



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**

# **TOWN COUNCIL OF ARANDIS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

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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 Town Council of Arandis 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, July 2020**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
TOWN COUNCIL OF ARANDIS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

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**1. ADVERSE AUDIT OPINION**

I have audited the financial statements of the Town Council of Arandis for the financial year ended 30 June 2018. These financial statement comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of cash flows 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 for Adverse audit Opinion paragraph, the financial statements do not present fairly the financial position of the Town Council of Arandis for the financial year ended 30 June 2018 and its financial performance and their cash flows for the year then ended.

**2. BASIS FOR ADVERSE 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 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 sufficient and appropriate to provide a basis for my opinion.

The adverse audit opinion is expressed due to the following:

- The fixed assets balance as disclosed in the financial statements amounting to N\$ 55 881 762 does not agree to the fixed assets balance as per the fixed asset register amounting to N\$ 53 896 692 resulting in a difference of N\$ 1 985 070;
- The Council charged depreciation for the year amounting to N\$ 7 330 371 against the asset and capital reserve fund instead of the income statement;
- A difference of N\$ 769 345 was noted between the bank balance disclosed in the financial statements and the bank reconciliation;
- The Council did not disclose inventory for the year in the financial statements;
- A difference of N\$ 2 494 276 was noted between the debtors in the annual financial statement and the debtors in the age analysis;
- The Council could not explain how an amount of N\$ 39 446 082 relating to provision for bad debts was derived as the policy does not stipulate how the Council should provide for bad debts;
- The auditors found an unexplained difference of N\$ 324 051 between Namwater statement amount of N\$ 6 089 871 and the General Ledger amount of N\$ 5 765 820;
- Auditors could not verify additions to Property, Plant and Equipment amounting to N\$ 2 964 944 due to non-submission of invoices and payment vouchers for the following amounts:

## **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 legislation, and for such internal control as management deems 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.

## **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 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 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.

- 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 used 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

**TOWN COUNCIL OF ARANDIS**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE**

	Note	2018 N\$	2017 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	55 881 763	53 893 455
Investments	3	5 652 517	7 691 593
<b>Current assets</b>			
Trade and other receivables	4	15 672 443	11 307 326
<b>TOTAL ASSETS</b>		<b>77 206 723</b>	<b>72 892 374</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Funds</b>			
Capital outlay	5	55 881 763	53 893 455
Funds and accounts	6	10 827 162	6 039 033
<b>Current liabilities</b>			
Trade and other payables	7	9 120 046	9 108 299
Bank Overdraft		1 377 753	3 851 587
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>77 206 723</b>	<b>72 892 374</b>

## TOWN COUNCIL OF ARANDIS

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2018 N\$	2017 N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		35 524 290	36 753 902
Cash paid to suppliers		(35 444 219)	(41 921 297)
<b>Cash flows from operating activities</b>	<b>8</b>	<b>80 071</b>	<b>(5 167 395)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
		<b>2 342 994</b>	<b>5 052 523</b>
Increase in capital outlay		1 988 307	4 635 296
Increase in fund accounts		354 687	417 227
<b>Net cash flow from operating activities</b>		<b>2 423 065</b>	<b>(114 871)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
		<b>50 769</b>	<b>(3 009 828)</b>
Net increase in capital value		(1 988 307)	(4 635 296)
Decrease in investments		2 039 076	1 625 468
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>2 473 834</b>	<b>1 651 154</b>
Cash and cash equivalents at beginning of year		(3 851 587)	(726 888)
Cash and cash equivalents at end of year		<b>(1 377 753)</b>	<b>(3 851 587)</b>

## TOWN COUNCIL OF ARANDIS

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

	2018	2017
	N\$	N\$
<b>2. PROPERTY PLANT AND EQUIPMENT</b>	<b>55 881 763</b>	<b>53 893 455</b>
Income assets	36 605 229	36 792 592
General capital assets	19 276 534	17 100 863
<b>3. INVESTMENTS</b>	<b>5 652 517</b>	<b>7 691 593</b>
Commercial banks	1 296 667	3 335 743
Equity Investments (Erongo Red)	4 355 850	4 355 850
<b>Comprising of:</b>	<b>5 652 517</b>	<b>7 691 593</b>
Housing Fund	1 277 047	3 215 528
Build together fund	19 620	120 215
Equity Investment- Erongo	4 355 850	4 355 850
<b>4. TRADE AND OTHER RECEIVABLES</b>	<b>15 672 443</b>	<b>11 307 326</b>
Consumer debtors	40 393 860	31 813 197
Namwater Debtors	9 199 034	6 417 648
VAT receivable	1 402 718	1 400 403
Sundry debtors	167 161	420 228
Housing Debtors	3 955 752	4 562 270
Provision for bad debts	(39 446 082)	(33 306 420)
<b>5. CAPITAL OUTLAY</b>	<b>55 881 763</b>	<b>53 893 455</b>
Revenue contributions	36 605 229	34 807 522
General capital contributions	19 276 534	19 085 933