



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF USAKOS

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2017 AND 2018

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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 Usakos Town Council for the financial years ended 30 June 2017 and 2018, 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 2019

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
USAKOS TOWN COUNCIL
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2017 AND 30 JUNE 2018**

1. DISCLAIMER AUDIT OPINION

I have audited the financial statements of the Usakos Town Council for the financial years ended 30 June 2017 and 30 June 2018. These financial statements comprise the Balance Sheet, Abridged Income statement, Statement of Cash Flow and Notes to Financial Statements for the years then ended, and a summary of significant accounting policies.

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

2. BASIS FOR DISCLAIMER 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 in Namibia, 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 not sufficient and appropriate to provide a basis for my opinion. A disclaimer audit opinion is being expressed due to the following:

- No sufficient system of internal control and proper accounting records;
- No interest is provided on Government loans in arrears for the years under review;
- The list of Build Together advances is N\$ 580 538 more than the control account and the financial statements for the years under review;
- The balance of Build Together advances on the balance sheet did not change since 30 June 2013;
- No VAT reconciliations for the 2017 financial year;
- No proper approval and filing of expense invoices were in place during the years under review;
- The provision for bad debts is understated by N\$ 517 228 for the 2017 financial year;
- Material uncertainty related to going concern due to continuous operating deficits being reported and current liabilities exceeding current assets with N\$ 9 071 289 and N\$ 10 071 391 for 2017 and 2018 respectively; and
- The Town Council does not have an acceptable financial reporting framework in place.

3. 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 Section 87(1) of the Local Authorities Act 1992, (Act 23 of 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. 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 for overseeing the entity's financial reporting process.

4. 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 my 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 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 my 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 my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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 my 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;
- 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 my 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 my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

5. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (COMPLIANCE)

The financial statements were submitted to the Office of the Auditor-General by the Accounting Officer in compliance with Section 87 (1) of the Local Authorities Act, 1992 (Act 23 of 1992), except that they were only submitted on the 12th of October 2018, instead of three months after year-end as required by the Act.



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, July 2019

**USAKOS TOWN COUNCIL
BALANCE SHEET AS AT 30 JUNE**

	Note	2018 N\$	2017 N\$	2016 N\$
Assets				
Non-current assets				
Property plant and equipment	2	58 132 900	53 924 158	45 548 423
Investments	3	3 489 113	3 385 969	3 313 139
Loans receivable	4	4 857 039	4 857 039	4 857 039
Current assets				
Trade and other receivables	5	2 424 754	2 206 446	1 397 108
Cash and bank balances		421	-	11 202
Total assets		68 904 227	64 373 612	55 126 911
Funds and liabilities				
Funds and reserves				
Capital outlay	6	57 655 070	53 355 322	44 897 024
Funds and accounts	7	(1 727 226)	(834 301)	750 683
Non-current liabilities				
Long-term loans	8	479 817	574 856	661 907
Current liabilities				
Trade and other payables	9	10 688 380	10 242 819	8 121 678
Bank overdraft		1 808 186	1 034 916	695 619
Total funds and liabilities		68 904 227	64 373 612	55 126 911

**USAKOS TOWN COUNCIL
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE**

	Note	2018	2017	2016
		N\$	N\$	N\$
Income		11 841 241	11 062 432	10 142 609
Expenditure		12 843 795	13 512 285	15 433 352
Net operating deficit		(1 002 554)	(2 449 853)	(5 290 743)
Interest on investments		192	42	37
Net operating deficit		(1 002 362)	(2 449 811)	(5 290 706)

**USAKOS TOWN COUNCIL
CASH FLOW STATEMENT AS AT 30 JUNE**

	Note	2018	2017	2016
		N\$	N\$	N\$
Cash flow from operating activities				
Cash utilised by operations	11	(2 438 161)	(1 887 739)	(3 025 469)
Investment income		192	42	37
Increase/(decrease) in Fund accounts		1 772 297	1 614 516	(7 243 406)
Increase/ (decrease) in Capital outlay		4 299 748	8 458 298	10 916 953
Net cash flow from operating activities		3 634 076	8 185 117	648 115
Cash flow from investing activities				
Net capital expenditure		(4 208 742)	(8 375 735)	(10 842 037)
Change in investments		(103 144)	(72 830)	10 238 306
Net cash flow from investing activities		(4 311 886)	(8 448 565)	(603 731)
Cash flow from financing activities				
Change in long-term liabilities		(95 039)	(87 051)	(79 520)
Net cash flow from financing activities		(95 039)	(87 051)	(79 520)
Net Increase/(Decrease) In Cash and Cash Equivalents		(772 849)	(350 499)	(35 136)
Cash and Cash Equivalents -- Beginning of Year		(1 034 916)	(684 417)	(649 281)
Cash and Cash Equivalents -- End of Year		(1 807 765)	(1 034 916)	(684 417)

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

1. ACCOUNTING POLICIES

1.1 Introduction

The annual financial statements set out in Annexures A to C were prepared on the historical cost basis and incorporate the following principal accounting policies which are consistent in all material aspects with those applied in the previous year.

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. No provision for depreciation is made.

1.3 Investments

Investments are reflected at face value.

1.4 Trade receivables

Accounts receivable are recorded at originated cost less an allowance for bad debts.

1.5 Cash and cash equivalents

It consists of cash on hand and the current account with banks all of which are available for immediate use by Council.

1.6 Trade and other payables

All financial liabilities are recorded at cost.

1.7 Internal Funds

Internal Funds were created as follows by the Town Council:

1.7.1 Fixed Property Fund

Proceeds from the sale of land that has been developed by the Usakos Town Council accumulated in this fund. Costs incurred on the development of land are charged to this Fund.

1.7.2 Capital Reserve Fund

This Fund was created to make provision for unforeseen expenditure as approved by the Town Council.

1.7.3 Renewal Fund

The purpose of this Fund is to provide for future replacement of assets and for additional depreciation on assets which have permanently declined in value. Income for this account is derived from general revenue contributions as well as interest on investments.

1.7.4 Housing Funds

These Funds are applied only for the purpose of providing loans to house owners in respect of purchase price building costs and improvements made.

	2018	2017	2016
	N\$	N\$	N\$
2. Property plant and equipment	58 132 900	53 924 158	45 548 423
External loans	477 830	568 835	51 399
Loans redeemed	912 076	821 071	738 507
Contributions from income	49 986 584	45 732 497	37 311 417
General capital	6 756 410	6 801 755	6 847 100
3. Investments	3 489 113	3 385 969	3 313 139
Erongo red	2 260 227	2 460 227	2 460 227
Housing fund	351 551	917 352	838 106
Capital development fund	677 335	8 390	14 806
4. Loans receivable	4 857 039	4 857 039	4 857 039
Build Together loans	4 857 039	4 857 039	4 857 039
5. Trade and other receivables	2 424 754	2 206 446	1 397 108
Consumers	11 936 297	10 257 187	9 171 269
Provision for bad debts	(9 971 832)	(8 388 354)	(7 774 161)
Sundry receivables	460 289	337 613	-

USAKOS TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (Continued)

ANNEXURE D

	2018	2017	2016
	N\$	N\$	N\$
6. Capital outlay	57 655 070	53 355 322	44 897 024
Loans redeemed	912 076	821 070	738 507
Revenue contributions	49 986 584	45 732 497	37 311 417
General capital contributions	6 756 410	6 801 755	6 847 100
7. Funds accounts and reserves	(1 727 226)	(834 301)	750 683
Capital reserve fund	8 434 833	6 901 921	6 007 437
Fixed property fund	3 649 825	3 448 673	2 812 374
Renewal fund	364 597	364 597	364 597
Housing fund	6 727 067	6 688 834	6 605 101
Revenue account kept in compliance with Section 86(1) of the Local Authority Act 1992.	(20 903 548)	(18 238 326)	(15 038 826)
8. Long-term liabilities	479 817	574 856	661 907
External loans - Government	477 829	568 835	651 399
Housing Fund loans	1 988	6 021	10 508
9. Trade and other payables	10 688 380	10 242 819	8 121 678
Trade payables	2 013 118	1 797 142	2 072 566
Consumer and other deposits	1 047 672	335 308	307 513
Government loans instalments in arrear	3 092 295	2 939 609	2 785 807
Regional council	1 961 717	1 874 977	1 795 875
Provisions - Bonus leave	1 311 334	1 400 972	1 159 917
Vat	1 262 244	1 894 811	-

USAKOS TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (Continued)

	2018	2017	2016
	N\$	N\$	N\$
10. Adjustments to appropriation account	(1 662 860)	(749 689)	439 262
Prior year adjustments	(1 663 059)	(750 320)	439 262
Cashier surplus for the year	199	631	-
11. Cash utilised by operations	(2 438 161)	(1 887 739)	(3 025 469)
Net operating deficit before interest and transfers	(1 002 554)	(2 449 853)	(5 290 743)
Adjustments to appropriation account	(1 662 860)	(749 689)	439 262
Operating deficit before changes in working capital	(2 665 414)	(3 199 542)	(4 851 481)
Changes in working capital			
Change in trade and other receivables	(218 308)	(809 338)	980 502
Change in trade and other payables	445 561	2 121 141	845 510