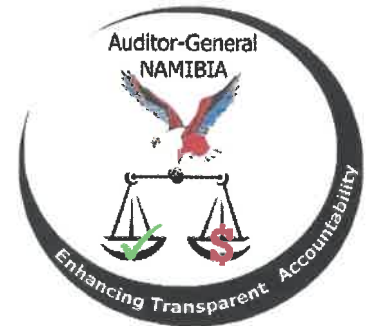




REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF OPUWO
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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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 2018, 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 2019

**REPORT OF THE AUDITOR – GENERAL ON
THE ACCOUNTS OF THE TOWN COUNCIL OF OPUWO
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

1. DISCLAIMER OF OPINION

I have audited the financial statements of the Town Council of Opuwo for the financial year ended 30 June 2018. These financial statements comprise the balance sheet, income statement, cash flow statement and notes to the annual financial statements for the year 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 OF 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:

- Council does not have a financial reporting framework;
- No supporting documents to verify expenditure adjustment amounting to N\$ 375 632;
- No supporting documents to verify income adjustments amounting to N\$ 2 043 719;
- Sundry payables listing amounting to N\$ 1 580 659 not available for audit verification;
- Consumer deposits understated by N\$ 689 552;
- Build together loans overstated by N\$ 1 019 604;
- Income overstated by N\$ 839 598;
- Nored surcharges overstated by N\$ 112 558;
- Bank and cash understated by N\$ 824 307;
- No supporting documents to verify receipts adjustments on bank reconciliation amounting to N\$ 1 888 843;
- Direct deposits amounting to N\$ 4 050 886 not cleared at year end;
- Bad debts allowance understated by N\$ 2 703 231;
- No supporting documents for expenses amounting to N\$ 870 775;
- Expenses overstated by N\$ 351 340 for water purchases;
- Fixed assets additions amounting to N\$ 444 672 wrongly posted as repairs and maintenance;
and
- Value added tax overstated by N\$ 680 470.

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.

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 General Accepted Accounting Principles 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 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 accounts were submitted timeously by the Accounting Officer to the Auditor-General on 20 September 2018 in terms of Section 87(1) of the Local Authorities Act, 1992.

7. ACKNOWLEDGEMENT

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



WINDHOEK, December 2019

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

**TOWN COUNCIL OF OPUWO
BALANCE SHEET AT 30 JUNE**

	Note	2018 N\$	2017 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	37 022 887	38 889 329
Investments	3	10 464 001	12 133 172
Current assets			
Accounts receivables	4	8 953 681	8 333 929
Bank and cash		493 386	198 870
TOTAL ASSETS		56 933 955	59 555 300
EQUITY AND LIABILITIES			
Equity			
Capital outlay		37 022 887	38 889 329
Fund accounts	5	16 299 311	18 742 809
Current liabilities			
Accounts payables	6	3 611 757	1 923 162
TOTAL EQUITY AND LIABILITIES		56 933 955	59 555 300

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

	Note	<u>2018</u>	<u>2017</u>
		N\$	N\$
Income		20 236 733	14 931 278
Expenditure		(23 834 792)	(18 761 869)
Net deficit		(3 598 059)	(3 830 591)
Adjustments	7	905 529	4 724 824
Net surplus /(deficit) for the year		(2 692 530)	894 233

TOWN COUNCIL OF OPUWO
CASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2018 N\$	2017 N\$
Cash flow from operating activities			
Cash receipts from customers		20 236 733	-
Cash paid to suppliers and employees		(21 860 420)	-
Cash (utilised) by operations	8	(1 623 687)	-
Cash flow from financing activities			
Changes in capital outlay		(1 866 442)	-
Changes in fund accounts		249 032	-
Net cash flow from financing activities		(1 617 410)	-
Cash flow from investing activities			
Movement in property plant and equipment		1 866 442	-
Movement in investments		1 669 171	-
Net cash flow from investing activities		3 535 613	-
Net increase in cash and cash equivalents		294 516	-
Cash and cash equivalents at the beginning of the year		198 870	-
Cash and cash equivalents at the end of the year		493 386	-

NOTE: The Council did not prepare a cash flow statement as at 30 June 2017.

TOWN COUNCIL OF OPUWO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

1. ACCOUNTING POLICIES

1.1 Basis of presentation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties where appropriate.

1.2 Property, plant and equipment and depreciation

All plant and equipment are initially recorded at cost. Cost includes all costs directly attributable 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.

Depreciation is calculated on property, plant and equipment except where the assets are financed by loans.

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

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential over the total life of the asset more than the most recently assessed standard of performance of the existing asset will flow to the Council. All other repairs and maintenance are charged to surplus or deficit for the year in which they are incurred.

1.3 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For 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 New Development Fund

The purpose of this fund is to make provision for future capital development projects of the Council. Income is obtained from the Revenue Account as well as donation from the Government.

**TOWN COUNCIL OF OPUWO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
(continued)**

1.5 Internal reserve fund

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

Fixed property reserve

Established by the Council as a revolving fund to fund infrastructure development including development of new municipal areas. Contributions to the fund are by way of sales of land and qualifying government contributions.

Sales of land are recognised in the statement of surplus or deficit and subsequently transferred to the fund through the Statement of Changes in Net Assets to the reserve. Time to time the council receives government contributions for infrastructure development. Government contribution is recognised as revenue to the extent that the Council has complied with any of the criteria, conditions, or obligations embodied in the funding agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Unconditional grants and receipts are recognised in the surplus or deficit upon receipt. Subsequently the funds recognised as revenue is transferred to fixed property reserve through the Statement of Changes in Net Assets.

Other reserves

Council established other reserves for example sanitation reserves, to fund other Council projects. Contributions to and from the reserve are transferred via the Statement of Changes in Net Assets to the reserve in line with the amount provided for in the operating budget.

All reserves are supported by investments held with financial institutions and to a certain extent with accounts receivable. Interest earned on the investments backing up this fund must be recorded as part of interest earned in surplus or deficit for the year and can be transferred via the Statement of Changes in Net Assets to the Fund.

1.6 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.

THE TOWN COUNCIL OF OPUWO

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
(continued)

	2018	2017
	N\$	N\$
2. Property, plant and equipment		
Consists of:		
Income assets	37 022 887	38 889 329

The carrying amounts of property, plant and equipment can be reconciled as follows:

2018	Carrying Value beginning of year	Additions	Depreciation	Carrying Value end of year
	N\$	N\$	N\$	N\$
Income assets	38 889 329	2 884 303	4 750 745	37 022 887
	38 889 329	2 884 303	4 750 745	37 022 887

3. INVESTMENTS	10 464 001	12 133 172
Fixed property fund	6 363 374	3 771 372
Build together fund	4 100 627	8 361 800
4. ACCOUNTS RECEIVABLES	8 953 681	8 333 929
Consumer debtors	6 142 533	5 696 053
Build together loan debtors	5 287 073	5 701 944
VAT receivables	1 215 092	271 479
Sundry debtors	3 000	-
Provision for bad debts	(3 694 017)	(3 335 547)
5. FUND ACCOUNTS	16 299 311	18 742 809
Build together fund	9 587 700	9 473 316
Fixed property fund	12 895 587	12 760 939
Revenue kept in compliance with section 86(1)	(6 183 976)	(3 491 446)

ANNEXURE D

THE TOWN COUNCIL OF OPUWO
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018
(continued)

	2018	2017
	N\$	N\$
6. ACCOUNTS PAYABLES	3 611 757	1 923 161
Trade creditors	599 932	193 244
Sundry creditors	1 580 659	792 441
Provision for leave days	1 274 999	840 653
Other payables	135 626	96 058
Consumer deposits	20 541	765
7. APPROPRIATION ACCOUNT ADJUSTMENTS	905 529	4 724 824
Income adjustment	2 044 419	-
Provision for bad debts	(763 258)	4 195 163
Vat adjustment	-	641 808
Adjustments	(375 632)	(112 147)
8. CASH GENERATED BY OPERATIONS		
Net operating surplus before interest and transfers	(3 598 059)	-
Adjustments for appropriation account	905 529	-
Operating deficit before changes in working capital	(2 692 530)	-
CHANGES IN WORKING CAPITAL	1 068 843	-
(Increase)/ decrease in trade receivables	(619 752)	-
Increase in trade receivables	1 688 595	-
CASH UTILISED BY OPERATIONS	(1 623 687)	-

