



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF LÜDERITZ
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

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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 Lüderitz for the financial year ended 30 June 2015, 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 2017

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
TOWN COUNCIL OF LÜDERITZ
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

1. Report on the Financial Statements

1.1 INTRODUCTION

This report on the accounts of the Town Council of Lüderitz for the financial year ended 30 June 2015 is presented to the National Assembly in accordance with provisions set out in the Local Authorities Act, 1992 (Act 23 of 1992).

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

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

I certify that I have audited the accompanying financial statements of the Town Council of Lüderitz for the financial year ended 30 June 2015. These financial statements comprise the following statements submitted for the year then ended:

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 to the Auditor-General by the Accounting Officer in compliance with Section 87(1) of the Local Authorities Act, 1992.

The financial statements, notes to the financial statements and general information 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 87(1) of the Local Authorities Act, (Act 23 of 1992) 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. 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 reasonable 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 and 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 circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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 insufficient and inappropriate to provide a basis for the audit opinion.

4. ACKNOWLEDGEMENT

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

5. KEY AUDIT FINDINGS

5.1 PROVISION FOR BAD DEBTS

The provision for bad debts is understated by N\$ 36 041 836 (2014: N\$ 38 083 588).

5.2 ACCRUED EXPENSES

No supporting documents for suspense accounts were provided for audit purposes amounting to N\$ 225 150.

5.3 OTHER PAYABLES - P.A.Y.E.

Not all P.A.Y.E. returns were submitted timeously to the Directorate: Inland Revenue. The provision in the financial statements is not sufficient to cover for arrear amounts, penalties and interest thereon.

5.4 CONSUMER DEPOSITS

The consumer deposits are not sufficient to cover one month's service charges.

5.5 ARREAR EXTERNAL LOANS

External loans from Government are, as in previous years, not repaid but the repayments are provided for as arrear loan instalments under current liabilities. The end balances on the overdue instalments does not agree to the amortisations schedules. The total instalments in arrears amounts to N\$ 17 561 797 (2014: N\$ 18 149 567).

5.6 PROVISION FOR LEAVE PAY AND BONUS LEAVE

Leave cards were not provided for audit purposes.

5.7 SPECIAL FUNDS

No supporting document for adjustments done on funds accounts was provided for audit purposes.

5.8 INVENTORY

The auditors did not observe the counting of inventories on 30 June 2015. Numerous differences were found in the prices between the stock cards and stock units.

5.9 LIMITATIONS OF SCOPE

The auditors could not do substantive tests on the following audit sections; trade and other payables, customer aging balances, water and electricity and expenses as the Finstel server crashed during the audit time for the year under review.

5.10 LACK OF SOURCE SUPPORTING DOCUMENTS

Numerous important source documents for expenditures incurred by the Town Council could not be found, at the time of the audit.

5.11 FIXED ASSETS

Auditors noted a wrong classification amounting to N\$ 2 046 607 in the fixed asset register.

5.12 INVESTMENTS

A material difference of N\$ 1 327 802 was found on the FNB account.

5.13 WATER DISTRIBUTION RESULTS

No statistics were kept by the Town Council to calculate the distribution losses.

5.14 CIRCULAR D3/2015

The Chief Executive Officer of the Town Council of Lüderitz for the year under review did not submit statements to the Auditor- General as required by Circular D3/2015 of the Auditor-General.

5.15 GENERAL

The qualifications of staff in appropriate positions in the finance department should however be reviewed to ensure that qualified personnel is employed in respective positions.

5.16 ACCOUNTING POLICY

The accounting policy and reporting framework were not provided to the auditors, the policy was also not attached to the annual financial statements.

6. BASIS OF DISCLAIMED AUDIT OPINION

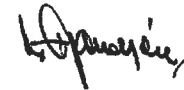
- The provision for bad debts is understated by N\$ 36 041 836;
- No provision for arrear amounts, penalties and interest on. P.A.Y.E;
- Leave cards were not provided at the time of the audit;
- External loans from Government are not repaid;
- Limitation of scope due to Finstel server which crashed during the audit;
- No supporting documentation could be provided for journals passed on funds;
- Lack of supporting documents during the audit time;
- A wrong classification amounting to N\$ 2 046 607 of bins in the fixed asset register.
- Unexplained difference amounting to N\$ 1 327 802 on FNB account; and
- No accounting policy and reporting framework.

7. DISCLAIMER AUDIT OPINION

The accounts of the Town Council of Lüderitz for the financial year ended 30 June 2015, summarised in Annexures A to D, were audited by me in terms of Section 85 of the Local Authorities Act, 1992, read with Section 25(1)(b) of the State Finance Act, 1991.

Due to the significance of the matters referred to in the basis for disclaimer audit opinion, I am unable to form an opinion as to whether these financial statements fairly present the financial position of the Town Council on 30 June 2015, the results of its operations, cash flow for the year then ended.

WINDHOEK, June 2017



JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

**TOWN COUNCIL OF LÜDERITZ
BALANCE SHEET AT 30 JUNE**

	Note	2015 N\$	2014 N\$
ASSETS			
Non-current assets		197 164 518	185 981 731
Property, plant and equipment	2	169 235 204	168 389 551
Investments	3	27 929 314	17 592 180
Current assets		68 002 304	74 837 308
Trade and other receivables	4	67 217 356	74 074 437
Inventories	5	784 948	762 871
TOTAL ASSETS		265 166 822	260 819 039
FUNDS AND LIABILITIES			
Funds and reserves		223 196 600	207 057 110
Capital outlay	7	148 182 281	140 360 725
Funds and accounts	8	75 014 319	66 696 385
Non-current liabilities		5 309 312	5 307 024
Long-term liabilities	9	5 309 312	5 307 024
Current liabilities		36 660 910	48 454 905
Trade and other payables	10	34 211 512	46 924 586
Bank overdraft	6	2 449 398	1 530 319
TOTAL FUNDS AND LIABILITIES		265 166 822	260 819 039

ANNEXURE B

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

	Note	2015	2014
		N\$	N\$
Income		106 828 119	108 893 304
Expenditure		(106 869 099)	(113 495 337)
Net operating deficit		(40 980)	(4 602 033)
Interest on investments		27 997	21 781
Net deficit after interest		(12 982)	(4 580 252)
Adjustments	12	1 238 472	(8 864 849)
Adjustments to appropriation account		1 225 490	(13 445 101)
REVENUE ACCOUNT - Beginning of year		(40 538 965)	(27 093 864)
REVENUE ACCOUNT - End of year		(39 313 475)	(40 538 965)

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

	Note	2015 N\$	2014 N\$
Net cash flow from operating activities		10 261 416	5 265 745
Cash receipts from customers		106 828 119	108 893 304
Cash paid to suppliers		(111 508 700)	(124 397 665)
Interest received		27 997	21 781
Increase in Fund accounts		7 092 444	8 646 266
Increase in Capital outlay		7 821 556	12 122 059
Cash flow from investing activities		(11 182 787)	(2 676 483)
Net capital expenditure		(845 653)	(6 930 793)
(Decrease) / increase in investments		(10 337 134)	4 254 310
Cash flow from financing activities		2 288	(741 410)
Increase / (decrease) in long-term loans		2 288	(741 410)
Net decrease in cash and cash equivalents		(919 083)	1 847 852
Cash and cash equivalents beginning of year		(1 530 316)	(3 378 168)
Cash and cash equivalents - end of year	6	(2 449 398)	(1 530 319)

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

	2015	2014
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT	169 235 204	168 389 551
Fixed Asset	169 235 204	168 389 551
3. INVESTMENTS	27 929 314	17 592 180
Commercial Banks	27 929 314	17 592 180
4. TRADE AND OTHER RECEIVABLES	67 217 356	74 074 437
Services, rates and taxes	63 364 398	59 762 477
Build Together advances	22 819 301	23 396 403
Consumer deposits	(1 214 394)	(978 443)
Provision for bad debts	(17 751 949)	(8 106 000)
5. INVENTORIES	784 948	762 871
Materials	784 948	762 871
6. CASH AND BANK BALANCES	(2 449 398)	(1 530 319)
Current account	(2 449 398)	(1 530 319)
7. CAPITAL OUTLAY	148 182 281	140 360 725
Loans redeemed	13 193 349	15 500 144
Revenue contributions	94 976 042	96 569 793
General Capital contributions	40 012 890	28 290 788
8. FUNDS AND ACCOUNTS	75 014 319	66 696 385
Internal loans overstated in Fund accounts	36	(767 143)
Capital Development Fund	17 666 886	15 029 344
Housing Fund	49 625 179	46 885 581
Fixed Property Fund	33 603 278	32 995 464
Renewal Fund	13 432 415	13 092 104
Revenue account	(39 313 475)	(40 538 965)
9. LONG-TERM LIABILITIES	5 309 312	5 307 024
The Government of Namibia	5 253 569	5 079 352
Commercial banks	55 743	227 672

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

	2015	2014
	N\$	N\$
10. TRADE AND OTHER PAYABLES	34 211 512	46 924 586
Trade payables	7 688 739	7 352 104
Loan instalments in arrear	17 117 286	18 149 567
Income received in advance	1 251 148	-
VAT	5 136 973	17 337 336
Suspense accounts	320 980	168 270
Provisions	2 696 386	3 917 309
11. ADJUSTMENTS TO APPROPRIATION ACCOUNT	(8 864 849)	(8 864 849)
Prior year adjustments	(8 864 849)	(8 864 849)
12. CASH UTILISED BY OPERATIONS	(4 680 491)	(15 524 361)
Net operating deficit before transfers	(40 890)	(4 602 033)
Adjustments to appropriation account	1 238 472	(8 864 849)
Decrease / (Increase) in trade and other receivables	6 857 078	(2 030 555)
Increase in inventories	(22 077)	(86 013)
(Decrease) / increase in trade and other payables	(12 713 074)	59 089