



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**

# **TOWN COUNCIL OF OPUWO**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

Published by authority

Price (Vat excluded) N\$ 34.20  
Report no: 64/2018

**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 Opuwo 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, April 2018**

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

---

**1. REPORT ON THE FINANCIAL STATEMENTS**

**1.1 INTRODUCTION**

The accounts of the Town Council of Opuwo 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 Taziwa Consulting 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.

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

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

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, 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, 1992 (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 Opuwo during the audit is appreciated.

## **5. KEY AUDIT FINDINGS**

### **5.1 FINSTEL trial balance**

The FINSTEL trial balance is not balancing by N\$ 16 781 804. The adjustments which the Council passed in preparing the financial statements were not availed to the auditors for verification. The closing balances per ledger are not agreeing with the financial statements.

#### **Recommendation**

**It is recommended that the Council should ensure that transactions are processed correctly and are agreeing to the financial statements.**

### **5.2 Cash and cash equivalents**

The Council could not explain the difference of N\$ 3 348 177 between the financial statements and the cash book due to incorrect performance of the bank reconciliations.

#### **Recommendation**

**It is recommended that the Council should ensure that bank reconciliations are performed on a monthly basis and are performed correctly, reviewed and signed off as evidence of checking.**

### **5.3 Value Added Tax receivables**

The auditors could not perform work on VAT balance of N\$ 899 041 as the Council could not provide documentation.

#### **Recommendation**

**It is recommended that the Council perform and review VAT reconciliations regularly. Copies of VAT returns submitted to the Receiver of Revenue should be kept for audit purpose.**

### **5.4 Property, Plant and Equipment**

Auditors could not verify fixed assets additions as there was no breakdown of assets amounting to N\$ 16 112 650 in the fixed asset register provided by the Council.

Property, plant and equipment additions had a difference of N\$ 2 019 328 between the general ledger and the financial statements.

Some of the Council's assets do not have identification numbers or tags thus the auditors could not identify them.

#### **Recommendation**

**It is recommended for the Council to ensure that the fixed asset register and the general ledger are reconciled. In addition, the Council must prepare a comprehensive fixed asset register that show the complete details of all assets.**

### **5.5 Investments**

The auditors could not verify movements in investments amounting to N\$ 7 206 847 as the Council could not provide supporting documents. No reconciliations were prepared by the Council.

#### **Recommendation**

**It is recommended that the Council should ensure that all supporting documents to the financial statements are in place and filed appropriately.**

### **5.6 Debtors age analysis**

Debtors age analysis was understated by N\$ 4 287 139, due to inclusion of debtors with credit balances.

#### **Recommendation**

**It is recommended that the Council should reconcile debtors on a monthly basis. Unallocated credit balances must be investigated and allocated to the correct accounts.**

### **5.7 Leave pay provision**

Auditors could not verify leave pay provision of N\$ 908 253 as Council could not provide supporting documentation.

#### **Recommendation**

**It is recommended that the Council should ensure that all supporting documents to the financial statements are in place and filed appropriately.**

### **5.8 Expenditure**

The auditors could not verify the following expenditure items as there were no supporting documents:

- Consulting expenditure amounting to N\$ 876 283;
- Administration costs amounting to N\$ 816 108; and
- Regional Council costs amounting to N\$ 370 030.

Water purchases were overstated by N\$ 2 498 867 and auditors were not provided with explanations by the Council.

#### **Recommendation**

**It is recommended that the Council should ensure that all postings in the general ledger have supporting documents and are correctly posted.**

## 5.9 Income

No register is maintained for property sales. Income from property sales are recognised on date of receipt of proceeds from customers. Auditors could therefore not ascertain the completeness of sales.

The auditors were not provided with supporting documentation for royalties income to the value of N\$ 659 129, they were thus unable to ascertain the completeness of income due to lack of supporting documents.

### Recommendation

**It is recommended that the Council should maintain a property sales register. The Council should ensure that all supporting documents to the financial statements are in place and filed appropriately.**

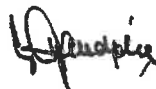
## 6. BASIS FOR DISCLAIMED AUDIT OPINION

- Trial balance not balancing by N\$ 16 781 804;
- Unexplained difference of N\$ 3 348 177 between financial statements and cash book;
- No supporting documents for VAT receivable balance of N\$ 899 041;
- No breakdown of additions to property, plant and equipment of N\$ 16 112 650;
- Property, plant and equipment additions had an unexplained difference of N\$ 2 019 328;
- No supporting documents for movement in investments to the value of N\$ 7 206 847;
- Understatement of debtors age analysis by N\$ 4 287 139;
- No supporting documents for leave pay provision of N\$ 908 253 were provided;
- Supporting documents amounting to N\$ 876 283 for consulting were not provided;
- No supporting documents for administration expenditure of N\$ 816 107 were provided;
- Overstatement of water purchases by N\$ 2 498 867;
- No supporting documents for Regional Council expenditure amounting to N\$ 370 030 were provided; and
- No supporting documents for royalty income to the value of N\$ 659 129.

## 7. DISCLAIMED AUDIT OPINION:

The accounts of the Town Council of Opuwo for the financial year ended 30 June 2016, summarised in Annexures A to C, were audited by me in terms of Section 85 of the Local Authorities Act, 1992 (Act 23 of 1992).

Because of the significance of the matters described in the Basis for Disclaimer of Audit Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.



**JUNIAS ETUNA KANDJEKE  
AUDITOR- GENERAL**

Windhoek, April 2018

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

**ANNEXURE A**

ASSETS	Note	2016 N\$	2015 N\$
<b>Non-current assets</b>			
Property, plant and equipment	2	40 608 911	28 849 275
Investments	3	12 561 062	18 677 044
<b>Current assets</b>			
Trade and other receivables	4	4 672 333	8 760 511
Cash and cash equivalents	5	1 085 342	315 017
<b>TOTAL ASSETS</b>		<b>58 927 648</b>	<b>56 601 847</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds and Accounts</b>			
Capital outlay	6.1	40 608 911	28 849 275
Accumulated funds	6.2	(4 385 679)	4 917 299
Funds and accounts	6.3	21 730 897	21 209 054
<b>Current liabilities</b>			
Trade and other payables	7	973 519	1 626 219
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>58 927 648</b>	<b>56 601 847</b>



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

	Note	<u>2016</u>	<u>2015</u>
		N\$	N\$
INCOME		27 238 176	16 701 930
EXPENDITURE		<u>(32 303 327)</u>	<u>(19 941 791)</u>
<b>OPERATING LOSS FOR THE YEAR</b>		<b>(5 065 151)</b>	<b>(3 239 861)</b>
Add: Appropriation and adjustments	8	<u>(4 237 828)</u>	16 271 562
<b>RETAINED DEFICIT FOR THE YEAR</b>		<b>(9 302 978)</b>	<b>13 031 701</b>
REVENUE ACCOUNT- Beginning of year		<u>4 917 299</u>	<u>(8 114 402)</u>
REVENUE ACCOUNT- End of year		<u><b>(4 385 679)</b></u>	<u><b>4 917 299</b></u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

---

**1. ACCOUNTING POLICIES****1.1 Introduction**

The annual financial statements are compiled in accordance with the historical cost convention modified by the restatement of financial assets to fair value, except where otherwise stated.

The principal accounting policies of the Town Council, which are set out below, have been consistently applied. The financial statements have been prepared in accordance with the requirements of the Namibian Local Authorities Act 1992 (Act 23 of 1992) as amended.

**1.2 Property, plant and equipment**

Property, plant and equipment are stated at cost or valuation where assets have been acquired by grant or by donation. Property, plant and equipment are depreciated over their estimated useful lives as determined by the Council. Property, plant and equipment acquired with loan funds are not depreciated until the loan is repaid, unless the expected lifetime of the asset is less than the repayment period of the loan in which case depreciation is calculated on the shortfall.

**1.3 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at fair value. For the purpose of the cash flow statement, cash and cash equivalents comprises of cash in hand and deposits held at commercial banks.

**1.4 Funds**

The following Funds were maintained by the Council in terms of Sections 58(1) and 80(4) of the Local Authorities Act (Act 23 of 1992).

**1.4.1 Build Together Fund**

The purpose of this Fund is to provide for housing loans. Income for the Fund is derived from interest earned on investments and outstanding Build Together loans as well as government subsidies.

**1.4.2 Capital Development Fund**

The purpose of this Fund is to finance capital projects.

**1.5 Inventory**

Inventory is measure at the lower of cost and net realizable value. The cost of inventories comprises all cost of purchases, cost of conversion and other costs incurred in bringing the inventory to their present location and condition.

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

	<b>2016</b>	<b>2015</b>
	N\$	N\$
<b>2. PROPERTY PLANT AND EQUIPMENT</b>		
<b>Consists of:</b>		
Property development, vehicles, plant and equipment	40 608 911	28 849 275
<b>Financed by:</b>		
Revenue contributions	40 608 911	28 849 275
	<b>40 608 911</b>	<b>28 849 275</b>
<b>3. INVESTMENTS</b>		
Commercial banks and building societies	12 561 062	18 677 044
	<b>12 561 062</b>	<b>18 677 044</b>
The investments were allocated as follows:		
Build Together Fund	3 263 393	2 781 827
Fixed Property Fund	9 297 668	11 950 516
Revenue Property Fund	-	3 944 701
<b>Total</b>	<b>12 561 062</b>	<b>18 677 044</b>
<b>4. TRADE AND OTHER RECEIVABLES</b>		
Service Consumers	4 575 410	4 530 513
Provision for doubtful debts	(7 530 711)	(3 500 000)
	<b>(2 955 301)</b>	<b>1 030 513</b>
<b>Other receivables</b>		
Value Added Tax	899 041	434 502
NamWater debtors	646 180	596 010
Build Together Advances	6 082 413	6 476 710
Sundry debtors	-	222 776
	<b>4 672 333</b>	<b>8 760 511</b>

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

ANNEXURE C

	<b>2016</b>	<b>2015</b>
	N\$	N\$
<b>5. CASH AND CASH EQUIVALENTS</b>		
Current account	1 085 342	315 017
	<b>1 085 342</b>	<b>315 017</b>
<b>6. FUNDS, ACCOUNTS AND RESERVES</b>		
<b>6.1 Capital outlay</b>		
Revenue Contributions	40 608 911	28 849 275
	<b>40 608 911</b>	<b>28 849 275</b>
<b>6.2 Accumulated Funds</b>	(4 385 679)	4 917 299
<b>6.3 Funds</b>		
Fixed property Fund	12 385 091	11 950 516
Build Together Fund	9 345 806	9 258 538
	<b>21 730 897</b>	<b>21 209 054</b>
	<b>57 954 130</b>	<b>26 126 353</b>
<b>7. TRADE AND OTHER PAYABLES</b>		
Trade creditors	-	172 772
Provision for leave pay	908 253	885 921
Sundry creditors-Nam	435	533 685
Other payables	64 066	32 076
Consumer deposits	765	765
	<b>973 519</b>	<b>1 626 219</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE  
(continued)

	<u>2016</u>	<u>2015</u>
	N\$	N\$
<b>8. ADJUSTMENTS AND APPROPRIATIONS</b>		
Adjustment	184 786	16 271 562
Movement in provision for bad debts	4 030 711	-
Movement in provision for personnel benefits	22 331	-
	<u>4 237 828</u>	<u>16 271 562</u>