



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF OTAVI
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 Otavi 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, July 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 OTAVI
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

1. Report on the financial statements

1.1 INTRODUCTION

The accounts of the Town Council of Otavi for the year ended 30 June 2017 are being reported on in accordance with the provisions set out in Section 85 of the Local Authorities Act, 1992 (Act 23 of 1992).

Figures in the report are rounded off to the nearest Namibia dollar and deficits are indicated in (brackets).

I certify that I have audited the accompanying financial statements of the Town Council of Otavi for the year ended 30 June 2017. These financial statements comprise of the following:

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

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 87 (1) of the Local Authorities Act, 1992.

The financial statements and notes to the financial statements provided by the Accounting Officer are attached as Annexure A to D.

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 87 (1) of the Local Authorities Act, 1992, (Act 23 of 1992), 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 audit opinion.

4. ACKNOWLEDGEMENT

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

5. KEY AUDIT FINDINGS

5.1 GOING CONCERN

The current liabilities of the Council exceeded its current assets by N\$ 12 855 074. This indicates a significant doubt about the ability of the Council to continue operating as a going concern.

Recommendation

Appropriate measures should be implemented for the Council to generate/raise enough funds to run its operations.

Management comment

Economic factors such as unemployment and low income amongst the community lead to the non-payments of services rendered by the Council, these in turn leads to accumulating accrued expenses. To improve collection, the Council has employed the services of an external debt collector to help collect outstanding debts.

5.2 EXPENDITURE

Payment vouchers amounting to N\$ 1 695 377 were paid while they are not certified correct by the Finance manager and Chief Executive Officer.

Recommendation

It is recommended that the Council should ensure that the Finance Manager and Chief Executive Officer certify all payment vouchers before they are paid.

Management comment

The Finance Manager will certify all payments vouchers and Chief Executive Officer before actual payments authorised to reduce the risk of fraud.

5.3 SUNDRY CREDITORS

A difference of N\$ 285 291 was noted between the Auditor's reconciliation and financial statements.

Recommendation

It is recommended that the Council should perform reconciliations on a monthly basis.

Management comment

Council conceded to this finding, appropriate correcting journals will be passed to rectify creditors opening balances, and for the preceding financial year all debtors with credit balances will be treated as income received in advance under current liabilities.

5.4 DEBTORS

It was observed that debtors with credit balances amounting to N\$ 208 192 were not raised as creditors at year-end.

Recommendation

It is recommended that Council should ensure that debtors with credit balances are reconciled and cleared.

Management comment

Council conceded to this finding, appropriate correcting journals will be passed to rectify creditors opening balances, and for the preceding financial year all debtors with credit balances will be treated as income received in advance under current liabilities.

5.5 PROPERTIES, PLANT AND EQUIPMENT

An unexplained difference of N\$ 296 300 was noted between the assets register and financial statement.

Recommendation

The Council is recommended to ensure that proper reconciliation is performed between the asset register and financial statement.

Management comment

Council conceded to this finding, this will be rectified in the current financial year.

6. BASIS FOR QUALIFIED AUDIT OPINION

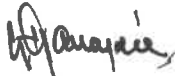
- Debtors with credit balances to the value of N\$ 208 192;
- Difference on sundry creditors and financial statements;
- Current liabilities exceeded its current assets by N\$ 12 855 074;
- Uncertified creditors invoice amounting to N\$ 1 695 377 by the authorised signatories; and
- Unexplained difference of N\$ 296 300 on the assets register and financial statement.

7. QUALIFIED AUDIT OPINION

The accounts of the Town Council of Otavi for the financial year ended 30 June 2017, summarised in Annexures A-D, were audited by me in terms 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 Otavi as at 30 June 2017, and their financial performance and cash flows for the year then ended.

WINDHOEK, July 2018


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

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

	Note	2017	2016
		N\$	N\$
ASSETS			
Non-current Assets			
Property, plant and equipment	2	117 005 160	108 461 582
Investments	3	90 304 808	78 944 277
Loans Receivable	4	21 309 415	9 152 384
		5 390 937	20 364 921
Current Assets			
Debtors and other receivables	5	1 364 372	5 207 691
Cash and Bank		1 948 859	4 204 476
		(584 487)	1 003 215
TOTAL ASSETS		118 369 532	113 669 272
EQUITY AND LIABILITIES			
Funds and Reserves			
Capital outlay	6	103 525 828	102 567 409
Funds and accounts	7	89 715 374	78 296 759
		13 810 454	24 270 650
LIABILITY			
Non-Current liabilities			
Long-term loans	8	624 258	682 342
		624 258	682 342
Current liabilities			
Trade and other payables	9	14 219 446	10 419 521
		14 219 446	10 419 521
TOTAL EQUITY AND LIABILITIES		118 369 532	113 669 272

**TOWN COUNCIL OF OTAVI
INCOME STATEMENT AS AT 30 JUNE**

	Note	<u>2017</u>	<u>2016</u>
		N\$	N\$
Income		41 523 188	37 933 567
Expenditure		38 876 495	30 315 366
Net operating surplus		2 646 693	7 618 201
Appropriation account	11	(14 144 168)	(2 903 375)
Net Surplus/(deficit) after appropriations		(11 497 475)	4 714 826
Accumulated surplus /(deficit) at the beginning of year		3 940 554	(6 581 022)
Accumulated surplus /(deficit) at the end of		(7 556 921)	1 866 196

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

	2017	2016
	N\$	N\$
Cash flow from Operating Activities	6 013 959	13 152 895
Cash receipts from customers	41 523 188	37 933 567
Cash paid to suppliers and employees	(46 965 121)	(29 068 608)
Increase in Capital outlay	11 418 615	3 428 361
Decrease increase in Fund account	1 037 277	859 575
Cash flow from Investing Activities	(8 543 578)	(12 689 676)
Addition to plants and equipment	(11 360 531)	(5 407 911)
Increase /Decrease in investments	(12 157 031)	7 704 861
Increase loan receivable	14 973 984	(14 986 626)
Net cash used in Financing activities	41 916	(52 187)
(Increase)/ Decrease in long-term liabilities	41 916	(52 187)
Net increase in cash and cash equivalents	48 7703	411 032
Cash and cash equivalents – beginning year	1 002 915	591 883
Cash and cash equivalents – end year	(484 788)	1 002 915

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

1. ACCOUNTING POLICIES

1.1 Basis of presentation

The 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 with all material aspects with those applied in the previous year.

1.2 Property, plant and equipment

(i) Property, plant and equipment is stated

- at historical cost; or
- at valuation (based on the market price at the date of transfer) where assets have been acquired by grant or donations.

(ii) Depreciation

The loans redeemed are considered tantamount to a provision for depreciation.

Apart from advances from various internal funds and external loans, assets may also be acquired through Appropriations from revenue, in which case the total cost of the asset is a direct and immediate charge against revenue and no further provision for depreciation is required.

1.3. Funds

The following funds were maintained.

1.3.1 Housing Fund

The purpose of this fund is to provide for housing loans. Income for the Fund is derived from interest earned or secured housing loans and investments as well as from profits made on the resale of Housing Scheme houses. Interest paid on the external housing loans is charged to this fund.

1.3.2 Capital Reserve Fund

The purpose of this Fund is to build a general capital reserve to ensure a stable financial position. Income from this Fund is derived from general revenue contributions and interest earned on internal loans and investments.

1.3.3 Fixed Property Fund

Proceeds from the sale of land, which has been developed by the Council, accumulate in this Fund. Costs incurred on the development of land and charged to this fund.

TOWN COUNCIL OF OTAVI

NOTE TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE

	2017	2016
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT	90 304 806	78 944 277
Income assets	86 629 423	-
Loan assets	1 190 607	-
General capital assets	2 484 776	78 944 277
3. INVESTMENTS	21 309 415	9 152 384
Commercial Banks	15 995 976	3 838 945
CENORED Equity	5 313 439	5 313 439
Comprising of:	21 309 415	9 152 384
Build together fund	2 878 832	-
Commercial banks	-	3 838 945
Revenue	302 891	-
Capital reserve fund	10 339 587	-
Renewal fund	817 715	-
Endowment fund	32 840	-
32 days Investment	1 589 287	-
Housing fund	34 824	-
Single quarters transformation fund	-	-
Cenored Equity	5 313 439	5 313 439
4. LOANS RECEIVABLES	5 390 937	20 364 921
Housing Fund/Build together fund	5 390 937	8 322 161
Secured by mortgage bonds against the properties.	-	9 568 094
Capital reserve Fund	-	817 715
Renewal Fund	-	32 840
Endowment Fund	-	1 589 287
Fixed Property Fund	-	34 824
Housing Fund	-	-
5. DEBTORS AND OTHER RECEIVABLES	1 948 859	4 204 476
Consumers debtors	21 029 669	13 168 265
Sundry debtors	164 489	-
VAT receivables	1 040 936	1 020 699
Provision for doubtful debts	(20 286 235)	(9 984 488)

ANNEXURE D

TOWN COUNCIL OF OTAVI
NOTE TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE
(continued)

	2017	2016
	N\$	N\$
6. CAPITAL OUTLAY	89 715 374	78 296 759
Loans redeemed	601 173	543 089
Revenue contribution	86 629 423	74 259 192
General capital contributions	2 484 778	3 494 478
7. FUND AND ACCOUNTS	13 810 454	24 270 650
Fixed Property account	1 589 287	1 589 287
Capital Reserve Fund	10 339 587	9 568 094
Renewal Fund	817 714	817 715
Endowment Fund	32 840	32 840
Build Together Fund	8 587 947	8 322 161
Revenue account	(7 556 921)	3 940 553
8. LONG TERM LOANS	624 258	682 342
External Loans – Government	589 434	647 518
Housing Fund/Build Together Fund	34 824	34 824
9. TRADE AND OTHER PAYABLES	14 219 446	10 419 521
Trade payables	3 864 380	-
Provisions for Leave Pay	1 159 762	1 030 150
Advance ex revenue Build together	-	318 177
Namwater	3 862 325	3 512 705
Regional Council Levies	686 513	318 035
Government Grant	2 483 675	2 355 918
Consumer Refundable Deposits	148 433	126 933
Accrued Creditors	-	1 327 244
Sundry payables	2 014 358	1 430 359

TOWN COUNCIL OF OTAVI
NOTE TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE
(continued)

	2017	2016
	N\$	N\$
10. ADJUSTMENTS TO APPROPRIATION ACCOUNT	(11 497 474)	4 030 554
Opening balances	-	(6 581 022)
	(12	
Correction – Revenue	685 592)	4 449 433
Adjustment - Expenditure	(1 458 576)	(1 456 058)
Surplus for the year	2 646 694	7 618 201
11. CASH GENERATED BY OPERATIONS	(5 441 933)	8 864 959
Adjustment	2 646 693	7 618 201
-Adjustment to appropriation account.	(14 144 168)	2 903 075
-Adjustment for advance Build together	-	318 177
Change in trade and other receivables	2 255 617	(4 029 307)
Change in trade and other payables	3 799 925	2 054 813

