



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF NKURENKURU
FOR THE FINANCIAL YEAR ENDED 30 JUNE 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 Nkurenkuru 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, February 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
TOWN COUNCIL OF NKURENKURU
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

1. ADVERSE AUDIT OPINION

I certify that I have audited the financial statements of the Town Council of Nkurenkuru for the financial year ended 30 June 2018. These financial statements comprise the statement of financial position and statement of comprehensive income.

In my opinion, because of the significance of matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly the financial position of the Town Council of Nkurenkuru for the financial year ended 30 June 2018 and its financial performance.

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.

The adverse audit opinion is expressed due to the following

- The Town Council does not have a fair presentation framework for financial reporting;
- No detailed fixed asset register in place;
- The Town Council does not have a depreciation policy;
- Non-disclosure of bank account amounting to N\$ 40 741;
- Appropriation account differences of N\$ (6 852 792) between closing and opening balance for accumulated surplus;
- The Council financial statement does not include cash flow statement and notes;
- Unexplained adjustment on expenditure and revenue amounting to N\$ 4 922 031 and N\$ (1 943 764) respectively;
- Unrecorded liabilities amounting to N\$ 1 171 817;
- Wrong and un-updated tariff used for water and refuse; and
- The Council could not provide Erven Sale Agreements for audit purpose.

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 determined that there are no key audit matters identified in respective of the financial Statement for Town Council of Nkurenkuru.

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 the 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 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 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.

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 for 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 (COMPLIANCE)

NON-COMPLIANCE TO PUBLIC PROCUREMENT ACT, 2015 (NO. 15 OF 2015)

Key Audit Findings

7.1 Annual procurement plan

The auditors observed that the Council did not prepare an annual procurement plan in accordance with Section 25 (4) (a) of the Public Procurement Act, 2015 (No.15 of 2015).

7.2. Bid evaluation committee

The auditors observed that the Council did not record the bid evaluation committee minutes of all meetings as stated in Section 25 (5) and Section 26 (5) (b) of the Public Procurement Act, 2015 (No. 15 of 2015).

7.3 Commencement of evaluation of bids

The auditors were unable to ascertain themselves whether the bid evaluation committee complied with regulation 7 (2) and (3) of the Public Procurement Regulations stipulating the number of days within which the bid evaluation committee should commence with an evaluation and the duration thereof due to the lack of minutes.

7.4 Conflict of interest

The lack of minutes in the bid evaluation committee resulted in the auditors not being able to confirm if members of the bid evaluation committee complied with Section 66 (1) (a) and (b) of the Public Procurement Act, 2015 (No. 15 of 2015) which stipulates the disclosure of conflict of interest and the procedures followed with regard to withdrawal of members.

7.5 Publishing of awarded contract

The auditors observed that the Council did not publish the awarding of bid no W/SBD/NKU-01/2017 and CE160/WM/CN/WB001 in the media as stated in Section 55 (8) of the Public Procurement Act, 2015 (No. 15 of 2015), which stipulates that, the Board or public entity must promptly in a prescribed manner publish a notice of every procurement or disposal award together with the executive summary of the bid evaluation report.

Conclusion on the Subject Matter

I conducted a compliance audit of the Town Council of Nkurenkuru on the implementation of the Public Procurement Act, 2015 (No. 15 of 2015) and evaluated compliance with all Sections of the Public Procurement Act, 2015 (No. 15 of 2015). The evidence obtained during the audit portrays non-compliance to the Public Procurement Act, 2015 (No. 15 of 2015).

WINDHOEK, February 2019



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**NKURENKURU TOWN COUNCIL
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018**

	2018	2017
	N\$	N\$
ASSETS		
Non-current assets	74 267 230	70 736 601
Property, plant and equipment	71 793 504	69 061 375
Investments	2 473 726	1 675 226
Current assets	11 835 232	7 561 936
Trade and other receivables	11 722 540	7 449 244
Inventory	111 692	111 692
Petty cash	1 000	1 000
TOTAL ASSETS	86 102 462	78 298 537
EQUITY AND LIABILITIES		
Equity	79 982 213	72 556 423
Capital outlay	71 793 504	69 061 375
Accumulated Funds	(10 703 634)	(15 310 888)
Funds and accounts	18 892 343	18 805 936
Current liabilities	6 120 249	5 742 114
Trade and other payables	6 112 952	5 736 784
Bank overdraft	7 297	5 330
TOTAL FUNDS AND LIABILITIES	86 102 462	78 298 537

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

	2018	2017
	N\$	N\$
INCOME	37 356 846	35 213 278
EXPENDITURE	(27 401 760)	(35 765 196)
NET OPERATING SURPLUS/(DEFICIT)	9 955 086	(551 918)
INTEREST ON INVESTMENTS	568 473	847 627
SURPLUS FOR THE YEAR	10 523 559	295 709