



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF OTAVI

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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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 2019 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 2020

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 2019**

1. ADVERSE OF AUDIT OPINION

I have audited the financial statements of the Town Council of Otavi for the financial year ended 30 June 2019. 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.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Audit Opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of Otavi Town Council as at 30 June 2019 and its financial performance and cash flows for the year then ended.

2. BASIS FOR ADVERSE OF 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 audit opinion is being expressed due to the following:

2.1 NON-COMPLIANCE TO ADOPTED REPORTING FRAMEWORK

The auditors have observed that the Town Council did not present a complete set of financial statements, all other financial statements were presented with the exception of the statement of net assets. Non-submission of a full set contravenes the requirements of International Public Sector Accounting Standards (IPSAS).

2.2 DEPRECIATION

The auditors have observed that the Council charged full depreciation on assets under construction (work in progress) and did not consider the pro rata calculation of those acquired during (middle) of the year. Depreciation is an allocation of the depreciable amount of an asset over its estimated useful life and is not charged on work in progress (e.g. a house under construction). The Council provided an incomplete asset register. The asset register has a differences amounting to N\$ 6 169 932 between additions in the fixed asset register and the ledger transactions for income assets amounting to N\$ 17 418 906 and N\$ 11 248 974 respectively;

2.4 NON SUBMISSION OF DOCUMENTS

The following documents were not submitted for audit purposes:

- Employers PAYE returns;

4. KEY AUDIT MATTERS (KAM)

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 nothing to report in this regard.

5. OTHER INFORMATION

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and, accordingly, 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 have nothing to report in this regard.

6. 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.

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 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

7. AUDIT OF PERFORMANCE INFORMATION

The (KPI) key performance indicators audit could not be carried out due to the non-submission of updated strategic, annual plan, quarterly reviews and annual review reports.

8. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (COMPLIANCE)

The financial statements were submitted on time by the Accounting Officer to the Auditor-General on 01 October 2019 in terms of Section 87 (1) of the Local Authority Act, 1992.

9. ACKNOWLEDGEMENT

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

WINDHOEK, July 2020



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

	Note	2019	2018
		N\$	N\$
Income	16	41 191 682	55 579 533
Expenditure	15	(44 165 257)	(54 155 697)
Net (Deficit) / Surplus		(2 973 575)	1 423 837
Adjustment to appropriation account	13	119 462 292	(1 945 299)
		116 488 717	(521 462)
Revenue account at the beginning of the year		(8 078 383)	(7 556 921)
Revenue account at the end of the year		108 410 334	(8 078 383)

**THE TOWN COUNCIL OF OTAVI
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE**

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.

**THE TOWN COUNCIL OF OTAVI
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE**

	2019	2018
	N\$	N\$
2. Property, Plant and equipment		
Income assets	120 980 679	113 513 719
3. Loans receivable		
Build together advance to buyers	5 392 936	5 392 936
4. Investments	7 410 059	11 357 959
Commercial banks		
Build together revolving account	23 243	23 268
Build together Disbursement account	348 993	1 296 968
Build together Receipt account	1 415 193	1 222 433
Otavi Capital Projects FNB account	3 512 425	4 156 972
32 Days Investments FNB account	770 833	1 063 446
Otavi Single Quart transformation FNB account	1 299 411	3 555 149
Otavi Single Quart Projects FNB account	39 961	39 724
5. Interest earned	395 931	-
Build together revolving account	255	-
Build together Disbursement account	22 325	-
Build together Receipt account	41 434	-
Otavi Capital Projects FNB account	174 404	-
32 Days Investments FNB account	57 388	-
Otavi Single Quart transformation FNB account	99 688	-
Otavi Single Quart Projects FNB account	437	-
6. Investment in equity shares	5 313 439	5 313 439
Cash	89 000	89 000
Shares	5224439	5224439
7. Trade and Other receivables	5 307 655	5 652 227
Consumer debtors	34 084 212	26 963 703
Sundry debtors	-	112 017
VAT debtors	2 189 650	1 009 888
Less provision for bad debts	(30 966 206)	(22 433 381)

THE TOWN COUNCIL OF OTAVI
NOTES TO THE FINANCIAL STATEMENTS AT

	2019	2018
	N\$	N\$
14. Cash utilized by operations		
Operating (deficit) surplus before interest and transfers to investment account	(2 973 575)	1 423 837
Adjustment to appropriation account	119 462 292	(1 945 299)
Net operating (deficit) surplus before changes in working capital	116 488 6717	(521 462)
Changes in working capital		
Decrease (increase) in trade and other receivable	(8 188 253)	(3 703 368)
Increase (decrease) in trade and other payables	5 253 394	5 139 590
	(2 934 859)	1 436 222
Cash utilized by operations	113 553 857	914 760
15. Expenditure	44 165 257	54 155 697
Salaries and wages	5 271 428	-
Overtime	284 721	-
Councillor allowance	477 710	-
Housing allowances	1 653 770	-
Service bonus	362 638	-
pension fund contribution	1 016 473	-
Social security	64 837	-
Medical aid	1 273 277	-
Cell/Airtime	58 000	-
Transport / expenditure	523 865	54 155 697
Vehicle allowance	102 701	-
Advertising	36 600	-
Otavi investment expo	11 000	-
Bulk purchases : water	7 058 894	-
Temporally workers	103 780	-
Consultancy workers	10 967	-
Courier fees	28 466	-
Electricity departmental	1 023 681	-
Entertainment official	59 659	-
Interest on arrears	906 007	-
Fuel and oil	436 402	-
Incidental expenses	44 232	-

THE TOWN COUNCIL OF OTAVI
NOTES TO THE FINANCIAL STATEMENTS AT

	2019	2018
	N\$	N\$
16. Income	41 191 683	55 579 533
Penalty charges	1 305	-
Permission to occupy	7 454	-
Site rental	211 356	-
Assessment rate	4 837 184	-
Townland levy	2 078 206	-
Burial fees	18 837	-
Connection/ Disconnection	99 217	-
Distribution : CENORED	648 688	-
Fire brigade fees	115 175	-
Subsidy: MRLGH	15 332 518	55 579 533
Garden soil and gravel	5 952	-
Fitness certificate	50 862	-
NATIS refund	264 766	-
Road fund refund (RFA)	590 739	-
TIPEEG	2 325 859	-
Refuse removal - Private	1 814 916	-
Rental - bungalows	20 700	-
Building plan fees	24 715	-
Rental : Townlands - camps	146 195	-
Sale of Council building	227 400	-
Rental of community hall	5 573	-
Rental housing	220 538	-
Rental machinery	171 768	-
Sewerage private	1 674 797	-
Sundry income	116 763	-
Water private	6 978 393	-
Pre- paid water sales	328 534	-
Interest on investments	331 917	-
Sale of erven	276 584	-
Basic charges on water	1 369 416	-
Basic charges on water - Business	190 374	-
Interest on outstanding account	629 499	-
Clearance certificate	6 719	-
Sundry income	68 764	-