



**REPUBLIC OF NAMIBIA**



**AUDIT REPORT ON THE ACCOUNTS OF THE**

# **REGIONAL COUNCIL OF THE KHOMAS REGION**

**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

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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 year ended 31 March 2013 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 2015**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE  
ACCOUNTS OF THE REGIONAL COUNCIL OF THE KHOMAS REGION  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

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## **1. INTRODUCTION**

This report on the accounts of the Khomas Regional Council for the financial year ended 31 March 2013 is presented to the National Assembly in accordance with the terms of Article 127(2) of the Constitution of the Republic of Namibia and provisions set out in State Finance Act, 1991(Act 31 of 1991), as amended.

### **1.1 Report on the Financial Statements**

I have audited the accompanying financial statements of the Khomas Regional Council for the financial year ended 31 March 2013. These financial statements comprise the Balance sheet, Income statement, Cash flow statement for the year then ended, and notes to financial statement and general information submitted.

The appropriation accounts were submitted to the Auditor-General in terms of Section 13 of the State Finance Act, 1991.

The financial statements, notes to the financial statements and general information supplied by the Accounting Officer are attached as;

- Annexure A: Statement of financial position
- Annexure B: Statement of comprehensive income
- Annexure C: Statement of Cash flow
- Annexure D: Note to the financial statements

### **1.2 MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 12 & 13 of the State Finance Act, Act 31 of 1991 and legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **1.3 AUDITOR'S RESPONSIBILITY**

My responsibility is to express an opinion on these financial statements based on our audit. I conducted our 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 our audit opinion.

## **2. AUDIT FINDINGS**

### **2.1 Fixed assets**

The financial statement and fixed asset register differs with an amount of N\$ 2 274 957.

#### **Recommendation**

The Council is recommended to perform regular reconciliations in order to ensure that the fixed asset register agrees with the general ledger.

## **3. BASIS FOR QUALIFIED OPINION**

**3.1** The audit opinion has been qualified due to the following reason:

A difference of N\$ 2 274 957 was observed between the asset register and the financial statement.

## **4. QULIFIED AUDIT OPINION**

The accounts of the Regional Council of the Khomas region for the financial year ended 31 March 2013 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).

Except for the above-mentioned issue in the basis for qualified opinion, in my opinion, the accounts fairly present the financial position of the Council for the year ended 31 March 2013 and the results of its operations and cash flow for the year then ended.

**WIHDHOEK, February 2015**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## REGIONAL COUNCIL OF THE KHOMAS REGION

## BALANCE SHEET FOR THE FINANCIAL YEAR ENDED 31 MARCH

	Notes	2013 N\$	2012 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>		70 896 701	75 025 149
Property, plant & equipment	3	61 413 491	43 635 971
Work in progress	4	9 483 210	31 389 178
Investments	5	1 952 630	1 971 233
<b>Current assets</b>		19 935 820	17 025 986
Inventory		93 797	396 295
Accounts receivable	6	12 587 763	12 295 531
Cash on hand and bank	7	7 254 260	4 334 160
<b>Total assets</b>		<b>92 785 150</b>	<b>94 022 368</b>
<b>EQUITY AND LIABILITIES</b>			
Accumulated funds	8	92 687 284	93 917 056
<b>Current liabilities</b>		97 864	105 309
Trade creditors		(25 119)	92 054
Other liabilities	9	122 983	13 255
<b>Total equity and liabilities</b>		<b>92 785 148</b>	<b>94 022 365</b>

## REGIONAL COUNCIL OF THE KHOMAS REGION

## INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
		N\$	N\$
<b>Income</b>	10	29 674 225	29 323 162
<b>Expenditure</b>	11	<u>26 091 507</u>	<u>24 040 696</u>
<b>Net operating surplus/(Deficit)</b>		3 582 718	5 282 466
Interest on current account		<u>319 003</u>	<u>363 229</u>
<b>Accumulated income/(deficit)</b>		3 901 721	5 645 695
<b>Accumulated funds</b>			
- At the beginning of the year		93 917 057	88 275 762
- Adjustments		<u>(5 131 493)</u>	<u>(4 400)</u>
- At the end of the year		<u><b>92 687 287</b></u>	<u><b>93 917 057</b></u>

## REGIONAL COUNCIL OF THE KHOMAS REGION

## CASH FLOW STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH

	<b>Note</b>	<b>2013</b>	<b>2012</b>
		N\$	N\$
<b>Cash flow from operating activities</b>			
Cash receipt from customers		29 381 993	25 653 063
Cash paid to suppliers		(24 018 497)	(22 488 295)
Cash generated by operations	12	5 363 496	3 164 768
Interest received		319 003	363 229
<b>Net cash inflow from operating activities</b>		<b>5 682 499</b>	<b>3 527 998</b>
<b>Cash flow from investing activities</b>			
Addition of property, plant and equipment		(19 555 477)	(158 270)
Increase)/decrease in investments		18 603	(1 981 397)
Working in progress		21 905 968	(11 248 614)
Net (decrease)/increase in cash and Cash equivalents		8 051 593	(5 897 489)
<b>CASH AND CASH EQUIVALENTS</b>			
Prior year adjustment-Stale cheques		(5 131 493)	(4 400)
- Beginning of the year		4 334 160	10 236 050
<b>- End of the year</b>		<b>7 254 260</b>	<b>4 334 160</b>

**REGIONAL COUNCIL OF THE KHOMAS REGION**

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31 MARCH**

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**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\$ 20 022 763, in grants and (2012: N\$ 20 087 929).

**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\$8 550 033, and (2012-N\$8 520 033).



## REGIONAL COUNCIL OF THE KHOMAS REGION

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

## 3. FIXED ASSETS

## YEAR 2013

	Infrastructure, land & buildings	Motor vehicles	Computer & office equipment	Furniture, fixtures & fittings	Total
	N\$	N\$	N\$	N\$	N\$
Cost as at 1 April 2012	46 950 274	4 567 196	2 313 235	2 977 323	56 808 028
Additions	19 457 793	-	44 087	53 597	19 555 477
<b>Cost as at 31 March 2012</b>	<b>66 408 067</b>	<b>4 567 196</b>	<b>2 357 322</b>	<b>3 030 920</b>	<b>76 363 505</b>
<b>Accumulated depreciation</b>					
Depreciation as at 1 April 2012	5 917 960	3 464 970	1 615 855	2 173 272	13 172 057
Depreciation charge for the year	1 077 473	477 210	87 607	135 667	1 777 957
<b>Accumulated depreciation as at 31 March 2013</b>	<b>6 995 433</b>	<b>3 942 180</b>	<b>1 703 462</b>	<b>2 308 939</b>	<b>14 950 014</b>
<b>Net book value at 31 March 2013</b>	<b>59 412 634</b>	<b>625 016</b>	<b>653 860</b>	<b>721 981</b>	<b>61 413 491</b>

## YEAR 2012

	Infrastructure, land & buildings	Motor vehicles	Computer & office equipment	Furniture, fixtures & fittings	Total
	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
<b>Cost as at 31 March 2012</b>	<b>46 950 274</b>	<b>4 567 196</b>	<b>2 313 235</b>	<b>2 977 323</b>	<b>56 808 028</b>
<b>Accumulated depreciation</b>					
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
<b>Accumulated depreciation as at 31 March 2012</b>	<b>5 917 960</b>	<b>3 464 970</b>	<b>1 615 855</b>	<b>2 173 272</b>	<b>13 172 057</b>
<b>Carrying value at 31 March 2012</b>	<b>41 032 314</b>	<b>1 102 226</b>	<b>697 380</b>	<b>804 051</b>	<b>43 635 971</b>

## REGIONAL COUNCIL OF THE KHOMAS REGION

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

	2013	2012
	N\$	N\$
<b>4. WORK IN PROGRESS</b>		
Katutura Central	936 518	740 574
Moses Garoeb	-	5 576 377
Windhoek Rural	-	74 114
Constituency Projects:IGA	-	1 431 745
Groot Aub Settlement	8 546 691	8 422 942
Katutura East	-	3 819
Contribution to Rural Development	-	213 451
Sanitation Facilities for all Constituencies	-	1 200 000
Project formulation and Design	-	990 858
Regional Structure Plan	-	18 764
Rural Water Supply	-	910 262
ParkFoods Complex Phase	-	11 806 272
	<b>9 483 209</b>	<b>31 389 178</b>
<b>5. INVESTMENTS</b>		
Treasury Bills	1 952 630	1 971 233
	<b>1 952 630</b>	<b>1 971 233</b>

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 realizable value.

**6. ACCOUNTS RECEIVABLE**

City of Windhoek	2 798 910	3 705 549
VAT Receivable	8 316 321	7 200 825
Park foods debtors	801 636	801 636
Embezzled funds	320 179	320 179
Other receivables	124 763	103 412
S & T advances	225 953	163 930
	<b>12 587 762</b>	<b>12 295 531</b>

**7. CASH AND CASH EQUIVALENTS**

STD Bank Call account	2 322	2 255
HIV/AIDS Call account	1 664 672	60 231
STD Bank Call account	169 251	123 470
STD Bank Current account	(931 380)	(307 767)
STD Bank Call account	5 897 521	4 022 881
Standard bank- 32 Day account	451 875	433 090
	<b>7 254 263</b>	<b>4 334 160</b>

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.

## REGIONAL COUNCIL OF THE KHOMAS REGION

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

	<b>2013</b>	<b>2012</b>
	N\$	N\$
<b>8. ACCUMULATED FUNDS</b>		
Balance, beginning of the year	93 917 056	88 275 762
(Deficit)/Surplus for the year	3 901 721	5 645 694
Prior year adjustments	(5 131 493)	(4 400)
Balance, end of the year	<b>92 687 284</b>	<b>93 917 056</b>
<b>9. ACCOUNTS PAYABLE</b>		
Receiver of Revenue	1 240	1 240
Pension - GIPF	2321	(52 108)
Creditors	(80)	-
Housing subsidy	3562	1 377
Insurance	(169)	-
Garnishee	350	350
Salary advance	(600)	-
Sundry Creditors	116 359	62 396
	<b>97 865</b>	<b>13 255</b>
<b>10. INCOME</b>		
Government transfers: MRLGH&RD	20 022 763	20 087 929
Rates levy from local authorities	8 550 033	8 520 033
Rates iro Permission to Occupy (PTO)	13 786	18 250
Rental income – Community Hall and offices	367 847	98 976
Other income	197 241	184 766
Electricity Sales	2 910	38 530
2.5% Commission from Insurance	19 645	17 648
Income generating Project	-	45 608
Early Childhood Development	500 000	304 422
National Days	-	7 000
	<b>29 674 225</b>	<b>29 232 162</b>

## REGIONAL COUNCIL OF THE KHOMAS REGION

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

	<b>2013</b>	<b>2012</b>
	N\$	N\$
<b>11. EXPENDITURE</b>		
Advertising & promotions	38 262	70 483
Bank charges	88 654	45 983
Books, magazines and other publications	16 624	6 528
Cleaning material	41 778	5 594
Constituencies development	101 900	70 262
Courier and postages	15 931	3 181
Delegated functions	-	-
Depreciation	1 777 957	1 862 857
Disasters & emergencies	6 365	7 397
Electricity and water	1 467 206	1 480 075
Entertainment expenses	264 263	198 333
General expenses	38 592	39 512
HIV/AIDS activities	338 443	464 726
Insurance paid	138 723	200 862
Community Board & fees	13 350	8 900
Motor vehicle expenses	554 730	566 958
National days	161 805	243 328
Printing & stationery	190 785	92 085
Professional fees	68 726	16 698
Protective clothing	17 743	18 136
Rentals paid	103 390	114 267
Repairs & maintenance	405 049	543 489
Salaries & wages	15 830 708	14 816 417
Security	566 957	536 446
Staff training	493 013	565 826
Subscriptions	224 605	211 415
Telephone expenses	833 913	800 484
Travel & Subsistence	805 343	959 876
Income generating activities	1 042 384	-
Contribution to Rural Development	99 844	-
Early Childhood Development	102 220	37 504
Community Development	242 244	53 074
<b>Total expenditure</b>	<b>26 091 507</b>	<b>24 040 696</b>
<b>Net operating surplus for the year</b>	<b>3 582 718</b>	<b>5 282 466</b>
<b>NET FINANCIAL INCOME</b>		
Interest received	319 003	363 229
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>3 901 721</b>	<b>5 645 695</b>

## REGIONAL COUNCIL OF THE KHOMAS REGION

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

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	<u>2013</u>
	N\$
<b>12. CASH GENERATED FROM OPERATIONS</b>	
<b>Net profit</b>	<b>3 901 721</b>
Add: Depreciations	1 777 957
Less: Interest already included	(319 003)
Change in Working capital	5 360 675
Decrease in inventory	302 498
Increase in account receivable	(292 232)
Decrease in accounts payable	(7 445)
<b>Cash generated from operation</b>	<b><u>5 363 469</u></b>