



REPUBLIC OF NAMIBIA



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

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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 Oshikuku 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.

WINDHOEK, June 2019

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 OSHIKUKU
FOR THE YEAR ENDED 30 JUNE 2018**

1. QUALIFIED AUDIT OPINION

I have audited the financial statements of the Town Council of Oshikuku for the financial year ended 30 June 2018. These financial statements comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and a summary of significant accounting policies.

In my opinion, except for the 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 Oshikuku as at 30 June 2018, and their financial performance and cash flow for the year then ended.

2. BASIS FOR QUALIFIED 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. A qualified audit opinion is being expressed due to the following:

- The Town Council does not have an acceptable reporting framework in place;
- Bank reconciliation at year end did not balance with an amount of N\$ 4 047 592;
- Liabilities is understatement with N\$ 290 157;
- Non supporting documents for sundry creditors amounting to N\$ 1 333 967;
- Understatement of the Capital Reserve Fund by N\$ 869 559;
- Lack of reconciliation resulted in an unexplained difference of N\$ 327 672 between the fixed assets additions and the amount debited to the Capital Reserve Fund;
- Understatement of interest in arrears by N\$ 1 521 011;
- Unsupported valuation basis for equity investment stated at N\$ 15;
- Overstatement of sale of erven revenue;
- Unsupported and lack of adequate controls over completeness of (PTO) Permission to occupy rental income;
- Incorrect and omitted customer billings;
- Inability to verify the inventory quantities at year end;
- Overstatement of VAT receivable by N\$ 520 615; and
- Missing supporting invoices amounting to N\$ 1 403 677 in respect of capital expenditure.

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 have determined that there are no key audit matters identified in respect of the financial statements for the Town Council of Oshikuku.

4. OTHER INFORMATION

My opinion on the financial statements does not cover the other information and 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 our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

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 General Accepted Accounting Principles and legislation, and for such internal control as management determines is 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 for 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 an auditor's 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 auditor's 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 auditor's 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, June 2019

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

TOWN COUNCIL OF OSHIKUKU
STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE

	Note	2018	2017
		N\$	N\$
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	2	59 156 030	59 713 318
Investments	3	7 938 848	9 290 767
Current Asset		3 338 674	1 617 793
Inventories		192 586	126 043
Trade and other receivables	4	3 145 763	1 491 425
Cash and cash equivalents	5	325	325
TOTAL ASSETS		70 433 552	70 621 878
FUNDS AND LIABILITIES			
FUNDS AND RESERVES			
Capital outlay	6	59 156 030	59 713 318
Funds and accounts	7	5 122 056	5 318 157
CURRENT LIABILITIES		6 155 466	5 590 403
Bank overdraft	5	4 061 648	3 760 856
Trade and other payables	8	2 093 818	1 829 547
TOTAL FUNDS AND LIABILITIES		70 433 552	70 621 878

TOWN COUNCIL OF OSHIKUKU

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

	Note	2018 N\$	2017 N\$
INCOME		20 298 575	13 806 484
EXPENDITURE		(20 447 679)	(15 254 612)
NET OPERATING DEFICIT		(149 104)	(1 448 128)
INTEREST ON INVESTMENTS		19	261
		(149 085)	(1 447 867)
APPROPRIATION ADJUSTMENTS	9	(3 042 154)	(2 054 628)
		(3 191 239)	(3 502 495)
REVENUE ACCOUNT - Beginning of the year		(7 360 867)	(3 858 372)
REVENUE ACCOUNT - End of the year		(10 552 106)	(7 360 867)

TOWN COUNCIL OF OSHIKUKU
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE

	2018	2017
Note	N\$	N\$
CASH UTILISED BY OPERATIONS		
Cash receipts from customers	20 298 575	13 806 484
Cash paid to suppliers	(24 946 443)	(17 644 212)
Cash utilised by operations	(4 647 868)	(3 837 728)
Interest on investments	19	261
Cash flows from operating activities	(4 647 850)	(3 837 467)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in Fund accounts	2 995 138	37 924
(Decrease)/increase in Capital outlay	(557 288)	5 494 943
Net cash flow from operating activities	(2 209 999)	1 695 400
CASH FLOWS FROM INVESTING ACTIVITIES		
Net capital expenditure	557 288	(5 494 943)
Decrease/(increase) in investments	1 351 920	(94 038)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(300 791)	(3 893 581)
Cash and cash equivalents - beginning of the year	(3 760 531)	133 050
Cash and cash equivalents - end of the year	(4 061 322)	(3 760 531)

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

1. ACCOUNTING POLICIES

1.1 Introduction

The annual financial statements set out in Annexures 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

Property, plant and equipment are stated at cost or valuation where assets have been acquired by grant or by donation. Assets are depreciated over their estimated useful lives.

1.3 Internal Funds

The following Funds were created by the Town Council:

1.3.1 Salary Reserve Fund

The purpose of this Fund is to provide for accrued leave of the Council's staff.

1.3.2 Build Together Fund

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

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

	2018	2017
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT	59 156 030	59 713 318
Revenue assets	57 196 031	57 413 319
General capital assets	1 959 999	2 299 999
3. INVESTMENTS	7 938 848	9 290 767
Equity investment	15	15
Commercial banks	7 938 833	9 290 752
ALLOCATED AS FOLLOWS:	7 938 848	9 290 767
Salary Reserve Fund	697 738	514 348
Build Together Fund	2 249 830	2 151 108
Capital Reserve Fund	4 991 265	6 625 296
Revenue	15	15
4. TRADE AND OTHER RECEIVABLES	3 145 763	1 491 425
Services, rates and taxes	10 229 959	7 017 821
Inland Revenue - VAT	1 782 251	819 487
Build Together debtors	342 008	33 392
Accrued surcharges	74 512	44 504
Sundry debtors	1 400	-
Provision for bad debts	(9 284 367)	(6 423 779)
5. CASH AND CASH EQUIVALENTS	(4 061 322)	(3 760 531)
Bank balance	(4 061 648)	(3 760 856)
Petty cash	326	325
Presented as follows:		
Current liabilities	4 061 648	3 760 856
Current assets	326	325

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

	2018	2017
	N\$	N\$
6. CAPITAL OUTLAY	59 156 030	59 713 318
Revenue contributions	57 196 031	57 413 319
General Capital contributions	1 959 999	2 299 999
7. FUNDS AND ACCOUNTS	5 122 056	5 318 157
Salary Reserve Fund	697 738	514 348
Build Together Fund	2 655 366	2 200 787
Capital Reserve Fund	12 321 058	9 963 889
Revenue account kept in compliance with Section 86 (1) of the Local Authority Act, 1992.	(10 552 106)	(7 360 867)
8. TRADE AND OTHER PAYABLES	2 093 818	1 829 547
Trade payables	313 171	154 753
Provisions	60 000	60 000
Consumer deposits	386 680	328 099
Sundry creditors	1 333 967	1 286 695
9. ADJUSTMENTS TO APPROPRIATION ACCOUNT	(3 042 154)	(2 054 628)
Expenses	(3 043 979)	(2 056 360)
Income	1 825	1 732

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

	2018	2017
	N\$	N\$
10. RECONCILIATION OF CASH UTILISED BY OPERATIONS		
Net operating deficit before interest	(149 104)	(1 448 128)
Adjustments for:		
Adjustments to appropriation account	(3 042 154)	(2 054 628)
OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL	(3 191 258)	(3 502 756)
CHANGES IN WORKING CAPITAL		
Increase in inventories	(66 543)	(26 659)
Increase in trade and other receivables	(1 654 338)	(70 004)
(Increase)/decrease in trade and other payables	264 271	(238 309)
CASH UTILISED BY OPERATIONS	(4 647 868)	(3 837 728)