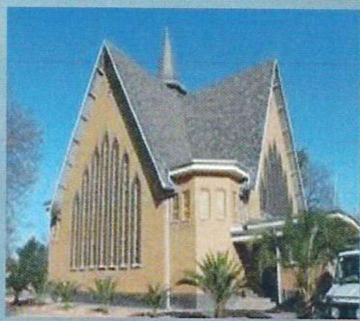
REPUBLIC OF NAMIBIA




REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MUNICIPALITY OF OTJIWARONGO

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Published by authority

Price (Vat excluded) N$ 25.00
Report no: 83/2020

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 Municipality of Otjiwarongo 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 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, September 2020

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE MUNICIPALITY OF OTJIWARONGO FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

1. DISCLAIMER OF OPINION

I have audited the financial statements of the Municipality of Otjiwarongo for the financial year ended 30 June 2019, provided by the Accounting Officer as attached in Annexure A-D. These financial statements comprise the statement of financial position, statement of financial performance, statement of changes in net equity, cash flow statement, variance analysis, notes of the financial statements for the year then ended, and 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 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 OF 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 not sufficient and appropriate to provide a basis for my opinion. A disclaimer of audit opinion is being expressed due to the following:

2.1 PROPERTY, PLANT AND EQUIPMENT

The completeness and existence of assets could not be verified and no depreciation was charged on loan assets, therefore the auditors could not obtain reasonable assurance that the property, plant and equipment are not materially misstated with regards to completeness and existence. There were no alternative procedures the auditors could perform to confirm the completeness and existence of property, plant and equipment.

2.2 INVENTORY

There were no alternative practical audit procedures that the auditors could perform to confirm the existence and completeness of inventories on hand at year-end.

2.3 LOANS RECEIVABLE

The auditors could not obtain the reconciliation of N$ 1 275 849 between the loan register and the annual financial statements. Furthermore, there were no reconciliations between the different loans' categories per the loan register to the categories per the annual financial statements. There were no alternative audit procedures that the auditors could perform to confirm the accuracy, existence and completeness of loans receivable. In addition, there is no long-term and short-term classification of the loan's receivable. There were no alternative practical audit procedures that the auditors could perform to confirm the accuracy, existence and valuation of the non-current and current portions.

2.4 TRADE AND OTHER RECEIVABLES

There is no proper classification in the statement of financial position of accounts receivables with credit balances amounting to N$ 5 600 771 that were included in the trade receivables balance in the annual financial statements.

The auditors could not obtain a schedule of VAT returns that substantiate the VAT receivable balance of N$ 10 541 939 recognised in the books of accounts receivables; therefore, the auditors could not obtain reasonable assurance regarding the existence, accuracy and valuation of the VAT receivable balance.

Consequently, there were no alternative practical audit procedures that the auditors could perform to confirm the completeness, existence and accuracy of trade and other receivables.

2.5 FUND RESERVES

There is no recognition of the Multi-Purpose Centre Fund in the annual financial statements that are being administered by the Municipality on behalf of the Otjiwarongo community. The cash and cash equivalents held in the designated bank at year-end is N$ 626 612.

2.6 TRADE AND OTHER PAYABLES

There is no proper classification in the statement of financial position of accounts payables with repayments debits balances amounting to N$ 2 513 375 that were included in the trade payables balance in the annual financial statements. Furthermore, the auditors could not obtain the listing of the consumer repayments for consumers debit balance of N$ 2 312 103 included in the accounts payables. There were no alternative practical audit procedures that the auditors could perform to confirm the completeness, existence and accuracy of trade and other payables.

2.7 LOANS PAYABLE

There is no long-term and short-term classification of the loans payable. There were no alternative practical audit procedures that the auditors could perform to confirm the accuracy, existence and valuation of the non-current and current portions.

2.8 CASH AND BANK

The auditors could not obtain the reconciliation of N$ 5 055 655 between the cash and bank per the financial statements and the cash and bank confirmed by the bank. There were no alternative procedures that the auditors could perform to obtain audit evidence that all the cash and cash equivalents have been properly recorded in the books of accounts. Consequently, the auditors were unable to confirm the completeness, existence and valuation of cash and cash equivalents and the related financial statement areas.

There is no recognition of the Multi-Purpose Centre bank account in the annual financial statements that are being administered by the Municipality on behalf of the Otjiwarongo community.

2.9 ANNUAL FINANCIAL STATEMENTS

The annual financial statements submitted did not meet the requirements of the International Public Sector Accounting Standards regarding the disclosure of statement of changes in net equity, variance analysis, accounting policy notes, the list of standards adopted, and the list of standards applied for exemption.

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 International Public Sector Accounting Standards (IPSAS), and for such internal control as management determines it necessary to enable the preparation of the 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 of 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 a 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 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

The accounts were submitted timeously by the Accounting Officer to the Auditor-General on 30 September 2019 in terms of Section 87 (1) of the Local Authorities Act, 1992.

WINDHOEK, September 2020

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

ANNEXURE A

MUNICIPALITY OF OTJIWARONGO
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	Note	2019 N$	2018 N$
ASSETS			
Non-Current assets			
Property, plant and equipment	3	136 976 555	140 171 749
Loans receivable		8 220 822	3 820 332
Investments	4	48 461 784	58 923 861
		193 659 161	**202 915 942**
Current Assets			
Trade and other receivables	5	20 240 528	18 086 122
Inventories	8	644 582	1 255 474
Cash and cash equivalents	10	6 137 584	*9 504 060
		27 022 695	**28 845 656**
TOTAL ASSETS		**220 681 855**	**231 761 598**
EQUITY AND LIABILITIES			
Equity			
Contribution to assets (Capital outlay)	2	132 554 467	129 224 451
Fund reserves	1	70 271 522	83 368 967
		202 825 989	**212 593 418**
Current Liabilities			
Trade and other payables	6	16 298 430	17 438 732
		16 298 430	**17 438 732**
Non-Current Liabilities			
Loans Payables	7	1 557 436	1 729 448
Total Non-Liabilities		**1 557 436**	**1 729 448**
TOTAL EQUITY AND LIABILITIES		**220 681 855**	**231 761 598**

*The amount for cash and cash equivalents in note to the financial statement of N$ 7 954 600 (2018) differ to the amount in the statement of financial position of N$ 9 504 060 (2018) with N$ 1 549 460.

*The amount for Fund and Accounts of N$ 70 271 822 (2019) in the note to the financial statement differ to the amount in the statement of financial position of N$ 70 271522(2019) with N$ 300.

ANNEXURE B

MUNICIPALITY OF OTJIWARONGO
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2019	2018
		N$	N$
Revenue		112 275 821	107 028 768
Expenditure		(116 326 824)	(107 083 621)
Net Operating (deficit)/ surplus		(4 051 003)	(54 853)
Adjustments	11	(1 728 181)	(353 608)
Net deficit for the year		(5 779 184)	(408 461)

ANNEXURE C

MUNICIPALITY OF OTJIWARONGO
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2019 N$	2018 N$
Cash utilized by operating activities			
Cash received from customers		112 275 821	107 028 768
cash paid to suppliers and employees		(116 326 824)	(107 083 621)
Cash flows from operating activities		**(4 051 003)**	**(54 853)**
Net adjustment to the appropriation account	11	(1 728 181)	-
(Increase)/decrease in inventories	8	610 592	-
(Increase)/decrease in trade and other receivables	5	(2 154 406)	-
Increase/(decrease) in trade and other payables	6	(1 140 302)	-
Net cash flows from operating activities		**(8 463 300)**	**(54 853)**
Cash flow from investing activities			
Decrease in property, plant and equipment	3	3 195 194	(3 971 550)
Increase in property loans	9	(4 400 490)	1 725 775
Decrease in investments	4	10 462 077	(5 322 328)
Net cash flows from investing activities		**9 256 781**	**(7 568 103)**
Cash flows from financing activities			
Decrease in funds account	1	(7 317 961)	4 861 552
Increase in capital outlay	2	3 330 016	5 247 963
Decreased in long term loans	7	(172 012)	(154 884)
Increase in consumer deposit		-	55 570
		(4 159 957)	**10 010 201**
Net increase in cash and cash equivalent		**(3 366 476)**	**2 387 245**
Net cash and cash equivalent			
- at beginning of the year		9 504 060	7 954 600
Adjustment		-	*(837 785)
- at the end of the year	10	**6 137 584**	**9 504 060**

*Unexplained adjustment

MUNICIPALITY OF OTJIWARONGO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2019	2018
	N$	N$
1. FUNDS ACCOUNTS	***70 271 822**	**83 368 967**
Internal Funds	**93 562 554**	**100 880 515**
Fixed Property Fund	3 988 728	3 982 560
Betterment Fund	4 336 856	4 247 312
Capital Reserved Fund	4 389 356	4 389 356
Capital Development Fund	8 898 573	9 295 603
Renewal Fund	1 341 106	1 341 106
Personnel Housing Fund	2 556 956	2 491 299
Erven Trust Fund	34 653 524	43 539 116
Municipal Study Loan Fund	1 219 855	937 294
Housing Fund (GRN)	1 418 144	1 413 259
Build Together Fund	12 293 216	12 282 045
BT- Informal Settlement Fund	208 846	208 546
Single Quarters Housing Schemes	4 535 959	4 515 129
Social Upliftment Fund	659 609	625 933
Disaster Fund	221 764	221 764
GRN Contribution Fund	12 840 062	11 390 193
Accumulated accounts	**(23 290 732)**	**(17 511 548)**
2. CAPITAL OUTLAY	**132 554 467**	**129 224 451**
Loans Redeemed	11 030 909	13 727 674
Contribution from Revenue	121 523 558	115 496 777
3. PROPERTY, PLANT AND EQUIPMENT	**136 976 555**	**140 171 749**
Loans Funds	13 927 755	24 674 972
Income Funds	123 048 800	115 496 777

*The amount for Fund and Accounts of N$ 70 271 822(2019) differ from the amount in the statement of financial position of N$ 70 271522(2019) with N$ 300.

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

	2019	2018
	N$	N$
4. INVESTMENT	**48 461 784**	**58 923 861**
Capital Development Fund	109 642	3 647 085
Build Together Fund	1 779 251	1 606 187
Revenue	43 066 969	43 066 969
Erven Trust Fund	393 182	7 803 620
GRN Project Fund	3 112 740	2 800 000
5. TRADE AND OTHER RECEIVABLE	**20 240 528**	**18 086 122**
Trade receivable	51 093 202	50 898 832
Value Added Tax	10 541 939	7 820 781
Sundry debtors	1 433 946	1 454 727
Less: Provision for Bad Debts	(42 828 559)	(42 088 218)
6. TRADE AND OTHER PAYABLES	**16 298 430**	**17 438 732**
Trade payables	3 929 056	5 830 758
Consumer deposits	1 964 866	1 900 166
Sundry creditors	6 251 856	5 073 655
Provision for leave days	4 152 652	4 634 153
7. LONG TERM LOANS	**1 557 436**	**1 729 448**
8. INVENTORIES	**644 582**	**1 255 474**
Stores	644 582	1 255 474

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

	2019 N$	2018 N$
9. PROPERTY LOANS	**8 220 822**	**3 820 332**
Erven Trust Fund	498 838	1 097 466
Single Quarters Housing Schemes	1 909 744	2 079 016
Build Together Fund	3 050 544	3 525 831
Personnel Housing Scheme	669 537	747 448
Other	2 092 159	(3 629 429)
10. CASH AND CASH EQUIVALENTS	**6 137 584**	***7 954 600**
Bank	6 132 184	7 949 200
Petty cash	5 400	5 400
11. ADJUSTMENTS	**(1 728 181)**	**(353 608)**
Prior period adjustment - expenditure	(8 203 670)	(591 890)
Prior period adjustments - Revenue	6 475 489	238 282

*The amount for cash and cash equivalents of N$ 7 954 600 9 (2018) differ to the amount in the statement of financial position of N$ 9 504 060 (2018) with N$ 1 549 460.