



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
TOWN COUNCIL OF RUACANA  
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 Ruacana 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.

**WINDHOEK, July 2018**

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 RUACANA  
FOR THE FINANCIAL YEAR ENDED JUNE 2016**

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**1. Report on the financial statements**

**1.1 INTRODUCTION**

This report on the accounts of the Town Council of Ruacana 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 23 of 1992).

The firm Strategies 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 to audit the accounts of the Town Council of Ruacana 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 Ruacana for the year ended 30 June 2016. These financial statements comprise 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, except that they were only submitted on 10 October 2017 instead of three months (3 months) after the year-end as required by the Act.

**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 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 to provide a basis of the qualified audit opinion.

## **4. ACKNOWLEDGEMENT**

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

## **5. KEY AUDIT FINDINGS**

### **5.1 BUILD TOGETHER LOANS**

Build together financial statements balance amounting to N\$ 4 739 867 does not agree to the build together listing balance of N\$ 4 051 603 resulting in a difference of N\$ 688 264.

## **Recommendation**

The Town Council must reconcile all loan balances to the payments made by consumers and credit interest to all consumers not settling their accounts.

## **5.2 EXPENDITURE**

The Town Council was unable to provide the auditors with the supporting documents for expenditure amounting to N\$ 586 690. Auditors therefore could not satisfy themselves on the completeness and accuracy of the above-mentioned expenditure.

### **Recommendation**

The Town Council should provide supporting invoices for every payment made. Invoices must be verified for accuracy, validity and should be reconciled to the payments made.

## **5.3 OMISSION OF EQUITY INVESTMENT**

The investment in the shareholding of Local Authorities Electricity Company (Pty) Limited (Shareholder in NORED) is not reflected in the financial statements.

### **Recommendation**

The investments in Local Authorities Electricity Company (Pty) Ltd should be reflected in the financial statements of the Town Council

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

- Build together loans overstated by N\$ 688 264;
- No supporting documents for expenditure 586 690; and
- Investments omitted from the financial statements.

## **7. QUALIFIED AUDIT OPINION**

The accounts of the Town Council of Ruacana 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.

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

**WINDHOEK, July 2018**



**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

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

	Note	2016 N\$	2015 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	39 294 631	35 033 692
Investments	3	3 882 474	787 742
<b>Current assets</b>			
Trade and other receivables	4	8 049 184	7 349 952
Inventories		173 504	527 143
Cash and cash equivalents	5	4 057	2 057
<b>TOTAL ASSETS</b>		<b>51 403 850</b>	<b>43 700 586</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Capital outlay	6	39 294 631	35 033 692
Fund and accounts	7	6 772 341	6 480 945
Retained earnings	7	514 533	(2 105 793)
<b>Current liabilities</b>			
Trade and other payables	8	3 430 526	2 911 877
Bank overdraft	5	1 391 819	1 379 865
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>51 403 850</b>	<b>43 700 586</b>



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

		<b>2016</b>	<b>2015</b>
	Note	N\$	N\$
Income		32 861 103	21 737 382
Expenditure		(29 315 179)	(22 726 433)
<b>Operating surplus / (deficit) for the year</b>		<b>3 545 924</b>	<b>(989 051)</b>
Investments income		119 666	102 460
<b>Net surplus / (deficit) for the year</b>		<b>3 665 590</b>	<b>(886 591)</b>
Add: Appropriation and adjustments	9	(1 045 264)	795 925
<b>Surplus / (deficit) for the year</b>		<b>2 620 326</b>	<b>(90 666)</b>
Retained earnings at the beginning of the year		(2 105 793)	(2 015 127)
Retained earnings at th end of the year		<b>514 533</b>	<b>(2 105 793)</b>

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

	<b>2016</b>	<b>2015</b>
	N\$	N\$
<b>Net cash flows from operating activities</b>	<b>7 345 117</b>	<b>(542 984)</b>
Cash receipts from customers	30 980 782	20 160 156
Cash paid to suppliers	(21 590 563)	(14 933 401)
Cash paid on behalf of employees	(6 943 306)	(6 688 749)
Other cash receipts / (payments)	226 203	(496 505)
Investments income	119 666	102 460
Capital outlay	4 260 939	795 764
Fund accounts	291 396	517 291
<b>Cash flows from investing activities</b>	<b>(7 355 671)</b>	<b>239 678</b>
(Increase) in capital expenditure	(4 260 939)	(795 764)
(Increase) / decrease in investments	(3 094 732)	1 035 442
<b>Net decrease in cash and cash equivalents</b>	<b>(10 554)</b>	<b>(303 306)</b>
Cash and cash equivalents at the beginning of the year	(1 377 808)	(1 074 502)
<b>Cash and cash equivalents at the end of the year</b>	<b>(1 388 362)</b>	<b>(1 377 808)</b>

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

**1. ACCOUNTING POLICIES**

**1.1 Introduction**

The annual financial statements set out in Annexures A to D are prepared on the historical cost basis and incorporate the following principal accounting policies which are consistent with those applied in the prior year.

**1.1 Property, plant and equipment**

Property, plant and equipment acquired are stated at cost or at valuation where assets have been acquired by grants or by donations, less depreciation written off over the expected useful lives as determined by the Council from time to time. 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.

**1.2 Fund accounts**

The following Fund was maintained by the Council in terms of Sections 58(1) and 80(4) of the Local Authorities Act, 1992 (Act 23 of 1992):

**1.2.1 Build together fund**

The purpose of the Build together fund is to provide for housing loans to the low-income inhabitants. Income for this Fund is derived from government grants, interest earned on secured housing loans and investments.

	<b>2016</b>	<b>2015</b>
	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>	<b>39 294 631</b>	<b>35 033 692</b>
Revenue Fund	38 377 531	34 014 692
General Capital Fund	917 100	1 019 000
<b>3. INVESTMENTS</b>	<b>3 882 474</b>	<b>787 742</b>
Fixed deposits and money on call	3 882 474	787 742
<b>4. TRADE AND OTHER RECEIVABLES</b>	<b>8 049 184</b>	<b>7 349 952</b>
Consumer debtors	6 655 567	6 561 615
Value Added Taxation	1 380 333	166 936
Temporary advances (Build Together)	1 473 264	781 871
Build Together Advances	3 266 603	3 612 246
Provision for doubtful debts	(4 726 583)	(3 772 716)

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

	<b>2016</b>	<b>2015</b>
	N\$	N\$
<b>5. CASH AND CASH EQUIVALENTS</b>	<b>(1 387 762)</b>	<b>(1 377 808)</b>
Cash balances	4 057	2 057
Bank overdraft	(1 391 819)	(1 379 865)
<b>6. CAPITAL OUTLAY</b>	<b>39 294 631</b>	<b>35 033 692</b>
<b>Financing of capital</b>		
Contributions ex Revenue	38 377 531	34 014 692
Contributions ex GRN	917 100	1 019 000
<b>7. FUND ACCOUNTS</b>	<b>7 286 875</b>	<b>4 375 152</b>
Build Together Fund	6 772 342	6 480 945
Revenue Account	514 533	(2 105 793)
<b>8. TRADE AND OTHER PAYABLES</b>	<b>3 430 526</b>	<b>2 911 877</b>
Trade payables	405 112	514 065
Leave Provisions	486 530	911 555
Consumer deposits	-	283 927
Accrual for regional council levy	62 001	93 096
Deposits for sale of erven	2 476 883	1 109 234
<b>9. ADJUSTMENTS AND APPROPRIATIONS</b>	<b>(1 045 264)</b>	<b>795 925</b>
Adjustment: provision for bad debts	(953 867)	1 412 803
Increase in leave pay provision	135 825	(283 320)
VAT refund received (correction)	-	(265 118)
Capital expenditure	-	(275 033)
Prior year bulk water purchases	6 156	206 593
Other	(233 378)	-
<b>10. CASH UTILISED BY OPERATIONS</b>	<b>2 673 116</b>	<b>(1 958 499)</b>
Net operating deficit before transfers	3 665 590	(886 591)
Adjustments to appropriation account	(1 045 264)	795 925
Deduct investment income	(119 666)	(102 460)
Increase/(decrease) in trade and other payables	518 049	(213 184)
(Increase)/decrease in inventories	353 639	(2 656 472)
(Increase)/decrease in trade and other receivables	(699 232)	1 104 283