



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF REHOBOTH
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

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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 Rehoboth for the financial year ended 30 June 2015, 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, June 2017

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 REHOBOTH
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

1. Report on the Financial Statements

1.1 INTRODUCTION

The accounts of the Town Council of Rehoboth for the year ended 30 June 2015 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 EDB & Associates 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 off 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 Rehoboth for the financial year ended 30 June 2015. These financial statements comprise of the following:

Annexure A: Balance sheet;
Annexure B: Abridged 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, notes to the financial statements and general information provided by the Accounting Officer are attached as Annexures A-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 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 misstatements, 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 of 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 have not obtained sufficient and appropriate audit evidence to provide a basis for the audit opinion.

4. ACKNOWLEDGEMENT

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

5. KEY AUDIT FINDINGS

5.1 OLD HOUSING FUND

As reported in the previous year, the Old Housing Fund loans amounting to N\$ 3 124 386 were partly repaid and the balances written off by the Council, but were not processed on the accounting system. Unexplained difference amounting to N\$ 876 907 was found on the re-performed reconciliation for the year under review.

5.2 BUILD TOGETHER FUND

- As reported in the previous year, the Build Together Fund reflected an amount of N\$ 12 493 931 for advances to the buyers. This balance could not be verified due to non-submission of documents and reconciliations.
- The Build Together loans that were written off appeared as property sold to other customers for which there is still an outstanding balance.
- An unexplained difference of N\$ 324 352 was found between the annual financial statements and the Build Together Fund reconciliation for the year under review.
- Unexplained difference amounting to N\$ 3 303 640 was found between the annual financial statements and the system statement of the Build Together Fund for the year under review.

5.3 SEWERAGE FUND

As reported in the previous year, the financial statements reflects an amount of N\$ 21 963 673 for the Sewerage Fund. The funds were used for other purposes and not for the purpose intended.

5.4 TRADE AND OTHER RECEIVABLES

- A material difference of N\$ 5 172 314 was found between the annual financial statements and the debtors age analysis.
- VAT returns for the periods 08/2014; 10/2014; 12/2014; 02/2015 and 04/2015 were not submitted to the Receiver of Revenue. A difference amounting to N\$ 633 932 was found due to non-submission of returns.
- No interest and penalties were provided for the year under review.

5.5 FIXED ASSET REGISTER

No updated fixed asset register was provided by the Town Council during the audit for the year under review.

5.6 APPROPRIATION ACCOUNT

The auditors observed an unexplained adjustment amounting to N\$ 21 866 890 for the year under review whilst for the year 2014 there was an unexplained adjustment of N\$ 102 075 818.

5.7 PROVISION FOR BAD DEBTS

The provision for bad debts was understated by N\$ 24 318 394 for the year under review and N\$ 14 320 340 for the year (2014).

5.8 BANK AND CASH

The auditors could not confirm the bank overdraft amounting to N\$ 3 731 380, due to non-submission of the bank statements.

5.9 INCOME

The income generated from water provision was understated due to errors on water meter readings and incorrect rates used. Consumption levy on the Government Gazette was not implemented.

5.10 PAYROLL

An unexplained difference on payroll amounting to N\$ 1 480 119 was found between the annual financial statements and the payroll earnings reports.

5.11 STOCK

The auditors did not observe the counting of inventories on 30 June 2015. There were no alternative practical audit procedures that the auditors could perform to confirm the existence and value of inventories on hand at year-end.

5.12 ACCOUNTING POLICY AND FRAMEWORK

The Town Council did not have an accounting policy in place and there was also no accounting reporting framework.

5.13 MANAGEMENT LETTER

Management did not respond to the management letter.

5.14 D3/2015 CIRCULAR

The Chief Executive Officer of the Rehoboth Town Council for the year under review did not submit statements as per the Auditor- General Circular D3/2015.

5.15 GOING CONCERN

At the balance sheet date, the Town Council's total current liabilities exceeded its total current assets by N\$ 2 037 010 for 2015 and N\$ 8 129 134 for the year (2014). The condition indicates the existence of a material uncertainty which may cast significant doubt on the Town Council ability to continue as a going concern.

6. BASIS FOR DISCLAIMED OF AUDIT OPINION

- Incomplete accounting on Old Housing Fund loan amounting to N\$ 3 124 386;
- Unexplained difference of N\$ 876 907 on housing fund;
- Build Together Fund amounting to N\$ 12 818 283 could not be verified;
- Sewerage Fund amounting to N\$ 21 963 673 was not used for the intended purpose;
- Unexplained difference amounting to N\$ 5 172 314 on the debtors age analysis;
- No explanation on adjustment amounting to N\$ 21 866 890 on the appropriation account;
- Provisions for bad debts understated by N\$ 24 318 394;
- Unconfirmed bank overdraft of N\$ 3 731 178;
- The water income was understated due to errors and incorrect rates used;
- Consumption levy on the Government Gazette was not implemented;
- Unexplained difference on payroll amounting to N\$ 1 480 119; and
- Non-compliance to D3/ 2015 circular of the Auditor-General.

7. DISCLAIMED AUDIT OPINION

The accounts of the Rehoboth Town Council for the financial year ended 30 June 2015, summarized in Annexures A to D, were audited by me in terms of provisions of Section 85 of the Local Authorities Act, 1992 read with Section 25(1) of the State Finance Act, 1991.

Because of the significance of the matters described in the Basis for Disclaimed 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.

WINDHOEK, June 2017



JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

**TOWN COUNCIL OF REHOBOTH
BALANCE SHEET AT 30 JUNE**

	Note	2015	2014
		N\$	N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	112 043 796	102 901 835
Investments	3	6 295 069	2 182 469
Long-term loans receivable	4	17 601 331	15 618 317
		67 758 660	50 032 554
Current assets			
Trade and other receivables	5	45 201 839	26 727 764
Temporary advances		21 963 673	22 743 358
Inventories		593 148	561 432
		203 698 856	170 735 175
TOTAL ASSETS			
FUNDS AND LIABILITIES			
Funds and reserves			
Capital outlay	7	112 043 796	102 901 835
Funds and accounts	8	19 730 253	7 638 902
		2 129 137	2 032 750
Non-current liabilities			
Long-term loans	9	2 129 137	2 032 750
		69 795 670	58 161 688
Current liabilities			
Trade and other payables	10	66 064 492	57 175 895
Bank overdraft	6	3 731 178	985 793
		203 698 856	170 735 175
TOTAL FUNDS AND LIABILITIES			

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

	Note	2015	2014
		N\$	N\$
Income		83 744 154	97 413 504
Expenditure		(93 946 454)	(95 044 124)
Net operating (deficit)/surplus		(10 202 300)	2 369 380
Interest on investments		100 904	33 433
Net operating (deficit)/surplus after interest		(10 101 396)	2 402 813
Appropriation account	11	21 866 123	9 984 894
Net surplus after appropriations		11 764 727	12 387 707
REVENUE ACCOUNT - Beginning of year		(30 827 898)	(43 215 605)
REVENUE ACCOUNT - End of year		(19 063 171)	(30 827 898)

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

	2015	2014
	N\$	N\$
Cash flow from operating activities	12 395 601	(3 950 904)
Cash receipts from customers	83 744 154	97 413 504
Cash paid to suppliers	(80 917 840)	(102 430 673)
Investment income	100 904	33 433
Increase/(decrease) in Fund accounts	326 422	9 939 900
Increase/(decrease) in Capital outlay	9 141 961	(8 906 868)
Cash flow from investing activities	(15 237 575)	(654 754)
Net capital (expenditure)/income	(9 141 961)	8 906 868
(Increase) /decrease in investments	(4 112 600)	(2 173 550)
Increase in advances	(1 983 014)	(7 388 072)
Cash flow from financing activities	96 387	94 094
Increase in long-term liabilities	96 387	94 094
Net (decrease)/increase in cash and cash equivalents	(2 745 587)	(4 511 564)
Cash and cash equivalents –		
Beginning of year	(985 793)	3 525 771
Cash and cash equivalents - end of year	(3 731 380)	(985 793)

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

	2015	2014
	N\$	N\$
2. Property, plant and equipment	112 043 796	102 901 835
Revenue assets	112 043 796	102 901 835
3. Investments	6 295 069	2 182 469
Sewerage	105 327	105 327
Revenue	6 189 742	2 077 142
4. Long-term loans receivable	17 601 331	15 618 317
Old housing fund	4 783 048	3 124 386
Build together advances to buyers	12 818 283	12 493 931
5. Trade and other receivables	45 201 839	26 727 764
Consumers	93 685 689	76 139 084
Suspense accounts	2 598 412	27 758
Vat	-	1 227 488
Provision for bad debts	(51 082 262)	(50 666 566)
6. Bank and cash	(3 731 178)	(985 793)
Current account	(3 731 178)	(985 793)
7. Capital outlay	112 043 796	102 901 835
Revenue contributions	112 043 796	102 901 835
8. Funds, accounts and reserves	19 730 253	7 638 902
Old housing fund	3 906 141	3 904 071
Sewerage fund	22 069 000	22 069 000
Capital development fund	-	-
Build together fund	12 818 283	12 493 931
Revenue account kept in compliance with section 86(1) of the local authorities act, 1992.	(19 063 171)	(30 828 100)

ANNEXURE D

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

	2015	2014
	N\$	N\$
9. LONG-TERM LIABILITIES	2 129 137	2 032 750
Consumer deposits	2 129 137	2 032 750
10. TRADE AND OTHER PAYABLES	66 064 492	57 175 895
Trade payables	46 496 403	39 687 901
Sundry Creditors	945 700	871 166
Provisions	2 449 498	2 783 750
Suspense accounts	13 833 078	13 833 078
VAT	2 339 813	-
11. ADJUSTMENTS TO APPROPRIATION ACCOUNT	21 866 123	9 984 894
Other adjustment to accumulated surplus	21 866 123	-
Adjustment to property, plant and equipment	-	(16 552)
Adjustment to investment accounts	-	2 029 338
Adjustment to petty cash	-	(8 453)
Adjustment to suspense accounts	-	4 625 816
Bank reconciliation adjustments	-	8 870 190
Creditors adjustment	-	(7 784 732)
Current year accrual	-	(34 192 132)
Debtors adjustments	-	(76 179 997)
Huaxia donation written off	-	467 791
Correction to housing fund debtors	-	(10 435 387)
Provision for staff benefits	-	(44 272)
R/D cheques	-	(3 259)
Stale cheques	-	15 335 055
Stores	-	231 873
Unexplained difference in opening balance	-	102 075 818
Vat adjustment	-	5013 804
12. CASH GENERATED BY OPERATIONS	2 826 314	(5 017 169)
Net operating (deficit)/surplus before interest	(10 202 300)	2 369 380
- Adjustments to appropriation account	21 866 123	9 984 894
- Temporary advances	779 685	(2 446 501)
(Increase)/Decrease in trade and other receivables	(18 474 075)	(14 827 006)
Increase in inventories	(31 716)	(78 811)
Increase/(Decrease) in trade and other payables	8 888 597	(19 125)