



REPUBLIC OF NAMIBIA

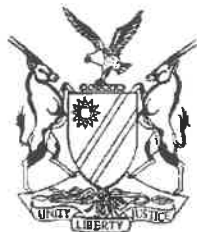


**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF EENHANA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

Published by authority

Price (Vat excluded) N\$ 24.00
Report no: 82/2019

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 Eenhana for the financial year ended 30 June 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.

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
EENHANA TOWN COUNCIL
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

1. DISCLAIMER OF AUDIT OPINION

I certify that I have audited the financial statements of the Town Council of Eenhana for the financial year ended 30 June 2018. These financial statements comprise the Balance Sheet, Income Statement, Cash flow Statement and Notes to the Annual Financial Statements for the year then ended, and a summary of significant accounting policies.

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 statements.

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. A disclaimer audit opinion is being expressed due to the following:

- Non submission of general ledger;
- No physical stock taking was conducted for inventory amounting to N\$ 1 022 114;
- The mathematical accuracy of the cash flow statement could not be verified;
- Incomplete fixed assets register;
- Non submission of supporting documents for additions (capital expenditure) amounting to N\$ 13 235 843;
- Under estimation of the provision for bad debts by N\$ 1 693 836;
- Non submission of the VAT returns amounting to N\$ 4 236 389;
- Non reconciliation of the VAT receivable per ledger balance to the Receiver of Revenue records;
- Non submission of VAT returns substantiating a subsequent VAT refund amounting to N\$ 2 986 003;
- Non submission of a schedule for the net movement of investments amounting to N\$ 8 225 872;
- Investments amounting to N\$ 2 169 850 on the investments register could not be traced to investment confirmations;
- Investments on the confirmations amounting to N\$ 2 585 273 could not be traced to the investment register;
- Unexplained difference on the bank reconciliations amounting to N\$ 1 653 051;
- Non submission of loan receivable listings for Build Together Loans amounting to N\$ 7 072 868;
- Non submission of supporting documents for incomplete project amounting to N\$ 694 710;
- Non submission of supporting documents for Erven loans amounting to N\$ 2 031 940;

- Non submission of supporting documents for funds movement comprising of receipts amounting to N\$ 15 984 871;
- Non submission of supporting documents for funds movement comprising of expenditure amounting to N\$ 12 314 215;
- Non submission of listing for consumer deposits amounting to N\$ 1 013 950;
- Non submission of listing for unknown deposit amounting to N\$ 1 874 605;
- Unrecorded liabilities amounting to N\$ 900 492;
- Non submission of listing for revenue accounts amounting to N\$ 2 044 732;
- Unconfirmed expenditure accounts amounting to N\$ 26 008 117; and
- Non-submission of supporting documentation for the journals selected for testing.

3. 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.

4. 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 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.

5. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accounts were submitted by the Accounting Officer to the Auditor-General on the 22 August 2018 in compliance with Section 87(1) of the Local Authorities Act, 1992 (Act No. 23 of 1992).

ACKNOWLEDGEMENT

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

WINDHOEK, June 2019



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

	Note	2018 N\$	2017 N\$
ASSETS			
Non-current assets		119 509 034	123 594 341
Property, plant and equipment	2	101 507 614	97 713 883
Investments	4	8 201 901	16 427 774
Loans receivable	3	9 799 519	9 452 684
Current assets		10 202 459	5 939 249
Inventories		1 022 114	385 457
Bank Account		407 981	-
Trade and other receivables	5	8 772 364	5 553 792
TOTAL ASSETS		129 711 494	129 533 590
FUNDS AND LIABILITIES			
Funds and reserves		122 760 102	118 122 194
Capital outlay	6	101 507 614	97 713 883
Funds and accounts	7	21 252 488	20 408 311
Current liabilities		6 951 391	11 411 396
Bank overdraft		-	5 143 997
Trade and other payables	8	6 951 391	6 267 399
TOTAL FUNDS AND LIABILITIES		129 711 494	129 533 590

TOWN COUNCIL OF EENHANA
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2018	2017
		N\$	N\$
INCOME		40 089 375	39 984 036
EXPENDITURE		(45 554 455)	(57 197 640)
OPERATING (DEFICIT)/ SURPLUS		(5 465 080)	(17 213 604)
INVESTMENT INCOME		55 368	523 293
NET SURPLUS/ (DEFICIT) AFTER INVESTMENT INCOME		(5 409 712)	(16 690 311)
ADJUSTMENT/APPROPRIATION ACCOUNT	9	2 583 234	(2 775 705)
NET SURPLUS/ (DEFICIT) FOR THE YEAR		(2 826 478)	(19 466 016)

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

	2018	2017
	N\$	N\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	40 089 375	39 984 035
Cash paid to suppliers and employees	(46 087 089)	(58 009 783)
Cash utilised by operations	(5 997 714)	(18 025 748)
Investment income	55 368	523 293
Net cash flows from operating activities	(5 942 346)	(17 502 455)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(3 793 731)	(15 446 657)
(Increase)/Decrease in Loan receivable	(346 835)	(70 541)
Decrease/(Increase) in investment	8 225 872	16 834 204
Net cash flows from investing activities	4 085 306	1 317 006
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease)/Increase in Fund Accounts	3 670 655	1 771 724
Increase in Capital outlay	3 793 731	15 446 657
(Decrease)/Increase in Long term liabilities	-	-
Net cash flows from Financing activities	7 464 386	17 218 381
NET DECREASE IN CASH AND CASH EQUIVALENTS	5 545 978	509 641
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	(5 143 997)	(5 653 638)
CASH AND CASH EQUIVALENTS - END OF YEAR	*401 981	(5 143 997)

*Note: The cash and cash an equivalent at the end of the year is not balancing to the amount in the balance sheet.

**TOWN COUNCIL OF EENHANA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE**

1. ACCOUNTING POLICIES

1.1 Introduction

The annual financial statements set out in Annexure A to D were prepared on the historical cost basis and incorporate the following principle accounting policies, which are consistent in all material aspects with those applied in the previous year.

1.2 Property, plant and equipment

Property, plant and equipment with loan funds are stated at cost and no depreciation is provided thereon 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.

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 the expected useful lives as determined by the 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 period of the loan in which case the depreciation is calculated on the shortfall.

1.3 Inventory

Inventories are measured at weighted average.

1.4 Fund Accounts

The following Fund was 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 the Fund is to provide for housing loans, Income for the fund is derived from interest earned on secure housing loans and investments.

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

	2018	2017
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT	101 507 614	97 713 883
Income Assets	100 716 764	96 799 587
General Capital Assets	790 850	914 296
3. LOANS RECEIVABLE	9 799 519	9 452 684
Build Together advances to buyers	7 072 868	7 259 290
Incomplete Projects loans	694 710	956 987
Erven loans	2 031 941	1 236 407
4. INVESTMENTS		
Commercial banks	8 201 901	16 427 774
Allocated as follows:	8 201 901	16 427 774
Mayoral Fund	256 327	123 522
Build Together Fund	2 341 521	7 064 205
Capital Development Fund	0	2 983 178
Sports Complex Development Fund	43 008	43 208
Trade and Business Expo Fund	689 186	2 711 894
Revenue Account	-	-
Erven Sales Fund	4 871 859	3 501 766
5. TRADE AND OTHER RECEIVABLES	8 772 364	5 553 792
Consumers Debtors	15 434 855	11 792 955
VAT control	4 243 527	2 809 623
Sundry Debtors/Nored	280 193	57 846
Provision for bad debts	(11 186 211)	(9 106 632)
6. CAPITAL OUTLAY	101 507 614	97 713 883
Revenue Contributions (Ex Income)	100 716 764	96 799 587
General Capital Contributions	790 850	914 296

ANNEXURE D

TOWN COUNCIL OF EENHANA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 JUNE (continued)

	2018	2017
	N\$	N\$
7. FUNDS, ACCOUNTS AND RESERVES	21 252 488	20 408 311
Mayoral Fund	378 588	350 243
Build Together Fund	20 287 207	19 228 927
Capital Development Fund	27 788 999	27 571 911
Sports Complex Development Fund	1 115 465	1 011 213
Trade and Business Expo Fund	7 414 635	7 421 369
Erven Sales Fund	7 007 597	4 738 173
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(42 740 002)	(39 913 525)
8. TRADE AND OTHER PAYABLES	6 951 391	6 267 399
Trade payables	57 579	57 579
Consumer and other deposits	1 013 950	918 060
Provision for leave pay	2 084 992	1 935 723
Unknown deposits	1 874 605	1 808 991
Accrued creditors	1 920 265	1 547 046
9. ADJUSTMENTS TO APPROPRIATION ACCOUNTS	2 583 233	(2 775 706)
Movement in leave pay provision	-	(40 928)
Inventory adjustments	671 728	-
Old deposits adjustment	12 640	(300)
Provision for bad debts	(2 079 579)	(2 802 853)
Income	1 547 046	68 375
VAT adjustments	-	-
Correction of bank balance	2 431 398	-