



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF OUTAPI
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 Outapi 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
OUTAPI TOWN COUNCIL
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

1. QUALIFIED AUDIT OPINION

I certify that I have audited the financial statements of the Outapi Town Council for the financial year ended 30 June 2017. These financial statements comprise the Statements of financial position, Statement of profit and loss, Cash flow Statement and Notes to the annual financial statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Outapi Town Council as at 30 June 2017 and its financial performance and their receipts and payments and their cash flows for the year then ended in accordance with General Accepted Accounting Principles.

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. A qualified audit opinion is being expressed due to the following:

- Inventory amounting to N\$ 398 820 could not be verified in terms of completeness and existence;
- The Council does not have a credit policy in place;
- The completeness and existence of assets could not be verified;
- The PAYE returns for the financial year under review could not be provided for audit purposes;
- The overall difference noted in the bank reconciliation amounting to N\$ 1 068 885; and
- Cash flow statement is overstated with N\$ 252 187.

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 nothing to report in this regard.

4. 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 of otherwise appears to be materially misstated. 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 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.

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 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.

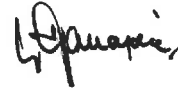
As part of an audit in accordance with the International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit, I also;

- 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.

ACKNOWLEDGEMENT

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

WINDHOEK, December 2018



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

OUTAPI TOWN COUNCIL
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	Note	2017	2016
		N\$	N\$
ASSETS			
Non-current assets			
		99 303 307	96 986 826
Property, plant and equipment	1	87 396 313	83 465 937
Investments	2	11 906 979	13 520 889
NORED Equity / Shares		15	-
Current assets			
		6 815 513	10 719 305
Trade and other receivables	3	6 415 193	10 250 088
Inventories		398 820	467 717
Cash and cash equivalents	4	1 500	1 500
TOTAL ASSETS		106 118 820	107 706 131
FUNDS AND LIABILITIES			
Funds			
		94 385 815	89 658 050
Capital outlay	5	85 240 376	78 690 207
Funds and accounts	6	9 145 439	10 967 843
Non-current liabilities			
Long-term loan		2 401 998	5 021 792
Current Liabilities			
		9 331 007	13 026 289
Trade and other payables	7	8 453 318	12 936 478
Bank overdraft	4	877 689	89 811
TOTAL FUNDS AND LIABILITIES		106 118 820	107 706 131

ANNEXURE B

OUTAPI TOWN COUNCIL

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 30 JUNE

		<u>2017</u>	<u>2016</u>
	Note	N\$	N\$
Revenue		49 555 009	55 619 274
Expenditure		45 624 136	(58 758 800)
NET SURPLUS/(DEFICIT) FOR THE YEAR		<u>3 930 873</u>	<u>(3 139 526)</u>
Appropriation and adjustments	8	(3 665 690)	(1 266 743)
SURPLUS/(DEFICIT) FOR THE YEAR		<u>265 183</u>	<u>(4 406 269)</u>
Balance as at 30 June 2016		(4 296 814)	109 455
Balance as at 30 June 2017		<u><u>(4 031 631)</u></u>	<u><u>(4 296 814)</u></u>

OUTAPI TOWN COUNCIL
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
Note	N\$	N\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	49 555 009	53 801 243
Cash paid to suppliers	(40 902 876)	(67 833 360)
Cash (utilized)/generated by operations	8 652 133	(14 032 117)
Interest received	222 269	1 697 980
Net cash (outflow) utilized by operating activities	8 874 402	(12 334 137)
CASH FLOW FROM INVESTING ACTIVITIES		
Net capital expenditure	(3 930 376)	(11 483 583)
(Increase)/decrease in investments	1 613 910	(5 365 452)
Net cash (outflow) from investing activities	(2 316 466)	(16 849 035)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in funds	-	30 867 174
Increase / (decrease) in long-term liabilities	(7 598 001)	(1 110 323)
Net cash flow from financing activities	(7 598 001)	29 756 851
Net changes in cash and cash equivalents	*(787 878)	573 679
Cash and cash equivalents at the beginning of the year	(88 311)	(661 990)
Cash and cash equivalents at the end of the year	(876 189)	(88 311)

*Net changes in cash and cash equivalent is wrong.

*Cash flow incorrect; see paragraph two (2).

ANNEXURE D

OUTAPI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	N\$	N\$
1. Property, Plant and Equipment	87 396 313	83 465 937
Loan assets	9 753 938	9 753 938
Income assets	66 479 665	63 688 031
General capital assets	11 162 710	10 023 968
2. Investments	11 906 979	13 520 889
Build Together Housing Fund	2 088 841	1 995 082
Shack Dwellers Fund	933 482	808 984
Capital Development Fund	3 145 459	5 296 474
Government Contribution Fund	3 598 117	3 593 388
Loan proceeds	246 062	246 062
Revenue Fund	1 895 018	1 580 899
3. Trade and other receivables	6 415 193	10 250 088
Consumer debtors	14 987 390	11 355 720
Surcharges receivable	102 075	211 842
Value added tax receivables	714 052	3 134 645
Build Together Fund loans	1 808 348	1 976 329
Shack Dwellers Fund	272 333	389 225
Other receivable	31 929	66 186
Suspense account	64 329	1 734 260
Provision for doubtful debts	(11 565 263)	(8 618 119)
4. Bank and Cash	(876 189)	(88 311)
Current account	(877 689)	(89 811)
Petty cash	1 500	1 500
5. Capital outlay	85 240 376	78 690 207
Loans redeemed	7 598 001	4 978 208
Revenue contributions	66 479 665	63 688 031
General capital contributions	11 162 710	10 023 968

OUTAPI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

(continue)

	2017	2016
	N\$	N\$
6. Funds, Accounts and Reserves	9 145 439	10 967 843
Capital Development Fund	3 145 459	5 296 474
Government Contributions Fund	3 598 117	3 593 388
Build Together Fund	5 064 452	5 025 440
Shack Dwellers Fund	1 369 057	1 349 355
Revenue account kept in compliance with Section 86(1) of the Local Authorities act 1992	(4 031 646)	(4 296 814)
7. Trade and other payables	8 453 318	12 936 478
Trade payables	3 612 094	8 768 979
Consumer deposits	1 314 173	1 184 954
Provision for leave pay	2 423 776	2 247 961
Prepayments	-	363 206
Suspense accounts	204 026	204 026
Unallocated deposits	672 854	140 161
Other deposits (MetLife)	277 192	27 191
Outstanding Creditors	(50 797)	-
8. Adjustments to appropriations account	(3 665 690)	(1 266 743)
Increase in provision for bad debts	(2 952 966)	(1 138 905)
Council approved write-offs	(4 470)	(735)
Increase in provision for personnel benefits	(169 992)	(237 901)
Unclaimed balances	13 276	2 086
Duplicate Payments	(664 604)	-
NORED Equity / Shares	15	-
Stale cheques	-	-
Income Adjustments	113 051	108 712

OUTAPI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

(continue)

	2017	2016
	N\$	N\$
9. Cash (utilized)/generated by operations	8 652 133	(14 032 116)
Net operating surplus before interest	3 930 873	(3 139 526)
Adjustments to appropriation accounts	(3 665 692)	(1 266 743)
Investment income	-	(1 697 980)
Increase /(Decrease) in trade and other payables	4 483 160	(7 823 820)
Increase /(Decrease) in inventories	68 897	16 003
Increase /(Decrease) in trade and other receivables	3 834 895	(120 050)