



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF KHORIXAS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 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 Khorixas for the financial year ended 30 June 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, February 2025

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
KHORIXAS TOWN COUNCIL
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

1. DISCLAIMER AUDIT OPINION

I have audited the financial statements of the Town Council of Khorixas for the financial year ended 30 June 2017, 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 equity and statement of cash flows for the years then ended and a summary of significant accounting policies.

Because of the significance of the matters described in the Basis for Disclaimer of 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 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 audit opinion is being expressed due to the following:

2.1 Financial Reporting Framework

The financial statements for the year under review were not prepared in accordance with a recognized financial reporting framework. This is a recurring matter from the prior financial year.

Furthermore, it was also noted that the financial statements submitted for audit, did not include comparative figures for the prior audited financial statements, thus the auditors could not confirm whether opening balances were accurately brought over to the next financial period.

2.2 Cash and cash equivalent

Cash and cash equivalent balance amounting to N\$ 525 552 could not be verified as the bank statements and reconciliation were not submitted for audit purpose.

2.3 Inventories

There was no inventory count carried out and attended by auditors as at year end to verify and ascertain the existence and completeness of the inventory valued at N\$ 1 183 409.

2.4 Trade and other payables

Completeness and Valuation of Trade and other payables amounting to N\$ 24 325 409 could not be ascertained as no listing /Schedule listing and / aging comprising of the list of the individual creditors and their respective accrued amounts had not been availed for audit purposes.

2.5 Value added tax (VAT)

An unexplained difference of N\$ 2 815 908 was found between financial statements (N\$ 186 823) and the auditors' reconciliation of (N\$ 2 629 085).

2.6 General Expenses

The completeness, accuracy and occurrence of expenditure amounting to N\$ 3 443 098 could not be confirmed due to non-submission of supporting documents.

3. OTHER INFORMATION

Management is responsible for the other information. The auditor's opinion on the financial statements does not cover the other information and, accordingly, the auditor does 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.

4. AUDIT OF KEY PERFORMANCE INFORMATION

It was observed that the Council has a strategic plan in place, however the annual plan and performance reviews were not submitted for audit. The auditors were thus unable to conduct an audit on Key Performance information, to assess whether targets were achieved as set out in the strategic plan.

5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance compliance with Section 87(1) of the Local Authorities Act, 1992, 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 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 (ISSAIs), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or taken together, 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 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 auditor's 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 auditor's

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.
- 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.
- 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.

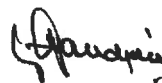
From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes 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 (COMPLIANCE)

The financial statements were submitted later than required by the Accounting Officer to the Auditor-General on 15 August 2018 instead of three months after the date of the financial statements; as required by Section 87 (1) of the Local Authorities Act, 1992 (Act No. 23 of 1992).

8. ACKNOWLEDGEMENT

I would like to express my appreciation for the courtesy and assistance rendered by the staff of the Town Council of Khorixas during the audit.



WINDHOEK, February 2025

**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

ANNEXURE A

TOWN COUNCIL OF KHORIXAS
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	Note	2017 N\$	2016 N\$
ASSETS			
Non-current assets		44 388 142	44 153 765
Property plant and equipment	2	41 448 654	38 289 395
Investment	3	-	2 097 715
Long Term housing Loan Debtors	5	2 939 488	3 766 655
Current assets		1 236 476	1 692 573
Cash and cash equivalents	6	525 552	48
Receivables from exchange transactions	4	(472 485)	1 011 780
Inventories		1 183 409	680 745
TOTAL ASSETS		45 624 618	45 846 338
FUNDS AND LIABILITIES			
CURRENT LIABILITES		24 512 232	16 848 720
Payables under exchange transactions	7	24 325 409	15 775 348
Bank Overdraft		-	1 073 372
VAT payable		186 823	
TOTAL LIABILITIES		24 512 232	16 848 720
FUNDS AND RESERVES		21 112 386	28 997 617
Statutory funds	8	47 583 232	38 289 395
Accumulated surplus	9	(26 470 846)	(9 291 778)
TOTAL FUNDS AND LIABILITIES		45 624 618	45 846 337

ANNEXURE B**TOWN COUNCIL OF KHORIXAS****STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE**

	Note	2017 N\$	2016 N\$
Revenue		35 730 218	25 417 262
Expenditure		(38 151 698)	(35 671 925)
Net operating deficit		(2 421 480)	(10 254 663)

ANNEXURE C

TOWN COUNCIL OF KHORIXAS

STATEMENT OF CHANGES IN NET ASSETS/EQUITY FOR THE YEAR ENDED
30 JUNE

	Other NDR	Accumulated surplus	Total net assets/ equity
	N\$	N\$	N\$
Opening balance as previously reported Balance at 01 July 2016	38 289 395	(9 291 778)	28 997 617
Prior year adjustments	9 992 513	(14 757 588)	(4 765 075)
Balance at 01 July 2016	48 281 908	(24 049 366)	24 232 542
Changes in net assets/equity			-
Surplus for the year	-	(2 421 481)	(2 421 481)
Prior year -Direct adjustments to equity	(698 676)	-	(698 676)
Total changes	(698 676)	(2 421 481)	(3 120 157)
Balance at 30 June 2017	47 583 232	(26 470 847)	21 112 385

ANNEXURE D

**TOWN COUNCIL OF KHORIXAS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE**

	Note	2017 N\$	2016 N\$
Cash flow from operating activities			
Adjustment for:		(2 421 480)	(102546630)
Depreciation and amortisation expense		3 052 626	3 333 753
Adjustment to appropriate account		-	(3 867 751)
Debt impairment		5 272 528	-
Assets written off		-	33 980
Changes in working capital:			
Inventories		(502 664)	(92 739)
Receivables from exchange transactions		1 484 264	530 707
Debt impairment		(5 272 528)	-
Payables under exchange transactions		4 736 642	6 025 347
VAT		186 823	-
Net cash flow from operating activities		6 536 211	(4 291 366)
Cash flow from investing activities			
Purchase of property plant and equipment		(6 083 619)	(10 365 842)
Decrease/(Increase) in Long -term receivables		827 167	2 006 401
Decrease/(Increase) in investments		-	5 025 786
Cash flows from investing activities		(5 256 452)	(3 333 655)
Cash flows from financing activities			
Other unreconciled movements		(55 531)	-
Non-cash item- Direct adjustments to funds		(698 676)	-
Decrease/(Increase) in Funds accounts		-	(667 544)
Decrease/(Increase) in Capital outlay		-	6 998 108
Net cash flows from in financing activities		(754 207)	6 330 564
Net increase/(decrease) in cash and cash equivalents		525 552	(1 294 457)
Cash and cash equivalents at beginning of year		*-	221 132
Cash and cash equivalents at end of year	6	525 552	(1 073 325)

*Cash and cash equivalents at beginning of year not brought forward correctly

TOWN COUNCIL OF KHORIXAS
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2017

1 ACCOUNTING POLICIES

1.1 Basis of presentation

The financial statements set out in Annexures A to D were prepared on the historical cost basis and incorporate the following the principal accounting policies which are consistent in all material aspects with those applied in the applied in the previous year.

1.2 Property, plant and equipment and depreciation

All 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.

Depreciation is calculated on property, plant and equipment, except where the assets are financed by loans, until the loan is repaid, unless the expected lifetime of the assets is less than the repayment period of the loan in which case depreciation is calculated on the shortfall.

1.3 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current liabilities.

1.4 Internal reserves and funds

The Council established internal reserves in line with Section 80 of the Local Authorities Act 23 of 1992.

Revenue account

The following funds were created by the Town council:

1.4.1 Housing loan funds

The purpose of the fund is to provide for housing loans. Income for this fund is derived from interest earned on secured housing loans and investments as well as profits made on the resale of housing scheme houses. Interest paid on external housing loans is charged to the fund.

1.4.2 Capital Reserve fund

The purpose for this fund is to build up a general capital reserve to ensure a stable financial position. Income for this fund is derived from general revenue contribution and interest earned on internal loans and investments.

TOWN COUNCIL OF KHORIXAS**NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2017**

1.4.3 Betterment funds

The purpose of this fund is to provide for future improvements of municipal assets. Part of the proceeds of the sale of land as well as interest earned on internal loans and investments are allocated to this fund.

1.4.4 Fixed property reserve

Proceeds of sale of developed by the Municipality , interest earned on loans for the sale of land as well as interest earned on internal loans and investment accumulate in this fund, which is used to develop properties.

1.4.5 Renewal fund

Its purpose is to provide for replacement of assets and for additional depreciation on assets which abnormally decreased in value. Income for this account is derived from general revenue contribution as well as interest earned on investments.

1.5 Capital redemption on loans

Capital redemption on external loans are charged against income. A similar amount is credited to the loan redemption fund for the duration of the loan. As and when the loan is fully redeemed the loan redemption fund is transferred to the revenue contribution.

1.6 Inventory

Inventories include those assets that are held for consumption and for provision of goods and services. Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell, on the first in, first out (FIFO) basis.

1.7 Revenue

Revenue is recognised to the extent that the Council has transferred the significant risks and rewards of ownership of goods to the buyer, or has rendered services under an agreement provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transactions will flow to the Council. Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes and discounts. Interest is recognised in surplus or deficit, using the effective interest rate method.

ANNEXURE D

TOWN COUNCIL OF KHORIXAS

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2017

	2017	2016
	N\$	N\$
2. Property plant and equipment	41 448 654	38 289 395
Income assets	34 662 897	30 937 914
General Capital Assets	9 818 532	10 685 234
Less: Depreciation	(3 032 775)	(3 333 753)
3. Investment		
Capital Development Fund	-	127 759
Housing Fund	-	1 927 910
Build Together Fund	-	42 046
	-	2 097 715
4. Receivables from exchange transactions	(472 485)	1 011 780
Trade debtors	25 427 545	20 628 849
Less : Provision for doubtful debt	(25 900 030)	(19 617 069)
5. Long term housing loan		
Total housing loan receivables		
Trade debtors	2 939 488	3 766 655
	2 939 488	3 766 655
6. Cash and cash equivalents		
Cash and cash equivalents consist of:	525 552	48
Cash on hand	48	48
Short-term deposits	525 504	-
7. Payables from exchange transaction	24 325 409	15 775 348
Trade credit	24 249 048	14 877 430
Consumer and other deposit	76 361	38 180
Provision	-	771 965
Suspense accounts	-	87 773
8. Statutory Funds	47 583 232	38 289 395
Revenue contribution	38 554 762	28 470 863
General capital contribution	9 028 470	9 818 532

ANNEXURE D

TOWN COUNCIL OF KHORIXAS

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2017

	2017	2016
	N\$	N\$
9. Accumulated Surplus	26 725 416	(9 291 778)
Build together Funds	127 285	127 285
Capital development fund	3 813 420	3 813 420
Housing Fund	-	9 992 513
Revenue account	22 784 711	(23 224 996)