



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
TOWN COUNCIL OF ORANJEMUND  
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 Oranjemund 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.

**WINDHOEK, August 2017**

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

**JUNIAS ETUNA KANDJEKE  
AUDITOR- GENERAL**



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

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**1. Report on the financial statements**

**1.1 INTRODUCTION**

This report on the accounts of the Town Council of Oranjemund for the year ended 30 June 2016 is presented to the National Assembly in accordance with Section 85 set out in the Local Authorities Act, 1992, (Act No. 23 of 1992).

Figures in the report are rounded off to the nearest Namibia Dollar. Deficits are indicated in (brackets).

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

I certify that I have audited the accompanying financial statements of the Town Council of Oranjemund for the year ended 30 June 2016. These financial statements comprise the following statements submitted for the year then ended:

Annexure A: Balance sheet;  
Annexure B: Income statement;  
Annexure C: Cash flow statement; and  
Annexure D: Notes to the financial statement

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 27 (1) of the Local Authorities Act, 1992, except that they were only submitted on 29 October 2016 instead of three months (3 months) after the year end as required by the Act.

**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 12 & 13 of the State Finance Act, Act 31 of 1991 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 reasonable 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 and 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 circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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 for the qualified audit opinion.

## **4. ACKNOWLEDGEMENT**

The co-operation given by the staff of the Town Council of Oranjemund during the audit is appreciated.

## **5. KEY AUDIT FINDINGS**

### **5.1 INCOME**

An unutilised Government Grant amounting to N\$ 3 543 066 brought forward from the 2015 financial year was wrongly classified in the accounting system as sale of houses.

## 6. BASIS FOR QUALIFIED AUDIT OPINION

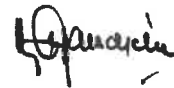
- None submission of supporting documents amounting to N\$ 3 543 066;
- Contribution to Capital expenditure overstated by N\$ 6 690 871;
- Unexplained difference on VAT amounting to N\$ 448 906; and
- No Accounting policy and reporting framework.

## 7. QUALIFIED AUDIT OPINION

The accounts of the Town Council of Oranjemund for the financial year ended 30 June 2016 summarized in Annexure A to D were audited in terms of the provision of Section 85 of the Local Authorities Act, 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 Oranjemund as at 30 June 2016, and their financial performance and cash flows for the year then ended.

WINDHOEK, August 2017



**JUNIAS ETUNA KANDJEKE**  
**AUDITOR-GENERAL**

## **Recommendation**

It is recommended that the Council should ensure that all general ledger entries are posted and allocated to the correct account.

### **5.2 MISSTATEMENT OF CAPITAL EXPENDITURE**

An unexplained difference amounting to N\$ 6 690 871 on additions to fixed assets was found between the asset register and the financial statements.

## **Recommendation**

It is recommended that the Council performs regular reconciliations to avoid misstatements of the financial statements.

### **5.3 VALUE ADDED TAX**

An unexplained difference amounting to N\$ 448 906 were found between the auditors' reconciliations and the financial statements.

## **Recommendation**

It is recommended that the Council performs regular reconciliations to avoid misstatements of the financial statements.

### **5.4 NON-COMPLIANCE TO THE AUDITOR-GENERAL CIRCULAR D3/2015**

The Chief Executive Officer of the Town Council of Oranjemund for the year under review did not submit respective statements as requested by circular D3/2015 of the Auditor-General.

## **Recommendation**

It is recommended that the Chief Executive Officer should submit all annual report statements to the Auditor-General including Circular D3/2015.

### **5.5 ACCOUNTING POLICY AND REPORTING FRAMEWORK**

The Town Council of Oranjemund did not attach the accounting policy and they did not indicate the accounting Framework they used to prepare the financial statements.

## **Recommendation**

It is recommended that the Council should attach the accounting policy and indicate the accounting framework used for preparation of the financial statements.



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

	Note	2016 N\$	2015 N\$
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	2	22 219 137	10 914 866
Investments	3	9 735 210	13 278 276
<b>CURRENT ASSETS</b>			
Debtors and other receivables	4	2 831 108	695 564
Bank and cash	5	623 776	1 138 676
<b>Total assets</b>		<b>35 409 231</b>	<b>26 027 382</b>
<b>FUNDS AND LIABILITIES</b>			
<b>FUND AND RESERVES</b>			
Capital outlay	6	22 219 137	10 914 866
Funds and accounts	7	11 311 585	14 799 379
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	1 878 509	313 137
<b>Total funds and liabilities</b>		<b>35 409 231</b>	<b>26 027 382</b>

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

	Note	2016	2015
		N\$	N\$
Income		27 374 034	12 848 324
Expenditure		27 547 692	12 569 384
<b>Net operating surplus/(deficit)</b>		<b>(173 658)</b>	<b>278 940</b>
Investment interest earned		678 793	756 549
<b>Net profit</b>		<b>505 135</b>	<b>1 035 489</b>
Adjustments	9	(741 951)	146 647
<b>Net profit/(loss) for the year</b>		<b>(236 816)</b>	<b>1 182 136</b>
Appropriation account at the beginning of the year		1 813 191	631 055
<b>Appropriation account at end of the year</b>		<b>1 576 375</b>	<b>1 813 191</b>

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

	<b>2016</b>	<b>2015</b>
	N\$	N\$
<b>CASH FLOW FROM OPERATIONS ACTIVITIES</b>	<b>7 246 305</b>	<b>11 064 592</b>
Cash receipts by customers	27 374 034	12 848 324
Cash paid to suppliers	(28 567 727)	(12 739 258)
Interest received	678 793	756 549
Increase in Capital outlay	11 304 271	5 308 929
Increase in Fund account	(3 543 066)	4 890 048
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(7 761 205)</b>	<b>(9 942 547)</b>
Additions to property, plant and equipment	(11 304 271)	(5 308 929)
Increase/(Decrease) in investments	3 543 066	(4 633 618)
<b>FINANCING ACTIVITIES</b>	<b>-</b>	<b>(17 519)</b>
Unidentified difference	-	(17 519)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(514 900)</b>	<b>1 104 527</b>
Cash and cash equivalents beginning of year	1 138 676	34 149
<b>Cash and cash equivalents - end of year</b>	<b>623 776</b>	<b>1 138 675</b>

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

	2016	2015
	N\$	N\$
<b>1 ACCOUNTING POLICIES</b>		
The Town Council of Oranjemund did not attach accounting policy to the Financial Statements for the year under review.		
<b>2 PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>22 219 137</b>	<b>10 914 866</b>
Income assets	22 219 137	10 914 866
<b>3 INVESTMENTS Commercial Banks</b>	<b>9 735 210</b>	<b>13 278 276</b>
Capital Development fund	9 735 210	13 278 276
<b>4 TRADE AND OTHER RECEIVABLES</b>	<b>2 831 108</b>	<b>695 564</b>
Capitalised debtors	1 250 102	-
Sundry debtors	138 189	-
Value Added Tax	1 593 667	695 564
Housing Debtors	157 775	-
Less: Provision for doubtful debts	(308 625)	-
<b>5 BANK AND CASH</b>	<b>623 776</b>	<b>1 138 676</b>
Current account	623 576	1 138 666
Petty cash	200	10
<b>6 CAPITAL OUTLAY</b>	<b>22 219 137</b>	<b>10 914 866</b>
Revenue contributions (Ex income)	22 219 137	10 914 866
<b>7 FUND ACCOUNTS AND RESERVES</b>	<b>11 311 585</b>	<b>14 799 379</b>
Capital Development Fund	9 735 210	13 278 276
Revenue account	1 576 375	1 521 103
<b>8 TRADE AND OTHER PAYABLES</b>	<b>1 878 509</b>	<b>313 137</b>
Sundry Creditors	12 860	-
Accrued payables	1 553 916	109 852
Provisions	311 733	203 285

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

**ANNEXURE D**

	<b>2016</b>	<b>2015</b>
	N\$	N\$
<b>9 ADJUSTMENTS AND UTILISATION</b>	<b>(741 951)</b>	<b>146 647</b>
Unknown Adjustment	(292 088)	-
Provision for bad debts	(308 625)	-
Correction of Value Added Tax	(141 689)	-
Personnel Provision	451	146 647
<b>10 CASH GENERATED BY OPERATIONS</b>	<b>(1 193 693)</b>	<b>109 066</b>
Net operating deficit before interest and transfers	505 135	278 970
Adjustment to appropriation account.	(449 863)	146 647
Investment Income	(678 793)	(756 549)
Change in trade and other receivables	(2 135 544)	300 984
Change in trade and other payables	1 565 372	139 044

