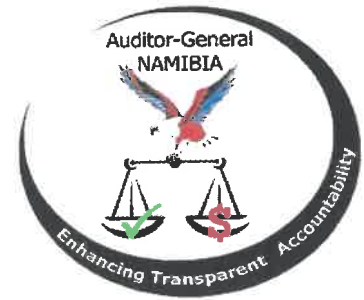




**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
TOWN COUNCIL OF ARANOS  
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2017 AND 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 Aranos for the financial years ended 30 June 2017 and 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.

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

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**WINDHOEK, June 2019**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS  
OF THE ARANOS TOWN COUNCIL  
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2017 AND 2018**

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**1. ADVERSE AUDIT OPINION**

I have audited the financial statements of the Aranos Town Council for the financial years ended 30 June 2017 and 2018. These financial statements comprise the Balance Sheet, Income Statement, Statement of Cash flow and Notes to the financial statements for the years then ended, and a summary of significant accounting policies.

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, the accompanying financial statements do not give a true and fair view of the financial position of the Aranos Town Council as at 30 June 2017 and 2018, and financial performance and cash flows for the years then ended.

**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 sufficient and appropriate to provide a basis for my opinion. An adverse audit opinion is being expressed due to the following:

- Unexplained opening balances in income statement;
- No financial reporting framework;
- Differences amounting to N\$ 520 490 (2017) and N\$ 1 804 874 (2018) for VAT receivable between the financial statements and the auditors calculated balances;
- Unexplained credit balances amounting to N\$ 604 618 (2017) and N\$ 851 397 (2018) reflecting on the debtors age analysis;
- Non submission of build together debtors ledger;
- Non-disclosed of NATIS debtors amounting to N\$ 71 351 (2017) and N\$ 126 612 (2018);
- Non-disclosed of SELCO royalties debtors amounting to N\$ 171 300 (2017);
- Unexplained adjustments on bank reconciliations amounting to N\$ 467 076 (2017) and N\$ 155 126 (2018);
- Understatement of income received from NATIS by N\$ 290 808;
- Obsolete and sold assets appearing on the fixed asset register;
- Fixed Assets could not be verified due to different coding between fixed asset register and the physical assets;
- Non submission of Minutes of meetings for 2016/2017;
- Assets amounting to N\$ 51 817 (2017) and N\$ 1 734 497 (2018) were expensed rather than capitalized;

- Decrease in Loans amounting to N\$ 71 767 (2017) and N\$ 56 190 (2018) without repayment;
- No submission of subsistence and travel claims amounting N\$ 39 483 (2017) and N\$ 50 127 (2018);
- Undisclosed account payable for Nampower amounting to N\$ 3 496 294 (2017); and
- Undisclosed account payable for Namwater amounting to N\$ 1 153 831 (2017).

### **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 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 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.

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.

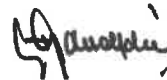
From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public 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 by the Accounting Officer to the Auditor-General on 31 October 2018 in terms of Section 87(1) of the Local Authorities Act, 1992 (Act No. 23 of 1992) instead of the three months as required by the Act.

## **ACKNOWLEDGEMENT**

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



**WINDHOEK, June 2019**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



**TOWN COUNCIL OF ARANOS  
BALANCE SHEET AS AT 30 JUNE**

		<b>2018</b>	<b>2017</b>	<b>2016</b>
	Note	N\$	N\$	N\$
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		64 992 344	37 136 804	42 133 119
Investments	2	59 927 908	35 383 058	33 692 334
		5 064 435	1 753 745	8 440 785
<b>Current assets</b>				
Trade and other receivables	3	7 141 757	9 342 545	8 212 118
Build Together Projects in progress		4 455 125	6 049 913	5 076 671
Cash balances	4	2 658 824	2 658 824	2 658 824
		27 808	633 808	476 623
<b>TOTAL ASSETS</b>		<b>72 134 101</b>	<b>46 479 349</b>	<b>50 345 237</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Capital outlay	5	58 914 997	42 170 418	44 818 848
Funds and accounts	6	59 470 446	34 869 406	33 106 915
		(555 449)	7 301 012	11 711 933
<b>Long-term liabilities</b>				
	7	457 462	513 653	585 419
<b>Current liabilities</b>				
Trade and other payables	8	12 761 641	3 795 278	4 940 971
		12 761 641	3 795 278	4 940 971
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>72 134 100</b>	<b>46 479 349</b>	<b>50 345 238</b>

**ANNEXURE B****TOWN COUNCIL OF ARANOS  
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE**

		<b>2018</b>	<b>2017</b>	<b>2016</b>
	Note	N\$	N\$	N\$
Income	10	31 605 176	19 704 567	23 785 641
Expenditure	9	(31 362 968)	(23 504 207)	(25 695 514)
Net operating profit / (loss)		242 208	(3 799 640)	(1 909 873)
Investment income		176 714	105 670	225 053
Net Surplus/(Deficit) after Investment Income		418 922	(3 693 970)	(1 684 820)
Adjustment/Appropriation Account		(8 373 509)*	(434 813)*	1 081 456*
Net Surplus/(Deficit) after Appropriations		(7 954 587)	(4 128 783)	(603 364)

\*Note: There is no note to explain the appropriation account.

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

**ANNEXURE C**

	Note	2018 N\$	2017 N\$	2016 N\$
<b>Cash flow/(outflow) from operating activities</b>				
Cash receipts from customers	10	31 605 175	19 704 565	23 785 640
Cash paid to suppliers		(29 062 945)	(25 914 420)	(21 265 484)
Cash generated by operations		2 542 230	(6 209 855)	2 520 156
Interest received		176 714	105 670	225 054
Increase/(Decrease) in fund accounts		98 126	(282 136)	(1 649 212)
Increase/(Decrease) in property, plant & equipment		24 544 850	1 690 724	6 469 843
<b>Net cash flow from operating activities</b>		<b>27 361 920</b>	<b>(4 695 597)</b>	<b>7 565 841</b>
<b>Cash flow from financing activities</b>				
Increase in capital outlay		(24 601 040)	(1 762 491)	(6 885 816)
Increase/(Decrease) in long term liabilities		(56 190)	(71 767)	(415 973)
Increase/(Decrease) in investments		(3 310 690)	6 687 039	(493 782)
<b>Net cash flow from financing activities</b>		<b>(27 967 920)</b>	<b>4 852 781</b>	<b>(7 795 571)</b>
Increase (decrease) in cash and cash equivalents		(606 000)	157 184	(229 730)
<b>Net movement in cash and cash equivalents</b>		<b>(606 000)</b>	<b>157 184</b>	<b>(229 730)</b>
<b>Cash and cash equivalents beginning of the year</b>		<b>633 808</b>	<b>476 624</b>	<b>706 353</b>
<b>Cash and cash equivalents end of the year</b>		<b>27 808</b>	<b>633 808</b>	<b>476 623</b>

**TOWN COUNCIL OF ARANOS  
NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE**

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**1. Accounting policies**

The annual financial statements have been prepared on the historical cost basis and incorporate the following accounting policies which are consistent with those applied in the previous year. The financial statements are prepared on a going-concern basis.

**1.1 Property, plant and equipment**

Property, plant and equipment are stated at cost or valuation where assets have been acquired by grant or by donation.

**1.2 Investments**

Investments are reflected at face value.

**1.3 Trade receivables**

Accounts receivable are recorded at originated cost less an allowance for bad debts.

**1.4 Cash and cash equivalents**

It consist of cash on hand and the current account with banks, all of which are available for immediate use by Council.

**1.5 Trade and other payables**

All financial liabilities are recorded at cost.

**1.6 Internal Funds**

Internal Funds were created as follows by Council:

**1.6.1 Fixed Property Fund**

Proceeds from the sale of land that have been developed by the Aranos Town Council, accumulates in this fund. Costs incurred on the development of land are charged to this fund.

**1.6.2 Housing Fund**

The purpose of this Fund is to provide for housing loans. Income to this fund is transferred from the general income account, external loans from Government and interest on investments and loans.

**TOWN COUNCIL OF ARANOS**

**NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE (Continued)**

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**1.6.3 Capital Reserve Fund**

This Fund was created to make provision for unforeseen expenditures as approved by the Council.

**1.6.4 Build Together Fund**

The purpose of the Fund is to enable the poorer part of the population to acquire affordable housing. Income is derived from Government contributions, redemption payments and interest.

## ANNEXURE D

## TOWN COUNCIL OF ARANOS

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE (Continued)

	2018	2017	2016
	N\$	N\$	N\$
<b>2. Investments</b>	<b>5 064 435</b>	<b>1 753 745</b>	<b>8 440 785</b>
Commercial banks	5 064 435	1 753 745	8 440 785
The investments were allocated as follows:	5 064 434	1 753 744	8 440 783
Housing Fund	301 296	-	204 645
Capital Reserve Fund	67 116	-	67 106
Fixed Property Fund	1 009 908	-	1 009 908
Social Housing Project	99 252	66 239	99 252
Staff Benefit Fund	956 713	1 089 216	1 563 647
Build Together Fund	1 014 416	598 289	1 079 061
Revenue	1 615 733	-	4 417 164
<b>3. Trade and other receivables</b>	<b>4 455 126</b>	<b>6 049 914</b>	<b>5 076 672</b>
Build Together Fund receivables	1 658 743	1 803 389	1 939 460
VAT claims	733 131	2 145 240	1 551 062
Services - Consumers	14 901 879	13 005 715	9 289 824
Other receivables SELCO/NATIS	-	2 500	629 797
Provision for Bad Debt	(12 838 627)	(10 906 930)	(8 333 471)
<b>4. Cash and bank</b>	<b>27 807</b>	<b>633 808</b>	<b>476 623</b>
Cash on hand	21	21	22
Bank account	27 786	633 787	476 601
<b>5. Capital outlay</b>	<b>59 470 446</b>	<b>34 869 406</b>	<b>33 106 915</b>
General capital contributions	21 772 610	746 933	1 110 806
Loans redeemed	910 772	854 582	782 815
Revenue contributions	36 787 064	33 267 891	31 213 294

## TOWN COUNCIL OF ARANOS

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE (Continued)

	2018	2017	2016
	N\$	N\$	N\$
<b>6. Funds and accounts</b>	<b>(555 450)</b>	<b>7 301 011</b>	<b>11 711 932</b>
Build Together Fund	7 142 886	6 953 716	6 816 623
Capital Reserve Fund	67 116	67 106	67 106
Fixed Property Fund	1 009 908	1 009 908	1 009 908
Housing Fund	301 296	259 847	204 645
Social Housing Project	99 252	99 252	99 252
Staff Benefits Fund	956 713	1 089 216	1 563 647
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(10 132 621)	(2 178 034)	1 950 751
<b>7. Long-term liabilities</b>	<b>457 462</b>	<b>513 653</b>	<b>585 419</b>
The Government of Namibia	457 462	513 653	585 419
<b>8. Trade and other payables</b>	<b>12 761 641</b>	<b>3 795 278</b>	<b>4 940 971</b>
Loan instalments in arrears	2 266 248	2 143 190	2 143 190
Trade payables	3 827 398	1 399 721	2 700 543
Consumer deposits	154 060	166 683	29 131
Namwater	1 210 714	-	-
Nampower	5 194 091	-	-
Regional Council	109 130	85 684	68 107

## ANNEXURE D

## TOWN COUNCIL OF ARANOS

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE (Continued)

	2018	2017	2016
	N\$	N\$	N\$
<b>9. Expenditure</b>	<b>31 362 967</b>	<b>23 504 208</b>	<b>25 695 514</b>
General administration	4 303 557	5 574 900	4 500 477
Council's general expenses	2 808 077	692 945	665 219
Workshop	1 547 802	1 994 608	1 328 997
Cemeteries	65 574	93 979	52 696
Fire Brigade	227 380	93 727	220 090
Licenses	111 659	105 259	110 693
Sewerage Farm	1 249 740	16	2 218 434
Sport grounds & parks	682 393	132 490	174 085
Streets, roads & stormwater	274 758	311 488	450 610
Public buildings	33 103	116 534	487 905
Townlands and pound	-	-	23 300
Housing	77 114	547 407	730 065
Natis	52 563	227 242	202 043
Assessment rates	1 006 946	211 439	34 967
Cleansing services	1 055 972	1 773 357	2 958 543
Sewerage	486 409	881 962	878 964
Electricity	12 093 805	8 568 040	6 765 076
Water	5 286 115	2 178 815	3 893 350



## TOWN COUNCIL OF ARANOS

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30 JUNE (Continued)

	2018	2017	2016
	N\$	N\$	N\$
<b>10. Income</b>	<b>31 605 176</b>	<b>19 704 567</b>	<b>23 785 641</b>
General administration	1 082 247	1 712 295	2 339 391
Council's general expenses	15 601	14 863	52 148
Workshop	-	49 349	25 000
Cemeteries	42 815	114 690	36 266
Fire Brigade	195 695	-	227 967
Licenses	4 170	2 832	9 353
Sewerage Farm	1 994 875	-	2 453 362
Sport grounds & parks	-	250	350
Streets roads and storm water	1 257 984	386 247	406 972
Public buildings	46 521	24 795	81 260
Town lands and pound	107 795	90 238	332 921
Housing	396 410	289 187	216 250
NATIS	426 082	332 299	869 657
Assessment rates	3 376 094	919 870	1 272 181
Cleansing services	901 854	833 530	2 504 898
Sewerage	722 301	733 970	1 153 125
Electricity	16 282 682	10 183 955	7 469 287
Water	4 928 764	4 121 867	4 560 306
Interest on Investments	(176 714)	(105 670)	(225 053)

