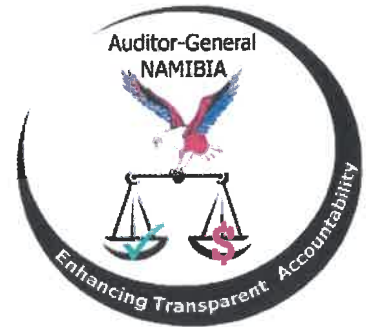




**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
TOWN COUNCIL OF RUNDU  
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2016 AND 2017**

Published by authority

Price (Vat excluded) N\$ 25.20  
Report no: 72/2019



**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 Rundu for the financial years ended 30 June 2016 and 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, June 2019**

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  
RUNDU TOWN COUNCIL  
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2016 AND 2017**

---

## **1. ADVERSE AUDIT OPINION**

I have audited the financial statements of the Rundu Town Council for the financial years ended 30 June 2016 and 2017. These financial statements comprise the Balance Sheet, Income Statement, Cash flow Statement, 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 the Rundu Town Council as at 30 June 2016 and 2017 and its financial performance and cash flows for the years then ended in accordance with the Generally Accepted Accounting Principles.

## **2. BASIS FOR ADVERSE 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 audit opinion. An adverse audit opinion is being expressed due to the following:

### **2016/2017 financial year**

- Financial reporting framework used not applicable to the public interest entities (PIEs);
- Non-submission of trade and other payables supporting documents amounting to N\$ 3 288 911;
- Non-submission of supporting documents for VAT provisions amounting to N\$ 46 325 802;
- Non-submission of expenditure vouchers amounting to N\$ 3 682 503;
- Non-submission of provision for leave pay policy, thus unable to confirm the provisions amounting to N\$ 7 087 494;
- Non-submission of supporting evidence for surcharges royalties received from NORED valued at N\$ 1 596 575;
- Understatement of payroll expenditure with N\$ 1 715 272;
- Understatement of government subsidy with N\$ 2 444 597;
- Understatement of revenue by charging the incorrect/old tariffs on municipal services compared to gazetted tariffs;
- Understatement of revenue by charging interest on arrears less than 20% on outstanding balances;
- Unexplained difference on the bank reconciliation amounting to N\$ 45 441 985;
- Water cards not updated during the year under review;
- Non-disclosure of the bank account named Rundu Urban Comm;
- Subsistence & travelling advances claims not signed by all relevant parties and claim forms not submitted after the trips are undertaken; and

- Fixed assets not marked with unique identification numbers.

### **2015/2016 financial year**

- Unexplained difference on the bank reconciliation amounting to N\$ 42 059 852;
- Understatement of the VAT payable by N\$ 32 684 824;
- Understatement of creditors by N\$ 5 092 672;
- Understatement of the property, plant and equipment by N\$ 9 043 935;
- Understatement of rates and taxes revenue through use of outdated valuation roll and omitted billings;
- Differences between the physical quantities of inventories per initial count sheets and final sheets;
- Lack of breakdown and supporting documents for sundry creditors amounting to N\$ 2 872 173;
- Lack of breakdown and supporting documents of sundry debtors amounting to N\$ 1 852 870;
- Overstatement of electricity surcharges revenue by N\$ 938 218;
- Lack of supporting evidence or reconciliation of the leave days used in the calculation of the leave pay provision as at 30 June 2016;
- Unexplained difference amounting to N\$ 29 712 102 on outstanding debtors;
- Incorrect and incomplete customer billings for rates & taxes, water sales, sewage and refuse collection revenue streams;
- Lack of supporting invoices for expenses amounting to N\$ 53 319 422;
- Understatement of government contribution revenue by N\$ 5 021 688; and
- Lack of supporting documents for land sales, sundry income and (RFA) Road Fund Administration contribution income amounting to N\$ 13 750 153.

### **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 or 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 Generally Accepted Accounting Practices 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 are free from material misstatement, whether due to fraud or error, and to issue my 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;

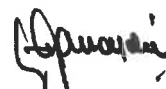
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting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

The accounts were submitted later than required by the Accounting Officer to the Auditor-General on the 17 January 2018 for (2016) and 17 October 2018 for (2017) in terms of Section 87(1) of the Local Authorities Act, 1992 instead of three (3) months after year end.



**WINDHOEK, June 2019**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



**RUNDU TOWN COUNCIL  
BALANCE SHEET AS AT 30 JUNE**

	Note	2017 N\$	2016 N\$	2015 N\$
<b>ASSETS</b>				
<b>NON CURRENT ASSETS</b>				
Property plant and equipment	2	71 611 588	70 355 024	61 644 681
Investments	3	1 005 353	3 802 933	5 060 303
<b>CURRENT ASSETS</b>				
Trade and other receivables	4	44 882 131	31 118 789	41 175 358
Bank and cash		46 187 297	29 447 492	35 194 897
Inventories		3 395 584	2 351 597	(142 653)
<b>TOTAL ASSETS</b>		<b>167 081 953</b>	<b>137 075 835</b>	<b>142 932 586</b>
<b>FUNDS AND LIABILITIES</b>				
<b>FUNDS AND RESERVES</b>				
Capital outlay	5	71 611 588	70 355 024	61 644 681
Funds and accounts	6	(21 140 018)	8 498 677	49 749 612
<b>CURRENT LIABILITIES</b>				
Trade and other payables	7	116 610 383	58 222 134	31 538 293
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>167 081 953</b>	<b>137 075 835</b>	<b>142 932 586</b>

**RUNDU TOWN COUNCIL  
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
	N\$	N\$	N\$
Income	138 113 866	127 285 429	140 987 109
Expenditure	(96 999 596)	(118 146 782)	(96 568 698)
Net Operating Profit	41 114 270	9 138 647	44 418 411
Investment Income	58 142	97 449	625 272
<b>Net Profit for the Year</b>	<b>41 172 412</b>	<b>9 236 096</b>	<b>45 043 683</b>

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

	Note	2017 N\$	2016 N\$	2015 N\$
<b>Cash flows from operating activities</b>				
Cash (utilised)/generated by operations	9	13 763 657	(7 230 773)	2 705 746
Investment income		58 142	97 449	625 272
Increase in Fund accounts		120 426	128 549	136 552
Increase in Capital outlay		1 256 564	8 710 343	14 870 850
<b>Net cash flow from operating activities</b>		<b>15 198 789</b>	<b>1 705 568</b>	<b>18 338 420</b>
<b>Cash flows from investing activities</b>				
Net capital expenditure		(1 256 564)	(8 710 343)	(14 870 850)
Decrease in investments		2 797 580	1 257 370	13 727 014
<b>Net cash flow from investing activities</b>		<b>1 541 016</b>	<b>(7 452 973)</b>	<b>(1 143 836)</b>
<b>Net increase in cash and cash equivalents</b>		<b>16 739 805</b>	<b>(5 747 405)</b>	<b>17 194 584</b>
Cash and cash equivalents – beginning of the year		29 447 492	35 194 897	18 000 313
<b>Cash and cash equivalents – end of the year</b>		<b>46 187 297</b>	<b>29 447 492</b>	<b>35 194 897</b>

**RUNDU TOWN COUNCIL  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30  
JUNE 2016 AND 2017**

---

## **1. ACCOUNTING POLICIES**

### **1.1 Introduction**

The annual financial statements set out in Annexures A to D were prepared on the historical cost basis and incorporate the following principles accounting policies which are consistent in all material aspects with those applied in the previous year. The financial statements have been prepared using Generally Accepted Accounting practices for Local Authorities in Namibia.

### **1.2 Property plant and equipment**

Property, plant and equipment with loan funds are stated at cost and no depreciation is provided there on until the loan is fully redeemed. All other items of property, plant and equipment are stated at cost or valuation, and except fixed property, the cost or valuation of these items of property, plant and equipment is depreciated on the reducing-balance basis over their expected useful lives.

### **1.3 Fixed Assets and depreciation**

Fixed assets are stated at cost or a valuation where assets have been acquired by grant or donation, less depreciation written off over useful lives as determined by Council from time to time. Fixed assets acquired with loan funds are not depreciated until the loan is repaid, unless the expected lifetime of the asset is less than the repayment of the loan in which case depreciation is calculated on the shortfall.

### **1.4 Funds Accounts**

The following funds were maintained;

#### **Capital Development Fund**

The purpose of this fund is to make provision for future capital development of the Council.

Income is also derived from interest on investments and sale of erven.

#### **Housing Fund –Build Together**

The purpose of this fund is to provide for housing loans.

Income is derived from interest earned on secure housing loans and investments.

**ANNEXURE D**

**RUNDU TOWN COUNCIL  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (Continued)**

	2017	2016	2015
	N\$	N\$	N\$
<b>2 PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>71 611 588</b>	<b>70 355 024</b>	<b>61 644 681</b>
Income assets	67 506 615	64 580 744	54 201 095
General capital assets	4 104 973	5 774 280	7 443 586
<b>3 INVESTMENTS</b>	<b>1 005 353</b>	<b>3 802 933</b>	<b>5 060 303</b>
Capital Development fund	954 843	48 915	47 083
Build Together Fund	50 510	3 754 018	5 013 220
<b>4 TRADE AND OTHER RECEIVABLES</b>	<b>44 882 131</b>	<b>31 118 789</b>	<b>41 175 358</b>
Consumer Debtors	270 915 093	213 132 641	169 592 513
Other receivables	-	-	3 023 307
Suspense accounts	1 825 306	1 853 726	63 822
Build Together loans	1 340 028	1 487 554	1 619 706
Provision for bad debts	(229 198 296)	(185 355 132)	(133 123 990)
<b>5 CAPITAL OUTLAY</b>	<b>71 611 588</b>	<b>70 355 024</b>	<b>61 644 681</b>
Revenue contributions	67 506 615	64 580 744	54 201 095
General Capital contributions	4 104 973	5 774 280	7 443 586
<b>6 FUNDS, ACCOUNTS AND FUNDS</b>	<b>(21 140 018)</b>	<b>8 498 677</b>	<b>49 749 612</b>
Capital Development Fund	36 089 056	36 089 056	36 089 056
Build Together Fund	7 866 059	7 745 634	7 617 085
Revenue account	(65 095 133)	(35 336 013)	6 043 471

**RUNDU TOWN COUNCIL**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30**  
**JUNE (Continued)**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
	N\$	N\$	N\$
<b>7 TRADE AND OTHER PAYABLES</b>	<b>116 610 383</b>	<b>58 222 134</b>	<b>31 538 293</b>
Trade payables	1 161 807	-	383 254
Provisions for leave pay	7 087 494	6 445 022	6 268 107
Consumer deposits	12 480	12 480	12 480
Provision for VAT	46 325 802	-	-
Sundry creditors	2 114 625	51 764 632	24 874 452
Namwater	59 908 175	-	-
<b>8 ADJUSTMENT TO APPROPRIATION</b>	<b>(70 931 533)</b>	<b>(50 615 580)</b>	<b>(23 158 216)</b>
Audit Adjustments	486	-	-
Stores correction	2 122 686	-	(181 160)
Prior year adjustment	15 996 373	1 799 254	633
Provision for bad debt	(44 485 637)	(52 408 058)	(22 820 049)
VAT assessment	(42 256 940)	-	-
Expenditure	(2 308 501)	(6 776)	(157 640)
<b>9 CASH GENERATED BY OPERATIONS</b>	<b>13 763 657</b>	<b>(7 230 773)</b>	<b>2 705 746</b>
Net operating surplus before interest and transfers	41 172 412	9 236 096	45 043 683
Adjustment to appropriation account	(70 931 533)	(50 615 580)	(23 158 216)
Investment income	(58 142)	(97 449)	(625 272)
Decrease/(Increase) in trade and other receivables	(13 763 342)	10 056 569	(29 248 447)
Decrease/(Increase) in inventories	(1 043 987)	(2 494 250)	169 543
(Decrease)/Increase in trade and other payables	58 388 249	26 683 841	10 524 455