



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF OUTAPI
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 Outapi 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 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 2018**

1. QUALIFIED AUDIT OPINION

I have audited the financial statements of the Outapi Town Council for the financial year ended 30 June 2018. 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.

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 Outapi Town Council as at 30 June 2018 and its financial performance and their receipts and payments and their cash flow 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:

- The completeness and existence of assets could not be verified;
- Inventory amounting to N\$ 366 246 could not be verified in terms of completeness and existence;
- The accuracy of the non-current assets and current assets could not be confirmed;
- Accounts payables and cash and cash equivalents are materially misstated due to unrepresented payments amounting to N\$ 2 387 803 contained in the bank reconciliation;
- The existence and valuation of Value Added Tax (VAT) payable balance could not be confirmed;
- *Cash flow statement is materially misstated with an amount of N\$ 1 016 443.

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;

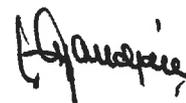
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting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

7. ACKNOWLEDGEMENT

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

WINDHOEK, June 2019



JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

ANNEXURE A

OUTAPI TOWN COUNCIL
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	Note	2018	2017
		N\$	N\$
ASSETS			
Non-current assets			
		90 720 246	99 303 307
Property, plant and equipment	1	82 964 322	87 396 313
Investments	2	7 755 909	11 906 979
NORED Equity / Shares		15	15
Current assets			
		5 930 370	6 815 513
Trade and other receivables	3	5 562 624	6 415 193
Inventories		366 246	398 820
Cash and cash equivalents	4	1 500	1 500
TOTAL ASSETS		96 650 616	106 118 820
EQUITY AND LIABILITIES			
Equity			
		84 517 022	94 385 815
Capital outlay	5	81 975 809	85 240 376
Funds and accounts	6	2 541 213	9 145 439
Non-current liabilities			
		1 234 574	2 401 998
Long-term loan		1 234 574	2 401 998
Current Liabilities			
		10 899 020	9 331 007
Trade and other payables	7	8 730 978	8 453 318
Bank overdraft	4	2 168 042	877 689
TOTAL EQUITY AND LIABILITIES		96 650 616	106 118 820

OUTAPI TOWN COUNCIL

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 30 JUNE

		<u>2018</u>	<u>2017</u>
	Note	N\$	N\$
Income		42 666 668	49 555 009
Expenditure		41 625 171	45 624 136
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR		1 041 497	3 930 873
Add: Appropriation and adjustments	8	(2 057 940)	(3 665 690)
SURPLUS/(DEFICIT) FOR THE YEAR		(1 016 443)	265 183
Balance as at 30 June 2017		(4 031 631)	(4 296 814)
Balance as at 30 June 2018		(5 048 074)	(4 031 631)

ANNEXURE C

OUTAPI TOWN COUNCIL

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	2018	2017
Note	N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from customers	42 666 668	49 555 009
Cash paid to suppliers	(43 075 628)	(40 902 876)
Cash (utilised)/generated by operations	(408 960)	8 652 133
Interest received	279 458	222 269
Net cash flow from operating activities	(129 502)	8 874 402
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(4 431 991)	(3 930 376)
(Increase)/decrease in investments	4 151 070	1 613 910
Net cash flow from investing activities	(280 921)	(2 316 466)
CAH FLOW FROM FINANCING ACTIVITIES		
Increase / (decrease) in long-term liabilities	8 765 426	7 598 001
Net cash flow from financing activities	8 765 426	7 598 001
Net changes in cash and cash equivalents	*(1 290 353)	(787 878)
Cash and cash equivalent at the beginning of the year	(876 189)	(88 311)
CASH AND CASH EQUIVALENTS - YEAR END	(2 166 542)	(876 189)

*Net changes in cash and cash equivalent is wrong.

*Cash flow statement is incorrect; refer to paragraph two (2).

OUTAPI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2018	2017
	N\$	N\$
1. Property, plant and equipment	82 964 322	87 396 313
Loan assets	9 753 938	9 753 938
Income assets	62 916 915	66 479 665
General capital assets	10 293 469	11 162 710
2. Investments	7 755 909	11 906 979
Build Together Housing Fund	2 251 796	2 088 841
Shack Dwellers Fund	1 049 046	933 482
Capital Development Fund	529 348	3 145 459
Government Contribution Fund	415 832	3 598 117
Loan proceeds	246 062	246 062
Revenue Fund	3 263 825	1 895 018
3. Trade and other receivables	5 562 624	6 415 193
Consumer debtors	17 208 970	14 987 390
Surcharges receivable	112 208	102 075
Value added tax receivables	-	714 052
Build Together Fund loans	1 720 043	1 808 348
Shack Dwellers Fund	188 416	272 333
Other receivable	31 929	31 929
Suspense account	-	64 329
Less:		
Provision for doubtful debts	(13 698 942)	(11 565 263)
4. Bank and cash	(2 166 542)	(876 189)
Current account	(2 168 042)	(877 689)
Petty cash	1 500	1 500
5. Capital outlay	81 975 809	85 240 376
Loans redeemed	8 765 425	7 598 001
Revenue contributions	62 916 915	66 479 665
General capital contributions	10 293 469	11 162 710

ANNEXURE D

OUTAPI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

(continue)

	2018	2017
	N\$	N\$
6. Funds, accounts and reserves	2 541 213	9 145 439
Capital Development Fund	529 348	3 145 459
Government Contributions Fund	415 832	3 598 117
Build Together Fund	5 254 682	5 064 452
Shack Dwellers Fund	1 389 441	1 369 057
Revenue account kept in compliance with Section 86(1) of the Local Authorities act 1992	(5 048 090)	(4 031 646)
7. Trade and other payables	8 730 978	8 453 318
Trade payables	3 647 082	3 612 094
Consumer deposits	1 401 003	1 314 173
Provision for leave pay	2 681 000	2 423 776
Value added tax	478 403	-
Suspense accounts	204 026	204 026
Unallocated deposits	30 701	672 854
Other deposits (MetLife)	288 763	277 192
Outstanding Creditors	-	(50 797)
8. Adjustments to appropriations account	(2 057 940)	(3 665 690)
Increase in provision for bad debts	(2 133 679)	(2 952 966)
Council approved write-offs	(2 964)	(4 470)
Increase in provision for personnel benefits	(257 224)	(169 992)
Unclaimed balances	(1 400)	13 276
Duplicate Payments	-	(664 604)
NORED Equity / Shares	-	15
Refund Sales of erven	(42 158)	-
Adjustment Personnel benefits (previous year)	(205 399)	-
Appropriation	(13 664)	-
Stale cheques	244 244	-
Income Adjustments	354 304	113 051

OUTAPI TOWN COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

(continue)

	2018	2017
	N\$	N\$
9. Cash (utilised)/generated by operations	(408 960)	8 652 133
Net operating surplus before interest and transfers	1 041 497	3 930 873
Adjustments to appropriation accounts	(2 057 940)	(3 665 692)
(Increase) / Decrease in trade and other payables	(277 660)	4 483 160
Increase / (Decrease) in inventories	32 574	68 897
Increase /(Decrease) in trade and other receivables	852 569	3 834 895

