



REPUBLIC OF NAMIBIA



AUDIT REPORT ON THE ACCOUNTS OF THE

REGIONAL COUNCIL OF THE KHOMAS REGION

FOR THE FINANCIAL YEARS ENDED 31 MARCH 2011 AND 2012

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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 years ended 31 March 2011 and 2012, 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, August 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE
ACCOUNTS OF THE REGIONAL COUNCIL OF THE KHOMAS REGION
FOR THE FINANCIAL YEARS ENDED 31 MARCH 2011 AND 2012**

1. INTRODUCTION

The Regional Council of the Khomas region was established under Section 2(1) of the Regional Councils Act, 1992 (Act 22 of 1992).

The financial powers, duties and functions of the Council are stipulated in Article 108 of the Namibian Constitution and Section 28 of the Regional Council Act. Sections 39 and 40 of the Act require that accounting records of the Council shall be kept and its financial statements shall be prepared by its Chief Regional Officer.

Figures in the report are rounded off to the nearest Namibia dollar. Deficits are indicated in brackets.

2. 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 Councils Act, 1992, **except that the statements related to the 2010/2011 financial year were signed on 08 September 2011 and those for the 2011/2012 financial year on 24 July 2012. The Act allows a period of three months after year-end.**

The abridged balance sheets, Annexure A, are true reflections of the originals.

The following annexures are also attached to this report:

- Annexure B: Statements of income and expenditure
- Annexure C: Cash flow statement
- Annexure D: Notes to the financial statements

3. SCOPE OF AUDIT

Management's responsibility for the financial statements

The Accounting Officer of the Regional Council is responsible for the preparation and fair presentation of these financial statements and for ensuring the regularity of the financial transactions. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly. The said Office conducted the audit in accordance with International Standards on Auditing. Those standards require that the Office comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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.

4. AUDIT OBSERVATIONS AND COMMENTS

At the time of finalizing the report, the audit observations were communicated to the Chief Regional Officer by way of a management letter.

4.1 Fixed assets

2010/11 & 2011/12

For the three consecutive years, the Council could not provide the auditors with an updated fixed asset register.

Furthermore, differences were observed between the general ledger and the asset register for the total accumulated depreciation.

4.2 Annual financial statement vs. asset register

2010/11 & 2011/12

At the time of the audit, differences amounting to N\$ 2 274 349 and N\$ 1 993 222 were observed between the annual financial statements and the asset register for the total cost of fixed assets.

Furthermore, a total difference of N\$ 2 739 137 and N\$ 889 995 was also noted between the annual financial statements and the asset register for the total accumulated depreciation for fixed assets.

Furthermore it was observed that the Council did not mark the assets acquired with unique asset identification numbers as requested by the Financial Accounting Policies and Procedures Manual for the financial years under review.

The Council is recommended to allocate asset identification numbers to its assets to ensure compliance with the procedures.

4.3 Income

4.3.1 Electricity sales – Groot-Aub

2011/2012

During the time of the audit the following were found:

- No proper controls are in place at the settlement area with regard to the electricity sales;
- The Council could not provide the auditors with the approved rates to be used for customer usage; and
- A third party (Contractor) was used to collect money from customers and hand over to the clerk, who pays the money to the Council and issued with one receipt for total amount that was collected from different consumers.

It is recommended that the Council should put proper controls in place regarding the electricity sales at the settlements. The Council should make sure that receipts are issued to individuals when the payment is made, and proper management checks and reconciliations should be done on the amounts received and the electricity units sold to the consumers.

4.4 VAT receivable

The VAT receivables account for the amount of N\$ 7 200 825 for the 2011/12 financial year was carried forward from the previous year. The Council should put measures in place to recover the outstanding amount.

4.5 Debtors

4.5.1 Staff advances and Debtors

A difference of N\$ 73 507.46 was observed between the customer detailed ledger and the general ledger for the 2010/11 financial year.

Details are shown below.

Details	Customer details ledger	General ledger	Difference
	N\$	N\$	N\$
Staff advance & Debtors	177 895.64	251 403.10	73 507.46
Total	177 895.64	251 403.10	73 507.46

The Council should ensure that transactions are correctly reflected to avoid misstatements.

4.6 Payroll

Differences were observed between the VIP softline system salary report and the general ledger for the years under review.

The Council should ensure that proper reconciliation is done to avoid misstatements.

5. QUALIFIED AUDIT OPINION

The accounts of the Regional Council of the Khomas region for the financial years ended 31 March 2011 and 2012 have 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).

The audit opinion has been qualified due to the following reasons:

- PThe Council could not provide updated fixed asset registers for three consecutive years;
- Differences were observed between the general ledger, asset register and financial statements;
- Assets were not market with unique asset identification numbers;
- Outstanding VAT receivable; and
- Differences between VIP softline system salary report and general ledger

Except for the above-mentioned matters, in my opinion, the accounts fairly present the financial position of the Council for the years ended 31 March 2011 and 2012 and the results of its operations and cash flow for the years then ended.

REGIONAL COUNCIL OF THE KHOMAS REGION

BALANCE SHEETS AS AT 31 MARCH

	Notes	2012 N\$	2011 N\$	2010 N\$
ASSETS				
Non-current assets		75 025 149	65 481 123	57 318 044
Property, plant & equipment	3	43 635 971	45 340 558	44 097 354
Work in progress	4	31 389 178	20 140 565	13 220 690
Investments	5	1 971 233	3 952 630	3 937 671
Current assets		17 025 986	19 115 338	20 756 640
Inventory		396 295	253 854	-
Accounts receivable	6	12 295 531	8 625 432	7 700 974
Cash on hand and bank	7	4 334 160	10 236 052	13 055 666
Total assets		94 022 368	88 549 091	82 012 355
EQUITY AND LIABILITIES				
Accumulated funds	8	93 917 056	88 275 762	81 935 441
Current liabilities		105 312	273 329	76 914
Trade creditors		92 057	(2 376)	38 665
Other liabilities	9	13 255	275 705	38 249
Total equity and liabilities		94 022 368	88 549 091	82 012 355

REGIONAL COUNCIL OF THE KHOMAS REGION

INCOME STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 MARCH

	Notes	2012	2011	2010
		N\$	N\$	N\$
Income	10	29 323 162	28 322 343	23 643 989
Expenditure	11	24 040 696	22 724 467	19 694 741
Net operating surplus/(Deficit)		5 282 466	5 597 876	3 949 248
Interest on current account		363 229	674 025	1 140 119
Accumulated income/(deficit)		5 645 695	6 271 901	5 089 367
Accumulated funds				
- At the beginning of the year		88 275 762	81 935 441	76 737 238
- Adjustments		(4 400)	68 420	108 836
- At the end of the year		93 917 057	88 275 762	81 935 441

REGIONAL COUNCIL OF THE KHOMAS REGION

CASH FLOW STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 MARCH

	Note	2012 N\$	2011 N\$	2010 N\$
Cash flow from operating activities				
Cash receipt from customers		25 653 063	27 397 885	23 643 989
Cash paid to suppliers		(22 488 295)	(20 852 419)	(23 137 148)
Cash generated by operations	12	3 164 768	6 545 466	506 841
Interest received		363 229	674 025	1 140 119
Net cash inflow from operating activities		3 527 998	7 219 491	1 646 960
Cash flow from investing activities				
Net capital expenditure		(158 270)	(3 167 386)	(7 592 999)
Increase)/decrease in investments		1 981 397	(14 959)	29 014
Working in progress		(11 248 614)	(6 919 874)	-
Net (decrease)/increase in cash and Cash equivalents		(5 897 489)	(2 877 728)	(5 917 025)
CASH AND CASH EQUIVALENTS				
Prior year adjustment - Stale cheques		(4 400)	58 112	-
- Beginning of the year		10 236 050	13 055 666	18 972 691
- End of the year		4 334 161	10 236 051	13 055 666

REGIONAL COUNCIL OF THE KHOMAS REGION**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH**

1. ACCOUNTING POLICIES

The annual financial statements are prepared in accordance with and comply with Namibian Statements of Generally Accepted Accounting Practice.

The annual financial statements are prepared under the historical 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 accruals concept.

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 asset to its residual value over its estimated useful economic life. The estimated useful economic lives for each category of asset are as follows:

Buildings	50 Years
Furniture, Fixtures & Fittings	5 Years
Motor Vehicles	5 Years
Office Equipment	3 Years
Computer Equipment	3 Years

Land and Infrastructure assets are not depreciated. It is assumed that Land will appreciate in value over time, and that infrastructure assets (i.e. water, sewerage and electricity networks) will maintain their value due to the necessity regular maintenance.

Buildings that are still under construction are classed as Work in Progress, and are not depreciated until the work is fully completed.

2. REVENUE AND EXPENDITURE**2.1 Government Transfers: MRLGH&RD**

The Council receives administrative grants from the Ministry of Regional and Local Government, Housing and Rural Development. The grants are for the day to day operations of the Council. The Council received N\$ 20 087 929: 2012 and N\$17 717 256: 2011 (2010: N\$15 622 813) in grants.

2.2 Rates levy from local authorities

The Council per the Local Authorities Act of 2000, Section 77(1) levies an amount equal to 5% of the rates levied on all ratable property situated in local authority areas. In the current year financial rates receivable amounted to N\$ 8 520 033: 2012 and N\$ 10 170 481: 2011) 2010: N\$ 76 902 449).

REGIONAL COUNCIL OF THE KHOMAS REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH

3. FIXED ASSETS

YEAR 2012	Infrastructure, land & buildings	Motor vehicles	Computer & office equipment	Furniture, fixtures & fittings	Total
Cost	N\$	N\$	N\$	N\$	N\$
Cost as at 1 April 2011	46 950 274	4 567 196	2 228 930	2 903 358	56 649 758
Additions	-	-	84 305	73 965	158 270
Cost as at 31 March 2012	46 950 274	4 567 196	2 313 235	2 977 323	56 808 028
Accumulated depreciation					
Depreciation as at 1 April 2011	4 931 036	2 859 512	1 507 342	2 011 310	11 309 200
Depreciation charge for the year	986 924	605 458	108 513	161 962	1 862 857
Accumulated depreciation as at 31 March 2012	5 917 960	3 464 970	1 615 855	2 173 272	13 172 057
Carrying value at 31 March 2012	41 032 314	1 102 226	697 380	804 051	43 635 971
YEAR 2011					
Cost	Infrastructure, land & buildings	Motor vehicles	Computer & office equipment	Furniture, fixtures & fittings	Total
Cost	N\$	N\$	N\$	N\$	N\$
Cost as at 1 April 2010	44 238 674	4 567 196	2 059 332	2 622 170	53 487 372
Additions	2 711 600	-	176 466	281 188	3 169 254
Disposal	-	-	(6 868)	-	(6 868)
Cost as at 31 March 2011	46 950 274	4 567 196	2 228 930	2 903 358	56 649 758
Accumulated depreciation					
Depreciation as at 1 April 2010	4 130 910	2 252 523	1 208 240	1 798 344	9 390 017
Prior depreciation adjustment	(10 310)	-	-	-	(10 310)
Depreciation charge for the year	810 436	606 989	299 102	212 966	1 929 493
Accumulated depreciation as at 31 March 2011	4 931 036	2 859 512	1 507 342	2 011 310	11 309 200
Carrying value at 31 March 2011	42 019 238	1 707 684	721 588	892 048	45 340 558

REGIONAL COUNCIL OF THE KHOMAS REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

YEAR 2010	Infrastructure, land & buildings	Motor vehicles	Computer & office equipment	Furniture, fixtures & fittings	Total
Cost	N\$	N\$	N\$	N\$	N\$
Cost as at 1 April 2009	39 563 810	3 188 261	1 776 973	2 370 512	46 899 556
Additions	4 674 864	1 378 935	282 358	251 658	6 587 815
Cost as at 31 March 2010	44 238 674	4 567 196	2 059 331	2 622 170	53 487 371
Accumulated depreciation					
Opening balance	3 378 438	1 736 943	1 068 111	1 618 616	7 802 108
Depreciation charge for the year	752 472	515 580	140 129	179 728	1 587 909
Accumulated depreciation as at 31 March 2010	4 130 910	2 252 523	1 208 240	1 798 344	9 390 017
Carrying value at 31 March 2010	40 107 764	2 314 673	851 091	823 826	44 097 354

	2012	2011	2 010
	N\$	N\$	N\$
4. WORK IN PROGRESS			
Katutura Central	740 574	579 719	579 719
Moses Garoeb	5 576 377	3 597 562	980 102
Windhoek Rural	74 114	-	930 577
Constituency Projects:IGA	1 431 745	1 037 137	-
Groot Aub Settlement	8 422 942	7 946 557	7 717 342
Katutura East	3 819	742	742
Contribution to Rural Development	213 451	174 876	-
Sanitation facilities for all constituencies	1 200 000	1 200 000	-
Project formulation and design	990 858	990 858	990 858
Regional structure plan	18 764	18 764	18 764
Rural water supply	910 262	910 262	909 098
ParkFoods Complex Phase	11 806 272	3 684 088	1 093 488
	31 389 178	20 140 565	13 220 690

5. INVESTMENTS

Treasury Bills	1 971 233	3 952 630	3 937 671
	1 971 233	3 952 630	3 937 671

Investment are initially carried at cost and thereafter at fair value/ guaranteed value with unrealised gains or losses accrued in the income statement. Fair value is determined as net realisable value.

REGIONAL COUNCIL OF THE KHOMAS REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

	2012	2011	2010
	N\$	N\$	N\$
6. ACCOUNTS RECEIVABLE			
City of Windhoek	3 705 549	2 264 999	2 675 244
VAT receivable	7 200 825	4 947 524	3 460 054
Park foods debtors	801 636	801 636	804 458
Embezzled funds	320 179	320 179	320 179
Other receivables	103 412	71 691	255 208
S & T advances	163 930	219 403	185 831
	12 295 531	8 625 432	7 700 974

7. CASH AND CASH EQUIVALENTS

STD Bank Call account	2 255	221 979	213 004
HIV/AIDS Call account	60 231	80 029	433 519
STD Bank Call account	123 470	18 404	330 208
STD Bank Current account	(307 767)	(811 084)	(1 662 884)
STD Bank Call account	4 022 881	9 335 057	11 423 973
Standard bank- 32 Day account	433 090	1 391 667	2 317 846
	4 334 160	10 236 052	13 055 666

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to amounts of cash and subject to insignificant risk in changes in value.

8. ACCUMULATED FUNDS

Balance, beginning of the year	88 275 762	81 935 441	76 737 238
(Deficit)/Surplus for the year	5 645 694	6 271 899	5 089 367
Prior year adjustments – Stale cheques	(4 400)	68 422	108 836
Balance, end of the year	93 917 056	88 275 762	81 935 441

REGIONAL COUNCIL OF THE KHOMAS REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

	2012	2011	2 010
	N\$	N\$	N\$
9. ACCOUNTS PAYABLE			
Receiver of Revenue	1 240	1 240	1 240
Pension - GIPF	(52 108)	167 078	-
Social Security Commission	-	7 487	-
Medical Aid - Ministry of Finance	-	960	-
Housing subsidy	1 377	4 778	3 809
Insurance	-	18 837	-
Garnishee	350	29 675	-
Sundry creditors	62 396	45 650	33 200
	13 255	275 705	38 249
10. INCOME			
Government transfers: MRLGH&RD	20 087 929	17 717 256	15 622 813
Rates levy from local authorities	8 520 033	10 170 481	6 902 449
Rates i.r.o. Permission to Occupy (PTO)	18 250	4 483	42 460
Rental income – Prestige Park	-	-	190 667
Rental income – Community Hall and offices	98 976	134 100	559 461
Other income	184 766	197 479	40 201
Electricity sales	38 530	47 220	49 955
2.5% Commission from insurance	17 648	9 446	-
Income generating project	45 608	-	-
Early Childhood Development	304 422	31 878	-
National Days	7 000	10 000	235 983
	29 323 162	28 322 343	23 643 989

REGIONAL COUNCIL OF THE KHOMAS REGION

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH (continued)

	2012	2011	2010
	N\$	N\$	N\$
11. EXPENDITURE			
Advertising & promotions	70 483	68 717	137 802
Bank charges	45 983	45 082	183 152
Books, magazines and other publications	6 528	50 041	184 015
Cleaning material	5 594	24 090	46 091
Community development	70 262	-	-
Computer expenses	-	12 387	2 740
Courier and postages	3 181	16 408	7 881
Delegated functions	-	95 238	348 277
Depreciation	1 862 857	1 929 494	1 587 909
Disasters & emergencies	7 397	-	7 206
Electricity and water	1 480 075	1 541 802	639 679
Entertainment expenses	198 333	297 239	241 991
General expenses	39 512	23 922	700
HIV/AIDS activities	464 726	298 787	161 716
Insurance paid	200 862	202 744	247 344
Community Board & fees	8 900	17 275	14 041
Motor vehicle expenses	566 958	453 491	382 980
National days	243 328	240 723	503 577
Park food expenses	-	-	65 426
Printing & stationery	92 085	146 417	276 477
Professional fees	16 698	34 464	29 955
Protective clothing	18 136	15 972	9 672
Rentals paid	114 267	81 743	105 738
Repairs & maintenance	543 489	616 685	321 549
Salaries & wages	14 816 417	13 794 704	11 291 463
Security	536 446	471 941	486 521
Staff training	565 826	390 734	666 307
Subscriptions	211 415	213 060	182 664
Telephone expenses	800 484	831 037	413 238
Travel & Subsistence	959 876	810 270	1 148 626
Early Childhood Development	37 504	-	-
Community Development	53 074	-	-
Total expenditure	24 040 696	22 724 467	19 694 741
Net operating surplus for the year	5 282 466	5 597 876	3 949 248
NET FINANCIAL INCOME			
Interest received	363 229	674 025	1 140 119
SURPLUS/(DEFICIT) FOR THE YEAR	5 645 695	6 271 901	5 089 367