



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
REGIONAL COUNCIL OF THE //KHARAS
REGION**

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

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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 //Kharas region for the financial years ended 31 March 2016, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, February 2017

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 //KHARAS REGIONAL COUNCIL
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2016**

1. Report on the Financial Statements

1.1 INTRODUCTION

The accounts of the //Kharas Regional Council for the financial year ended 31 March 2016 are being reported on in accordance with the provisions set out in Section 38 of the Regional Council Act, 1992 (Act 22 of 1992).

Figures in the report are rounded to the nearest Namibia dollar and deficits are indicated in (brackets).

I certify that I have audited the accompanying financial statements of the //Kharas Regional Council for the financial year ended 31 March 2016. These financial statements comprise the following:

Annexure A: Balance sheet

Annexure B: Income statement

Annexure C: Cash flow statement

Annexure D: Notes to the financial statements

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 40(1) of the Regional Council Act, 1992, except that they were only submitted on 4th September 2016 instead of three months (3 months) after the year end as required by the Act.

The financial statements and notes to the financial statements provided by the Accounting Officer are attached as Annexures A-D.

2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 39 of the Regional Council's 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 of 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 given by the staff of the Council during the audit is appreciated.

5. KEY AUDIT FINDINGS

5.1 Account Receivables

As reported in prior years, the Council did not submit VAT returns to the Receiver of Revenue. Auditors could therefore not substantiate the VAT receivable to the value of N\$ 32 001 720 disclosed in the financial statements.

Recommendation

It is recommended that the Council should submit the VAT returns to the Receiver of Revenue in accordance with Section 24 of the VAT Act, 2000 (Act 10 of 2000) as amended.

5.2 Debtors Analysis

The customer's age analysis was understated by N\$ 2 411 436, due to the inclusion of debtors with credit balances.

Recommendation

The Council should perform reconciliations, to ensure that balances disclosed in the financial statements reflect the position of the debtors.

5.3 Provision for doubtful debts

The Council did not raise provision for doubtful debts.

Recommendation

The Council should ensure that adequate provision for doubtful debts is provided for.

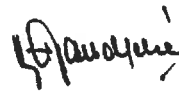
6. BASIS FOR QUALIFIED AUDIT OPINION

- Inability to substantiate the VAT receivable to the value of N\$ 32 001 720;
- Understatement of customer's age analysis by N\$ 2 411 436; and
- Provision for doubtful debts not provided for.

7. QUALIFIED AUDIT OPINION

The financial statements of the //Kharas Regional Council for the financial year ended 31 March 2016 were audited by me in accordance with the provisions of Section 38 of the Regional Council Act, 1992 (Act 22 of 1992), read with Section 25 (1) of the State Finance Act, 1991.

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Audit Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the //Kharas Regional Council as at 31 March 2016, and their financial performance and cash flows for the year then ended.



WINDHOEK, February 2017

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

ANNEXURE A

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

	Note	2016	2015
		N\$	N\$
ASSETS			
Non-current assets		165 397 512	150 473 514
Property, Plant and Equipment	4	165 420 717	149 917 273
Investments	5	(23 205)	556 241
Current assets		54 991 044	60 902 734
Account receivables	6	43 305 085	35 365 961
Inventory		153 142	174 226
Cash and cash equivalents	7	11 532 817	25 362 547
TOTAL ASSETS		220 388 556	211 376 248
EQUITY AND LIABILITIES			
Funds and reserves		218 922 728	210 451 698
Capital Development Fund		291 642 927	256 296 000
Build-Together Fund		4 455 341	4 515 000
Accumulated Funds		(77 175 540)	(50 359 302)
Current liabilities		1 465 828	924 550
Account payables		1 465 828	924 550
TOTAL EQUITY AND LIABILITIES		220 388 556	211 376 248

ANNEXURE B

REGIONAL COUNCIL FOR THE //KHARAS REGION
INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH

	Note	2016	2015
		N\$	N\$
Income	8	58 139 657	60 959 125
Expenditure	9	85 734 766	73 127 615
Operating deficit for the year		(27 595 109)	(12 168 490)
Interest earned		778 871	1 262 514
Net deficit for the year		(26 816 238)	(10 905 976)
Accumulated funds			
At the beginning of the year		(50 359 302)	(39 453 326)
End of the year		(77 175 540)	(50 359 302)

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

	Note	2016 N\$	2015 N\$
Cash flows from operating activities			
Cash receipt from customers		58 918 528	60 959 126
Cash paid to suppliers		(93 903 640)	(85 722 823)
Cash generated from operations	10	(34 985 112)	(24 763 697)
Interest earned		778 871	1 262 514
Net cash flows from operating activities		(34 206 241)	(23 501 183)
Cash flows from investing activities			
Nett Capital expenditure		(15 503 452)	(1 461 169)
(Increase)/Decrease in Investments		533 036	-
Cash flows from financing activities		35 346 927	35 000 000
Capital Development fund		35 346 927	35 000 000
Net increase/(decrease) in Cash and cash equivalents		(13 829 730)	10 037 648
- At the beginning of the year		25 362 547	15 324 899
- At the end of the year		11 532 817	25 362 547

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

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with the Namibian statements of Generally Accepted Accounting Practice.

The annual financial statements are prepared under the historic cost convention. The following accounting policies are consistent, in all material respects, with those of the previous year. The annual financial statements are prepared in line with the accrual concept. It should be noted, however, that income and expenditures 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 line Ministry, this does not materially affect the Regional Council financial statements.

All fixed assets are stated at historic cost less accumulated depreciation. Depreciation is calculated using the straight line method to write-off the cost of each asset to its residual value over its useful life.

The estimated useful lives for the year under review are as follows:

Buildings	50 Years
Machinery & Equipment	5 Years
Vehicles	5 Years
Office furniture & equipment	3 Years
Computer equipment	3 Years
Other fixed assets	5 Years

2. GRANTS AND DONATIONS

The Regional Council is currently performing the following functions (under certain conditions) delegated by central governmental line ministries, as indicated in accordance with Decentralisation Enabling Act of 2000.

Under delegation, the Regional Council acts as an agent on behalf of the relevant line ministries. The relevant line Ministries, however, retains overall responsibilities to approve the related budget. Their budget allocations is transferred to the Regional Council via cash transfers

REGIONAL COUNCIL OF THE //KHARAS REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(continued)

3. DELEGATED FUNDS	2016	2015
	N\$	N\$
Monies Received	136 409 113	16 456 714
Delegated funds	136 409 113	16 456 714
Monies paid out	140 725 465	11 136 650
Ministry of Education	123 321 711	-
OPM - Drought relief	156 787	455 169
Ministry of Works	8 856 063	7 231 495
Early Childhood Development Fund	1 578 844	1 489 004
Road Fund Administration	363 140	287 000
Rural Development Projects	6 383 750	1 556 565
MRLGHRD/ BTP - Social Housing	-	113 753
MURD - Cash for work	65 170	3 664
Net delegated funds	(4 316 352)	5 320 064

REGIONAL COUNCIL OF THE //KHARAS REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(continued)

4. FIXED ASSETS

2016	Land and Buildings	Motor Vehicles	Office furniture, Equipment & Computers	Other fixed assets	Assets under Construction	Total
	N\$	N\$	N\$	N\$	N\$	N\$
Cost as at 1 April 2015	12 866 670	6 466 744	124 015 338	4 890	55 570 861	198 924 503
Additions	5 611 437	-	727 588	-	33 901 230	40 240 255
Cost as at 31 March 2016	18 478 107	6 466 744	124 742 926	4 890	89 472 091	239 164 758
Less: Depreciation						
Balance as at 1 April 2015	1 700 663	4 416 789	42 884 888	4 890	-	49 007 230
Charge for the year	245 712	717 637	23 773 462	-	-	24 736 811
Accumulated Depreciation	1 946 375	5 134 426	66 658 350	4 890	-	73 744 041
Net book value as at 31 March 2016	16 531 732	1 332 318	58 084 576	-	89 472 091	165 420 717

Observation:

A difference of N\$ 5 795 was noted on Depreciation, between the Financial Statements (N\$ 24 736 811) and Trial balance (N\$ 24 742 606) for the year.

REGIONAL COUNCIL OF THE //KHARAS REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(continued)

2015	Land and Buildings	Motor Vehicles	Office furniture, Equipment & Computers	Other fixed assets	Assets under Construction	Total
	N\$	N\$	N\$	N\$	N\$	N\$
Cost as at 1 April 2014	12 216 881	5 440 092	72 058 006	4 890	84 807 217	174 527 086
Adjustments	-	-	-	-	(29 236 356)	(29 236 356)
Additions	649 789	1 026 652	51 957 332	-	-	53 633 773
Cost as at 31 March 2015	12 866 670	6 466 744	124 015 338	4 890	55 570 861	198 924 503
Less: Depreciation						
Balance as at 1 April 2014	1 458 949	3 831 260	20 775 884	4 890	-	26 070 983
Charge for the year	241 714	585 529	22 109 004	-	-	22 936 247
Accumulated Depreciation	1 700 663	4 416 789	42 884 888	4 890	-	49 007 230
Net book value as at 31 March 2015	11 166 007	2 049 955	81 130 450	-	55 570 861	149 917 273

REGIONAL COUNCIL OF THE //KHARAS REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(continued)

	2016	2015
	N\$	N\$
5. INVESTMENTS		
Shares in other companies - Sored	(23 205)	556 241
	(23 205)	556 241
6. ACCOUNTS RECEIVABLES		
Debtors Control	11 303 365	10 569 525
Value Added Tax	32 001 720	24 796 436
	43 305 085	35 365 961
7. CASH AND BANK		
Bank whk call Capital Project	35 750	33 796
5% Assessment rates	93 148	128 768
Stannic fleet management	40 827	151 676
Early Childhood development	651 351	261 793
FNB Main account	668 100	(307 794)
Build Together Housing Account	13 464	148 133
Rural Electricity	11 059	602
Gutenhaus SH project	9 870	10 413
Aus settlement area	41 377	216 926
Capital Projects	4 896 134	15 406 482
BTP Disbursement Receipt Account	151 640	138 096
KRC BTP Disbursement Call Account	289 649	274 358
Karas Rural Development Project	4 049 003	8 310 135
FNB Traditional Authority Account	14 527	13 702
Karas Development Trust Account	42 798	24 854
KRC Bank Windhoek Account	24 441	23 105
FNB Call Account	329 288	53 816
Independence Celebration Account	41 503	40 499
Warmbad FNB Account	16 847	39 028
Grunau FNB Account	6 498	3 834
FNB Call Contingency Account	164 247	234 423
Noordoewer settlement area	36 310	104 601
Kosis Settlement Area	18 627	12 967
Ariamsvlei FNB Account	6 288	7 959
KRC Ministry of Land & Resettlement	14 989	14 868

REGIONAL COUNCIL OF THE //KHARAS REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(continued)

	2016	2015
	N\$	N\$
Interbank Transfer	(130 000)	-
Cash Control - AUS	(3 911)	-
Cash Control - Kosis	(124)	359
Cash Control - Grunau	(1 186)	8 842
Cash Control - Noordoewer	7 230	(29)
Cash Control - Warmbad	1 449	5 527
Cash Control - Ariamsvlei	(8 376)	1 282
	11 532 817	25 363 021
TOTAL CASH AND BANK IN HAND	11 532 817	25 363 021
<i>Less: Capital project funds</i>	(4 896 134)	(15 406 482)
Nett: BANK AND CASH IN HAND	6 636 683	9 956 539

REGIONAL COUNCIL OF THE //KHARAS REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(continued)

	2016	2015
	N\$	N\$
8. INCOME		
Government transfers - MRLGHRD	45 348 686	42 571 168
Assessment rates	1 784 131	1 282 768
Interest received - BTP	-	44 358
Rates, charges & fees (Settlement areas)	5 227 343	6 478 528
Delegated Functions	4 231 339	9 225 219
Sundry income	1 035 893	1 266 350
//Kharas Development Trust Income	512 265	90 734
Total income	58 139 657	60 959 125
9. EXPENDITURE		
Salaries & Wages	27 419 812	24 265 657
Employers contribution	3 451 323	2 963 565
Other conditions of services	1 550 643	1 573 105
Property rentals	91 042	87 820
Transport expenses	2 776 371	1 733 339
Depreciation	24 742 606	22 936 247
Utilities	7 783 707	6 676 812
Materials & Supplies	469 262	525 130
Repairs & maintenance	697 402	564 874
Other services and expenses	2 904 274	3 022 101
Travel & accomodation	2 654 452	2 433 992
Membership fees & subscription	177 053	377 054
Grants and subsidies	226 057	235 874
Delegated funds	8 547 691	3 905 156
Current Transfers To Individuals And To Public	585 961	1 420 967
Constituency Development Fund	1 127 925	338 453
Karas Development Trust expenses	529 185	67 470
Total expenditure	85 734 766	73 127 616
NET OPERATING SURPLUS/ (DEFICIT) FOR THE YEAR	(27 595 109)	(12 168 491)
Interest received	778 871	1 262 514
SURPLUS/ (DEFICIT) FOR THE YEAR	(26 816 238)	(10 905 977)

REGIONAL COUNCIL OF THE //KHARAS REGION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH
(continued)

	<u>2016</u>	<u>2015</u>
	N\$	N\$
10. CASH UTILISED BY OPERATIONS		
Surplus/ (Deficit) for the year	(26 816 239)	(10 905 976)
Adjustments for:		
Unexplained adjustments	(13 240)	(348 452)
Interest earned	(778 871)	(1 262 514)
Operating surplus/(deficit) before changes in working capital	(27 608 350)	(12 516 942)
Changes in working capital:		
(Increase)/ Decrease in debtors	(7 939 124)	(7 990 983)
(Increase)/ Decrease in inventories	21 084	174 226
(Decrease)/ Increase in creditors	541 278	(4 429 998)
Cash utilised by operations	<u>(34 985 112)</u>	<u>(24 763 697)</u>

