STD BTP Premium Call Account	140 185	135 001
Capital Project Call Account	2 289 263	2 261 116
Capital Project ChkAccount	489 659	194 992
Min of Agriculture	11 100	47 310
ORC VAT Call	154 767	290 831
ORC Rural Development Call	452 817	201 335
Disaster Fund Account	-	9 060
ORC Settlement Receipts	2 935	95
Aminuis Settlement	133	163
ORC Admin Account	-	1 227

ANNEXURE E

REGIONAL COUNCIL OF THE OMAHEKE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH
(Continued)

	2019	2018
	N\$	N\$
Capital Project/Construction of Gobanin Offices-Otjinene	13 215 516	13 215 516
Capital Projects/Talismanus upgrading of street/- Otjombinde	480 894	480 894
Capital projects/Epukiro Phase 2 Construction of Services	773 980	690 634
Capital Projects/Buitepos Phase 2 Construction of Service	4 133 925	3 991 534
Capital Projects/Witvlei Phase 4 Construction of Services	7 788 326	6 444 019
Capital Projects/Rural Electrification Project	633 200	633 200
Capital Projects/Construction of Service Otjinene Phase 7	90 629	90 629
Capital Project/Sanitary/Dry Toilets Otjinene	241 478	241 478
Capital Project/Sanitary/Dry Toilets Otjombinde	350 750	34 500
Capital Project/Sanitary/Dry Toilets Aminuis	340 770	28 748
Capital Project/Sanitary/Dry Toilets Epukiro	337 149	194 896
Capital Project/Sanitary/Dry Toilets Kalahari	224 380	123 505
Capital Projects/Surveying of Buitepos	937 519	937 519
Capital Projects/Surveying of Aminuis	97 153	97 153
Capital Projects/Surveying of Talismanus	91 300	91 300
Capital Projects/Surveying of Omitara	522 931	80 406
Capital Projects/Surveying of Corridor 13	98 753	98 753
Capital Projects/Construction of 320 Ablution	9 233 612	6 314 055
Capital Projects/Construction Dry Toilets/Okorukambe	558 308	287 500
Capital Projects/Construction of Serv Otjombinde- Talismanus	194 074	-
Capital Projects/200m Gravel Road Aminuis Constituency/Corridor 13	536 522	-
Capital Projects/Construction of Drilling & installation Kalahari Constituency	867 352	-
Capital Projects/Refurbishment Water Tank-Aminuis Constituency	209 910	-
Capital Projects/Construction of	848 051	-

ANNEXURE E

REGIONAL COUNCIL OF THE OMAHEKE REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 MARCH
(Continued)

	2019	2018
	N\$	N\$
13. OTHER CURRENT LIABILITIES-CASH CONTROL ACCOUNTS		
	1 805 813	769 737
Cash Control- Municipality Services-Amunius	364 634	302 126
Cash Control- Municipality Services-Talismanus	1 298 259	381 756
Cash Control- Municipality Services-Epukiro	76 647	70 528
Cash Control- Municipality Services-Omitara	66 273	15 327
14. OTHER CURRENT LIABILITIES-SUNDRY PAYABLES		
	9 437 247	4 698 564
Build Together Customer Control	39 000	39 000
SBen Hur Development Centre MURD	1 568 172	961 154
Micro Finance-Rural Community Projects	1 557 519	1 776 611
Sundry Payables/Rural Employment Scheme	1 977 877	631 723
Food for Work Community Project	622 695	315 701
Sundry Payables/OVC Project	1 400	1 400
Build Together Receipts Control Account	156 079	95 112
International Organisation for Migration	5 706	5 705
Governor Social Fund	687 612	334 023
Regional Specific Action Plan 2016/2017	174 287	174 287
OROI Ungura Uvateruen Leather Project	-	180 819
Payables/Poor Farmers Programme	83 968	171 760
Payables/Directorate General Services	1 894 064	-
Staff Debtors	14 165	-
Insurance policies	191	-
Settlement Debtors Omitara	15 327	-
Sundry Receivables Fleet Management	628 184	-
Regional Food Action Plan	11 000	11 000