



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF NKURENKURU

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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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 2019, 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, February 2020

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF NKURENKURU
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Town Council of Nkurenkuru for the financial year ended 30 June 2019. These financial statements comprise the statement of financial position, the statement of all comprehensive income and the statement of cash flows, statement of changes in owner's equity and notes to the annual financial statements for the year then ended.

In my opinion, because of the significance of matters discussed in the Basis for Adverse audit 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 2019 and its financial performance for the year then ended accordance with International Financial Reporting Standards (IFRS) .

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 the audit 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:

- Council does not have a clearance certificate for the dumpsite in place and do not have provision in place for the restoration of the site;
- No detailed fixed asset register in place;
- The Council does not have a depreciation policy;
- Fixed assets additions amounting to N\$ 14 842 157 are disclosed in both the statement of financial position and statement of comprehensive income;
- Two bank accounts are disclosed twice in the financial statements;
- A difference of N\$ 3 275 516 was detected between the financial statement and the trial balance;
- Comparative figures for the 2017/2018 financial year not balancing with an amount of N\$ 26 143 275;
- A difference amounting to N\$ 31 286 378 between revenue recorded in the statement of comprehensive income and note 3;
- Incomplete statement of cash flow;
- Tabled audit report 2017/2018 previous financial statement closing balances do not agree to the 2018/2019 financial statement;
- Non-supporting documents for payables amounting to N\$ 4 371 564 was not submitted for audit;
- Non-disclosure of subsidy amounting to N\$ 4 422 102;
- An appropriation account closing balance amounting to N\$ 18 137 776 effected against debtors in the financial statement;
- The provision for doubtful debts was disclosed as a current liability N\$ 14 858 473;
- Note 13 is contradicting IFRS 9-Financial instruments;

- Wrong tariff used for refuse services; and
- Non-submission of erven sale agreements.

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 respect of the financial statement for the Town Council of Nkurenkuru.

4. OTHER INFORMATION

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and, accordingly, 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.

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 deems 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 (ISSAIs), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

My powers and duties towards auditing and reporting on the financial statements and compliance to Subject Matters are outlined under Section 25(1) (c), Section 26 (1) and Section 27(3) of the State Finance Act, 1991 (Act 31 of 1991).

As part of an audit in accordance with the International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit, I also;

- 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 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 the audit report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify the opinion. My conclusions are based on the audit evidence obtained up to the date of the audit 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.

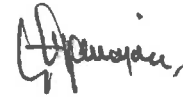
From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in the 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 financial statements for the financial year ended 30 June 2019 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 85 of the Local Authorities Act, 1992 (Act No. 23 of 1992), read with Sections 25, 26 and 27 of the State Finance Act, 1991 (Act No. 31 of 1991), except that they were only submitted on 12 December 2019 instead of three months (3 months) after the year end as required by the Act.

8. ACKNOWLEDGEMENT

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



WINDHOEK, February 2020

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

	Note	2019 N\$	2018 N\$
ASSETS			
Current Assets		36 906 522	16 592 122
Cash and Cash Equivalents	1	642 953	759 777
Inventories		111 692	111 692
Trade and Other Receivable	7	30 871 992	15 719 653
Bank Account		5 278 885	-
Petty Cash		1 000	1 000
Non-Current Assets		82 701 125	74 267 230
Property, Plant and Equipment		80 292 969	71 793 504
Investments	2	2 408 157	2 473 726
TOTAL ASSETS	*	119 607 647	90 859 353
EQUITY AND LIABILITIES			
Current Liabilities		20 808 106	22 110 447
Trade and other Payable		5 949 633	5 795 352
Provision on Doubtful debts	13	14 858 473	16 307 798
Bank Overdraft		-	7 297
Equity (Net assets)		98 219 209	94 892 181
Capital Outlay		80 292 969	71 793 504
Accumulated Funds		(1 017 969)	4 206 334
Funds and Accounts	9	18 944 209	18 892 343
TOTAL EQUITY AND LIABILITIES		119 027 316	117 002 628

* Total Assets and Total Equity (liabilities) do not balance with an amount of N\$ (580 331) for 2019 and N\$ 26 143 275 for 2018.

note (9) 2018 not agree to the statement of financial position

Cash and cash equivalent do not agree to note 1

ANNEXURE B

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

		2019	2018
	Note	N\$	N\$
Revenue	3	31 286 376	37 925 320
Non-profitable services		24 146 316	32 042 543
Self-maintaining services		1 471 721	1 171 819
Trading services		5 668 339	4 710 958
Other Income			
Interest on Investment (Bank Savings)	4	64 057	27 482
Appropriation Account		(226 228)	(1 078 507)
GROSS REVENUE	*	62 410 582	74 799 614
Total Expenditure		37 693 113	32 667 961
General Expenditure	5	31 746 298	27 401 759
Depreciation		5 946 815	5 266 201
NET REVENUE FOR THE YEAR		24 717 469	42 131 653

* Overstatement amounting to N\$ 31 286 376 refer to note 3.

TOWN COUNCIL OF NKURENKURU
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE

	Note	2019	2018
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash Received from Customers and Government	6	41 451 871	29 484 601
Cash Paid to suppliers and Employees	5	(31 746 298)	(29 278 347)
Add Interest received	4	64 057	27 482
Net Cash flows from Operating Activities	*	9 769 631	233 736
Increase on PPE		(14 842 157)	(2 732 129)
Net Cash flows from Investing Activities		(14 842 157)	(2 732 129)
Reserve account	10	230 431	881 384
Increase on Capital Outlay		14 842 157	2 732 128
Net Cash Flows from Financing Activities		15 072 588	3 613 512
Net movement in cash and cash equivalents	*		
Cash and cash equivalents - beginning of year		709 918	1 017 519
Cash and cash equivalents - end of year		614 343	709 918

*. Cash flow statement incomplete and incorrect:

- a) Note 10 do not agree to the cash flow statement.
- b). Note 5 for 2018 do not agree to the cash flow statement.

**TOWN COUNCIL OF NKURENKURU
STATEMENT OF CHANGES IN OWNER'S EQUITY FOR THE YEAR ENDED
30 JUNE**

	2019	2018
	N\$	N\$
Description		
Balance For the Year 2019	80 292 708	71 793 504
Add Accumulated Loss	(1 017 969)	4 206 333
Add Reserved Funds	15 259 088	15 447 743
Owner's Equity at the End of the Year	94 533 827	91 447 580

ANNEXURE E

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

	2019	2018
	N\$	N\$
1 Cash and Cash Equivalents	642 752	759 777
Bank Account - Operational BWK	614 343	709 918
Bank Account - Operational SBN	4 589	4 634
Bank Account - Revenue BWK	4 231	2 485
Bank Account - Expo event SBN	18 589	41 741
Petty Cash	1 000	1 000
2 Investment Accounts	2 408 157	2 473 726
Bank account - operational call	623 578	832 524
Bwk Nku revenue acc	4 589	2 485
Std bank	4 196	4 634
Bank Account - Build Together Program	987 146	886 803
Bank Account - Investment	788 647	747 280
3 Revenue	31 386 376	37 925 320
Finance	19 085 189	14 847 971
Fire Brigade	537 290	84 145
Technical Services	1 211 732	11 493 945
Health Services	141 842	138 041
Develop. Contribution: plan & environment	3 270 263	5 478 441
Cleansing	798 563	656 347
Sewerage	673 158	515 472
Electricity Department	365 639	579 951
Water Department	5 302 700	4 131 007

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

	2019	2018
	N\$	N\$
4 Other Income (interest earned)	64 057	27 482
Build Together account	41 367	36 783
Operational Call acc- Bank Windhoek	115 228	69 187
Investment acc	104	71
Build Together acc	50 310	45 325
Already in income vote	(142 952)	(123 884)
5 Expenditures	31 746 298	27 401 759
Council General Expenses	1 431 973	1 399 360
Chief Executive Officer	2 803 723	2 057 547
Finance	4 798 264	8 255 354
Fire Brigade	3 409 452	362 580
Technical Services	1 772 434	2 659 924
Health	270 320	-
Parks and Recreation	113 260	163 710
Human Resources	1 334 464	1 152 487
Develop. Contribution: plan & environment	4 281 110	5 669 916
Cleansing	1 270 684	1 196 864
Sewerage	556 785	471 790
Electricity Department	8 372 267	2 323 286
Water Department	1 331 562	1 688 941
6 Cash Received from Customers and Government	41 451 871	29 484 601
Bank Account Income	40 990 436	29 276 380
Unallocated funds Bank Recon as at 30/06/2018	461 435	208 221
7 Trade and Other receivable	30 871 992	15 719 653
Consumer (Service and General)	25 115 530	30 191 150
Housing Funds (advance to Buyer)	1 124 760	1 214 604
Appropriation Account (Revenue)	18 137 776	(1 078 507)
VAT Receivable	1 352 399	1 700 204
Less Provision for Doubtful Debts	(14 858 473)	(16 307 798)

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

	2019	2018
	N\$	N\$
8 Trade and Other Payable	5 949 633	5 795 352
Consumer and Other Deposits	80 920	80 880
Compensation	4 290 644	4 290 644
Provision for Leave Pay	1 578 069	1 423 829
9 Funds and Account	18 944 209	18 703 688
Advance To Buyer	1 124 760	1 214 604
Temp Advance Ex revenue	595 913	595 913
Investment	1 775 793	1 634 083
Capital Reserve Funds	15 447 743	15 259 088
10 Bank Accounts	2 426 745	2 515 467
Operation Expo Account	18 589	41 741
Operational Call Account	623 578	832 524
Investment account	4 196	4 634
Investment account	4 589	2 485
BTP Account	987 146	886 803
BTP Account	788 647	747 280
11 Capital Reserve Fund	15 259 053	15 447 743
Investments	650 953	839 643
Tem advance ex revenue	14 608 100	14 608 100

12 Asset Depreciation

Fixed assets were depreciated at the rate of 10% annually using a straight line method

13 Doubtful Debts/Bad Debts

Provision was made for total debts older than 120 days+ at the rate of 53% of the total outstanding debt.

NB: Note 13 is contradicting IFRS 9 – Financial instruments

