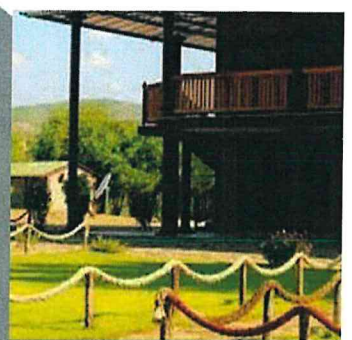
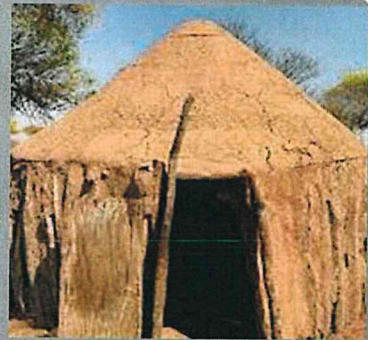
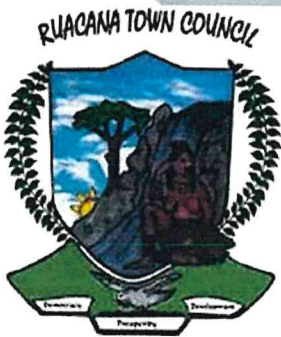




REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF RUACANA

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Published by authority

Price (Vat excluded) N\$ 23.00

Report no: 93/2020

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 Ruacana 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.

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

WINDHOEK, December 2020

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. QUALIFIED AUDIT OPINION

I have audited the financial statements of the Town Council of Ruacana for the financial year ended 30 June 2017. These financial statements comprise the statement of financial position, statement of comprehensive income, statement of cash flows and notes to the annual financial statements.

In my opinion, except for the effects of the matter described in the basis for Qualified Audit Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Town Council of Ruacana as at 30 June 2017 and its financial performance and their cash flow for the year then ended.

2. BASIS FOR QUALIFIED 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 in Namibia, 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 Ruacana Town Council have not appropriately accounted and disclosed equity investment in their financial statements.

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 we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our 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 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 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, 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.

- 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 audit 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 audit 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.

WINDHOEK, December 2020



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**TOWN COUNCIL OF RUACANA
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE**

ANNEXURE A

		2017	2016
	Note	N\$	Restated N\$
Assets			
Non-current assets			
Property, plant and equipment	2	42 620 533	39 294 631
Investments	3	2 474 129	3 882 474
		6 836 333	7 538 481
Current assets			
Trade and other receivables	4	6 467 535	7 360 920
Inventories		240 955	173 504
Cash and cash equivalents	5	127 843	4 057
		51 930 995	50 715 586
Equity and liabilities			
Equity			
Capital outlay	6	42 620 533	39 294 631
Fund and accounts	7	6 373 115	6 084 077
Retained earnings	7	(2 058 351)	514 533
		4 995 698	4 822 345
Current liabilities			
Trade and other payables	8	4 995 698	3 430 526
Bank overdraft	5	-	1 391 819
		51 930 995	50 715 586

TOWN COUNCIL OF RUACANA

ANNEXURE B

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

	2017	2016
		Restated
Note	N\$	N\$
Revenue	26 112 184	32 861 103
Operating expenses	(27 320 283)	(29 315 179)
Operating surplus / (deficit) for the year	(1 208 099)	3 545 924
Investments income	135 905	119 666
Net surplus / (deficit) for the year	(1 072 194)	3 665 590
Less: Appropriation and adjustments	9 (1 500 690)	(1 045 264)
Surplus / (deficit) for the year	(2 572 884)	2 620 326
Retained earnings at the beginning of the year	514 533	(2 105 793)
Retained earnings at the end of the year	(2 058 351)	514 533

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

ANNEXURE C

		2017	2016
	Note	N\$	Restated N\$
Cash flows from operating activities			
Cash receipts from customers		26 278 265	30 980 782
Cash paid to suppliers		(18 510 861)	(21 590 563)
Cash paid on behalf of employees		(7 465 195)	(6 943 306)
Other cash (payments) / receipts		(619 892)	226 803
Cash utilised by operations	10	(317 683)	2 673 716
Investments income		135 905	119 666
Movement in funds		3 614 940	4 552 335
Capital outlay		3 325 902	4 260 939
Fund accounts		289 038	291 396
Net cash flows from operating activities		3 433 162	7 345 717
Cash flows from investing activities			
(Increase) in capital expenditure		(3 325 902)	(4 260 939)
Decrease / (increase) decrease in investments		1 408 345	(3 094 732)
Net decrease in cash and cash equivalents		1 515 605	(9 954)
Cash and cash equivalents at the beginning of the year		(1 387 762)	(1 377 808)
Cash and cash equivalents at the end of the year	5	127 843	(1 387 762)

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

1. ACCOUNTING POLICIES

1.1. Introduction

The annual financial statements set out in Annexures A to D are prepared on the historical cost basis and incorporate the following principal accounting policies which are consistent with those applied in the prior year.

1.2. Property, plant and equipment

Property, plant and equipment acquired are stated at cost or at valuation where assets have been acquired by grants or by donations, less depreciation written off over the expected useful lives as determined by the Council from time to time. 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. Fund accounts

The following Fund was maintained by the Council in terms of Sections 58(1) and 80(4) of the Local Authorities Act (Act 23 of 1992):

Build Together Fund

The purpose of the Build Together Fund is to provide for housing loans to the low-income inhabitants. Income for this Fund is derived from government grants, interest earned on secured housing loans and investments.

	2017	2016
	N\$	Restated
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Financed by:	42 620 533	39 294 631
Revenue Fund	41 805 333	38 377 531
General Capital Fund	815 200	917 100

TOWN COUNCIL OF RUACANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

	2017	2016
	N\$	Restated N\$
3. INVESTMENTS	2 474 129	3 882 474
Fixed deposits and money	2 474 129	3 882 474
4. TRADE AND OTHER RECEIVABLES	6 467 535	7 360 920
Consumer debtors	6 466 538	6 655 567
Value Added Taxation	816 426	1 380 333
Temporary advances (Build Together)	-	785 000
Build Together Advances	3 770 424	3 266 603
Less:		
Provision for doubtful debts	(4 585 853)	(4 726 583)
5. CASH AND CASH EQUIVALENTS	127 843	(1 387 762)
Cash balances	4 057	4 057
Bank balance	123 786	-
Bank overdraft	-	(1 391 819)
6. CAPITAL OUTLAY		
Financing of capital	42 620 533	39 294 631
Contributions ex Revenue	41 805 333	38 377 531
Contributions ex GRN	815 200	917 100
7. FUND ACCOUNTS	4 314 764	6 598 610
Build Together Fund	6 373 115	6 084 077
Revenue kept in compliance with Section 86(1) of the Local Authorities Act	(2 058 351)	514 533
8. TRADE AND OTHER PAYABLES	4 995 698	3 430 526
Trade payables	2 218 772	405 112
Leave provisions	707 477	486 530
Accrual for Regional Council levy	131 028	62 001
Deposits for sale of erven and consumer deposits	1 938 421	2 476 883

TOWN COUNCIL OF RUACANA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

	2017	2016
	N\$	Restated N\$
9. ADJUSTMENTS AND APPROPRIATIONS	(1 500 690)	(1 045 264)
Adjustment: provision for bad debts	140 730	(953 867)
Adjustment in leave pay provision	(85 121)	135 825
VAT refund received (correction)	(1 465 134)	-
Prior year bulk water purchases	-	6 156
Other	(91 165)	(233 378)
10. CASH UTILISED BY OPERATIONS	(317 683)	2 673 716
Net operating (deficit) / surplus before transfers	(1 072 194)	3 665 590
Adjustments to appropriation account	(1 500 690)	(1 045 264)
Deduct investment income	(135 905)	(119 666)
Operating (deficit)/surplus before changes in working capital	(2 708 789)	2 500 660
Changes in working capital	2 391 106	173 056
(Decrease) in trade and other payables	893 384	518 649
(Increase)/decrease in inventories	(67 451)	353 639
Decrease/(Increase) in trade and other receivables	1 565 173	(699 232)
11. PRIOR YEAR ERRORS		
A misstatement relating to build together loans amounting to N\$ 688 264 was corrected in the 2016 financial year and due to its significance, it affected the financial statements as follows:		
Statement of financial position		
Funds and accounts		-
Build together loans		688 264
		(688 264)

