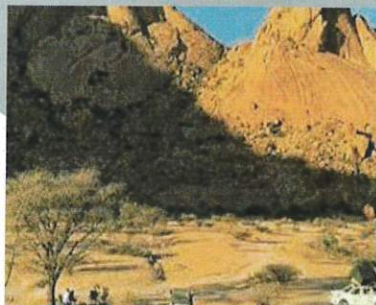




REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF USAKOS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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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 Usakos Town Council for the financial year ended 30 June 2019, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister 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, August 2022

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**REPORT OF THE AUDITOR - GENERAL ON THE ACCOUNTS OF THE
USAKOS TOWN COUNCIL
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Town Council of Usakos for the financial year ended 30 June 2019. These financial statements comprise the statement of financial position, statement of financial performance, statement of cash flow and notes to the annual financial statements for the year then ended.

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 Usakos Town Council as at 30 June 2019, its financial performance and cash flows for the year then ended.

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

2.1 VALUE ADDED TAX

Value added tax payables balance in the financial statements amounting to N\$ 1 470 877 does not agree to the recomputed balance based on returns submitted to the receiver of revenue amounting to N\$ 959 195 resulting in a difference of N\$ 511 682. It was also noted that returns for periods 03, 05 and 07 for 2019 were not submitted to the receiver of revenue and the submitted returns were submitted late. Furthermore, the reasonability test for income and expenditure were misstated by N\$ 262 697 and N\$ 153 767 respectively, which could be attributed to the unavailability of the 3 returns not submitted to the receiver of revenue.

2.2 TRADE DEBTORS

Included in the debtors age analysis are amounts for N\$ 204 977 and N\$ 10 500 towards unknown debtors which are made up of direct deposits which are not being cleared regularly.

2.3 FINANCIAL REPORTING FRAMEWORK

The Council does not have an acceptable financial reporting framework in place. Furthermore, the Council's accounting policies were not included in the financial statements provided.

2.4 PAYROLL

Supporting documents for overtime sheets amounting to N\$ 146 135 do not agree to the financial statements balance of N\$ 401 191 resulting in an unexplained difference of N\$ 255 056. Also noted is that Pay as You Earn returns for July to October 2018 and January to February 2019 were submitted late to the Receiver of Revenue.

2.5 LOANS RECEIVABLE

The build together loan balance in the financial statements amounting to N\$ 4 590 881 does not agree to the listing balance amounting to N\$ 2 508 746 resulting in a difference of N\$ 2 082 135. The difference is as a result of some of the loan debtors not captured on Finstel and disputes on some of the accounts with the borrowers.

2.6 EXPENDITURE

Supporting documents for expenditure amounting to N\$ 1 283 347 were not provided for dairy purposes. Additionally, supporting documents for bulk purchases amounting to N\$ 715 875 do not agree to the ledger balance amounting to N\$ 890 363 resulting in an unexplained difference of N\$ 174 488.

2.7 REVENUE

The recomputed prepaid water sales based on the total units sold and the average price per tariff schedule amounting to N\$ 961 101 does not agree to the general ledger balance amounting to N\$ 550 623, resulting in an unexplained difference of N\$ 410 478.

2.8 GOVERNMENT SUBSIDY

The Council's minutes dated 26 February 2019 noted that, N\$ 3 918 748 was received from the Ministry of Urban and Rural Development which differs to the amount recorded on the financial statements amounting to N\$ 3 608 360 resulting in an unexplained difference of N\$ 310 388.

2.9 INVENTORY

The Town Council at any given time hold some inventories. No valuation and inventory count were performed at year end and as a result there was no inventory recorded in the financial statements.

2.10 STATEMENT OF CASH FLOW

The Council reported items of equity (non-cash items) under cash flow from financing activities which does not fall under the classes of the statement of cash flow.

2.11 GOING CONCERN

The audit noted that a material uncertainty exist that may cast significant doubt on the Council's ability to continue as a going concern due to continuous operating deficits of N\$ 71 958 (2018: N\$ 1 002 554) and current liabilities exceeding current assets with N\$ 9 953 799 (2018: N\$ 10 071 391) being reported.

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 do not have anything to report on this matter.

4. OTHER INFORMATION

Management is responsible for the other information. The auditor's opinion on the financial statements does not cover the other information and, accordingly, the auditor does 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.

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 deems 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.
- 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.

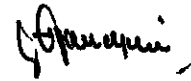
7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements for the financial year ended 30 June 2019 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 87 of the Local Authorities Act, 1992 (Act No. 23 of 1992).

8. ACKNOWLEDGEMENT

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

WINDHOEK, August 2022



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

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

| | Note | 2019 N\$ | 2018 N\$ |
|------------------------------------|------|-------------------|-------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant, and equipment | 2 | 56 169 132 | 58 132 900 |
| Investments | 3 | 2 773 052 | 3 489 113 |
| Loans receivable | | 4 590 881 | 4 857 039 |
| Current assets | | | |
| Trade and other receivables | 4 | 2 605 143 | 2 424 754 |
| Cash and cash equivalents | | 183 | 421 |
| Total assets | | 66 138 391 | 68 904 227 |
| Funds and liabilities | | | |
| Funds and reserves | | | |
| Capital outlay | 5 | 55 791 632 | 57 655 070 |
| Funds and accounts | 6 | (2 589 866) | (1 727 226) |
| Non-current liabilities | | | |
| Long-term loans | 7 | 377 500 | 479 817 |
| Current liabilities | | | |
| Trade and other payables | 8 | 10 965 802 | 10 688 380 |
| Bank overdraft | | 1 593 323 | 1 808 186 |
| Total funds and liabilities | | 66 138 391 | 68 904 227 |

ANNEXURE B

USAKOS TOWN COUNCIL
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE

| | 2019 | 2018 |
|--|-------------------|--------------------|
| Note | N\$ | N\$ |
| Income | 16 440 833 | 11 841 241 |
| Expenditure | (16 512 791) | (12 843 795) |
| Net operating surplus/(deficit) | (71 958) | (1 002 554) |
| Interest on investments | 249 | 192 |
| Surplus/(deficit) for the year | (71 709) | (1 002 362) |

**USAKOS TOWN COUNCIL
STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE**

| | Note | 2019 N\$ | 2018 N\$ |
|---|------|--------------------|--------------------|
| Cash flow from operating activities | | | |
| Cash receipts from customers | | 16 440 833 | 11 841 241 |
| Cash paid to suppliers and employees | | (17 681 610) | (14 279 402) |
| Cash generated/(utilised) from operations | 10 | (1 240 777) | (2 438 161) |
| Interest on investments | | 249 | 192 |
| Net cash flow from operating activities | | (1 240 528) | 2 437 969 |
| Cash flow from financing activities | | | |
| (Decrease) / increase in capital outlay | | (1 388 517) | 6 072 045 |
| Increase in funds | | (1 863 438) | 1 772 297 |
| | | 474 921 | 4 299 748 |
| Cash flow from investing activities | | | |
| Decrease / (increase) in capital expenditure | | 2 945 987 | (4 311 886) |
| Decrease/(increase) in loans receivable | | 1 963 768 | (4 208 742) |
| Decrease / (increase) in investments | | 266 158 | - |
| | | 716 061 | (103 144) |
| Cash flow from financing activities | | | |
| (Decrease)/increase in long term loans | | (102 317) | (95 039) |
| | | (102 317) | (95 039) |
| Net increase/(decrease) in cash and cash equivalents | | 214 625 | (772 849) |
| Cash and cash equivalents at the beginning of the year | | (1 807 765) | (1 034 916) |
| Cash and cash equivalents at the end of the year | | (1 593 140) | (1 807 765) |

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

1. ACCOUNTING POLICIES

1.1 Basis of presentation

The financial statements have been prepared in accordance with State Finance Act.

1.2 Property plant and equipment

All items of property, plant and equipment are stated at cost or valuation, the cost or valuation of these items of property plant and equipment is depreciated on the straight basis over their expected useful lives.

No assets have been revalued at year end.

1.3 Fund accounts

- **Build together funds.**

The purpose of the fund is to provide for housing loans. Income from the fund is derived from a grant from MURD and interest earned on secure housing loans and investments.

- **Capital reserve fund**

The purpose of this fund is to build up a general reserve to ensure that the Town Council financial position is stable.

- **Salary reserve fund**

The purpose of their fund is to accumulate funds as a reserve for leave and severance payments.

1.4 Interest

Interest earned on Build Together account is allocated to the Build Together Fund. All other interest has been allocated in the operation income vote.

1.5 Consumer deposits

Consumer deposits are held as security in the event of default by an account holder.

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

| | 2019 | 2018 |
|---|--------------------|--------------------|
| | N\$ | N\$ |
| 2. Property, plant and equipment | 56 169 132 | 58 132 900 |
| Contribution from income | 48 068 162 | 49 986 584 |
| General capital | 6 711 064 | 6 756 410 |
| Loans redeemed | 1 389 906 | 912 076 |
| External loans | - | 477 830 |
| 3. Investments | 2 773 052 | 3 489 113 |
| Erongo red | 2 460 227 | 2 260 227 |
| Housing fund | 283 818 | 351 551 |
| Capital development fund | 29 007 | 677 335 |
| 4. Trade and other receivables | 2 605 143 | 2 424 754 |
| Consumers | 13 667 019 | 11 936 297 |
| Provision for bad debts | (11 518 442) | (9 971 832) |
| Sundry receivables | 456 566 | 460 289 |
| 5. Capital outlay | 55 791 632 | 57 655 070 |
| Revenue contribution | 48 068 162 | 49 986 584 |
| General capital contribution | 6 711 064 | 6 756 410 |
| Loans redeemed | 1 012 406 | 912 076 |
| 6. Fund accounts and reserves | (2 589 866) | (1 727 226) |
| Capital reserve fund | 8 431 850 | 8 434 833 |
| Fixed property fund | 3 782 735 | 3 649 825 |
| Renewal fund | 364 597 | 364 597 |
| Housing fund | 7 072 061 | 6 727 067 |
| Revenue account kept in compliance with Section 86(1) of the Local Authorities Act of 1992. | (22 241 109) | (20 903 548) |
| 7. Long term liabilities | 377 500 | 479 817 |
| External loans – Government | 377 500 | 477 829 |
| Housing fund loans | - | 1 988 |

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

| | 2019 | 2018 |
|--|--------------------|--------------------|
| | N\$ | N\$ |
| 8. Trade and other payables | 10 965 802 | 10 688 380 |
| Trade payables | 1 811 402 | 2 013 118 |
| Consumer deposits | 1 044 808 | 1 047 672 |
| Government loan instalments in arrears | 3 104 242 | 3 092 295 |
| Regional Council | 2 043 754 | 1 961 717 |
| Provisions – bonus leave | 1 490 719 | 1 311 334 |
| Value added tax | 1 470 877 | 1 262 244 |
| 9. Adjustments to appropriation account | (1 265 852) | (1 662 860) |
| Prior year adjustments | (1 408 560) | (1 663 059) |
| Expenditure adjustments | 142 708 | - |
| Cash surplus for the year | - | 199 |
| 10. Cash utilised by operations | (1 240 777) | (2 438 161) |
| Net operating deficit before interest and transfers | (71 709) | (1 002 554) |
| Adjustments to the appropriation account | (1 265 852) | (1 662 860) |
| Interest received | (249) | - |
| Operating deficit before changes in working capital | (1 337 810) | (2 665 414) |
| Changes in working capital: | | |
| Change in trade and other receivables | (180 389) | (218 308) |
| Changes in trade and other payables | 277 422 | 445 561 |

