



**REPUBLIC OF NAMIBIA**



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

Published by authority

Price (Vat excluded) N\$ 22.20  
Report no: 2017/92



**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 Karibib for the financial year ended 30 June 2016, 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, October 2017**



**REPORT OF THE AUDITOR GENERAL ON THE ACCOUNTS OF THE  
TOWN COUNCIL OF KARIBIB  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

---

**1. REPORT ON THE FINANCIAL STATEMENTS**

**1.1 INTRODUCTION**

The accounts of the Town Council of Karibib for the year ended 30 June 2016 are being reported on in accordance with the provisions set out in Section 85 of the Local Authorities Act, 1992 (Act 23 of 1992).

The firm Strategis Registered Accountants and Auditors of Windhoek has been appointed by the Auditor-General in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the Town Council of Karibib on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded to the nearest Namibia dollar and deficits are indicated in (brackets).

I certify that I have audited the accompanying financial statements of the Town Council of Karibib for the year ended 30 June 2016. These financial statements comprise the following:

Annexure A: Balance sheet;  
Annexure B: Income statement;  
Annexure C: Cash flow statement; and  
Annexure D: Notes to the financial statements

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 87(1) of the Local Authorities Act, 1992 expect that they were submitted on the 26 September 2016. instead of three months after year endas required by the act

The financial statements and notes to the financial statements provided by the Accounting Officer are attached as Annexure A - D.

**2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 86 of the Local Authorities Act, and relevant 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.

**3. INTRODUCTION AUDITOR'S RESPONSIBILITY**

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

## **Powers and duties**

Section 25(1) (c) of the State Finance Act, 1991, provides that the Auditor-General should satisfy himself that:

- (a) All responsible precautions have been taken to ensure that all monies due to the State are collected and that the laws relating to the collection of such monies have been complied with;
- (b) All reasonable precautions have been taken to safeguard the receipt, custody and issue of accounting for the State's assets, such as stores, equipment, securities and movable goods; and
- (c) The expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, Section 26(1) (b) (iv) of the State Finance Act, 1991, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis of the qualified audit opinion.

## **4. ACKNOWLEDGEMENT**

I wish to express my gratitude to management and staff of the Town Council of Karibib for cooperating and assisting with the audit.

## **5. KEY AUDIT FINDINGS**

### **5.1 Appropriation account**

Adjustments which were made in the appropriation account amounting to N\$ 562 404 could neither be supported with supporting schedules nor supporting documents.

### **Impact**

Validity of adjustments is difficult to prove in the absence of supporting and hence it is difficult to prove fictitious transactions.

## **Recommendation**

The Council should ensure that all adjustments are supported by a detailed schedule or supporting documents relating to such adjustments.

## **Town Council response**

The Council is aware of the finding and we will implement this for 2016/2017 financial.

## **5.2 Build Together loans**

The Build Together debtors balance of N\$ 1 128 979 as reflected in the Council's financial statements differs with the Build Together listing amount of N\$ 2 424 778, resulting in Build Together debtors being understated by N\$ 1 295 799.

## **Impact**

It is difficult to ascertain the actual loan balances that individual customers owe the Town Council hence resulting in the understating and overstating the Council's total assets. Following up of outstanding balances from clients can be challenged if there is no accurate figures.

## **Recommendations**

The Council should reconcile Build Together debtors to the Fintel records. Furthermore, all Build Together debtors must be maintained electronically using the Fintel accounting information system in the same manner as any other council debtors.

## **Town Council response**

The Council is aware of the finding and the Council has reconciled all BTG Loans and we will have improved record in this regards.

## **5.3 Consumer deposits**

The Town Council disclosed in its financial statements consumer deposits amounting to N\$ 174 224. The average consumer water consumption for the period under review amounted to N\$ 611 754. The current deposits held by the Town Council were understated by N\$ 437 530. This short fall is attributed to both the general increase in consumer water consumption and the failure by the Town Council to upgrade consumer deposits.

## **Recommendation**

The Town Council should ensure that all consumer deposits are upgraded to the appropriate levels in terms of the latest gazetted prices in order to reduce the risk of revenue loss.

## **Town Council response**

The Council is aware of the finding and we adjust our Consumer Deposit in the current financial year 2017/2018. We did not manage to implement it in financial 2016/2017 due to the work volume and shortage of staff.

#### **5.4 Circular D3/2015**

The Chief Executive Officer of the Town Council of Karibib for the year under review did not submit respective statements as requested by circular D3/2015 of the Auditor-General.

#### **Town Council response**

The Council is aware of the finding and we will implement this for 2016/2017 financial year.

#### **5.5 Accounting policy and framework**

The Town Council does not have an accounting policy in place and there is no accounting reporting framework.

#### **Town Council response**

The Council does not have specific Accounting Policy and we will implement this in the current financial year 2017/2018.

#### **5.6 The cash flow statement**

The Chief Executive Officer of the Town Council of Karibib for the year under review did not prepare the cash flow statement as required by the Office of the Auditor-General.

#### **Town Council response**

The Council is aware of the finding and we will implement this for 2016/2017 financial.

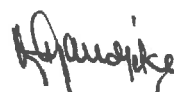
### **6 BASIS OF A QUALIFIED AUDIT OPINION**

- No supporting documents for adjustments made in the appropriation account;
- Build together debtors were understated by N\$ 1 295 799;
- Consumer deposits were understated by N\$ 437 530; and
- There is no accounting policy.

### **7. QUALIFIED AUDIT OPINION**

The accounts of the Town Council of Karibib for the financial year 30 June 2016, summarised in Annexures A to D were audited by me in terms of Section 85 of the Local Authority Act, 1992, read with Section 25(1)(b) of the State Finance Acts, 1991.

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Audit Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Town Council of Karibib as at 30 June 2016.



**WINDHOEK, October 2017**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



## ANNEXURE A

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

	Note	<u>2016</u>	<u>2015</u>
		N\$	N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	35 474 134	25 587 824
Investments	3	7 123 034	3 887 384
Loans		1 128 978	1 186 286
<b>Current assets</b>			
Accounts receivables	4	5 860 075	2 616 903
Inventories		86 268	-
Cash and cash equivalents		509 298	-
<b>TOTAL ASSETS</b>		<b><u>50 181 787</u></b>	<b><u>33 278 397</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Funds</b>			
Capital outlay	5	34 035 698	24 043 343
Funds and accounts	6	8 396 438	705 972
<b>Non-current liabilities</b>			
Long term loans	7	1 447 760	1 695 278
<b>Current liabilities</b>			
Trade and other payables	8	6 301 891	5 989 481
Bank Overdraft		-	844 323
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>50 181 787</u></b>	<b><u>33 278 397</u></b>

**TOWN COUNCIL OF KARIBIB  
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE**

		<b>2016</b>	<b>2015</b>
	Note	N\$	N\$
Income		42 940 526	31 039 606
Expenditure		(34 929 532)	(31 084 120)
<b>Net operating surplus</b>		<b>8 010 994</b>	<b>(44 514)</b>
Investement income earned from revenue accounts		553 926	188 590
<b>Net surplus</b>		<b>8 564 920</b>	<b>144 076</b>
Adjustments	9	(968 139)	(10 480 875)
<b>Net surplus for the year</b>		<b>7 596 781</b>	<b>(10 336 799)</b>
<b>Appropriation account at 30 June 2015</b>		<b>(5 233 971)</b>	<b>5 102 828</b>
<b>Appropriation account at 30 June 2016</b>		<b>2 362 810</b>	<b>(5 233 971)</b>

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

	Note	2016 N\$	2015 N\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash generated/(utilised) by operations</b>	10	-	(7 617 666)
Cash receipts from customers		- 31 039 606	
Cash paid to suppliers		- (38 657 272)	
		-	
<b>Cash flows from operating activities</b>		- 9 174 484	
Interest received		188 590	
Funds accounts		- 75 009	
Capital outlay excluding loans redeemed		- 8 910 885	
		-	
<b>Net cash flow from operating activities</b>		- 1 556 818	
		-	
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
		- (4 854 459)	
Net increase in capital value		- (8 814 809)	
Decrease in loans		- 4 168	
Decrease/(Increase) in investments		- 3 956 182	
		-	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
		-	
Decrease in long term liabilities		- (191 203)	
<b>Net increase/ (decrease) in cash and cash equivalents</b>		- (3 488 844)	
Cash and cash equivalents at beginning of year		- 2 644 521	
Cash and cash equivalents at end of year		- (844 323)	

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

**1. ACCOUNTING POLICIES**

The Town Council does not have an accounting policy in place and there is no accounting reporting framework.

	<b>2016</b>	<b>2015</b>
	N\$	N\$
<b>2. PROPERTY PLANT AND EQUIPMENT</b>		
Loan assets	2 770 371	2 810 066
Income assets	32 000 281	21 904 580
General capital assets	703 482	873 178
	<b>35 474 134</b>	<b>25 587 824</b>

**3. INVESTMENTS**

Commercial banks	3 932 344	696 694
Erongo Red Equity	3 190 690	3 190 690
	<b>7 123 034</b>	<b>3 887 384</b>

**Comprising of:**

Capital Development Fund	243 473	23 414
Build Together Fund	512 774	471 794
Housing Fund	201 486	201 486
Renewal Fund	268 248	-
Fixed Property Fund	2 208 868	-
Revenue	497 495	-
Erongo Red Equity	3 190 690	3 190 690
	<b>7 123 034</b>	<b>3 887 384</b>

**4. TRADE AND OTHER RECEIVABLES**

Consumer debtors	11 563 056	7 739 227
VAT receivable	2 438 854	1 638 529
Sundry debtors	238 426	270 685
Provision for bad debts	(8 380 261)	(7 031 538)
	<b>5 860 075</b>	<b>2 616 903</b>

**TOWN COUNCIL OF KARIBIB**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**  
**(continued)**

	2016	2015
	N\$	N\$
<b>5. CAPITAL OUTLAY</b>		
Loans redeemed	1 331 935	1 265 586
Revenue contributions	32 000 281	21 904 579
General capital contributions	703 482	873 178
	<b>34 035 698</b>	<b>24 043 343</b>
<b>6. FUND AND ACCOUNTS</b>		
Capital reserve fund	243 473	243 473
Housing Fund	192 162	192 162
Renewal Fund	268 248	268 248
Fixed Property Fund	2 208 868	2 208 868
Build together fund	3 120 877	3 027 193
Revenue account	2 362 810	(5 233 971)
	<b>8 396 438</b>	<b>705 972</b>
<b>7. LONG TERM LOANS</b>		
The Government of Namibia		
Capital section	1 438 436	1 544 480
Housing fund	9 324	9 324
Deposits held	-	141 474
	<b>1 447 760</b>	<b>1 695 278</b>
<b>8. TRADE AND OTHER PAYABLES</b>		
Trade payables	462 861	374 039
Consumer Deposits	174 224	-
Regional fund	506 993	-
Leave pay provisions	1 119 149	-
Erongo Red	25 823	-
Government loans provision	4 012 841	5 615 442
	<b>6 301 891</b>	<b>5 989 481</b>

**TOWN COUNCIL OF KARIBIB**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**  
**(continued)**

	<b>2016</b>	<b>2015</b>
	N\$	N\$
<b>9. ADJUSTMENT TO APPROPRIATION ACCOUNT</b>		
Movement in provision for bad debts	(1 348 724)	1 373 942
Previous year adjustments income	562 404	6 191 382
Previous year adjustments expenditure	(102 970)	-
Expenditure	(78 849)	(18 046 199)
	<b>(968 139)</b>	<b>(10 480 875)</b>
<b>10. CASH UTILISED BY OPERATIONS</b>		
Net operation surplus	-	144 076
Appropriation account adjustments	-	(10 480 875)
Deduct investment income	-	(188 590)
<b>OPERATING SURPLUS /(DEFICIT) BEFORE</b>		
<b>CHANGES IN WORKING CAPITAL</b>	-	<b>(10 525 389)</b>
<b>GENERATION OF WORKING CAPITAL</b>		
Trade and other receivables	-	4 873 261
Trade and other payables	-	(1 965 538)
Inventory	-	-
	-	2 907 723
	-	<b>(7 617 666)</b>