



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF OKAHAO
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

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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 Okahao for the financial year ended 30 June 2016, 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, December 2018

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE TOWN COUNCIL OF OKAHAO
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

1. DISCLAIMED AUDIT OPINION:

The accounts of the Town Council of Okahao for the year ended 30 June 2016 summarised in Annexure A to C were audited by me in terms of the provisions of Section 85 of the Local Authorities Act.

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 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:

- Reallocation of Capital Development Fund to accumulated surplus of N\$ 51 327 854;
- Overstatement of provision of leave pay by N\$ 1 280 820;
- No listing of water deposits amounting to N\$ 319 587;
- Unclaimed VAT amounting to N\$ 49 632;
- No supporting documents to verify rental income of N\$ 1 118 311;
- No supporting documents to verify permission to occupy of N\$ 343 438;
- Lack of supporting documents for Government grants amounting to N\$ 16 363 000;
- Overstatement of Nored surcharges amounting to N\$ 77 960;
- No supporting documents for sale of erven amounting to N\$ 209 621;
- Non-accrual of Regional Council levy amounting to N\$ 140 172;
- Unexplained difference debtors amounting to N\$ 180 054;
- Understatement of inventory by N\$ 201 908;
- Unexplained difference amounting to N\$ 152 907 on creditors listing;
- Overstatement of employees' costs by N\$ 1 597 091;
- Overstatement of build together fund by N\$ 245 910; and
- Opening balances and comparative figures were incorrectly brought forward.

3. OTHER INFORMATION

My opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements our responsibility is to read the other information and in doing so consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

4. 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.

5. 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 (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.

6. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 87(1) of the Local Authorities Act, 1992, except that they were only submitted on the 12th October 2017 instead of three (3) months after the year end as required by the Act.

7. ACKNOWLEDGEMENT

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

WINDHOEK, December 2018



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

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

ASSETS	Notes	2016	2015
		N\$	N\$
Non-current assets		125 322 917	105 772 269
Property plant and equipment	2	92 150 952	78 854 146
Investments	3	33 171 965	26 918 123
Current assets		8 628 376	7 695 496
Cash and cash equivalents	4	285 525	4 888
Trade and other receivables	6	8 236 767	7 519 704
Inventories	5	106 084	170 904
TOTAL ASSETS		133 951 293	113 467 765
FUNDS AND LIABILITIES			
Funds and Accounts		128 178 142	108 991 514
Accumulated surplus		121 407 520	102 466 803
Internal Funds	8	6 770 622	6 524 711
Current liabilities		5 773 151	4 476 251
Trade and other payables	7	5 773 151	4 301 235
Bank overdraft	4	-	175 016
TOTAL EQUITY AND LIABILITIES		133 951 293	113 467 765

ANNEXURE B

TOWN COUNCIL OF OKAHAO
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	2016	2015
Note	N\$	N\$
INCOME	43 213 405	45 721 105
EXPENDITURE	(25 622 879)	(26 106 881)
OPERATING PROFIT FOR THE YEAR	17 590 526	19 614 224
Investment income	1 471 699	1 744 085
NET SURPLUS FOR THE YEAR	19 062 225	21 358 309

TOWN COUNCIL OF OKAHAO

NOTES TO THE 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 modified by the restatement of financial assets to fair value 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 valuation where assets have been acquired by grant or by donation. Property plant and equipment are depreciated over their estimated useful lives as determined by the Council. Property plant and equipment 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 depreciation is calculated on the shortfall.

1.3 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at fair value. For the purpose of the cash flow statement cash and cash equivalents comprises of cash in hand and deposits held at commercial banks.

1.4 Funds

The following Funds were maintained by the Council in terms of Sections 58(1) and 80(4) of the Local Authorities Act (Act 23 of 1992).

1.4.1 Build Together Fund

The purpose of this Fund is to provide for housing loans. Income for the Fund is derived from interest earned on investments and outstanding Build Together loans as well as government subsidies.

1.4.2 Capital Development Fund

The purpose of this Fund is to finance capital projects.

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

1.5 Inventory

Inventory is measure at the lower of cost and net realizable value. The cost of inventories comprises all cost of purchases cost of conversion and other costs incurred in bringing the inventory to their present location and condition.

TOWN COUNCIL OF OKAHAO

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

(continued)

	2016	2015
	N\$	N\$
2. PROPERTY PLANT AND EQUIPMENT		
Consists of:		
Property development vehicles plant and equipment	92 150 952	78 854 146
Represented by:		
Buildings	7 019 876	7 177 561
Motor vehicles	1 134 431	841 482
Furniture and fittings	137 887	104 363
Capital infrastructure	49 491 761	50 576 169
Plant and machinery	1 715 125	2 685 301
Office Equipment	31 394	62 528
Computer equipment	130 722	132 420
Work-in-progress	32 489 756	17 274 322
	92 150 952	78 854 146
3. INVESTMENTS		
Capital project call account	8 412 317	6 079 386
Operational call account	294 789	388 131
Build Together receipts account	3 334 045	2 817 455
Cash Plus account	21 124 790	17 454 991
Build Together call account	6 024	178 160
Total	33 171 965	26 918 123
4. CASH AND CASH EQUIVALENTS		
Bank Balances	280 927	(175 016)
Petty cash	4 599	4 888
	285 525	(170 128)

TOWN COUNCIL OF OKAHAO

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

(continued)

	2016	2015
	N\$	N\$
5. INVENTORY	106 084	170 904
Consumables	92 375	124 146
Electricity units for resale	13 709	46 758
6. TRADE AND OTHER RECEIVABLES		
Consumers	6 116 781	5 720 233
Build Together debtors	3 589 415	3 722 196
Other debtors	133 932	183 900
S&T Advances	4 876	-
Top-up control account	37 415	45 909
Value Added Tax	1 392 150	878 499
Collateral deposit control account	12 365	12 364
Building plans control account	5 623	5 622
Collection fees control account	-	6 771
	<u>11 292 557</u>	<u>10 575 494</u>
Less: Provision for doubtful debts	<u>(3 055 790)</u>	<u>(3 055 790)</u>
	<u>8 236 767</u>	<u>7 519 704</u>
7. TRADE AND OTHER PAYABLES	5 773 151	4 301 235
Trade payables	2 284 764	2 328 190
Consumer deposits	319 587	305 227
Provision for leave pay	2 721 038	1 280 820
Provision for bonus	446 678	386 998
Accrued expenses	1 084	-

TOWN COUNCIL OF OKAHAO

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

(continued)

	2016	2015
	N\$	N\$
8. INTERNAL FUNDS	6 770 622	6 524 711
Build Together Fund	6 770 622	6 524 711
9. ADJUSTMENTS AND APPROPRIATIONS	124 402	18 627
Other	124 402	18 627

