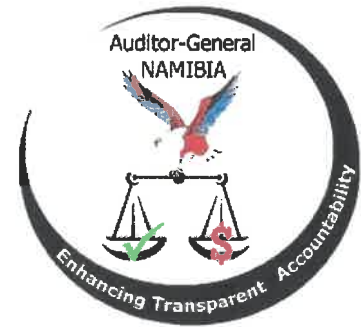




REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF OKAKARARA
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 Okakarara 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, June 2019

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

1. DISCLAIMER AUDIT OPINION

I have audited the financial statements of the Town Council of Okakarara for the financial year ended 30 June 2015. These financial statements comprise the Balance Sheet, Income Statement, Statement of Changes in Net Assets, Cash Flow Statement and Notes to Financial Statements for the year then ended, and a summary of significant accounting policies.

In my opinion, because of the significance of the matters describe 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 in Namibia, 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:

- Unexplained suspense account with a debit balance amounting to N\$ 3 100 379;
- Unexplained difference of N\$ 3 664 788 between the computed expected interest on arrears income and the actual interest per general ledger;
- Omission of transactions in the financial statements amounting to N\$ 8 000 000 for government subsidy, and a payment of N\$ 729 829 from the Council's operational bank account not recorded both in the cash book and financial statements;
- Omission of statutory liabilities in respect of import VAT, employee tax and VAT amounting to N\$ 2 566 478 and capital expenditures amounting to N\$ 2 591 874 not reflecting in the financial statements;
- Lack of bank reconciliations;
- Omission of inventories;
- Unexplained salaries control account amounting to N\$ 369 529;
- Lack of payroll reconciliation and unexplained difference amounting to N\$ 794 192 between payroll and the general ledger;
- Unexplained difference amounting to N\$ 324 052 between the general ledger and supplier statement of Namwater;
- Lack of breakdown for Build Together loans of N\$ 5 252 005;
- Understatement of the Build Together loans and interest on arrears by N\$ 2 463 232;
- Non submission of VAT returns for audit purpose;
- Understatement of the levy payable to the Regional Council by N\$ 730 658;

- Overstatement of the investments by N\$ 173 259;
- Understatement of water purchases by N\$ 348 217;
- Non-submission of supporting documentation amounting to N\$ 2 154 132;
- Failure in terms of debt collection;
- No accounting reporting framework in place; and
- The auditors draw attention to the financial statements, which indicates that the Town Council incurred a net loss of N\$ (5 257 884) during the year ended 30 June 2016 and, as of that date, the Town Council's current liabilities exceeded its current assets by N\$ 1 289 548.

3. OTHER INFORMATION

Management is responsible for the other information. My 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 the 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 the knowledge obtained in the audit or otherwise appears to be materially misstated. 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 Section 86 of the Local Authorities Act, 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. 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

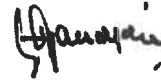
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit 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 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;
- 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;
- 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 report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, 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 (COMPLIANCE)

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, (Act 23 of 1992), except that they were only submitted on 16 October 2018, instead of three months after year-end as required by the Act. In addition, non-compliance with the Government Gazetted rates & taxes was observed.



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, June 2019

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

ANNEXURE A

	Note	2016	2015
		N\$	N\$
ASSETS			
Non-Current Assets		35 784 670	34 367 654
Property, plant and equipment	2	20 209 407	22 476 721
Secured loans		5 252 005	5 304 468
Other financial assets	3	10 323 258	6 586 465
Current Assets		3 197 667	9 408 459
Trade and other receivables	4	1 722 048	1 809 453
Cash and cash equivalents		1 475 619	7 599 006
TOTAL ASSETS		38 982 337	43 776 113
EQUITY AND LIABILITIES			
Funds		34 321 863	39 579 747
Funds and accounts	5	27 847 019	27 846 048
Accumulated funds		6 474 844	11 733 699
Non-current liabilities		173 259	281 486
Long term loans		173 259	281 486
Current Liabilities		4 487 215	3 914 880
Trade and other payables	6	3 958 753	3 914 880
Provision for severance pay		528 462	-
TOTAL EQUITY AND LIABILITIES		38 982 337	43 776 113

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

	Note	2016	2015
		N\$	N\$
Revenue	7	19 275 299	32 157 913
Expenditure		(25 059 447)	(23 111 587)
Net operating (deficit)/surplus		(5 784 148)	9 046 326
Investment income	8	507 793	169 992
Finance costs		(22 775)	-
Net (deficit)/surplus		(5 299 130)	9 216 318
Adjustments		41 246	(6 193 452)
Net (deficit)/surplus for the year		(5 257 884)	3 022 866

TOWN COUNCIL OF OKAKARARA
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE

	Funds and reserves	Accumulated surplus	Total
	N\$	N\$	N\$
Balance at 1 July 2014	23 043 577	8 710 833	31 754 410
Surplus for the year	-	3 022 866	3 022 866
Capital contribution	4 802 471	-	4 802 471
Balance at 30 June 2015	27 486 048	11 733 699	39 579 747
Deficit for the year	-	(5 257 884)	(5 257 884)
Transfers	971	(971)	-
Balance at 30 June 2016	27 847 019	6 474 844	34 321 863

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

	Note	2016 N\$	2015 N\$
Cash generated from operation		(2 252 709)	2 040 396
Cash (used in)/ generated from operation	9	(2 801 748)	8 063 856
Cash paid to suppliers and employees		65 628	169 992
Investment income		442 165	-
Adjustments		41 246	(6 193 452)
Cash flow from investing activities		(3 792 139)	461 039
Purchases of property, plant and equipment	2	(55 346)	(1 427 196)
Sale/(purchase) of financial assets		(3 736 793)	1 888 235
Cash flow from financing activities		(78 539)	4 802 472
Movement on finance lease		(108 227)	-
Repayment of housing loans		52 463	-
Finance lease payments		(22 775)	-
Movement in funds		-	4 802 472
Net (decrease)/increase in cash and cash equivalents		(6 123 387)	7 303 907
Cash and cash equivalents at beginning of year		7 599 006	295 099
Cash and cash equivalents at end of year		1 475 619	7 599 006

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

1. ACCOUNTING POLICIES

1.1 Basis of preparation and summary of significant accounting policy

The annual financial statements have been prepared on the accrual basis of accounting and in accordance with the historical cost convention as a basis of measurement, in accordance with the Local Authorities Act of 1992, unless otherwise specified. The annual financial statements have been submitted to the Office of the Auditor General in accordance with the Local Authorities Act, No 3 of 1992. The financial statements incorporate the principal accounting policies set out below. They are presented in Namibia Dollar.

The financial statements are consistent with the previous period.

1.2 Property plant and equipment

Property, plant and equipment are tangible assets which the Council hold for own use or rental to others which are expected to be used for more than one accounting period.

Property, plant and equipment are initially measured at cost.

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and cost incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced parts is derecognised.

Expenditure incurred subsequently for major services, additions or replacement of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Council and the costs can be measured reliably. Day to day servicing costs are included in the deficit or surplus for the period in which they are incurred.

Property, plant and equipment are subsequently stated at cost less accumulated depreciation and accumulated impairment losses, except for land which is stated at cost less accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write-off the asset's carrying amount over its estimated useful life to its estimated residual value, using the method that best reflects the pattern in which the asset's economic benefits are consumed by the Council.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
General capital assets	Straight-line	5-15 years
Income assets	Straight-line	5-15 years
Motor vehicles	Straight-line	5 years

**TOWN COUNCIL OF OKAKARARA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (Continued)**

When indicators are present that the useful life and residual values of items of property, plant and equipment have changed since the most recent annual reporting date, they are reassessed. Any changes are accounted for prospectively as a change in accounting estimate.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in the deficit or surplus to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any and the carrying amount of the item, is included in the deficit or surplus when the item is derecognised.

1.3 Employee benefits

The cost of short term employee benefits (those payable within 12 months after service is rendered such as leave and sick leave, bonuses and non-monetary benefits such as medical care) are recognised in the period in which the service is rendered.

1.4 Provisions and contingencies

Provisions are recognised when the Council has an obligation at the reporting date as a result of a past event; it is probable that the Council will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the amount expected or required to settle an obligation using the rate that reflect current market assessment of the time value of money and risk specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expenses. Provisions are not recognised for future operating losses.

1.5 Government grants

Grants that do not impose specified future performance conditions are recognised as income when the grant proceeds are receivable.

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

1.6 Revenue

Revenue is recognised to the extent that Council has transferred the significant risks and rewards of ownership of goods to the buyer, or has rendered the services under an agreement provided the amount of the revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the Council. Revenue is measured at the fair value of the consideration received, excluding value added tax and discounts.

Service revenue is recognised by stage of completion of the transaction at the end of the reporting period. The stage of completion is determined by survey of work performed. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

Interest is recognised in deficit or surplus, using the effective interest rate method.

Dividends are recognised in deficit or surplus, when the right to receive the payment has been established.

1.7 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

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

2. PROPERTY, PLANT AND EQUIPMENT

	2016			2015		
	Cost/ Valuation	Accumulated depreciation	Carrying Value	Cost/ Valuation	Accumulated depreciation	Carrying Value
	N\$	N\$	N\$	N\$	N\$	N\$
General capital assets	9 075 762	(759 708)	8 316 054	10 227 046	-	10 227 046
Income assets	13 216 065	(1 537 076)	11 678 989	11 968 189	-	11 968 189
Motor vehicles	281 486	(67 122)	214 364	281 486	-	281 486
Total	22 573 313	(2 363 906)	20 209 407	22 476 721	-	22 476 721

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Transfers	Depreciation	Closing balance
	N\$	N\$	N\$	N\$	N\$
General capital assets	10 227 046	-	(1 151 284)	(759 708)	8 316 054
Income assets	11 968 189	55 346	1 192 530	(1 537 076)	11 678 989
Motor vehicles	281 486	-	-	(67 122)	214 364
	22 476 721	55 346	41 246	2 363 906	20 209 407

3. OTHER FINANCIAL ASSETS

At amortised costs

CENORED

Unlisted shares in CENORED (Proprietary) Limited

Commercial banks

Investment accounts

	2016	2015
	N\$	N\$
	10 323 258	6 586 465
	6 163 737	6 163 737
	4 159 521	422 728

4. TRADE AND OTHER RECEIVABLES

Services

VAT receivables

Other

Less: Provision for bad debts

	2016	2015
	1 722 048	1 809 453
	22 034 290	18 194 493
	-	348 029
	13 325	13 325
	(20 325 567)	(16 746 394)

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

	2016	2015
	N\$	N\$
5. FUNDS	27 847 019	27 846 048
Revenue contributions	11 968 189	11 968 189
General capital contributions	10 227 046	10 227 046
Capital Reserve Fund	917 449	917 449
Build Together Fund	4 734 335	4 733 364
6. TRADE AND OTHER PAYABLES	3 958 753	3 914 880
Credit balances of debtors	796 025	796 025
Trade payables	3 791 070	-
Receiver of Revenue - VAT	540 996	1 455 117
Receiver of Revenue - PAYE	-	307 231
Regional Council fees	261 655	184 808
Accrued leave pay	1 240 217	758 855
Sundry creditors	369 529	369 529
Consumer deposits	57 969	43 315
Accrued interest on car loan	1 671	-
Suspense account	(3 100 379)	-
7. REVENUE	19 275 299	32 157 913
Rates and taxes	1 536 933	-
Water sales	6 900 135	-
Refuse removal	518 854	-
Sewerage	579 559	-
Rental income	360 526	-
Interest received from debtors	(1 206 499)	-
Other revenue	284 141	-
Government grants	10 301 650	-
Total revenue for 2015 (*)	-	32 157 913

(*) – the breakdown of the amount was not provided

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

	2016	2015
	N\$	N\$
8. INVESTMENT INCOME	507 793	169 992
Dividend and surcharges: Unlisted financial assets	442 165	-
Bank interest	65 628	-
Other interest	-	169 992
9. CASH GENERATED FROM OPERATIONS		
Deficit for the year	(5 299 130)	9 216 318
Adjustments for:		
Depreciation	2 363 906	-
Dividends received	(442 165)	-
Interest received	(65 628)	(169 992)
Finance costs	22 775	-
Movement in provisions	528 462	-
Prior period adjustment	(41 246)	-
Changes in working capital:		-
Trade and other receivables	87 405	129 246
Trade and other payables	43 873	(1 111 716)
	(2 801 748)	8 063 856

10. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to going concern. This basis presumes that funds will be available to finance future operations of the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the normal course of business.

TOWN COUNCIL OF OKAKARARA
DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	2016	2015
	N\$	N\$
Revenue	19 275 299	32 157 913
Rates and taxes	1 536 933	-
Water sales	3 100 754	-
Land sales	3 799 381	-
Refuse removal	518 854	-
Sewerage	579 559	-
Rental income	360 526	-
Interest received on debtors	(1 206 499)	-
Government grants	10 301 650	-
Total revenue (*)	-	32 157 913
Other	284 141	-
Other income	507 793	169 992
Dividends and surcharges	442 165	-
Interest received	65 628	169 992
Total income	19 783 092	32 327 905
Expenses (refer to page 17)	(25 059 447)	(23 111 587)
Operating (deficit) for the year	(5 276 355)	9 216 318
Finance costs	(22 775)	-
(Deficit)/surplus for the year	(5 299 130)	9 216 318
Adjustments	41 246	(6 193 452)
(Deficit)/surplus for the year	(5 257 884)	(3 022 866)

(*) – the breakdown of the amount was not provided

**TOWN COUNCIL OF OKAKARARA
DETAILED OPERATING EXPENSES FOR THE YEAR ENDED 30 JUNE**

	2016	2015
	N\$	N\$
Operating expenses	25 059 447	23 111 587
Advertising	(83 074)	-
Irrecoverable bad debts allowance	(3 579 173)	-
Bank charges	(176 619)	-
Cleaning	(698 020)	-
Consulting and professional fees	(55 289)	-
Depreciation	(2 363 906)	-
Donations	(49 597)	-
Employee costs	(6 226 519)	-
Entertainment	(131 333)	-
Relocation of residents- compensation	(6 072 998)	-
Contribution to the Regional Council	(76 847)	-
Bulky water purchases	(1 865 105)	-
Sewerage expenses	(5 000)	-
Sundry expenses	(635 063)	-
IT expenses	(49 041)	-
Insurance	(76 525)	-
Lease rental on operating lease	(670)	-
Legal expenses	(56 748)	-
Levies	(93 967)	-
Motor vehicle expenses	(155 703)	-
Utilities - electricity	(720 128)	-
Protective clothing	(3 350)	-
Repairs and maintenance	(362 578)	-
Security	(444 577)	-
Staff welfare	(66 298)	-
Telephone and fax	(99 193)	-
Training	(229 114)	-
Transport and freight	(26 389)	-
Travel - local	(656 623)	-
Total expenses for 2015 (*)	-	(23 111 587)

(*) – the breakdown of the amount was not provided