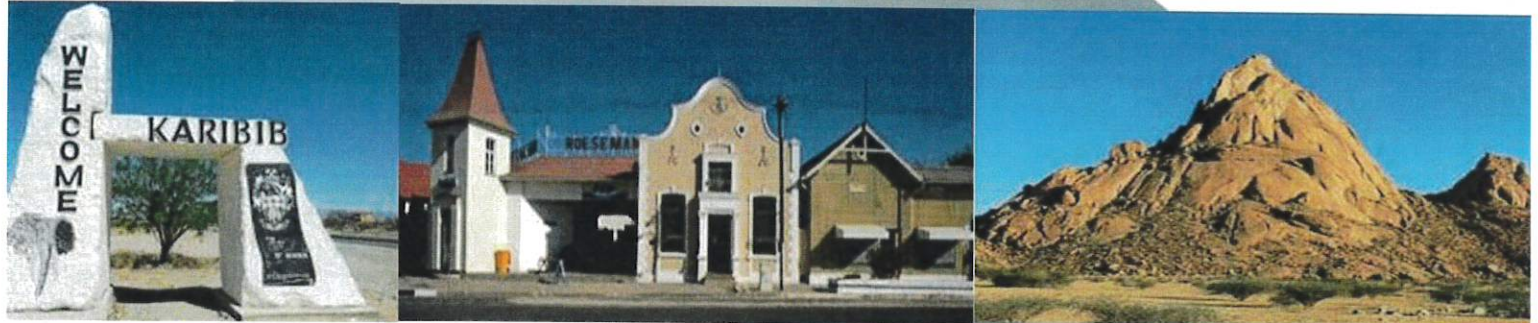




REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF KARIBIB

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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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 Karibib Town Council for the financial year ended 30 June 2019, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister 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, August 2022

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**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
KARIBIB TOWN COUNCIL
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Karibib Town Council for the financial year ended 30 June 2019. These financial statements comprise the statement of financial position, statement of financial performance, statement of cash flow for the year then ended, and a summary of significant accounting policies.

In my opinion, because of the significance of matters discussed in the Basis of Adverse audit Opinion paragraph, the financial statements do not present fairly the financial position of the Karibib Town Council as at 30 June 2019, its financial performance and cash flow for the year ended.

2. BASIS FOR ADVERSE AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions (ISSAI's). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of my audit report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is not sufficient and appropriate to provide a basis for my opinion. The adverse audit opinion is expressed due to the following:

2.1 INVENTORY

It was noted that unsold ervens to the value of N\$ 72 562 188 were recorded under general capital assets which should have been classified as inventory. Therefore, inventory was understated and property, plant and equipment was overstated with an amount of N\$ 72 562 188. Furthermore, the list for ervens sold was not provided.

2.2 STATEMENT OF CASH FLOW

The auditors could not verify the statement of cash flow because the sources of cash inflows and the items on which cash was expended during the reported period could not be obtained. The opening balances in the statement of cash flow do not agree with the closing balances in the prior year audit report. The cash received from customers in the statement of cash flow was prepared on accrual basis. Net capital expenditure to the value of N\$ 71 935 193 under cash flow from investing activities could not be verified. Furthermore, items of equity were reported under cash flow from operating activities which are not in accordance with IPSAS 2 paragraph 18 "*which states that the cash flow statement shall report cash flows during the period classified by operating, investing and financing activities*".

2.3 STATEMENT OF CHANGES IN EQUITY

The financial statements did not include a statement of changes in equity, which reconciles equity balances at the beginning and end of the reporting period.

2.4 PROPERTY, PLANT AND EQUIPMENT

The auditors could not confirm general capital assets amounting to N\$ 73 265 670 because there was no information provided to support the balance.

2.5 FINANCIAL REPORTING FRAMEWORK

The Council did not have an acceptable financial reporting framework in place for the preparation of the financial statements. Furthermore, the accounting policies disclosed in the financial statements are not consistent with those of the prior year.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I do not have anything to report on this matter.

4. OTHER INFORMATION

Management is responsible for the other information. The other information does not include the financial statements and the audit report thereon. My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon. In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE 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 and legislation, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the entity's financial reporting process.

6. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue a auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit. I also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies uses and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

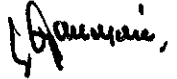
7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements for the financial year ended 30 June 2019 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 87 of the Local Authorities Act, 1992 (Act No. 23 of 1992).

8. ACKNOWLEDGEMENT

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

WINDHOEK, August 2022


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

ANNEXURE A

KARIBIB TOWN COUNCIL
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	Note	2019 N\$	2018 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	117 632 795	45 697 602
Investments	3	4 910 338	8 319 180
Secured loans		1 762 160	1 930 875
Current assets			
Trade and other receivables	4	10 155 210	15 064 039
Inventories		86 181	135 336
Total assets		134 546 684	71 147 032
FUNDS AND LIABILITIES			
Funds and reserves			
Capital outlay	5	116 581 826	44 504 591
Funds and accounts	6	6 217 423	13 273 789
Non-current liabilities			
Long-term loans	7	1 060 293	1 202 336
Current liabilities			
Trade and other payables	8	5 577 779	6 996 887
Bank - overdraft		578 820	841 976
Current portion of long term loan		4 530 543	4 327 451
Total Liabilities		134 546 684	71 147 032

ANNEXURE B

KARIBIB TOWN COUNCIL
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE

	2019	2018
Note	N\$	N\$
Income	33 577 963	41 896 904
Expenditure	(29 463 803)	(32 273 914)
Net operating surplus/(deficit)	4 114 160	9 622 990
Investment income earned for revenue accounts	170 772	162 095
Surplus/(deficit) for the year	4 284 932	9 785 085

ANNEXURE C

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

	Note	2019 N\$	2018 N\$
Cash flow from operating activities			
Cash receipts from customers		33 577 963	41 896 904
Cash paid to suppliers		(37 156 764)	(38 973 600)
Cash generated/(utilised) by operations	9	(3 578 801)	2 923 304
Investment income		170 772	162 095
Unknown difference		-	(627 127)
Increase in fund accounts		74 503	623 875
Increase in capital outlay		72 077 235	4 297 160
Net cash flow from operating activities		68 743 709	7 379 307
Cash flow from investing activities			
Net capital expenditure		(71 935 193)	(4 425 880)
Decrease/(increase) in investments		3 408 842	(3 122 539)
Decrease/(increase) in loan receivables		168 715	(322 891)
Net cash flow from investing activities		(68 357 636)	(7 871 310)
Cash flow from financing activities			
Increase in long-term liabilities		(122 916)	(95 979)
Net cash flow from financing activities		(122 916)	(95 979)
Net increase/(decrease) in cash and cash equivalents		263 157	(587 982)
Cash and cash equivalents - beginning of year		(841 976)	(253 994)
Cash and cash equivalents - end of year		(578 819)	(841 976)

**KARIBIB TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019**

1. ACCOUNTING POLICIES

1.1 Introduction

The annual financial statements were prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent in all material aspects with those applied in the previous years.

1.2 Property, plant and equipment

All items of Property, Plant and Equipment are stated at cost or valuation, the cost or valuation of these items of property plant and equipment is depreciated on the reducing-balance basis over their expected useful lives.

The assets have not been revalued.

1.3 Fund accounts

The following Funds were created by the Municipality:

1.3.1 Housing fund

The purpose of this Fund is to provide for housing loans. Income for this Fund is derived from interest earned on secured housing loans and investments as well as profits made on the resale of housing scheme houses. Interest paid on external housing loans is charged to the Fund.

1.3.2 Capital reserve fund

The purpose of this fund is to build up a general capital reserve to ensure a stable financial position. Income for this fund is derived from general revenue contributions and interest earned on internal loans and investments.

1.3.3 Fixed property fund

Proceeds from the sale of land developed by the Town Council, interest earned on loans for the sale of land as well as interest earned on internal loans and investments accumulate in this fund, which is used to develop properties.

1.3.4 Renewal fund

Its purpose is to provide for replacement of assets and for additional depreciation on assets which abnormally decreased in value. Income for this account is derived from general revenue contributions as well as interest earned on investments.

1.3.5 Build together fund

The purpose of this Fund is to lend money to the low-income group of inhabitants to enable them to erect their own residences. Income is derived from Government grants and interest on loans and investments.

1.4 Capital redemption on loans

Capital redemptions on external and internal loans are charged against income. A similar amount is credited to the Loan Redemption Fund for the duration of the loan. As and when the loan is fully redeemed the Loan Redemption Fund is transferred to the Revenue Contribution.

ANNEXURE D

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

	2019	2018
	N\$	N\$
2. Property, plant and equipment	117 632 795	45 697 602
Loans assets	2 770 371	2 770 371
Income assets	41 596 754	42 223 749
General capital assets	73 265 670	703 482
3. Investments	4 910 338	8 319 180
Commercial banks	1 781 259	5 190 101
Erongo red	3 129 079	3 129 079
Allocated to funds:	4 910 338	8 319 180
Build together fund	613 529	595 374
Capital reserve fund	243 473	243 473
Fixed property fund	454 523	2 208 868
Housing fund	201 486	201 486
Renewal fund	268 248	268 248
Erongo red equity	3 129 079	3 129 079
Revenue account	-	1 672 652
4. Trade and other receivables	10 155 210	15 064 039
Services	39 779 012	31 416 716
Value added tax	495 341	461 168
Sundry debtors	-	1 180
Provision for doubtful debts	(30 119 143)	(16 815 025)
5. Capital outlay	116 581 826	44 504 591
Loans redeemed	1 719 402	1 577 359
Revenue contributions	41 596 754	42 223 750
General capital contributions	73 265 670	703 482

ANNEXURE D

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

	2019	2018
	N\$	N\$
6. Funds and accounts	6 217 423	13 273 790
Fixed property fund	2 208 868	2 208 868
Capital reserve fund	243 473	243 472
Renewal fund	268 248	268 248
Housing fund	192 162	192 162
Build together fund	4 453 788	4 379 286
Revenue account kept in compliance with Section 86(1) of the Local Authority Act, 1992.	(1 149 116)	5 981 754
7. Long-term loan	1 060 293	1 202 336
Capital section	1 050 969	1 193 012
Housing fund	9 324	9 324
8. Trade and other payables	5 577 779	6 996 888
Trade payables	1 623 829	869 493
Retention funds held	351 287	-
Regional council arrears	865 963	720 365
Leave pay provision	1 594 968	2 111 073
Severance provision	872 213	776 755
Namwater	-	945 839
Sundry	-	1 322 970
Deposits received	269 519	250 393
9. Cash generated/(utilised) by operations		
Net operating surplus /(deficit) before transfers	4 284 932	9 785 085
Adjustments for:		
-Adjustments to appropriation account	(11 415 802)	1 235 679
-Investment income	(170 772)	(162 095)
Changes in working capital		
(Increase)/decrease in trade and other receivables	4 908 829	(9 878 742)
(Increase)/decrease in inventory	49 155	(2 765)
(Decrease)/increase in trade payable	(1 235 143)	1 946 142
Cash generated/(utilised) by operations	(3 578 801)	2 923 304

