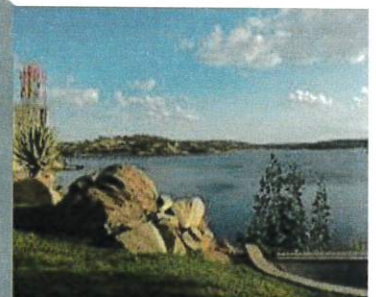




REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF REHOBOTH
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

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 Rehoboth for the financial year ended 30 June 2016, 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.

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, October 2021

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE REHOBOTH TOWN COUNCIL
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

1. DISCLAIMER OF AUDIT OPINION

I have audited the financial statements of the Town Council of Rehoboth for the financial year ended 30 June 2016. These financial statements comprise the statement of financial position and statement of profit or loss and other comprehensive income for the year then ended.

In my opinion, because of the significance of the matters described in the Basis for Disclaimer of Audit Opinion paragraph I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statement.

2. BASIS FOR DISCLAIMER 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 insufficient and inappropriate to provide a basis for my opinion.

Disclaimer audit opinion is being expressed due to the following:

- The Town Council did not use a recognized acceptable accounting framework when compiling its financial statements and treatment of some accounting transactions does not comply with the Generally Accepted Accounting Practice (GAAP), for example depreciation is not reflected on the income statement;
- No statement of cash flows was presented in the submitted financial statements;
- The auditors draw attention to the financial statements, which indicates that the Town Council incurred a net loss of (N\$ 13 204 830) for the year ended 30 June 2016. The Town Council's current liabilities exceeded its current assets by N\$ 40 774 182. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Town Council ability to continue as a going concern;
- The levies payable to the Electricity Control Board balance of N\$ 2 188 497 and income amounting to N\$ 24 051 607 were reported under expenses. As a result, the reported liabilities are understated by N\$ 2 188 497, expenses are understated by N\$ 26 240 104 and income is understated by N\$ 24 051 607;
- Unexplained difference amounting to N\$ 20 857 737 was found between the general ledger and fixed assets register;
- Unexplained and unsupported adjustments posted to the appropriation account and Build Together Fund amounting to N\$ 11 141 583 and N\$ 11 141 633 respectively;
- Infrastructure development expenditure incurred during the year amounting to N\$ 10 749 845 not included in the fixed assets register and financial statements of the Town Council;
- Based on the sample tested, the outstanding cheques amounting to N\$ 6 826 866 reflected on the bank reconciliations was not provided;

- Based on the sample tested invoices for recorded expenditure amounting to N\$ 5 777 878 could not be verified due to non-supporting documents;
- An unexplained difference on payroll amounting to N\$ 4 694 602 was observed between the annual financial statements and the payroll earnings reports;
- Depreciation amounting to N\$ 4 123 327 per the fixed assets register is not reflected in the financial statements;
- Bulk electricity purchases is understated by N\$ 4 038 140;
- The VAT reconciliation for the VAT payable of N\$ 2 453 737 was not provided;
- Bulk water purchases is understated by N\$ 2 407 032;
- Unexplained difference of N\$ 1 715 729 between the balance per the cash book and the financial statements; and
- The VAT returns for the periods 2015/08 and 2015/10 were not provided during the period of audit.

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

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 my 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 acceptable standards 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 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 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, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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.

- 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.

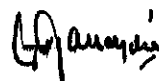
I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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



WINDHOEK, October 2021

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**THE REHOBOTH TOWN COUNCIL
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE**

	Note	2016 N\$	2015 N\$
ASSETS			
Non-current assets			
Property, plant and equipment		112 512 421	112 043 796
Investments	2	5 641 770	6 295 069
Long term loan receivable	3	18 835 786	17 601 331
Current assets			
Trade and other receivables	4	70 782 575	45 201 839
Temporary advances		21 682 795	21 963 673
Inventories		593 148	593 148
Cash and Cash equivalent		6 694 332	-
TOTAL ASSETS		236 742 827	203 698 856
EQUITY AND LIABILITIES			
Funds and Reserve			
Capital outlay		112 043 796	112 043 796
Funds and accounts	5	(15 828 001)	19 730 253
Current liabilities			
Trade and other payables	6	140 527 032	68 193 629
Bank overdraft		-	3 731 178
TOTAL EQUITY AND LIABILITIES		236 742 827	203 698 856

**THE REHOBOTH TOWN COUNCIL
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE**

	Note	<u>2016</u>	<u>2015</u>
		N\$	N\$
Income		72 938 745	83 744 154
Expenditure		<u>(86 143 575)</u>	<u>(93 946 454)</u>
Operating deficit for the year		(13 204 830)	(10 202 300)
Interest on investments		-	100 904
Net deficit for the year		<u>(13 204 830)</u>	<u>(10 101 396)</u>

**THE REHOBOTH TOWN COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2016**

1 ACCOUNTING POLICIES

1.1 Introduction

The annual financial statements are compiled in accordance with the historical cost convention modified by the restatement of financial assets to fair value, except where otherwise stated.

The principal accounting policies of the Town Council, which are set out below, have been consistently applied. The financial statements have been prepared in accordance with the requirements of the Local Authorities Act, 1992 (Act 23 of 1992), as amended.

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. Property, plant and equipment are depreciated over their estimated useful lives as determined by the Council. Property, plant and equipment acquired with loan funds are not depreciated until the loan is repaid, unless the expected lifetime of the asset is less than the repayment period of the loan, in which case depreciation is calculated on the shortfall.

1.3 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at fair value. For the purpose of the cash flow statement, cash and cash equivalents comprises of cash in hand and deposits held at commercial banks.

1.4 Funds

The following Funds were maintained by the Town Council in terms of Sections 58(1) and 80(4) of the Local Authorities Act (Act 23 of 1992).

1.4.1 Build Together Fund

The purpose of this Fund is to provide for housing loans. Income for the Fund is derived from interest earned on investments and outstanding Build Together loans as well as government subsidies.

1.4.2 Capital Development Fund

The purpose of this Fund is to finance capital projects.

THE REHOBOTH TOWN COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE
(continued)

	2016	2015
	N\$	N\$
2. INVESTMENTS	5 641 770	6 295 069
Sewerage Fund	105 327	105 327
Revenue Fund	5 536 443	6 189 742
3. LONG-TERM LOANS RECEIVABLE	18 835 786	17 601 331
Old Housing Fund	6 521 707	4 783 048
Build together advances to buyers	12 314 079	12 818 283
4. TRADE AND OTHER RECEIVABLES	70 782 575	45 026 661
Consumer	98 568 015	93 685 689
Suspense accounts	23 472 000	2 598 412
Provision for bad debts	(51 257 440)	(51 257 440)
5. FUNDS, ACCOUNTS AND RESERVES	(15 828 001)	19 730 253
Old Housing Fund	3 907 866	3 906 141
Sewerage Fund	22 069 000	22 069 000
Build together Fund	1 725 426	12 818 283
Revenue account kept in compliance with section 86(1) of local authorities act, 1992.	(43 530 293)	(19 063 171)
6. TRADE AND OTHER RECEIVABLE	140 527 032	68 194 629
Trade payables	50 888 257	46 496 403
Sundry creditors	69 082 672	946 700
Other payables	(686 972)	-
Provisions	2 449 498	2 449 498
Service loans	13 833 078	13 833 078
Consumer deposit	2 506 763	2 129 137
VAT	2 453 736	2 339 813