



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF EENHANA
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2016 AND 2017**

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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 Eenhana for the financial years ended 30 June 2016 and 2017, 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, November 2018

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
EENHANA TOWN COUNCIL
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2016 AND 2017**

1. DISCLAIMER OF AUDIT OPINION

I certify that I have audited the financial statements of the Town Council of Eenhana for the financial years ended 30 June 2016 and 2017. These financial statements comprise the Balance Sheet, Income Statement, and Notes to the Annual Financial Statements for the years then ended, and a summary of significant accounting policies and other explanatory information.

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 insufficient and inappropriate to provide a basis for my opinion. A disclaimer audit opinion is being expressed due to the following:

- Unsupported property, plant and equipment amounting to N\$ 1 470 574 (2017);
- No physical stock taking was conducted (2017) and Overstatement of capital outlay;
- Inadequate supporting documentation for inventory quantities at year end (2016);
- Unsupported capital expenditure amounting to N\$ 9 107 081 (2016);
- Unsupported account payables amounting to N\$ 2 784 630 (2017);
- Unsupported unrecorded liabilities amounting to N\$ 1 960 635 (2017);
- Understatement of liabilities by N\$ 2 406 108 (2016);
- Unsupported leave provision amounting to N\$ 1 935 724 (2017);
- Understatement of leave pay provision by N\$ 671 924 (2016);
- Overstatement of value-added taxation amounting to N\$ 1 003 733 (2017);
- Understatement of VAT receivable balance by N\$ 895 602 (2016);
- Unsupported Revenue amounting to N\$ 3 069 560 (2017);
- Undisclosed equity investment, and Unsupported journals;
- Unsupported loan receivable amounting to N\$ 9 452 684(2017);
- Payroll balance misstated by N\$ 1 023 102 (2017);
- Bank balance misstated by N\$ 5 596 905 (2017);
- Unexplained difference on the bank reconciliation amounting to N\$ 2 942 451 (2016);
- Un-updated budget/estimates and Non-performance of budget variance analysis;
- Unsupported adjustments on the appropriation account amounting to N\$ 778 522 (2016); and
- Non-compliance with the Auditor General Circular D3/2015.

3. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

I draw attention to Annexure B in the financial statements, which indicates that the Town Council incurred a net loss of N\$ 17 213 604 (2017) and N\$ 18 236 656 (2016) during the years ended 30 June 2016 and 2017 and, as of that date, the Town Council's current liabilities exceeded its total assets by N\$ 5 857 604 (2017) and N\$ 4 872 596 (2016). As stated in basis of qualification, these events or conditions, along with other matters as set forth in Annexure B, indicate that a material uncertainty exists that may cast significant doubt on the Town Council's ability to continue as a going concern. My opinion is modified in respect of this matter.

4. OTHER INFORMATION

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon. In connection with my 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. 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 Generally Recognised Accounting Practice and 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 of 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 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 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 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 were submitted to the Office of the Auditor-General by the Accounting Officer in compliance with Section 87 (1) of the Local Authorities Act, 1992, except that they were only submitted on 09 January 2018, instead of three months after year end as required by the Act.

8. ACKNOWLEDGEMENT

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



WINDHOEK, November 2018

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**TOWN COUNCIL OF EENHANA
BALANCE SHEET AS AT 30 JUNE**

	Note	<u>2017</u>	<u>2016</u>
		N\$	N\$
ASSETS			
Non-current assets		123 594 341	124 911 347
Property, plant and equipment	2	97 713 883	82 267 226
Investments	3	16 427 774	33 261 978
Long-term loans receivable	4	9 452 684	9 382 143
Current assets		5 939 249	3 930 033
Inventories		385 457	331 078
Trade and other receivables	5	5 553 792	3 598 955
TOTAL ASSETS		<u>129 533 590</u>	<u>128 841 380</u>
FUNDS AND LIABILITIES			
Funds and reserves		118 122 194	120 369 829
Capital outlay	6	97 713 883	82 267 226
Funds and accounts	7	20 408 311	38 102 603
Current liabilities		11 411 396	8 471 551
Bank overdraft		5 143 997	5 653 638
Trade and other payables	8	6 267 399	2 817 913
TOTAL FUNDS AND LIABILITIES		<u>129 533 590</u>	<u>128 841 380</u>

**TOWN COUNCIL OF EENHANA
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE**

	Note	<u>2017</u>	<u>2016</u>
		N\$	N\$
INCOME		39 984 036	41 685 592
EXPENDITURE		<u>(57 197 640)</u>	<u>(59 922 248)</u>
OPERATING (DEFICIT)/ SURPLUS		(17 213 604)	(18 236 656)
INVESTMENT INCOME		<u>523 293</u>	<u>5 232</u>
OPERATING (DEFICIT)/SURPLUS AFTER INTEREST		(16 690 311)	(18 231 424)
APPROPRIATION ACCOUNT	9	<u>(2 775 705)</u>	<u>(1 504 154)</u>
NET (DEFICIT)/SURPLUS AFTER APPROPRIATIONS		<u>(19 466 016)</u>	<u>(19 735 578)</u>

**TOWN COUNCIL OF EENHANA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE**

1. ACCOUNTING POLICIES

1.1 Introduction

The annual financial statements are compiled in accordance with the historical cost convention, except where otherwise stated.

The principal accounting policies of the Town Council, which are set out below, have been consistently applied. The financial statements have been prepared in accordance with the requirements of the Namibian Local Authorities Act, 1992 (Act 23 of 1992), as amended.

1.2 Property, plant and equipment

Property, plant and equipment are stated at cost or at valuation where assets have been acquired by grant or donation, less depreciation written off over the expected useful lives as determined by the Council from time to time. Fixed assets 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 the depreciation is calculated on the shortfall.

1.3 Inventory

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

1.4 Capital Development Fund

The purpose of this Fund is to finance capital projects by means of internal loans or appropriation.

2. Property, plant and equipment

	2017	2016
	N\$	N\$
Revenue	96 799 587	80 419 818
General Capital	914 296	1 847 408
Total	97 713 883	82 267 226

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

	2017	2016
	N\$	N\$
3. INVESTMENTS	16 427 774	33 261 978
Mayoral Fund	123 522	117 218
Build Together Fund	7 064 205	6 559 732
Capital Development Fund	2 983 178	16 133 719
Sports Complex Development Fund	43 208	43 246
Trade and Business Expo Fund	2 711 894	7 270 200
Erven Sales Fund	3 501 766	3 137 863
4. LONG-TERM LOANS RECEIVABLE	9 452 684	9 382 143
Build Together advances to buyers	7 259 290	7 672 867
Incomplete Projects loans	956 987	803 783
Erven loans	1 236 407	905 493
5. TRADE AND OTHER RECEIVABLES	5 553 792	3 598 955
Consumers	11 792 955	8 857 623
VAT receivable	2 809 623	978 557
Other	57 846	66 554
Provision for bad debts	(9 106 632)	(6 303 779)
6. CAPITAL OUTLAY	97 713 883	82 267 226
Revenue Contributions	96 799 587	80 419 818
General Capital Contributions	914 296	1 847 408
7. FUNDS, ACCOUNTS AND RESERVES	20 408 311	38 102 603
Mayoral Fund	350 243	222 395
Build Together Fund	19 228 927	18 708 938
Capital Development Fund	27 571 911	27 323 699
Sports Complex Development Fund	1 011 213	813 024
Trade and Business Expo Fund	7 421 369	7 438 698
Erven Sales Fund	4 738 173	4 043 357
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(39 913 525)	(20 447 508)

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

	2017	2016
	N\$	N\$
8. TRADE AND OTHER PAYABLES	6 267 399	2 817 913
Trade payables	57 579	351 879
Consumer and other deposits	918 060	796 450
Provision for leave pay	1 935 723	1 314 746
Unknown deposits	1 808 991	354 838
Accrued creditors	1 547 046	-
9. ADJUSTMENTS TO APPROPRIATION ACCOUNTS	(2 775 706)	(1 504 154)
Movement in leave pay provision	(40 928)	442 800
Old deposits adjustment	(300)	(17 350)
Movement in the provision for bad debts	(2 802 853)	(860 747)
Income	68 375	-
VAT adjustments	-	1 159 721
Correction of bank balance	-	(2 228 578)
10. Cash generated from operations		

