



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF ORANJEMUND

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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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 Oranjemund for the financial year ended 30 June 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 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, October 2020

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 ORANJEMUND TOWN COUNCIL
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Oranjemund Town Council for the financial year ended 30 June 2019, provided by the Accounting Officer as attached in Annexure A-F. These financial statements comprise the Statement of Financial Position, Statement of Financial Performance, Cash flow Statement, Statement of comparison of budget and actual, Notes to the annual financial statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Audit Opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of Oranjemund Town Council as at 30 June 2019 and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

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:

2.1 Non-compliance with IPSAS 33

The financial statements presented for audit did not meet the requirements of IPSAS 33 which deals with first-time adoption.

- The audit noted that the notes to the financial statements did not have a reconciliation of changes from its previous basis of accounting; and
- Opening statement of financial position.

2.2 Accounts receivable and payable

An unexplained difference of N\$ 11 166 943 was observed between prior year closing balance and current year opening balance on both account receivables and payables.

2.3 Subsidy Income

Subsidy income received for the year under review, amounting to N\$ 11 013 147 was confirmed on the bank statements while the Council only accounted for N\$ 7 851 146 thus resulting in a difference of N\$ 3 162 001.

2.4 Value added tax (VAT)

The auditors were not provided with supporting documentations for VAT refund journal amounting to N\$ 3 531 268 pertaining to 2017/2018 financial year and processed in 2018/2019 due to system error.

2.5 Provision for doubtful debts

Auditors could not verify the accuracy of provision for doubtful debts amounting to N\$ 5 036 192 as the Councils debtors and creditors policy is silent on how Council should provide for such provision at year end.

2.6 Cash flow statement

These following misstatements were observed in the cash flow statement:

- Changes in working capital misstated by N\$ 55 084 216;
- A cash outflow from the capital layout amounting to N\$ 40 696 908 has not been included as part of financing activities; and
- Cash and cash equivalent incorrectly brought forward from the prior year has been misstated by N\$ 7 591 740.

2.7 Income Asset

The Council disclosed a total amount of N\$ 59 031 841 as Income Assets in the Statement of Financial Position instead of adhering to IPSAS 17 (88) which states that the financial statements shall disclose each class of property, plant and equipment recognized in the financial statements.

2.8 Investments

Council disclosed an amount of N\$ 33 817 236 as long-term investments in the Statement of Financial Position. The audit confirmed through bank confirmation that these are short-term investments.

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 nothing to report in this regard.

4. OTHER MATTERS

Attention is drawn to the management on the following matter(s) that relate to my responsibility in the audit of the financial statements, and excluding matters already disclosed by the Oranjemund Town Council in the financial statements:

Five (5) key performance indicators were sampled from the Councils strategic plan 2017/22. From, which all the five (5) KPI's are fully implemented as per the audit sample.

5. OTHER INFORMATION

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon. In connection with my 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. I have nothing to report in this regard.

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 relevant framework and 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.

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 my 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 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 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.
- I 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.
- I also 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.

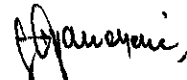
8. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accounts were submitted as required by the Accounting Officer to the Auditor-General on the 23 December 2019 in terms of Section 87(1) of the Local Authorities Act, 1992.

9. ACKNOWLEDGEMENT

I would like to express my appreciation for the courtesy and assistance rendered by management and the staff of the Oranjemund Town Council during the audit.

WINDHOEK, October 2020



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ORANJEMUND TOWN COUNCIL
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	Note	2019 N\$	2018 N\$
ASSETS			
Non-current assets			
Property Plant and Equipment	2	59 031 841	40 696 908
Investments	3	33 817 263	7 591 740
		9 871 489	31 556 790
Current assets			
Trade and other receivables	5	9 261 572	31 126 610
Cash and cash equivalents	7	609 917	430 180
TOTAL ASSETS		102 720 593	79 845 438
EQUITY AND LIABILITIES			
Equity			
Capital outlay	7	-	40 696 908
Appropriation account	8	97 278 401	31 441 952
		5 442 192	7 706 578
Current liabilities			
Trade and other payables	9	5 318 866	7 706 578
Debtors deposits	10	123 326	-
TOTAL EQUITY AND LIABILITIES		102 720 593	79 845 438

ORANJEMUND TOWN COUNCIL
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE

	Note	<u>2019</u> N\$	<u>2018</u> N\$
Income		60 777 347	62 409 494
Expenditure		(33 033 631)	(32 452 467)
Net operating surplus/(deficit)		<u>27 743 716</u>	<u>29 957 027</u>
Interest Received	4	*1 277 005	600 673
Surplus/Deficit for the year		<u><u>29 020 721</u></u>	<u><u>30 557 700</u></u>

* Amount does not agree to note 4

ORANJEMUND TOWN COUNCIL
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE

	N\$	Total N\$
Balance as at 01 July 2018	1 450 312	1 450 312
Surplus/(Deficit) for the year	30 557 700	30 557 700
Adjustment to appropriation account	(10 301 270)	(10 301 270)
Balance as 1 July 2019	21 706 742	21 706 742
Surplus/(Deficit) for the year	29 020 722	29 020 722
Adjustment to appropriation account	46 550 938	46 550 938
Balance as at 30 June 2019	97 278 402	97 278 402

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

	Note	2019 N\$	2018 N\$
CASH FLOW FROM OPERATING ACTIVITIES	12	49 136 889	(2 004 558)
Cash receipts from customers		82 519 060	62 409 494
cash paid to suppliers		(34 659 176)	(65 014 725)
Interest received		1 277 005	600 673
CASH FLOW FROM INVESTING ACTIVITIES		(22 731 629)	(4 640 054)
Additions to property, plant and equipment		(22 731 629)	(6 986 370)
Decrease (increase) in investments		-	2 346 316
CASH FLOW FROM FINANCING ACTIVITIES		-	6 986 370
increase in capital outlay		-	6 986 370
Net Increase/(Decrease) in cash and cash equivalents		26 405 260	341 758
Cash and Cash Equivalent at the beginning of the year		*8 021 920	88 422
Cash and Cash Equivalent at the end of the year	7	34 427 180	430 180

*Amount does not agree to prior year closing balance.

**ORANJEMUND TOWN COUNCIL
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE YEAR
ENDED 30 JUNE 2019**

	Budget	Actual	Variance
	N\$	N\$	N\$
Revenue from non-exchange transactions	17 505 888	19 596 431	(2 090 543)
Property taxes	12 700 000	3 635 239	9 064 761
Public contribution and donation	120 000	116 915	3 085
Fines penalties and levies	85 888	109 067	(23 179)
Transfer from GRN	4 600 000	6 000 000	(1 400 000)
Transfer from Reserve fund	-	9 735 210	(9 735 210)
Revenue from exchange transactions	43 371 272	42 457 921	913 351
Rendering of service	2 021 048	5 631 548	(3 610 500)
Sale of water	16 483 864	30 509 172	(14 025 308)
Rental from facilities and equipment	556 576	411 741	144 835
Income- external investments	700 000	1 277 005	(577 005)
Income- Outstanding receivables	15 000	-	15 000
Other income	23 594 784	4 628 455	18 966 329
Total Revenue	60 877 160	62 054 352	(1 177 192)
Expenditure	160 229 316	33 033 631	127 195 685
Employees costs	15 600 687	9 656 858	5 943 829
Remuneration of councilors	510 686	486 689	23 997
Repairs and maintenance	13 236 330	3 493 082	9 743 248
General expenses	24 353 381	9 053 929	15 299 452
Non-cash items/depreciation	-	9 457 677	(9 457 677)
Consulting and other	106 528 232	885 396	105 642 836
Total expenditure	160 229 316	33 033 631	127 195 685
Surplus for the year		29 020 721	

The planned takeover electricity did not get of the ground. The electricity will be taken over in the next financial year. (2020).

Non-cash items were not budgeted for in the income and loss statement due to the financial framework used previously.

**ORANJEMUND TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2019**

1. ACCOUNTING POLICIES

1.1 Introduction

The annual financial statements set out in Annexures A to F on the historical cost basis and incorporate the following principles accounting policies, which are consistent in all material aspects with those applied in the previous year. IPSAS 33 allows first-time adopter a period of up to 3 years to recognize and or measure certain assets and liabilities.

The financial statements have been prepared using International Public Sector Accounting Standards (IPSASs) for Local Authorities in Namibia.

1.2 Property, plant and equipment

Property, plant and equipment with loan funds are stated at cost and no depreciation is provided until the loan is fully redeemed.

All other items of property, plant and equipment are stated at cost or valuation, and except fixed property, the cost or valuation of these items of property, plant and equipment is depreciated on the reducing-balance basis over their expected useful lives.

1.3 Fixed Assets and depreciation

Fixed assets are stated at cost or a valuation where assets have been acquired by grant or donation, less depreciation written off over useful lives as determined by Council from time to time.

Fixed assets acquired with loan funds are not depreciated until the loan is repaid, unless the expected lifetime of the asset is less than the repayment of the loan in which case depreciation is calculated on the shortfall.

The current useful life is as follows:

Office furniture and Equipment	10
Computer equipment	5
Land and Buildings	20
Infrastructure	15
Plant and Equipment	10
Sedan vehicles	5
LDV's and Combis	5
Heavy vehicles	10
Tractors and trailers	10

ORANJEMUND TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS SL FOR THE YEAR ENDED 30
JUNE 2019

1. ACCOUNTING POLICIES (continue)

1.4 Funds Accounts

The following funds were maintained:

Capital Reserve Fund

The purpose of this fund is to account for reserve capital amounts received. The fund have been allocated this year to income as there has been no movement on the fund in the last 3 financial years.

	2019	2018
	N\$	N\$
2. PROPERTY PLANT AND EQUIPMENT	59 031 841	40 696 908
Income Assets	59 031 841	40 696 908
3. INVESTMENTS	33 817 263	7 591 740
Commercial banks	33 817 263	7 591 740
MADE UP AS FOLLOWS:		
FNB Call account 62245466976	8 844 070	2 843 879
Bank Windhoek Capital 300099350	1 205 849	4 747 861
FNB Investment account 74267562434	23 767 344	-
Total	33 817 263	7 591 740
4. INTEREST EARNED	*1 184 498	-
FNB Call account	412 093	-
Bank Windhoek Capital	97 569	-
FNB Investment account	674 837	-
* Amount does not agree to Income Statement		
5. TRADE AND OTHER RECEIVABLES	9 261 572	31 126 610
Consumer Debtors	21 055 354	40 190 644
Sundry debtors	-	670 325
Vat control	3 767 588	1 432 584
	24 822 943	42 293 553
Less: Provision for impairment of	(15 561 371)	(11 166 943)

ORANJEMUND TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2019 (Continued)

6. INVENTORIES

Oranjemund Town Council at this time does not operate a store. It is the intention to take up and operate with a store facility in the 2019/2020 financial year.

	2019	2018
	N\$	N\$
7. BANK AND CASH	609 917	430 180
Current account	608 917	428 981
Float	-	199
Petty cash	1 000	1 000
Revenue Contributions (Ex Income)	-	40 696 908
8. FUNDS, ACCOUNTS AND RESERVES	97 278 401	31 441 952
Capital Reserve fund	-	9 735 210
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act 1992	97 278 401	21 706 742
9. TRADE AND OTHER PAYABLES	5 318 866	7 706 578
Trade payable	465 528	1 362 390
Provision for leave pay	756 805	-
Regional Council	132 748	-
Sundry Creditors	3 963 785	6 344 188
10. REFUNDABLE DEPOSITS	123 326	-
Consumer deposits	123 326	-
Consumer deposits are held as security in the event of default by an account holder. The matter of deposit due will be addressed by Council in the new Financial year. Namdeb is currently deducting service accounts from the consumers and paying it to the Council.		
11. ADJUSTMENTS TO APPROPRIATION ACCOUNT	46 550 938	(10 301 270)
Provision for bad debt	-	(10 216 554)
Leave Provision	-	(84 716)
Revenue	46 550 938	-

ORANJEMUND TOWN COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE 2019 (Continued)

	2019	2018
	N\$	N\$
12. CASH UTILIZED BY OPERATIONS	44 740 193	(2 004 558)
Operating (deficit) surplus before interest and transfers	29 020 722	30 557 700
Adjustments to appropriation account	46 550 938	(10 301 270)
Net operating (deficit) surplus before changes in working capital	75 571 660	20 256 430
CHANGES IN WORKING CAPITAL	(30 831 467)	(22 260 988)
Decrease(Increase) in trade and other receivable	17 144 060	(38 077 499)
(Decrease)Increase in trade and other payables	(47 975 526)	15 816 511

13. SALE OF WATER IN UNITS AND NAMIBIAN DOLLARS

	2019
	N\$
Sales	30 509 172
Cost of bulk purchases	3 777 429
Gross profit/Loss	26 731 743
Net expenditure	(553 253)
Net loss	26 178 490
Gross loss percentage on sales	87%
Net loss on sales	85%
Units purchased	3 819 508
Units sold	2 349 120
Net loss % on sales	38.50%