



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF OPUWO
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 Opuwo 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.

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, January 2019

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

1. DISCLAIMER AUDIT OPINION

I certify that I have audited the financial statements of the Town Council of Opuwo for the financial year ended 30 June 2017. These financial statements comprise the statement of financial position and statement of comprehensive income for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 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 reasons (**recurring matters*):

- No supporting documents for depreciation for N\$ 4 501 914;
- *No supporting documents for royalty income of N\$ 270 253;
- *No supporting documents for VAT balance of N\$ 641 807;
- No supporting documents for creditors amounting to N\$ 193 244 and N\$ 792 441;
- *No supporting documents for property sales to the value of N\$ 793 958;
- No supporting documents for fuel and oil amounting to N\$ 257 871;
- Understatement of consumer deposits and pension contributions by N\$ 903 802;
- *No supporting documents for provision for bad debts amounting to N\$ 3 335 547;
- No supporting documents for government contributions amounting to N\$ 2 767 472;
- Unexplained difference of N\$ 1 775 215 between financial statements and cash book;
- Unexplained adjustments on the bank reconciliation amounting to N\$ 483 511;
- No explanation for the omission of bank deposits of N\$ 1 052 324 in the Council's cash books;
- The Council did not prepare the cash flow statement;
- Assets are not grouped per item in the notes;
- *Closing balances of 2016 financial year were not processed in 2017 general ledger; and
- *The FINSTEL trail balance is not balancing.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I do not have anything to report on this matter.

4. 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.

5. 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 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.

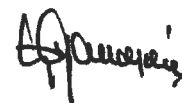
6. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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 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.



WINDHOEK, January 2019

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

ASSETS	Note	2017 N\$	2016 N\$
Non-current assets		51 022 501	53 169 973
Property, plant and equipment	2	38 889 329	40 608 911
Investments	3	12 133 172	12 561 062
Current assets		8 532 799	5 757 675
Trade and other receivables	4	8 333 929	4 672 334
Cash and cash equivalents		198 870	1 085 342
TOTAL ASSETS		59 555 300	58 927 648
EQUITY AND LIABILITIES			
Equity		57 632 138	57 954 130
Capital outlay		38 889 329	40 608 911
Accumulated funds	5	(3 491 446)	(4 385 679)
Funds and accounts	5	22 234 255	21 730 897
Current liabilities		1 923 162	973 519
Trade and other payables	6	1 923 162	973 519
TOTAL EQUITY AND LIABILITIES		59 555 300	58 927 648

TOWN COUNCIL OF OPUWO

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

		2017	2016
	Note	N\$	N\$
Income		14 931 278	27 238 176
Expenditure		(18 761 869)	(32 303 327)
Net operating deficit		(3 830 592)	(5 065 151)
Add : Appropriation and adjustments	7	4 724 824	(4 237 827)
Retained surplus/(deficit) for the year		894 233	(9 302 978)
Appropriation beginning of the year		(4 385 679)	4 917 299
Appropriation at end of the year		(3 491 446)	(4 385 679)

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

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.

1.5 Inventory

Inventory is measured 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 OPUWO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)

	2017	2016
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT	38 889 329	40 608 911
Financed by :		
Revenue contributions	38 889 329	40 608 911
3. INVESTMENTS	12 133 172	12 561 062
Housing Fund	3 771 372	3 263 393
Fixed Property Fund	8 361 800	9 297 668
4. TRADE AND OTHER RECEIVABLES	8 333 929	4 672 334
Service consumers	4 471 701	4 575 410
Namwater debtors	1 224 353	646 180
VAT Control	271 479	899 041
Build Together debtors	5 701 944	6 082 413
Less: Provision for bad debts	(3 335 547)	(7 530 711)
5. FUNDS AND ACCOUNTS	18 742 809	17 345 218
Fixed Property Fund	12 760 939	12 385 091
Housing Fund	9 473 316	9 345 806
Revenue account	(3 491 446)	(4 385 679)
6. TRADE AND OTHER PAYABLES	1 923 162	973 519
Trade creditors	193 244	-
Sundry creditors	792 441	435
Provision for leave days	840 653	908 253
Customer deposits	765	765
Other payables	96 058	64 066
7. ADJUSTMENTS AND UTILISATIONS	4 724 824	4 237 827
Previous year adjustments:		
Provision for bad debts	4 195 163	4 030 711
Leave provision	-	22 331
VAT adjustment	641 808	-
Adjustment	(112 147)	184 786

