



REPUBLIC OF NAMIBIA



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

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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 Kavango East 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.

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

WINDHOEK, August 2016

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. Report on the Financial Statements

1.1 INTRODUCTION

This report on the accounts of the Kavango East Regional Council for the financial year ended 31 March 2014 is presented to the National Assembly in accordance with 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 Kavango East Regional Council for the financial year ended 31 March 2014. These financial statements comprise the following statements submitted for the year then ended:

Annexure A: Balance Sheet
Annexure B: Income Statement
Annexure C: Cash flow statement
Annexure D: Statement of changes in equity
Annexure E: Notes to the financial statements

The Regional Council's financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 40(1) of the Regional Council's Act of 1992.

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 Council 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. ACKNOWLEDGEMENTS

The courtesy and assistance extended to the Auditor-General and his staff members by the Regional Council's Staff during the audit are highly appreciated.

5. KEY AUDIT FINDINGS

5.1 VAT Refund

A difference of (N\$ 739 312) was observed between the amount due as per financial statement to the amount of (N\$ 7 219 603) and the amount due as per auditors calculation amounting to (N\$ 6 480 291).

Recommendation

It is recommended that the Council should ensure that amounts are correctly reflected in the annual financial statements. It is further recommended that the Council should perform VAT reconciliation on a regular basis.

5.2 Provision for bad debts

Although the Council's debtors have been increasing from year to year, it was noted that the Council did not provide for provision for bad debts in the annual financial statement.

Recommendation

It is recommended that the Council should ensure that debtors outstanding above 120 days are provided for as provision for bad debts in the annual financial statements.

5.3 Non submission of payment vouchers.

At the time of the audit, payment vouchers amounting to N\$ 328 981 were not provided to the auditors, therefore important tests could not be performed.

Recommendation

It is recommended that the Council should ensure that all supporting documents are provided for audit purpose at all times.

5.4 Trade and Payables

It was observed that invoices for the 2013/2014 financial year were not processed as payable as at 31 March 2014, but were only processed during 2014/2015 financial year. Therefore payables are understated with N\$ 138 316.

Recommendation

It is recommended that transactions should be properly recorded in the correct financial period and management checks should be done to avoid misstatement.

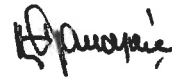
6. BASIS FOR QUALIFIED AUDIT OPINION

- Unexplained difference amounting to N\$ 739 312 on VAT;
- Council failed to provide provision for bad debts and;
- Council did not provide auditors with supporting documents amounting to N\$ 328 981.

7. QUALIFIED AUDIT OPINION

The accounts of the Regional Council of the Kavango East Region for the financial year ended 31 March 2014 has been audited in terms of Section 38 of the Regional Councils Act , 1992 (Act 22 of 1992) and Section 25(1)(b) of the State Finance Act, 1991(Act 31 of 1991).

Except for the matters as described in the Basis for Qualified audit opinion paragraph, in my opinion the accounts fairly present the financial position of the Council for the year ended 31 March 2014 and the results of its operations and cash flow for the year then ended.



WINDHOEK, August 2016

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

	Notes	2014 N\$	2013 N\$
ASSETS			
Non-current assets		53 745 723	44 383 409
Fixed assets	2	28 913 156	28 731 625
Work in progress	2.1	24 832 567	15 651 784
Current Assets		51 491 187	39 861 469
Investment	3	714 286	714 286
Debtors control & Sundry debtors	4	6 447 814	6 151 840
Cash and cash equivalent	5	37 037 412	26 974 333
VAT Receivables		7 219 603	5 954 470
Stock on hand		72 072	66 540
TOTAL ASSETS		105 236 910	84 244 878
EQUITY AND LIABILITIES			
Liabilities		2 310 456	472 016
Current liabilities	6	2 310 456	472 016
Equity		102 926 454	83 772 859
Accumulated funds	9	102 926 454	83 772 859
TOTAL EQUITY & LIABILITIES		105 236 910	84 244 878

ANNEXURE B

**REGIONAL COUNCIL FOR THE KAVANGO EAST REGION
INCOME STATEMENT AS AT 31 MARCH**

	Notes	2014	2013
		N\$	N\$
INCOME	7	44 290 306	30 020 555
LESS EXPENDITURE	8	44 594 463	32 032 386
NET OPERATING SURPLUS/(DEFICIT)		(304 157)	(2 011 831)
Net interest received	7	845 753	865 896
NET SURPLUS/(DEFICIT) FOR THE YEAR		541 596	(1 145 935)

**REGIONAL COUNCIL FOR THE KAVANGO EAST REGION
CASHFLOW STATEMENTS AS AT 31 MARCH**

	Notes	2014	2013
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipt from customers		44 290 306	30 020 555
Less cash paid to suppliers		44 322 662	35 564 027
Cash (Utilized)/generated by operations	10	(32 356)	(5 543 472)
Interest received		845 753	865 896
Increase/(decrease) in funds		18 612 000	6 996 915
(Increase)/decrease in fixed assets		(9 362 316)	(1 172 319)
Nett (decrease)/increase in cash and cash equivalents		10 063 081	1 147 020
CASH AND CASH EQUIVALENTS			
-Beginning of the year		26 974 331	25 827 311
- End of the year		37 037 412	26 974 331

REGIONAL COUNCIL FOR THE KAVANGO EAST REGION
STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 MARCH

Accumulated Fund and Reserves 31 March 2014

	Opening Balance as at 01 April 2013	Additions 2013/2014	Closing Balance as at 31 March 2014
	N\$	N\$	N\$
Net Surplus	9 779 894	541 593	10 321 487
Development Fund and Reserves	71 558 964	18 612 000	90 170 964
Build Together Revolving Funds	2 434 000	-	2 434 000
TOTAL	83 772 858	19 153 593	102 926 451

Accumulated Fund and Reserves 31 March 2013

	Opening Balance as at 01 April 2012	Additions 2012/2013	Closing Balance as at 31 March 2013
	N\$	N\$	N\$
Net Surplus	10 925 830	(1 145 935)	9 779 895
Development Fund and Reserves	64 562 030	6 996 934	71 558 964
Build Together Revolving Funds	2 434 000	-	2 434 000
TOTAL	77 921 879	5 850 999	83 772 859

REGIONAL COUNCIL FOR THE KAVANGO EAST REGION**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014**

1. ACCOUNTING POLICIES

The annual financial statements are prepared under the historical 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 expenditure in relation to delegated function is accounted for during the year on a cash accounting concept, in line with the State Finance Act, 1991. However, since all liabilities in relation to delegated functions remains with the relevant line ministry and all unexpected delegated funds are returned to the State Account as at 31 March, this does not materially affect the Regional Council financial statements.

1.1 Plant and equipment

All fixed assets are stated at historical cost less accumulated depreciation. Depreciation is calculated using the straight-line method to write off the cost of each assets to its residual value over its estimated useful economic life. The estimated useful economic lives for each category of asset are as follows:

The estimated useful lives are as follows:

Computer equipment	3 years
Office furniture, equipment and computers	3 years
Motor vehicles	5 years
Assets under construction	20 year

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

2. PLANT AND EQUIPMENT

As at 31 March 2014

	Land and Building	Plant, Machinery Equipment & Vehicles	Office Furniture Equipment & Computers	TOTAL
	N\$	N\$	N\$	N\$
Opening carrying amount	23 064 165	4 018 262	649 197	28 731 624
Gross carrying amount	27 280 526	10 947 932	3 961 266	42 189 724
Accumulated depreciation	(3 216 361)	(6 929 670)	(3 312 069)	(13 458 100)
Depreciation charge	(564 283)	(1 280 755)	(323 577)	(2 168 615)
Additions	933 602	1 014 104	402 440	2 350 146
	369 319	(266 651)	78 863	181 531
Gross carrying amount	28 214 128	11 962 036	4 363 706	44 539 870
Accumulated depreciation	(3 780 644)	(8 210 425)	(3 635 646)	(15 626 715)
Closing carrying amount	24 433 484	3 751 611	728 060	28 913 156

ANNEXURE E

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

As at 31 March 2013

	Land and Building	Plant, Machinery Equipment & Vehicles	Office Furniture Equipment & Computers	TOTAL
	N\$	N\$	N\$	N\$
Opening carrying amount	24 609 790	1 708 837	831 585	27 150 212
Gross carrying amount	27 280 526	7 421 128	3 758 938	38 460 562
Accumulated depreciation	(2 670 736)	(5 712 291)	(2 927 353)	(11 310 380)
Depreciation charge	(545 611)	(1 217 379)	(384 711)	(2 147 701)
Adjustments	(14)	-	(5)	(19)
Additions	-	3 526 804	202 328	3 729 132
	(545 625)	2 309 425	(182 388)	1 581 412
Gross carrying amount	27 280 526	10 947 932	3 961 266	42 189 724
Accumulated depreciation	(3 216 361)	(6 929 670)	(3 312 069)	(13 458 100)
Closing carrying amount	24 064 165	4 018 262	649 197	28 731 625

ANNEXURE E

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

2.1 CAPITAL PROJECTS STATUS

PROJECT NO	PROJECT NAMES	WIP	WIP
		2013/2014	2012/2013
		N\$	N\$
5	Divundu Survey	566 898	566 898
8	Ndiyona Settlement	245 267	245 267
10	Muroro settlement area	123 852	123 852
11	Kayengona Settlement Area	127 452	127 452
14	Survey of Kahenge Settlement Area	300 000	300 000
22	Service Desing- Divundu	76 878	76 878
24	Proclamation Feasibility Study	90 044	90 044
36	Divundu Survey Extension	280 412	280 412
26	Dumushi Project	(3 576)	(3 576)
	Basin Sanitation - Toilets	(280 398)	(6 904 725)
41	Katwiwi Settlement Area	865 049	851 023
35	Divundu water sewerage & roads phase 3	9 884 230	9 503 643
36	Construciton of Rundu rural west office	105 480	105 480
40	Preplanning of Divundu	342 460	342 460
41	Acquisition of Land - Divundu	1 545 725	1 519 353
	Divundu water Phase 4	3 987 215	3 423 419
	Construction of Divindu gravel road P5	248 893	384 181
	Constn- Rupara fencing new rural dev cent	-	933 602
	Constn of Services in Katwitwi	1 381 594	1 123 222
	Divundu upgrading of oxidation P4	-	431 641
	Renovation of KRC Offices	802 304	385 297
	Divundu Sanitary Drainage P3 - Extension	2 346 293	1 745 962
	Construction of Divundu Town Council	81 409	-
	New Divundu Gravel Road Phase 5	1 162 653	-
	Construction of Services-Divundu Phase 5	552 434	-
TOTAL		24 832 567	15 651 784

ANNEXURE E

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

3. INVESTMENTS	2014	2013
	N\$	N\$
	714 286	714 286
Shares in Nored	714 286	714 286
4. DEBTORS		
Debtors control	6 064 435	5 764 802
Others receivables	6 064 435	5 764 802
Sundry debtors	383 379	387 038
Subsistence & Travel Advance	11 721	14 760
Other Sundry Debtors	(2 500)	(2 000)
Staff study financial assistance	374 158	374 278
	6 447 814	6 151 840
FNB Operational account	756 499	(580 551)
FNB Main Call Account	344 774	182 841
FNB Development Fund	2 874 463	731 286
FNB Development Fund Call	17 106 191	11 469 171
FNB Build together Receipt	450 155	388 852
FNB Build together Disburse	25 039	86 973
FNB Build together Call	1 008 639	1 424 561
FNB Cheque Account	9 578 839	2 368 734
FNB Revenue account	227 859	1 212 276
STD Fleet Management account	252 924	165 727
KRC BT Post Office	97	97
Drought Relief	(60 946)	99
Rural Development Account	4 465 750	9 514 654
Cash Control (Cash in hand)	7 129	9 613
Net cash and cash equivalents	37 037 412	26 974 333

ANNEXURE E

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

6. CREDITORS

	2014	2013
	N\$	N\$
Creditors control	2 263 924	461 543
Sundry Creditors	948	-
Salaries and Wages	45 584	10 473
	2 310 456	472 016

7. INCOME

Government Transfer-Mrlghrd	31 655 632	22 534 038
5% Rates from Local Authorities	407 393	379 354
Rural development project income	1 349 209	3 463 381
Income from Settlement Areas	81 839	107 017
Royalties and Other income	1 031 220	1 030 606
Hiring of properties	52 876	56 980
Interest and dividends received	845 753	865 896
Grants and donations	-	-
Other income	337 473	196 960
Delegated functions income	9 374 664	2 252 219
Total income	45 136 059	30 886 451

ANNEXURE E

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

	2014	2013
	N\$	N\$
8. EXPENDITURE		
Remuneration	21 816 525	15 339 314
Employer s contribution -GIPF &MOP	2 631 787	1 944 786
Other condition of services	1 030 857	546 312
Subsistence & Travel	2 172 324	1 931 006
Materials and Supplies	528 857	484 213
Transport Charges	1 470 060	1 167 011
Utilities	2 008 416	1 622 461
Maintance Charges	50 584	62 117
Property Rentals	310 559	205 432
Depreciation expenses	2 168 615	-
Other services and expenditures	3 289 200	5 538 457
Current transfer to ind & non-profit making	145 139	94 032
Delegated functions expenditure	3 701 857	1 763 985
Constituency development expenses	3 269 683	820 070
Delegated functions line ministry exp	-	513 190
	44 594 463	32 032 386
SURPLUS /(DEFICIT) FOR THE YEAR	541 596	(1 145 935)
9. ACCUMULATED FUNDS		
Retained surplus	541 596	(1 145 935)
Development Capital Funds	90 170 964	71 558 964
Build Together Capital Fund	2 434 000	2 434 000
Surplus and deficit for the year	9 779 894	10 925 830
Balance at year end	102 926 454	83 772 859

ANNEXURE E

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

	2014	2013
	N\$	N\$
10. CASH (UTILISED/GENERATED BY OPERATIONS)		
Net (deficit)/surplus before adjustments and before interest received	(304 157)	(2 011 831)
Operating income before changes in working capital	(304 157)	(2 011 831)
CHANGES IN WORKING CAPITAL		
(Increase)/decrease in current assets	(1 566 639)	(2 984 698)
(Decrease)/increase in current liabilities	1 838 440	(546 943)
	(32 356)	(5 543 472)