



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF KARIBIB

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2014 AND 2015

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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 Town Council of Karibib for the financial year ended 30 June 2014 and 2015, 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".

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

WINDHOEK, May 2017

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF KARIBIB
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2014 AND 2015**

1. REPORT ON THE FINANCIAL STATEMENTS

1.1 INTRODUCTION

The accounts of the Town Council of Karibib for the years ended 30 June 2014 and 2015 are being reported on in accordance with the provisions set out in Section 85 of the Local Authorities Act, 1992 (Act 23 of 1992).

The firm BDO of Windhoek has been appointed in terms of Section 26 (2) of the State Finance Act, 1991, to audit the accounts of the Town Council on behalf of the Auditor-General and under his supervision.

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

I certify that I have audited the accompanying financial statements of the Town Council of Karibib for the year ended 30 June 2014 and 2015. These financial statements comprise of the following:

Annexure A: Balance sheet;
Annexure B: Income statement;
Annexure C: Cash flow statement; and
Annexure D: Notes to the financial statements

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 87 (1) of the Local Authorities Act, 1992.

The financial statements and notes to the financial statements provided by the Accounting Officer are attached as Annexure A to 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 86 of the Local Authorities Act, 1992, (Act 23 of 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 insufficient and inappropriate to provide a basis for the audit opinion.

4. ACKNOWLEDGEMENT

The assistance and co-operation given by the staff of the Town Council of Karibib during the audit is appreciated.

5. KEY AUDIT FINDINGS

5.1 FINANCIAL POSITION

The Town Council has a net accumulated deficit of N\$ 5 233 971 (2014: surplus N\$ 5 102 828) which clearly indicate that the Town Council is not able to continue as a going concern under the present situation. Due to cash flow problems related to the revenue account, cash amounting to N\$ 4 066 287 (2014: N\$ 1 364 452) from investments of the Fund accounts had to be used to

fund the shortfall on operations. The Town Council will have to take drastic action to become financially viable.

5.2 LOANS IN ARREARS

External Government loans are, as in previous years, not repaid but the repayments are provided for as arrear loan instalments.

5.3 PROPERTY, PLANT AND EQUIPMENT

Assets appear on the fixed asset register but are not in existence, or are recorded at incorrect cost amounts, thus the depreciation overall is misstated. Depreciation on the housing vote is understated by N\$ 460 624. A vehicle with a net book value of N \$ 58 950 does not exist but is included in the fixed asset register. Fixed asset register is not correctly disclosed or detailed. The fire truck donated in a prior period was entered at an incorrect amount in both years under review.

5.4 LONG-TERM LOANS RECEIVABLE

No records or a listing of long-term loans receivable amounting to N\$ 1 186 286 (2014: N\$ 1 190 454) were provided for audit purposes.

5.5 INVENTORIES

No provision for consumable inventories was made in the financial statements of the Town Council.

5.6 TRADE AND OTHER RECEIVABLES

The average collection period for normal trade receivables, before taking the provision for bad debts into account, is 90 days (2014: 182 days). The recoverability of these outstanding debts remains a serious concern and is still a major threat to the cash flow of the Town Council.

5.7 CONSUMER DEPOSITS

Consumer deposits are not enough to cover one month's basic charges.

5.8 ACCOUNTS PAYABLE

Included in trade creditors is an amount of N\$ 374 039 which should not be part of the closing balance as at year end as this amount was paid to Namwater before year end. The accuracy, existence and completeness of trade and other payables could thus not be ascertained.

5.9 VALUE ADDED TAX (VAT)

The Council has a VAT receivable amount of N\$ 1 638 529 in their records, but the amount should only be the amounts received subsequent to year end as N\$ 974 232 plus interest charged by the Receiver of Revenue, thus VAT was overstated by N\$ 764 277.

5.10 P.A.Y.E.

P.A.Y.E. return for the period 08/2014 was submitted late. Council should comply with the Tax laws of the country in order to avoid unnecessary penalties and interest.

5.11 CASH AND BANK

No bank reconciliation was done for both years under review. The accuracy, existence and completeness of cash and bank could thus not be ascertained.

5.12 INCOME

Incorrect tariffs were used for bin rental and sewerage income on the system. No proper documentation could be obtained for the sale of erven, except for receipt numbers. NATIS claim income as per the general ledger does not compare to the monthly invoices obtained from Council. The accuracy, existence and completeness of income could thus not be ascertained.

5.13 CIRCULAR D3/2015

The Chief Executive Officer of the Town Council of Karibib for the year under review did not submit respective statements as requested by circular D3/2015 of the Auditor- General.

5.14 ACCOUNTING POLICY AND FRAMEWORK

The Town Council does not have an accounting policy in place and there is no accounting reporting framework.

5.15 GENERAL

There is not a sufficient system of internal control at the Town Council. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does not reduce risks, it causes the risk that management and Council override existing controls, a potentially dangerous practice, which the Council should vigilantly guard against.

6. BASIS FOR DISCLAIMED AUDIT OPINION

- External Government loans are not repaid;
- Fixed asset register not updated;
- Depreciation understated by N\$ 460 624;
- No provision for consumable inventories was made in the financial statements;
- The recoverability of the outstanding debts remains slow;
- No proper records of long-term loans receivable amounting to N\$ 1 186 286;
- Consumer deposits are not enough to cover one month's basic charges;
- Trade creditors are not reconciled;
- Value Added Tax reports are not reconciled;
- Bank reconciliation does not agree and differs with an amount of N\$ 131 762;
- Incorrect tariffs were used for bin rental and sewerage income on the system;
- No proper documentation could be obtained for the sale of erven;

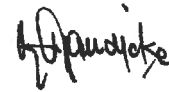
- Natis claim income does not agree to general ledger; and
- Statements not submitted as per circular D3/2015 of the Auditor- General.

7. DISCLAIMED AUDIT OPINION

The accounts of the Town Council of Karibib for the financial years end 30 June 2014 and 2015, summarised in Annexures A to D, were audited by me in terms of Section 85 of the Local Authority act, 1992, read with Section 25 (1) (b) of the State Finance Act, 1991.

Because of the significance of the matters described in the Basis for Disclaimer of Audit Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

WINDHOEK, May 2017



**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

**TOWN COUNCIL OF KARIBIB
BALANCE SHEET AT 30 JUNE**

	Note	2015 N\$	2014 N\$	2013 N\$
ASSETS				
Non-current assets		30 661 494	25 807 035	18 140 448
Property, plant and equipment	2	25 587 824	16 773 015	11 694 997
Investments	3	3 887 384	7 843 566	5 235 436
Secured loans	4	1 186 286	1 190 454	1 210 015
Current assets		2 616 903	10 134 685	2 462 144
Trade and other receivables	5	2 616 903	7 490 163	2 461 744
Cash and bank balances	6	-	2 644 522	400
TOTAL ASSETS		33 278 397	35 941 720	20 602 592
FUNDS AND LIABILITIES				
Funds and reserves		24 749 315	26 100 220	8 845 665
Capital outlay	7	24 043 343	15 132 458	9 951 411
Funds and accounts	8	705 972	10 967 762	(1 105 746)
Long-term liabilities		1 695 278	1 886 481	1 881 144
Capital section	9	1 544 480	1 640 556	1 727 793
Housing Fund		9 324	9 324	9 324
Deposits held		141 474	236 601	144 027
Current liabilities		6 833 804	7 955 019	9 875 783
Trade and other payables	10	5 989 481	7 955 019	8 415 629
Bank overdraft	6	844 323	-	1 460 154
TOTAL FUNDS AND LIABILITIES		33 278 397	35 941 720	20 602 592

ANNEXURE B

TOWN COUNCIL OF KARIBIB
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2015	2014	2013
		N\$	N\$	N\$
Income		31 039 606	39 023 089	16 938 129
Expenditure		(31 084 120)	(23 096 047)	(16 040 281)
Net operating surplus/(deficit)		(44 514)	15 927 042	897 848
Investment income		188 590	224 417	46 845
Net surplus/(deficit) for the year		144 076	16 151 459	944 693
Appropriation account	11	(10 480 875)	(4 182 911)	(3 218 376)
Appropriation account surplus/(deficit)		(10 336 799)	11 968 548	(2 273 683)
ACCUMULATED FUNDS - Beginning of year		5 102 828	(6 865 720)	(4 592 037)
ACCUMULATED FUNDS - End of year		(5 233 971)	5 102 828	(6 865 720)

**TOWN COUNCIL OF KARIBIB
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE**

	Note	2015 N\$	2014 N\$	2013 N\$
CASH FLOW FROM OPERATING ACTIVITIES				
Cash generated/(utilised) by operations	12	(7 617 666)	6 255 101	(863 049)
Cash receipts from customers		31 039 606	39 023 089	16 938 129
Cash paid to suppliers		(38 657 272)	(32 767 988)	(17 801 178)
Net cash flow from operating activities		1 556 818	11 765 526	3 459 217
Investment income		188 590	224 417	46 845
- Increase in Fund accounts		75 009	104 961	59 818
- Increase in capital outlay		8 910 885	5 181 047	4 215 603
Cash flow from investing activities		(4 854 459)	(7 666 587)	(4 496 273)
Net capital expenditure		(8 814 809)	(5 078 018)	(4 135 623)
Decrease/(increase) in investments		3 956 182	(2 608 130)	(364 130)
Decrease in loans receivable		4 168	19 561	3 480
Cash flow from financing activities		(191 203)	5 336	(68 337)
(Decrease)/increase in long-term liabilities		(191 203)	5 336	(68 337)
(decrease)/increase in cash and cash equivalents		(3 488 844)	4 104 275	(1 105 393)
Cash and cash equivalents		2 644 521	(1 459 754)	(354 361)
-Beginning of year		(844 323)	2 644 521	(1 459 754)
-End of year				

TOWN COUNCIL OF KARIBIB

ANNEXURE D

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continue)

	2015	2014	2013
	N\$	N\$	N\$
1. Property, plant and equipment	25 587 824	16 773 015	11 694 997
Loans assets	2 810 066	2 810 066	2 810 066
Income Assets	21 904 580	12 920 072	7 672 355
General Capital assets	873 178	1 042 877	1 212 576
2. Investments	3 887 384	7 843 566	5 235 436
Build Together Fund	471 794	397 277	294 365
Capital Reserve Fund	23 414	243 473	243 472
Fixed Property Fund	-	2 208 868	808 043
Housing Fund	201 486	201 486	185 637
Renewal Fund	-	268 248	268 248
Investment: Bank	-	1 333 524	306 592
Revenue account	3 190 690	3 190 690	3 129 079
3. Secured loans	1 186 286	1 190 454	1 210 015
Build Together loans	1 186 286	1 190 454	1 194 166
Housing loans - Housing Fund	-	-	15 849
4. Trade and other receivables	2 616 903	7 490 163	2 461 744
Services	7 739 227	19 528 412	5 376 539
	-	-	4 142 790
Value Added Tax	1 638 529	1 001 950	1 268 592
Sundry debtors	270 685	182 721	300 294
Less: Provision for doubtful debts	(7 031 538)	(13 222 920)	(8 626 471)
5. Cash and bank balances	(844 323)	2 644 522	(1 459 754)
Current account	(844 323)	2 644 522	(1 460 154)
Petty cash	-	-	400

TOWN COUNCIL OF KARIBIB
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
 (continue)

	2015	2014	2013
	N\$	N\$	N\$
6. Capital outlay	24 043 343	15 132 459	9 951 411
Loans redeemed	1 265 586	1 169 510	1 069 301
Revenue contributions	21 904 579	12 920 072	7 672 355
General Capital contributions	873 178	1 042 877	1 212 576
Internal loans to Capital	-	-	(2 821)
	705 972	10 967 762	(1 105 746)
7. Funds and accounts	2 208 868	2 208 868	2 208 868
Fixed Property Fund	243 473	243 473	243 473
Capital Reserve Fund	268 248	268 248	268 248
Renewal Fund	192 162	192 162	192 162
Housing Fund	3 027 193	2 952 184	2 847 223
Build Together Fund	(5 233 971)	5 102 828	(6 865 720)
Revenue account			
	1 695 278	1 886 481	1 881 144
8. Long-term liabilities	1 544 480	1 640 556	1 727 793
Capital section	9 324	9 324	9 324
Housing Fund	141 474	236 601	144 027
Deposits held			
	5 989 481	7 955 019	8 415 629
9. Trade and other payables	374 039	897 369	1 457 860
Trade creditors	5 615 442	7 057 650	6 957 769
Provisions			
	(10 480 875)	(4 182 911)	(3 218 377)
10. Adjustments to appropriation account	1 373 942	413 537	(1 041 309)
Prior year adjustments	6 191 382	(4 596 448)	(2 177 068)
Provision for bad debts	(18 046 199)	-	-
Expenditure			
	(7 617 666)	6 255 102	(863 049)
11. Cash generated/(utilised) by operations	144 076	16 151 459	944 693
Net operating surplus/(deficit)	(10 480 875)	(4 182 911)	(3 218 377)
Adjustments to appropriation account	(188 590)	(224 417)	(46 845)
Investment income	4 873 261	(5 028 419)	(1 352 761)
Decrease/(increase) receivables	(1 965 538)	(460 610)	2 810 240
Decrease in trade and other payables			