



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
TOWN COUNCIL OF OTAVI  
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 Otavi 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, June 2017**



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

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**1. REPORT ON THE FINANCIAL STATEMENTS**

**1.1 INTRODUCTION**

The accounts of the Town Council of Otavi 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).

Figures in the report are rounded off 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 Otavi for the year ended 30 June 2016. These financial statements comprise of the following:

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 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 to 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, 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 sufficient and appropriate to provide a basis for the qualified audit opinion.

## **4. ACKNOWLEDGEMENT**

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

## **5. KEY AUDIT FINDING**

### **5.1 RECEIVABLES**

It was observed at year end, that debtors with credit balances amounting to N\$ 1 818 436, were not disclosed as creditors.

## **Recommendations**

It is recommended that the Council performs reconciliations to ensure that balances are posted to correct accounts.

### **5.2 CIRCULAR D3/2015**

The Chief Executive Officer of the Town Council of Otavi 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 Town Council of Otavi should submit respective statements as requested by Circular D3/2015 of the Auditor-General.

### **5.3 ACCOUNTING POLICY REPORTING FRAMEWORK**

The accounting policy and reporting framework were not provided to the auditors. The policy was not also attached to the Annual Financial Statements.

#### **Recommendation**

It is recommended that the Chief Executive Officer should submit all annual report statements with accounting policy attached. Furthermore the accounting officer must prescribe the reporting framework used.

## **6. BASIS FOR QUALIFIED AUDIT OPINION**

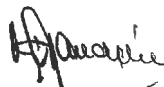
- Debtors with credit balances to the value of N\$ 1 818 436;
- Non-Compliance to circular D3/2015 of the Auditor-General; and
- No accounting policy and reporting framework.

## **7. QUALIFIED AUDIT OPINION**

The accounts of the Town Council of Otavi for the financial year ended 30 June 2016, summarised in annexure A to D, were audited by me in terms of section (85) of the Local authorities act,1992 read with section 25 (1) of the State Finance Act, 1991.

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 Otavi as at 30 June 2016, and their financial performance and cash flows for the year then ended.

WINDHOEK, June 2017



**JUNIAS ETUNA KANDJEKE**  
**AUDITOR-GENERAL**

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

**ANNEXURE A**

	Note	2016 N\$	2015 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	78 944 277	73 536 366
Investments	3	9 152 384	16 857 245
Loans Receivable	4	20 364 921	5 378 295
<b>Current assets</b>			
Debtors and other receivables	5	4 204 476	175 170
Cash and Bank	6	1 003 215	591 883
<b>TOTAL ASSETS</b>		<b>113 669 272</b>	<b>96 538 959</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds and reserves</b>			
Capital outlay	7	78 296 759	74 868 398
Funds and accounts	8	24 270 650	12 889 499
<b>Non-current liabilities</b>			
Long-term loans	9	682 342	734 529
<b>Current liabilities</b>			
Trade and other payables	10	10 419 521	8 046 533
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>113 669 272</b>	<b>96 538 959</b>



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

	Note	<b>2016</b>	<b>2015</b>
		N\$	N\$
INCOME		37 933 567	43 170 546
EXPENDITURE		(30 315 366)	(46 191 181)
NET OPERATING SURPLUS		7 618 201	(3 020 635)
APPROPRIATION ACCOUNT	11	2 585 198	4 076 950
Net Surplus/(deficit) after appropriations		10 203 399	1 056 315
Accumulated surplus /(deficit) at the beginning of the year		(6 581 022)	(7 637 337)
<b>Accumulated surplus /(deficit) at the end of the year</b>		<b>3 622 377</b>	<b>(6 581 022)</b>

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

	<b>2016</b>	<b>2015</b>
	N\$	N\$
<b>Cash flow from operating activities</b>	<b>13 153 195</b>	<b>953 629</b>
Cash receipts by customers	37 933 567	43 170 546
Cash paid to suppliers	(29 068 308)	(48 518 331)
Increase in Capital outlay	3 428 361	14 412 253
Decrease / increase in Fund account	859 575	(8 110 839)
<b>Cash flow from investing activities</b>	<b>(12 689 676)</b>	<b>(2 463 599)</b>
Net capital expenditure	(5 407 911)	(14 365 368)
Increase /Decrease in investments	7 704 861	11 945 202
Increase loan receivable	(14 986 626)	(43 433)
<b>Cash flow from financing activities</b>	<b>(52 187)</b>	<b>(46 886)</b>
Increase / Decrease in long-term liabilities	(52 187)	(46 886)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>411 332</b>	<b>(1 556 856)</b>
Cash and cash equivalents - beginning of year	591 883	2 148 739
Cash and cash equivalents – end of year	1 003 215	591 883

**TOWN COUNCIL OF OTAVI**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

	<b>2016</b>	<b>2015</b>
	N\$	N\$
<b>1. Accounting policy</b>		
The Town Council did not attach accounting policy to the Financial Statements for the year under review.		
<b>2. Property, plant and equipment</b>	<b>78 944 277</b>	<b>73 536 366</b>
Income assets	-	68 137 881
General capital assets	78 944 277	4 504 178
	-	894 307
<b>3. Investments</b>	<b>9 152 384</b>	<b>16 857 245</b>
Build together fund	-	2 612 890
Capital	-	2 031 738
Revenue	-	5 313 439
Capital reserve fund	-	699 885
Renewal fund	-	61 832
Endowment fund	-	32 840
Investment Commercial Bank	3 838 945	1 589 287
Housing fund	-	34 824
Single quarters transformation fund	-	4 480 510
Censored Equity	5 313 439	-
<b>4. Loans receivables</b>	<b>20 364 921</b>	<b>5 378 295</b>
Housing Fund/Build together fund	8 322 161	5 378 295
Capital reserve Fund	9 568 094	-
Renewal Fund	817 715	-
Endowment Fund	32 840	-
Fixed Property Fund	1 589 287	-
Housing Fund	34 824	-
<b>5. Trade and other receivables</b>	<b>4 204 476</b>	<b>175 170</b>
Consumers	13 168 265	8 511 260
VAT receivables	1 020 699	1 115 865
Provision for bad debts	(9 984 488)	(9 451 955)
<b>6. Cash and bank</b>	<b>1 003 215</b>	<b>591 883</b>
Current account	1 003 215	591 883

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

	<b>2016</b>	<b>2015</b>
	N\$	N\$
<b>7. Capital outlay</b>	<b>78 296 759</b>	<b>74 868 398</b>
Loans redeemed	543 089	2 522 641
Revenue contribution	74 259 192	67 841 580
General capital contributions	3 494 478	4 504 177
<b>8. Fund accounts and reserves</b>	<b>24 270 650</b>	<b>12 889 499</b>
Fixed Property account	1 589 287	1 589 287
Capital Reserve Fund	9 568 094	8 971 316
Renewal Fund	817 715	817 715
Endowment Fund	32 840	32 840
Build Together Fund	8 322 161	8 059 363
Revenue account in compliance with Section	3 940 553	(6 581 022)
<b>9. Long term loans</b>	<b>682 342</b>	<b>734 529</b>
External Loans – Government	647 518	699 705
Housing Fund/Build Together Fund	34 824	34 824
<b>10. Trade and other payables</b>	<b>10 419 521</b>	<b>8 046 533</b>
Trade payables	-	4 174 212
Provision for leave pay	1 030 150	1 228 071
Advance ex revenue Build together	318 177	-
Namwater	3 512 705	-
Regional Council Levies	318 035	2 072 201
Government Grant	2 355 918	-
Consumer Refundable Deposits	126 933	100 896
Accrued Creditors	1 327 244	389 437
Sundry payables	1 430 359	81 716

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

	<b>2016</b>	<b>2015</b>
	N\$	N\$
<b>11. Adjustments to appropriation account</b>	<b>2 585 198</b>	<b>4 076 950</b>
Bad debt provision	-	( 4 623 101)
Correction of VAT balance	-	(640 516)
Leave pay provisions	-	(111 739)
Transfer to Fund account	-	10 045 261
Correction – Revenue	4 449 433	(1 827 446)
Adjustment - Expenditure	(1 546 058)	1 233 344
Adjustment for advance Build together	(318 177)	-
Adjustment - Bank	-	1 147

