



**REPUBLIC OF NAMIBIA**



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

# **TOWN COUNCIL OF RUACANA**

**FOR THE FINANCIAL YEARS ENDED 30 JUNE 2018 AND 2019**



**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 years ended 30 June 2018 and 2019, 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 No. 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'.

**WINDHOEK, June 2022**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



**REPORT OF THE AUDITOR-GENERAL ON  
THE ACCOUNTS OF THE TOWN COUNCIL OF RUACANA  
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2018 AND 2019**

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**SECTION A: FINANCIAL AUDIT**

**1. ADVERSE AUDIT OPINION**

I have audited the financial statements of the Town Council of Ruacana for the financial years ended 30 June 2018 and 2019. These financial statements comprise of balance sheet, income statement, cash flow statement and notes to the annual financial statements.

In my opinion, because of the significance of the matters described in the Basis for Adverse Audit Opinion paragraph, the financial statements do not present fairly, in all material respects the financial position of the Town Council of Ruacana as at 30 June 2018 and 2019.

**2. BASIS FOR ADVERSE AUDIT OPINION**

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

An adverse audit opinion is being expressed due to the following reasons:

- The Council did not have a financial reporting framework for the financial years ended 30 June 2018 and 2019;
- Depreciation amounting to N\$ 9 076 462 (2019) and N\$ 7 046 955 (2018) could not be recalculated due to incomplete asset register, purchase dates of assets are missing from the asset register;
- Differences amounting to N\$ 801 424 were observed between the 2018 financial statements and the supporting documents for accounts payables balances at year end;
- Differences of N\$ 1 1017 312 (2019) and N\$ 1 522 868 (2018) were noted between the financial statements and the age analysis closing balances;
- Differences of N\$ 135 882 were noted between surcharges received from Nored and the amount recorded in the 2018 financial statements;

- A difference of N\$ 247 572 was noted between the cash and cash equivalents disclosed in the balance sheet and the cash flow statement for the 2018 financial year;
- Difference amounting to N\$ 323 595 (2019) and N\$ 388 984 (2018) were observed between the payroll earning reports and the general ledger; and
- An amount of (N\$ 2 058 351) for Revenue kept in compliance with Section 86(1) of the Local Authorities Act disclosed in prior year report was not brought forward as opening balance in the 2018 financial statements.

### **3. KEY AUDIT MATTERS**

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no key audit matters identified in respect of the financial statements for the Town Council of Ruacana.

### **4. OTHER MATTERS**

Attention is drawn to the management on the following matters that relate to my responsibility in the audit of the financial statements, and excluding matters already disclosed by the Town Council of Ruacana in the financial statements. My opinion is not modified in respect of this matter:

It was observed that the Council's filing system is very poor. The Human Resources (HR) documents are not filed properly in the personnel files of the respective staff members. Generally, the filing system at the HR was poor and not easily traceable.

- The Council does not have HR policies and procedures documented, to guide the Council with regards to good human resources functions and practices;
- HR department does not prepare salary advices to finance department for any changes such as salary adjustments, staff movement and any other salary payments related to staff members;
- HR department does not update the staff records cards of all the salary movements (changes) such as salary scale and notches; and
- The Council have two salary structures in place where by one was approved by the Council and other one approved by the line Ministry as unified salary structure. As such, some staff members with same positions are paid at different salary scale due to the mentioned audit observation.

## **5. OTHER INFORMATION**

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and, according, I do not express any form of assurance conclusion thereon. In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

## **6. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with legislation and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible of overseeing the entity's financial reporting process.

## **7. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes the audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit, I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for the audit opinion.  
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;

- Obtain an understanding of internal control relevant to the audit 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;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the audit opinion. My conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit;
- Provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards; and
- From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in the audit report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in the report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **8. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

The financial statements for the financial years ended 30 June 2018 and 2019 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 87 (1) of the Local Authorities Act, 1992 (Act No.23 of 1992).



## **SECTION B: AUDIT OF PERFORMANCE INFORMATION**

### **1.1. AUDIT OF KEY PERFORMANCE INFORMATION**

I conducted an audit on performance information of the Town Council of Ruacana for the Strategic period 2018 to 2019, consecutively with the audit of financial statements for the years ended 30 June 2018 and 2019.

### **1.2. DESCRIPTION OF THE SUBJECT MATTER INFORMATION AND SCOPE**

A Performance Management System (PMS) is a systematic process for achievement and improvement in obtaining results from an organization and its staff members managing performance within an agreed framework consisting of objectives, outputs, key performance indicators (KPIs) and timeliness.

The primary function of the PMS is to enable Council to achieve success in fulfilling its mandate and provide improvements in service delivery to the public.

### **1.3. KEY AUDIT FINDINGS**

The Strategic Plan with key performance indicators were not made available at the time of the audit. Important audit confirmation could not take place.

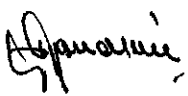
### **1.4 CONCLUSION ON SUBJECT MATTER**

Because of the significance of the key audit findings section of my report, I have not been able to obtain sufficient appropriate evidence to form a conclusion on the Key Performance Information of the Council. Accordingly, I do not express a conclusion.

## **9. ACKNOWLEDGEMENT**

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

**WINDHOEK, June 2022**

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

## ANNEXURE A

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

		<b>2019</b>	<b>2018</b>	<b>2017</b>
	Note	N\$	N\$	N\$
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1	81 560 108	91 344 209	42 620 533
Investments	2	28 712	95 381	2 474 129
<b>Current assets</b>				
Trade and other receivables	3	7 772 465	6 887 459	6 467 535
Inventories		113 068	196 780	240 955
Cash and cash equivalents	4	4 057	4 057	127 843
<b>TOTAL ASSETS</b>		<b>89 478 410</b>	<b>98 527 886</b>	<b>51 930 995</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Capital outlay	5	81 560 108	91 344 209	42 620 533
Funds and accounts	6	7 709 600	7 381 164	6 373 115
Retained earnings		(2 750 852)	(5 523 943)	(2 058 351)
<b>Current liabilities</b>				
Trade and other payables	7	1 347 651	2 828 713	4 995 698
Bank overdraft		1 611 903	2 497 743	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>89 478 410</b>	<b>98 527 886</b>	<b>51 930 995</b>

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Note	N\$	N\$	N\$
Revenue	24 812 436	21 605 562	26 112 184
Operating expenses	(19 625 641)	(23 108 848)	(27 320 283)
<b>Operating surplus / (deficit) for the year</b>	<b>5 186 795</b>	<b>(1 503 286)</b>	<b>(1 208 099)</b>
Investment income	13 177	41 252	135 905
<b>Net surplus / (deficit) for the year</b>	<b>5 199 972</b>	<b>(1 462 034)</b>	<b>(1 072 194)</b>

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

	2019	2018	2017
Note	N\$	N\$	N\$
<b>Cash flow from operating activities</b>			
Cash receipts from customers	24 812 436	21 605 562	26 112 184
Cash paid to suppliers	(24 334 877)	(26 674 760)	(26 235 453)
<b>Cash generated by operations</b>	<b>477 559</b>	<b>(5 069 198)</b>	<b>(123 269)</b>
Interest received	13 177	41 252	135 905
<b>Net cash flows from operating activities</b>	<b>490 736</b>	<b>(5 027 946)</b>	<b>12 636</b>
<b>Cash flow from investing activities</b>			
Net capital expenditure	9 784 101	(48 723 676)	(3 325 902)
Increase/(decrease) in investments	66 670	2 378 748	1 408 345
<b>Net cash flows from investing activities</b>	<b>9 850 771</b>	<b>(46 344 928)</b>	<b>(1 917 557)</b>
<b>Cash flow from financing activities</b>			
Change in funds	328 435	300 572	(314 105)
Increase in capital outlay	(9 784 101)	48 723 676	3 325 902
<b>Net cash flows from financing activities</b>	<b>(9 455 666)</b>	<b>49 024 248</b>	<b>3 011 797</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
	885 841	*(2 373 957)	1 515 605
Cash at the beginning of the year	(2 493 686)	127 843	(1 387 762)
Cash at the end of the year	<b>(1 607 845)</b>	<b>(2 246 114)</b>	<b>127 843</b>

\*Observation: The net decrease in cash and cash equivalents is not balancing to the sum of net cash flow from operating, investing and financing activities.

## ANNEXURE D

## TOWN COUNCIL OF RUACANA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2019	2018	2017
	N\$	N\$	N\$
<b>1. PROPERTY, PLANT &amp; EQUIPMENT</b>	<b>81 560 108</b>	<b>91 344 209</b>	<b>42 620 533</b>
Investment assets (house and erven stock)	(353 819)	50 458 164	-
Income assets	81 302 527	40 172 745	41 805 333
General capital assets	611 400	713 300	815 200
<b>2. INVESTMENT</b>	<b>28 712</b>	<b>95 381</b>	<b>2 474 129</b>
Build Together Housing Fund	14 125	10 170	1 918 059
Revenue Fund	14 587	85 211	556 070
<b>3. TRADE AND OTHER RECEIVABLES</b>	<b>7 772 465</b>	<b>6 887 459</b>	<b>6 467 535</b>
Consumer debtors	13 056 673	9 077 513	6 466 538
Value added tax receivables	298 722	456 185	816 426
Build Together advances	3 125 813	3 408 422	3 770 424
Provision for doubtful debts	(8 708 743)	(6 054 661)	(4 585 853)
<b>4. CASH AND CASH EQUIVALENTS</b>	<b>4 057</b>	<b>4 057</b>	<b>127 843</b>
Petty cash	4 057	4 057	4 057
Cash at the Bank	-	-	123 786
<b>5. CAPITAL OUTLAY</b>	<b>81 560 108</b>	<b>91 344 209</b>	<b>42 620 533</b>
Revenue contributions	81 302 527	40 172 745	41 805 333
Government contributions	611 400	713 300	815 200
Investment assets	(353 819)	50 458 164	-
<b>6. FUNDS, ACCOUNTS &amp; RESERVES</b>	<b>7 709 600</b>	<b>7 381 164</b>	<b>7 080 592</b>
Build Together Fund	6 810 607	6 600 166	6 373 115
Salary Reserve Fund	898 993	780 998	707 477

## ANNEXURE D

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

	2019	2018	2017
	N\$	N\$	N\$
<b>7. TRADE AND OTHER PAYABLES</b>	<b>1 347 651</b>	<b>2 828 713</b>	<b>4 288 221</b>
Trade payables	439 130	2 029 350	2 218 772
Accrual for Regional Council levy	141 996	68 438	131 028
Consumer deposit	727 945	730 925	1 938 421
Other creditors	38 580	-	-
<b>8. ADJUSTMENT AND APPROPRIATIONS</b>	<b>(2 426 881)</b>	<b>(1 730 656)</b>	<b>(1 500 690)</b>
Adjustment: Provision for bad debts	(2 654 082)	(1 468 807)	140 730
Adjustment in leave pay provision	(117 994)	(73 521)	(85 121)
VAT refund received	-	-	(1 465 134)
Other	(2 834)	(188 328)	(91 165)
Capital expenditure	348 029	-	-
<b>9. CASH (UTILISED)/ GENERATED BY OPERATIONS</b>	<b>477 559</b>	<b>(5 069 199)</b>	<b>*(123 268)</b>
Net operating surplus / (deficit)	5 186 795	(1 503 286)	(1 481 001)
Adjustment to appropriation account	(2 426 880)	(1 730 656)	(1 500 690)
<b>Operating surplus/(deficit) before change in working capital</b>	<b>2 759 915</b>	<b>(3 233 942)</b>	<b>(2 981 691)</b>
<b>Change in working capital</b>	<b>(2 282 356)</b>	<b>(1 835 257)</b>	<b>2 858 423</b>
(Decrease)/ increase in trade and other payables	(1 481 063)	(1 459 508)	1 344 225
(Increase)/decrease in inventories	83 712	44 175	(67 451)
Decrease/(increase) in trade and other receivables	(885 005)	(419 924)	1 581 649

\*A difference of (N\$ 194 415) was noted between prior year closing balance (N\$ 317 683) and current year opening balance (N\$ 123 268) on Cash utilised by operations.