



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF KARASBURG
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2011 AND 2012**

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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 Karasburg for the financial years ended 30 June 2011 and 2012, 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, October 2017

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
TOWN COUNCIL OF KARASBURG
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011 AND 2012**

1. INTRODUCTION

This report on the accounts of the Town Council of Karasburg for the financial years ended 30 June 2011 and 2012 is presented to the National Assembly in accordance with the provisions set out in the Local Authorities Act, 1992 (Act 23 of 1992).

Figures in the report are rounded to the nearest Namibia dollar. Deficits are indicated in (brackets).

The firm NC Tromp Accountants of Windhoek has been appointed in terms of section 26 (2) of the State Finance Act, 1991, to audit the accounts of the Council on behalf of the Auditor-General and under his supervision.

I certify that I have audited the accompanying financial statements of the Town Council of Karasburg for the financial years ended 30 June 2011 and 2012. These financial statements comprise the following:

Annexure A: Balance sheet;
Annexure B: Income statement;
Annexure C: Cash flow statement; and
Annexure D: Notes to the financial statements.

The financial statements were submitted to 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 31 October 2016 instead of three month after year end as required by the Act.

The financial statements, notes to the financial statements and general information provided by the Accounting Officer are attached as Annexure A - D.

2. MANAGEMENT'S RESPONSIBILITY 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, (Act 23 of 1992) and relevant 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.

3. AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Powers and duties

Section 25(1) (c) of the State Finance Act, 1991, provides that the Auditor-General should satisfy himself that:

- (a) All reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;
- (b) All reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and
- (c) The expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, Section 26(1)(b)(iv) of the State Finance Act, 1991, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is insufficient and inappropriate to provide a basis for the audit opinion.

4. ACKNOWLEDGEMENT

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

5. KEY AUDIT FINDINGS

5.1 VAT

All VAT returns for the period under review were not submitted to the Ministry of Finance: Inland Revenue.

5.2 Accounting system

The Council's accounting system is Finplan and is an internet based system. Audit trails were not provided for audit purpose.

5.3 Cash and bank

The bank accounts are not properly reconciled. A difference amounting to N\$ 3 530 932 was observed between cashbook and general ledger.

5.4 Provision for bad debts

A considerable provision for bad debts has been raised. This is an indication that the Council needs to improve its debt collection system.

5.5 D3 92 of 2015 circular

The Chief Executive Officer of the Karasburg Town Council for the years under review did not submit statements as per the Auditor- General Circular D3/2015.

5.6 ACCOUNTING POLICY AND REPORTING FRAMEWORK

The Municipality did not provide the accounting policy and reporting framework used to prepare the financial statements.

6. BASIS OF DISCLAIMER AUDIT OPINION

- Difference between cashbook and general ledger amounting to N\$ 3 530 932;
- All VAT returns were not submitted to the Ministry of Finance: Inland Revenue; and
- No audit trails for audit purpose.

7. DISCLAIMER AUDIT OPINION

The accounts of the Karasburg Town Council for the financial years ended 30 June 2011 and 2012, summarised in annexure A to D, were audited by me in terms of the provisions of section 85 of the Local Authorities Act, 1992, read with section 25(1)(b) of the State Finance Act, 1991.

Because of the significance of the matters described in the Basis of Disclaimer 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.

WINDHOEK, October 2017



JUNIAS ETUNA KANDJEKE
AUDITOR –GENERAL

ANNEXURE A

**THE MUNICIPALITY OF KARASBURG
BALANCE SHEET AT 30 JUNE**

	Note	2012 N\$	2011 N\$	2010 N\$
ASSETS				
Non-current assets				
Property, plant and equipment	2	12 466 683	12 765 957	10 830 285
Secured loans	4	3 386	6 231	6 048
Investments	3	5 625 213	5 122 787	2 690 845
Current assets				
Inventory	6	89 977	94 249	84 330
Accounts receivable	5	3 584 268	1 929 755	1 056 228
Cash and cash equivalents	7	660	9 024	1 016 208
TOTAL ASSETS		21 770 187	19 928 003	15 683 944
EQUITY AND LIABILITIES				
Equity				
Capital outlay	8	11 633 372	11 729 039	9 603 274
Funds and accounts	9	3 494 039	3 379 146	3 770 690
Non-current liabilities				
Finance agreements	10	660 593	700 200	764 841
Current liabilities				
Bank overdraft	7	1 750 797	-	-
Trade and other payables	11	4 231 386	-	-
TOTAL EQUITY AND LIABILITIES		21 770 187	19 928 004	15 683 99

**THE MUNICIPALITY OF KARASBURG
INCOME STATEMENT AT 30 JUNE**

	Note	2012 N\$	2011 N\$	2010 N\$
INCOME		11 964 677	8 824 937	9 726 249
Expenditure		(11 199 920)	(8 876 102)	(9 881 831)
Net operating surplus/(deficit)		764 757	(51 165)	(155 582)
Investment income		-	8 808	2 766
Net (deficit)/surplus		764 757	(42 357)	9152 816)
Transfer to funds	12	-	-	(23 000)
Appropriation account	14	30 304	(125 292)	(9 696)
Accumulated loss		795 061	(167 649)	(185 512)
-beginning of the year		(2 309 470)	(2 141 821)	(1 956 309)
 End of the year		 (1 514 409)	 (2 309 470)	 (2 141 821)

**THE MUNICIPALITY OF KARASBURG
CASH FLOW STATEMENT AT 30 JUNE**

	Note	2012	2011	2010
		N\$	N\$	N\$
Cash flow from operating activities		(481 879)	959 958	7 051 107
Cash receipts from customers		11 964 677	9 726 249	9 726 249
Cash paid to suppliers		(11 670 721)	(10 676 969)	(9 842 085)
Cash (Utilised)/generated by operations	14	293 956	(950 720)	(115 836)
Investment income		-	8 808	2 766
- (Decrease)/increase in Fund accounts		(680 168)	(223 895)	(724 867)
- Increase/(decrease) in capital outlay		(95 667)	2 125 765	7 889 044
Investing activities		(1 237 675)	(1 902 501)	(7 079 259)
Net capital expenditure		(738 094)	(2 006 376)	(8 035 208)
Decrease/(Increase) in investments		(502 426)	104 058	954 985
Decrease in other loans		2 845	-183	964
Financing activities		(39 607)	(64 641)	(26 209)
Net decrease in long-term liabilities		(39 607)	(64 641)	(26 209)
Net increase in cash and cash equivalents		(1 759 161)	(1 007 184)	(54 361)
at beginning of the year		9 024	1 016 208	1 070 569
at the end of the year		(1 750 137)	9 024	1 016 208

MUNICIPALITY OF KARASBURG
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
30 JUNE

	2012	2011	2010
	N\$	N\$	N\$
2 PROPERTY, PLANT AND EQUIPMENT	12 466 683	12 765 957	10 830 285
Loan assets	1 877 645	1 877 645	1 876 945
Income assets	1 866 074	1 127 980	1 100 845
General capital assets	9 888 681	9 888 681	7 910 140
Less: Depreciation	(1 165 717)	(128 349)	(57 645)
3 INVESTMENTS	5 625 213	5 122 787	2 960 845
Fixed deposits and money on call	2 692 778	2 536 000	2 690 845
Fixed deposits and money on call	1 181 000	-	-
Fixed deposits and money on call	1 751 435	2 586 787	-
ALLOCATED TO FUNDS	1 751 435	2 586 787	2 690 845
Capital reserved fund	31 922	31 668	31 668
Fixed property fund	219 393	217 645	217 645
Housing fund	1 150 631	1 141 463	1 141 645
Renewal fund	168 196	156 935	1 41 463
Betterment fund	53 014	52 591	156 935
Mayoral chain fund	30 087	23 895	52 591
Computer replacement fund	29 140	23 948	23 895
Development fund	5 000	-	32 006
Build together fund	64 052	938 642	1 034 642
4 SECURED LOANS	3 386	6 231	6 048
Mortgage bonds against fixed property	3 386	6 231	6 048
5 TRADE AND OTHER RECEIVABLES	3 584 268	1 929 755	1 056 228
Value added tax	395 305	15 176	56 106
Sundry debtors	-	36 419	(2 926 958)
Trade debtors	6 115 921	4 805 118	-
Less: Provision for doubtful debts	(2 926 958)	(2 926 958)	1 056 228

MUNICIPALITY OF KARASBURG
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
30 JUNE (continued)

	2012	2011	2010
	N\$	N\$	N\$
6 INVENTORY	89 977	94 249	84 330
Comprising of fuel and lubricants	89 977	94 249	84 330
7 CASH AND BANK BALANCES	(1 750 137)	9 024	1 016 208
Current bank account	(1 750 797)	8 364	1 015 548
Petty cash	660	660	660
8 CAPITAL OUTLAY	11 633 372	11 729 039	9 603 274
Loans redeemed	1 035 012	831 404	649 934
Revenue contributions	1 718 465	1 031 085	1 054 681
General capital contributions	8 879 895	9 866 550	7 898 659
9 FUNDS AND ACCOUNTS	3 494 039	3 379 146	3 770 690
Build Together Fund	396 371	1 311 526	1 730 280
Betterment Fund	578 892	563 714	540 675
Capital Reserve Fund	192 169	190 110	188 951
Fixed Property Fund	977 876	938 203	886 059
Development Fund	15 000	10 000	5 000
Computer Replacement Fund	37 328	30 771	33 960
Mayoral Chain Fund	43 747	36 195	29 360
Housing fund	1 631 951	1 540 438	1 504 402
Renewal Fund	1 135 114	1 067 659	993 824
Revenue account	(1 514 409)	(2 309 470)	(2 141 821)
10 LONG-TERM LIABILITIES	660 593	700 200	764 841
Capital section	337 516	378 156	419 227
Housing fund	93 144	112 366	130 070
Deposits held	229 933	209 678	215 544
11 TRADE AND OTHER PAYABLES	4 231 386	4 119 618	1 545 139
Trade creditors	2 724 399	2 567 620	8 318
Recoverable	2 684	66 353	60 788
Loan installments in arrear	1 201 782	1 154 359	1 144 747
Consumer deposits			-
Provision for audit fees	131 300	131 300	131 300
Provision for leave	171 221	199 986	1 99 986

MUNICIPALITY OF KARASBURG
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
30 JUNE (continued)

	2012	2011	2010
	N\$	N\$	N\$
12 TRANSFER TO FUNDS	-	-	23 000
Mayoral chain Funds	-	-	4 000
Development Fund	-	-	5 000
Renewal Fund	-	-	14 000
13 APPROPRIATION ACCOUNT			(9 696)
Faulty levies	-	-	(4 555)
Houses sold	-	-	6 776
Provision for leave	-	-	-11 917
14 CASH GENERATED BY OPERATING	293 956	(950 720)	(115 836)
Net surplus /(deficit) for the year	764 757	(42 357)	(152 816)
Depreciation	1 037 368	70 704	-
Adjustment to appropriation account	30 304	(125 292)	(9 696)
Investment income	-	(8 808)	(2 766)
Transfer to Funds	-	-	
Accounts payable	111 768	38 479	34 763
Accounts receivable	(1 654 513)	(873 527)	34 611
Inventory	4 272	(9 919)	3 068

