



REPUBLIC OF NAMIBIA



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**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF OKAHANDJA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

Published by authority

Price (Vat excluded) N\$ 25.00

Report no: 112/2019



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Municipality of Okahandja for the financial year ended 30 June 2018, 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, December 2019

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE MUNICIPALITY OF OKAHANDJA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

1. DISCLAIMER AUDIT OPINION

I have audited the financial statements of the Municipality of Okahandja for the financial year ended 30 June 2018. These financial statements comprise the statement of financial position, detailed statement of income and expenditure, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 and appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

2. BASIS FOR DISCLAIMER AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with code of ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements in Namibia, 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.

Disclaimer opinion is expressed due to the following:

- No supporting documentation for VAT claims of N\$ 13 450 571;
- Unexplained adjustments to appropriation account amounting to N\$ 49 096 435;
- No list available to verify Build together advances of N\$ 1 176 992;
- No supporting documentation to verify the Natis claims of N\$ 3 727 992;
- Bank reconciliation reflects unexplained adjustments of N\$ 6 156 407;
- Unexplained difference of N\$ 10 622 680 between the cash book balance on the bank reconciliation and the balance per annual financial statements;
- Theft of cash amounting to N\$ 588 645 in June 2018 due to short banking;
- Revenue understated due to the Municipality still working on a 2003 valuation roll;
- All services were charged on the 2015/2016 financial year tariffs;
- Attention is drawn to the financial statements, which indicates that the Municipality's current liabilities exceeded its current assets by N\$ 12 576 103. As stated these events or conditions, along with other matters such as the increase in borrowing (bank overdraft) increased by N\$ (3 890 013) which indicates that a material uncertainty exist that may cast significant doubt on the Municipality's ability to continue as a going concern.

- The Municipality did not provide for allowable bad debts for the year under review; and
- No trade payables reconciliations were done.

3. 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 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.

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.

4. 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 an 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, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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.

- 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.

**5. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS
(COMPLIANCE)**

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 except that they were only submitted to the Auditor-General on 05 February 2019 instead of three months after the financial year-end.

6. ACKNOWLEDGEMENT

The co-operation and assistance by the management and staff of the Municipality of Okahandja during the audit is appreciated.

WINDHOEK, December 2019



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**THE MUNICIPALITY OF OKAHANDJA
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE**

	Note	2018	2017
		N\$	N\$
ASSETS			
Non-Current Assets			
Property, plant and equipment	2	83 711 352	115 606 219
Investments	3	44 613 376	35 119 883
Loans		15 517	15 517
Current Assets			
Trade and other receivables	4	67 793 676	16 604 651
Inventories		-	69 860
Bank and cash	5	160	160
TOTAL ASSETS		196 134 081	167 416 290
FUNDS AND LIABILITIES			
Funds and Reserves			
Capital outlay	6	82 982 002	97 803 738
Funds and accounts	7	32 052 790	39 684 520
Non-Current Liabilities			
Long-term liabilities	8	729 350	807 290
Current Liabilities			
Trade and other payables	9	61 101 311	13 742 127
Bank overdraft	5	19 268 628	15 378 615
TOTAL FUNDS AND LIABILITIES		196 134 081	167 416 290

ANNEXURE B

**THE MUNICIPALITY OF OKAHANDJA
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE**

	2018	2017
	N\$	N\$
INCOME	82 312 480	77 006 342
EXPENDITURE	<u>(81 184 877)</u>	<u>(79 562 133)</u>
NET OPERATING DEFICIT	1 127 603	(2 555 791)
INVESTMENT INCOME	985 384	521 407
NETSURPLUS/ (DEFICIT) FOR THE YEAR	<u>2 112 987</u>	<u>(2 034 384)</u>

**THE MUNICIPALITY OF OKAHANDJA
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE**

	Note	2018	2017
		N\$	N\$
Cash flow from operating activities			
Cash generated/(utilised) by operations	11	46 464 057	61 561 951
Investment income		985 384	521 407
Movement in Fund accounts:			
- Change in Fund accounts		(58 841 152)	13 941 552
- Change in Capital outlay		(14 821 736)	2 012 152
Net cash from operating activities		(26 213 447)	78 037 062
Cash flows from investing activities			
Net capital expenditure		31 894 867	(8 021 105)
Change in investments		(9 493 493)	(24 719 090)
		22 401 374	(32 740 195)
Cash flows from financing activities			
Change in long-term loans		(77 940)	(957 933)
		(77 940)	(957 933)
Net change in cash and cash equivalents		(3 890 013)	44 338 934
Cash and cash equivalents – Beginning of year		(15 378 454)	(59 717 389)
Cash and cash equivalents – End of year	5	(19 268 467)	(15 378 455)

Note: Bank reconciliations were not properly performed during the year under review, thus the reliability of the cash flow could not be substantiated.

**THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE**

1. ACCOUNTING POLICIES

1.1 Introduction

The annual financial statements set out in Annexures A to D 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 year.

1.2 Property, plant and equipment

Property, plant and equipment are stated at cost or valuation where assets have been acquired by grant or by donation, less depreciation written off over the expected useful lives as determined by the Council from time to time. Property, plant and equipment acquired with loan funds are not depreciated until the loan is repaid, unless the expected lifetime of the asset is less than the repayment period of the loan in which case depreciation is calculated on the shortfall.

1.3 Internal Funds

The following Funds were created by the Town Council:

1.3.1 Housing Fund

The purpose of this Fund is to provide for housing loans. Income to this Fund is transferred from the general income account, external loans from Government and interest on investments and loans.

1.3.2 Capital Reserve Fund

This Fund was created to make provision for unforeseen expenditures as approved by the Council.

2. PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	N\$	N\$
Total	83 711 352	115 606 219

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (Continued)

	2018	2017
	N\$	N\$
3. INVESTMENTS - Commercial Banks	44 613 376	35 119 883
Capital Reserve Fund	18 210 557	10 095 768
Housing Fund	2 273 452	-
Capital	-	894 748
Revenue - Censored equity	24 129 367	24 129 367
4. TRADE AND OTHER RECEIVABLES	67 793 676	16 604 651
Services rates and taxes	130 410 706	82 753 252
Other receivables	3 727 992	3 968 541
Build Together advances	1 176 741	1 204 128
VAT	13 451 571	9 652 064
Provision for bad debts	(80 973 334)	(80 973 334)
5. CASH AND BANK BALANCES	(19 268 468)	(15 378 455)
Current account	(19 268 628)	(15 378 615)
Petty cash	160	160
6. CAPITAL OUTLAY	82 982 002	97 803 738
Loans redeemed	1 314 650	15 165 939
Revenue contributions	81 667 352	30 273 106
General Capital contributions	-	52 364 693

ANNEXURE D

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (Continued)

	2018	2017
	N\$	N\$
7. FUNDS AND ACCOUNTS	32 052 790	39 684 520
Capital Reserve Fund	47 113 181	106 038 042
Housing Fund	5 727 282	5 643 573
Revenue account	(20 787 673)	(71 997 095)
8. LONG-TERM LIABILITIES	729 350	807 290
The Government of Namibia	729 350	803 991
National Housing Enterprises	-	3 299
9. TRADE AND OTHER PAYABLES	61 101 311	13 742 127
Trade payables	50 651 806	3 834 569
Loan instalments in arrear	2 009 273	1 797 771
Provisions	6 261 205	6 100 985
Consumer deposits	2 179 027	1 997 638
Difference in Internal loans	-	11 164
10. ADJUSTMENTS TO APPROPRIATION ACCOUNT	49 096 435	62 276 134
Prior year adjustments	(17 397 120)	-
Adjustment to VAT	-	(3 471 512)
Leave pay and bad debts provision	(160 220)	(46 406 850)
Nampower debt transferred to Cenored	-	48 928 860
Correction on Government loans	(138 885)	-
Cenored equity	-	24 129 367
Nampower payments not transferred in 2015/2016	-	30 257 104
Meatco sewerage levies written off	(184 800)	-
Namfin corrections	-	(5 611 565)
Departmental accounts	(6 708 304)	-
Creditors adjustments	-	(844 077)
Cenored control account	(387 050)	14 014 931
Provision for interest and redemption on external loans	-	81 267
External loans outstanding	-	426 391
Unclaimed deposits	(65 226)	564 585
Receipts and other adjustments	74 138 040	207 633

THE MUNICIPALITY OF OKAHANDJA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (Continued)

	2018	2017
	N\$	N\$
11. CASH GENERATED/(UTILISED) BY OPERATIONS		
Net operating surplus/(deficit) before transfers	2 112 987	(2 034 384)
Adjustments for:		
- Adjustments to appropriation account	49 096 435	62 276 134
- Investment income	(985 384)	(521 407)
OPERATING SURPLUS BEFORE CHANGES IN WORKING CAPITAL	50 224 038	59 720 343
CHANGES IN WORKING CAPITAL		
Change in trade and other receivables	(51 189 025)	47 708 876
Change in inventories	69 860	-
Change in trade and other payables	47 359 184	(45 867 268)
	(3 759 981)	1 841 608
CASH GENERATED/(UTILISED) BY OPERATIONS	46 464 057	61 561 951

