



REPUBLIC OF NAMIBIA



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

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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 Omuthiya 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, February 2018

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

1. Report of the financial statements

1.1 INTRODUCTION

The accounts of the Town Council of Omuthiya for the year ended 30 June 2016 are being reported on in accordance with the provisions set out in the Local Authorities Act, 1992 (Act No. 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 (Act 31 of 1991) to audit the accounts of the Town Council of Omuthiya 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 Omuthiya for the year ended 30 June 2016. These financial statements comprise the following:

Annexure A: Balance sheet;
Annexure B: Income statement; and
Annexure C: 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.

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

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. 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 Omutiyya for cooperating and assisting with the audit.

5. KEY AUDIT FINDINGS

5.1 Income

Investment income recorded in the financial statements amounting to N\$ 344 121 differs to the interest on investments recalculated on investments amounting to N\$ 1 000 450. Resultantly there is a unexplained difference of N\$ 656 329.

Recommendations

Interest on investments income should be reconciled to the actual interest received from the commercial banks to avoid any discrepancies.

5.2 Property, Plant and Equipment

The Town Council depreciation for the year amounting to N\$ 7 577 063 is overstated as it includes depreciation for assets which were still under construction and not ready for use. The Building of the fire station and roads are some of the assets depreciated while under construction. Depreciation was overstated by N\$ 947 394.

Recommendations

The Town Council should ensure that fixed assets, which are still under construction, are depreciated when they are complete and ready for use.

5.3 Trade Payables

The Land Compensation account as recorded in the financial statements amounting to N\$ 11 647 767 does not agree to the reconciliation done by the auditors amounting to N\$ 12 003 988 resulting in a unexplained difference of N\$ 359 221. Further investigations revealed that the difference is as a result of a compensation, which was paid after the year-end, but was recorded, in the 2015/2016 financial year.

Recommendations

Reconciliations for the Land Compensation fund account must be done monthly to avoid any material differences and all payments made must be recorded in the correct period in which they have occurred.

5.4 Value Added Tax Receivable

The Council has a VAT receivable amount of N\$ 1 764 837 in their records, however subsequent receipts to year-end are N\$ 1 250 635, which is an indication that the VAT was overstated by N\$ 514 203.

Recommendations

It is recommended that the Town Council should ensure proper reconciliations are done to avoid overstatements on VAT balances.

5.5 Circular D3/2015

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

Recommendation

It is recommended that the Council complies with the Auditor-General Circular D3/2015 when submitting the financial statements

5.6 Accounting policy and framework

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

6. BASIS FOR QUALIFIED AUDIT OPINION

- Interest on investments understated by N\$ 656 329;
- Depreciation overstated by N\$ 947 394;
- Land compensation fund understated by N\$ 359 221; and
- VAT receivable balance overstated by N\$ 514 203.

7. QUALIFIED AUDIT OPINION

The accounts of the Town Council of Omuthiya for the year ended 30 June 2016, summarised in Annexure A to C were audited by me in terms of section 85 of the Local Authorities Act, 1992.

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 Omuthiya as at 30 June 2016.

WINDHOEK, February 2018



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

	Note	2016 N\$	2015 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	83 228 318	68 452 473
Investments		27 642 526	25 684 842
Current assets			
Accounts receivables	4	5 640 036	3 482 764
Inventories		144 571	136 220
Cash and cash equivalents	6	1 404 941	684 430
TOTAL ASSETS		118 060 392	98 440 729
EQUITY AND LIABILITIES			
Funds			
Capital outlay	7	83 228 318	68 452 473
Funds and accounts	8	14 016 279	15 962 666
Current liabilities			
Trade and other payables	9	20 815 795	14 025 590
TOTAL EQUITY AND LIABILITIES		118 060 392	98 440 729

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

	Note	2016	2015
		N\$	N\$
INCOME		27 313 804	34 904 934
EXPENDITURE		(29 228 063)	(37 552 369)
NET OPERATING DEFICIT		(1 914 259)	(2 647 435)
INVESTMENT INCOME EARNED FROM REVENUE ACCOUNTS		344 121	1 304 088
NET DEFICIT		(1 570 138)	(1 343 347)
ADJUSTMENTS	10	(3 022 737)	(155 170)
NET DEFICIT FOR THE YEAR		(4 592 875)	(1 498 517)
APPROPRIATION ACCOUNT AT BEGINNING OF THE YEAR		7 118 179	8 616 696
APPROPRIATION ACCOUNT AT THE END OF YEAR		2 525 304	7 118 179

**TOWN COUNCIL OF OMUTHIYA
NOTES TO ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2016**

1 ACCOUNTING POLICIES

1.1 Basis of presentation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties where appropriate.

1.2 Property, plant and equipment and depreciation

All plant and equipment are initially recorded at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. All other plant and equipment are stated at historical cost or valuation where applicable.

No depreciation is calculated on property, plant and equipment.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimation recoverable amount, the assets or cash generating units are written down to their recoverable amount.

1.3 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current liabilities.

1.4 Fixed property fund

Proceeds from the sale of land that has been developed by the Town Council accumulates in this Fund. Cost incurred on the development of land is charged to this fund.

No sale of erven was recorded in the annual financial statements.

1.5 Housing Fund

The purpose of this Fund is to provide for housing loans. Income to this Fund is transferred from the general income statement account, external loans from Government and interest on investments and loans.

1.6 Capital Reserve Fund

This Fund was created to make provision for unforeseen expenditures as approved by the Council.

TOWN COUNCIL OF OMUTHIYA

NOTES TO ANNUAL FINANCIAL STATEMENTS AT 30 JUNE (continued)

	2016	2015
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT	83 228 318	68 452 473
Income assets	62 661 386	46 343 355
General capital assets	20 566 932	22 109 118
4. TRADE AND OTHER RECEIVABLES	5 640 036	3 482 764
Consumer debtors	8 679 333	2 739 544
VAT receivable	1 764 837	2 515 252
Sundry debtors	200 316	418 060
Provision for bad debts	(5 004 450)	(2 190 092)
6. CASH AND BANK BALANCES	1 404 941	684 430
Petty cash	23	21
Current account	1 404 918	684 409
7. CAPITAL OUTLAY	83 228 318	68 452 473
Revenue contributions	62 661 386	46 343 355
General capital contributions	20 556 932	22 109 118
8. FUND AND ACCOUNTS	14 016 279	15 962 666
Capital development fund	2 059 308	2 441 577
Fixed property fund	9 419 529	6 596 506
Build together fund	58	23
Senior citizens fund	12 081	6 381
Revenue account	2 525 303	7 118 179
9. TRADE PAYABLES	20 815 795	14 025 590
Trade payables	8 109 710	6 268 855
Consumer Deposits	357 913	332 913
Land compensation – unutilized fund	11 647 767	6 731 806
Leave pay provisions	700 405	692 016

TOWN COUNCIL OF OMUTHIYA

NOTES TO ANNUAL FINANCIAL STATEMENTS AT 30 JUNE (continued)

	2016	2015
	N\$	N\$
10. ADJUSTMENT TO APPROPRIATION ACCOUNT	(3 022 737)	(155 170)
Increase in provision for bad debts	-	(195 143)
Regional council contribution	-	(72 472)
Prior year expenditure – correction	-	66 258
Other	-	1 481
Erven sale in respect of prior years	-	(180 000)
Expenditure adjustment	(3 708 078)	-
Prior year dividend	-	152 308
Revenue adjustment	685 341	72 398
11. CASH UTILISED BY OPERATIONS	(312 414)	3 218 926
Net operation deficit	(1 914 259)	(2 647 435)
Appropriation account adjustments	(3 022 737)	(155 170)
Trade and other receivables	(2 157 272)	(1 769 555)
Trade and other payables	6 790 205	7 835 463
Inventory	(8 351)	(44 377)

