



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF OMUTHIYA
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 Omuthiya 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, April 2018

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**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR – GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF OMUTHIYA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

1. Report on the financial statements

1.1 INTRODUCTION

The accounts of the Town Council of Omuthiya for the financial year ended 30 June 2017 are presented to the National Assembly in accordance with the provisions set out in the Local Authorities Act, 1992 (Act No. 23 of 1992).

The firm Strategis Registered Accountants and Auditors of Windhoek has been appointed by the Auditor-General in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the Town Council of Omuthiya on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded to the nearest Namibia Dollar and deficits are indicated in (brackets).

I certify that I have audited the accompanying financial statements of the Town Council of Omuthiya for the year ended 30 June 2017. 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 Chief Executive Officer in compliance with Section 87(1) of the Local Authorities Act, 1992 (Act No. 23 of 1992), on 29 September 2017.

The financial statements and notes to the financial statements 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, 1992 (Act No. 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 responsible 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 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 circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.

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 sufficient and appropriate to provide a basis of the audit opinion.

4. ACKNOWLEDGEMENT

I wish to express my gratitude to management and staff of the Town Council of Omuthiya for cooperating and assisting with the audit.

5. KEY AUDIT FINDINGS

5.1 Trade payables

The Town Council reported a liability of N\$ 11 647 767 as a balance for the Land Compensation Fund. The fund had an opening balance of N\$ 11 647 767, receipts of N\$ 10 000 000 and pay outs amounting to N\$ 9 483 720 resulting in a closing balance of N\$ 12 164 047. Reconciliation of the balance resulted in the fund being understated by N\$ 516 280.

Recommendation

Reconciliations for the Land Compensation Fund account must be done monthly to avoid any material differences.

Management comment

The amount of N\$ 516 280 is not yet paid to beneficiaries and is still in the Council's call account. However, Council acknowledges the lack of capacity to process compensation payments through a fund account instead of paying directly from the expense vote. Management of fund accounts/votes will be rectified from the current financial year as per auditor recommendations.

5.2 Circular D3/2015

The Chief Executive Officer of the Town Council of Omuthiya for the year under review did not submit a complete set of financial statements as required by Circular D3/2015 of the Auditor-General.

Management comment

The Council will try to implement the Circular D3/2015 in future financial statements compilation.

6. BASIS FOR QUALIFIED AUDIT OPINION


- Land Compensation Fund understated by N\$ 516 280; and
- Non compliance to Circular D3/2015 of the Auditor-General.

7. QUALIFIED AUDIT OPINION

The accounts of the Town Council of Omuthiya for the year ended 30 June 2017 have been audited in terms of Section 85 of the Local Authorities Act, 1992 (Act No.23 of 1992).

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Audit Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Town Council of Omuthiya as at 30 June 2017, and their financial performance and cash flow for the year then ended.

WINDHOEK, April 2018


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

ANNEXURE A

TOWN COUNCIL OF OMUTHIYA
BALANCE SHEET AS AT 30 JUNE

	Note	2017 N\$	2016 N\$
ASSETS			
Non-current assets		95 988 642	110 870 844
Property, plant and equipment	2	84 804 408	83 228 318
Investments	3	11 184 234	27 642 526
Current assets		3 582 270	7 189 548
Accounts receivables	4	2 125 741	5 640 036
Inventories		158 180	144 571
Cash and cash equivalents	5	1 298 349	1 404 941
TOTAL ASSETS		99 570 912	118 060 392
EQUITY AND LIABILITIES			
Funds		85 926 646	97 244 597
Capital outlay	6	84 804 408	83 228 318
Funds and accounts	7	1 122 238	14 016 279
Current liabilities		13 644 266	20 815 795
Trade and other payables	8	13 644 266	20 815 795
TOTAL EQUITY AND LIABILITIES		99 570 912	118 060 392

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

	Note	2017 N\$	2016 N\$
Income		31 617 085	27 313 804
Expenditure		(38 921 558)	(29 228 063)
Net operating surplus/(deficit)		(7 304 473)	(1 914 259)
Investment income earned from revenue accounts		688 255	344 121
Net surplus/(deficit)		(6 616 218)	(1 570 138)
Adjustments	9	(5 788 715)	(3 022 737)
Net surplus/(deficit) for the year		(12 404 933)	(4 592 875)

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

	2017	2016
Note	N\$	N\$
Net cash flow from operating activities	(14 988 794)	17 454 040
Cash receipts from customers	31 617 085	27 313 804
Cash paid to suppliers	(48 381 117)	(27 626 217)
Cash utilised by operations	(16 764 032)	(312 413)
Interest received	688 255	344 121
Cash flow from financing activities	1 086 983	17 422 333
Increase in capital outlay	1 576 090	2 646 488
(Decrease) / increase in fund accounts	(489 107)	14 775 845
Cash flow from investing activities	14 882 202	(16 733 529)
Net increase in capital value	(1 576 090)	(14 775 845)
Decrease/(Increase) in investments	16 458 292	(1 957 684)
Net (decrease) / increase in cash and cash equivalents	(106 592)	720 511
Cash and cash equivalents at beginning of year	1 404 941	684 430
Cash and cash equivalents at end of year	1 298 349	1 404 941

TOWN COUNCIL OF OMUTHIYA**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

1. ACCOUNTING POLICIES

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

1.2 Property plant and equipment

All property, plant and equipment are initially recorded at cost. Cost included all costs directly attributed to bringing the assets to working condition for their intended use. All other plant and equipment are stated at historical cost or valuation where applicable and are depreciated over their estimated useful lives.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the asset or cash generating units are written down to their recoverable amount.

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 Revenue

All monies received by and accrued to and expenses paid reflected in the accounts are kept in compliance with Section 86(1)(b) of the Local Authorities Act of 1992.

1.5 Fixed property fund

Proceeds from the sale of land that has been developed by the Town Council accumulates in this fund. Cost incurred on the development of land is charged to this fund.

1.6 Housing fund

The purpose of this fund is to provide for housing loans. Income to this fund is transferred from the general income statement account, external loans from Government and interest on investments and loans.

1.7 Capital reserve fund

This fund was created to make provision for unforeseen expenditures as approved by the Council.

ANNEXURE D

TOWN COUNCIL OF OMUTHIYA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (continued)

	2017	2016
	N\$	N\$
2. Property plant and equipment	84 804 408	83 332 318
Income assets	65 753 662	62 635 386
General capital assets	19 024 746	20 566 932
3. Investments	11 184 234	27 642 526
Commercial banks	11 184 234	27 642 526
Comprising of:	11 184 234	27 642 526
Fixed property fund	10 948 564	9 419 529
Build together fund	45	57
Capital development fund	-	2 059 308
Revenue	182 366	16 151 551
Senior citizens fund	53 259	12 081
4. Trade and other receivables	2 125 741	5 640 036
Consumer debtors	10 495 440	8 679 333
VAT receivable	470 661	1 764 837
Sundry debtors	176 808	200 316
Provision for bad debts	(9 017 168)	(5 004 450)
5. Cash and cash equivalents	1 298 349	1 404 941
Petty cash	27	23
Current account	1 298 322	1 404 918
6. Capital outlay	84 804 408	83 228 318
Revenue contributions	65 779 662	62 661 386
General capital contributions	19 024 746	20 566 932

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

	2017	2016
	N\$	N\$
7. Fund and accounts	1 122 238	14 016 279
Fixed property fund	10 948 564	9 419 529
Capital development fund	-	2 059 308
Build together	45	58
Senior citizens fund	53 258	12 081
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(9 879 629)	2 525 303
8. Trade and other payables	13 644 266	20 815 795
Trade creditors	843 840	8 109 710
Consumer Deposits	383 267	357 913
Leave pay provisions	769 392	700 405
Land compensation fund	11 647 767	11 647 767
9. Adjustment to appropriation account	(5 788 715)	(3 022 737)
Expenditure adjustment	(5 800 909)	(3 708 078)
Revenue adjustment	12 194	685 341
10. Cash utilised by operations		
Net operation (deficit)	(6 616 218)	(1 570 138)
Appropriation account adjustments	(5 788 715)	(3 022 737)
Deduct investment income	(688 255)	(344 121)
Operating (deficit) before changes in working capital	(13 093 188)	(4 936 996)
Generation of working capital		
Movement in trade and other receivables	3 514 295	(2 157 271)
Movement in trade and other payables	(7 171 529)	6 790 205
Movement in inventory	(13 609)	(8 351)
	(3 670 844)	4 624 583
Cash utilised by operations	(16 764 032)	(312 413)

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Recommendation

Reconciliations for the Land Compensation Fund account must be done monthly to avoid any material differences.

Management comment

The amount of N\$ 516 280 is not yet paid to beneficiaries and is still in the Council's call account. However, Council acknowledges the lack of capacity to process compensation payments through a fund account instead of paying directly from the expense vote. Management of fund accounts/votes will be rectified from the current financial year as per auditor recommendations.

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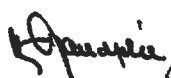
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