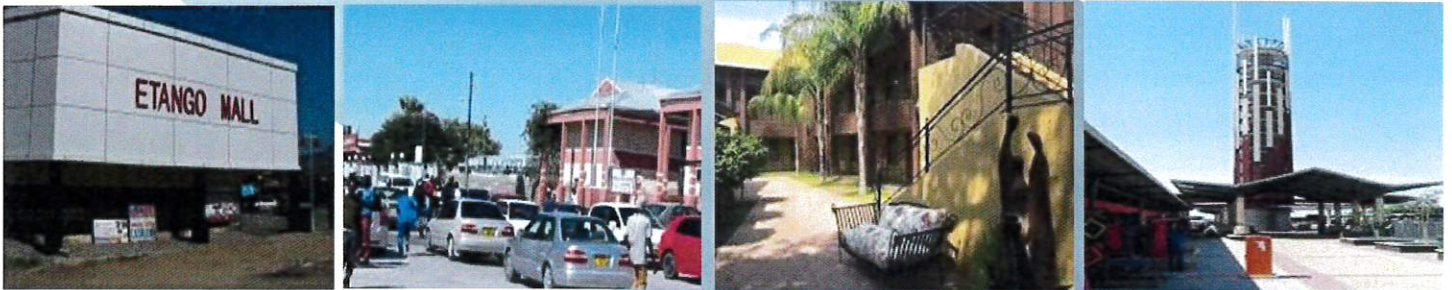




REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF OSHAKATI

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 Oshakati 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, December 2018

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 OSHAKATI
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

1. ADVERSE AUDIT OPINION

I certify that I have audited the financial statements of the Town Council of Oshakati for the financial year ended 30 June 2017. These financial statements comprise of the Balance sheet, Income statement and notes to the financial statements.

In my opinion, because of the significance of the matters discussed in the basis for adverse opinion section of my report, the accompanying financial statements do not present fairly the financial position of the Town Council of Oshakati as at 30 June 2017, their financial performance and cash flow for the year then ended in accordance with Section 87 (1) of the Local Authority Act, 1992.

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 sufficient and appropriate to provide a basis for my opinion. An adverse opinion is expressed due to the follow:

- Unexplained income adjustment amounting to N\$ 1 866 856 in the appropriation account;
- No supporting documents for value added tax refund write-off amounting to N\$ 524 437 in the appropriation account;
- Unexplained movement of N\$ 15 055 970 in the Capital Development Fund;
- Unrecorded interest earned on value added tax amounting to N \$ 585 205 noted between the financial statements and reports from Inland Revenue;
- A difference of N\$ 765 276 on the financial statements and the VAT reports;
- Depreciation overstated by N\$ 1 769 859 for revenue assets due to inappropriate method used to charge depreciation;
- Unexplained difference of N\$ 274 852 between the fixed asset register and the general ledger;
- Provision for bad debts understated by N\$ 2 221 768;
- Unrecorded Trade and payables amounting to N\$ 13 360 365;
- Cash and cash equivalent understated by N\$ 20 868 375 due to unrepresented cheques;
- No journals were passed to reversed Stale cheques amounting to N\$ 1 183 328;
- Interest charged on Development Bank loan amounting to N\$ 2 110 650 was unaccounted for;
- Unrecorded Interest on loan to Oshakati Premier Electric amounting to N\$ 524 281; and
- Income received from disposal of medical waste amounting to N\$ 644 945 was not recorded.

3. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

I draw attention to the financial statements, which indicates that the Town Council incurred a net loss of N\$ (40 478 030) during the year ended 30 June 2017 and, as of that date, the Town Council's current liabilities exceeded its current assets by N\$ 8 618 409. As stated these events or conditions, along with other matters such as increase in accumulated deficit to N\$ (93 052 890) from N\$ (70 259 620), increase in borrowing (bank overdraft increased by N\$ (26 248 078) indicate that a material uncertainty exists that may cast significant doubt on the Town Council's ability to continue as a going concern. The Audit Opinion is not modified in respect of this matter.

4. 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 any key audit matters to report on for the period under review.

5. OTHER INFORMATION

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and, accordingly, I do 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. I do not have any other information to report on for the period under review.

6. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Section 87(1) of the Local Authorities Act, 1992, 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.

7. 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;

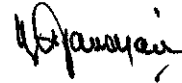
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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.

8. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements were submitted late than required by the Accounting Officer to the Auditor-General on the 10 October 2017 in terms of Section 87 (1) Section 40 (1) of the Local Authority Act, 1992.

9. ACKNOWLEDGEMENT

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



WINDHOEK, December 2018

**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

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

		2017	2016
	Note	N\$	N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	614 096 460	578 880 156
Investments	3	23 291 719	40 255 714
Long term loan receivable		7 000 000	7 000 000
Current assets			
Accounts receivables	4	75 474 959	33 984 415
Inventories		792 176	682 220
Cash and Cash Equivalent	5	1 230	2 635
TOTAL ASSETS		720 656 544	660 805 140
EQUITY AND LIABILITIES			
Funds and Reserve			
Financing of capital	6	612 554 524	530 280 468
Accumulated funds		(93 052 890)	(70 259 620)
Funds and accounts		113 325 889	97 421 381
Non-current liabilities			
Loan contributions		2 942 248	50 000 000
Current liabilities			
Trade and other payables	7	53 676 121	48 400 336
Bank overdraft		31 210 653	4 962 575
TOTAL EQUITY AND LIABILITIES		720 656 545	660 805 140

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

	Note	2017	2016
		N\$	N\$
Income		129 742 690	183 014 733
Expenditure		<u>(172 045 834)</u>	<u>(275 315 712)</u>
OPERATING DEFICIT FOR THE YEAR		(42 303 144)	(92 300 979)
Investment income		1825114	5 240 363
NET DEFECIT FOR THE YEAR		(40 478 030)	(87 060 615)
Add: Appropriation and adjustments	8	17 684 760	(16 224 956)
Retained deficit for the year		(22 793 270)	(103285571)
Net surplus / (deficit) for the year			
Appropriation beginning of the year		<u>(70 259 620)</u>	<u>33 025 951</u>
APPROPRIATION ACCOUNT AT END OF YEAR		<u>(93 052 890)</u>	<u>(70 259 620)</u>

**TOWN COUNCIL OF OSHAKATI
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 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.

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

1.4.3 Mass Housing Fund

The fund was adopted from the Government with a purpose of providing affordable housing for low income earners in Namibia. The Council will assist in managing the fund on behalf of the Government.

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 in inventory to their present location and condition.

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

	2017	2016
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Property development, vehicles, plant and equipment	614 096 460	578 880 156
Financed by:		
Revenue contributions	564 667 883	529 176 727
General capital	828 889	1 103 741
Loan assets	48 599 688	48 599 688
	614 096 460	578 880 156
3. INVESTMENTS	23 291 719	40 255 714
Commercial banks and building societies	23 291 619	40 255 614
Shares-Oshakati Premier Electric (Pty) Ltd	100	100
The investments were allocated as follows:		
Build Together Fund	9 790 879	8 786 239
Capital Development Fund	12 100 528	30 069 163
Loan Capital Fund	1 400 312	1 400 312
	23 291 719	40 255 714
4. TRADE AND OTHER RECEIVABLES		
4.1 TRADE RECEIVABLE	18 095 071	8 787 070
Consumers	36 967 447	25 958 946
Provision for doubtful debts	(18 872 376)	(17 171 876)
4.2 OTHER RECEIVABLE	57 379 888	25 197 345
Oshakati Premier Electric (Pty) Ltd	2 552 784	2 341 710
Value Added Tax	35 379 188	1 954 704
Suspense Accounts: Other	-	204 242
Sundry debtors	57 322	61 080
Build Together Advances	1 610 329	1 858 670
Mass Housing Advances	17 780 265	18 776 939
TOTAL TRADE AND OTHER RECEIVABLE	75 474 959	33 984 415

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

5. CASH AND CASH EQUIVALENTS	(31 209 423)	(4 959 940)
Cash on Hand	1 230	2 635
Overdraft-current account	(31 210 653)	(4 962 575)
6. FUNDS AND ACCOUNTS		
6.1 Financing of Capital	612 554 524	530 280 468
General Capital Contributions	828 889	1 103 741
Revenue contributions	564 667 883	529 176 727
Loan Assets	47 057 752	-
6.2 Funds	113 325 889	97 421 381
Capital Development Fund	76 627 465	62 765 727
Build Together Fund	14 748 143	13 614 600
Mass Housing Fund	21 950 281	21 041 054
Total funds and accounts	725 880 413	627 701 849
7. TRADE AND OTHER PAYABLES	53 676 121	48 400 336
Trade creditors	5 591 401	7 060 787
Provision for leave pay	3 161 533	3 161 533
Consumer deposits	3 087 997	2 842 149
Suspense Accounts: Government Contributions	41 835 190	35 335 867
8. ADJUSTMENTS AND APPROPRIATIONS	17 684 760	(16 224 956)
Corrections of previous year	-	(204 321)
Movement in provision for personnel benefits	-	700 575
Revenue	62 748	-
Income adjustments	1 866 856	39 867
Expense adjustment	15 755 156	(16 761 077)