



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**  
**TOWN COUNCIL OF ARANDIS**  
**FOR THE FINANCIAL YEARS ENDED 30 JUNE 2017**

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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 Arandis for the financial years ended 30 June 2017, 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, May 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 ARANDIS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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**1. Report on the financial statements**

**1.1 INTRODUCTION**

The accounts of the Town Council of Arandis for the financial year ended 30 June 2017 are presented to the National Assembly in accordance with the provisions set out in the Local Authorities Act, 1992 (Act No. 23 of 1992).

The firm Strategis 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 Arandis 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 Arandis for the year ended 30 June 2017. 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 to the Auditor-General by the Chief Executive Officer in compliance with Section 87(1) of the Local Authorities Act, 1992 (Act No. 23 of 1992), except that they were only submitted on 20 October 2017 instead of three (3) months after the year end as required by the Act.

The financial statements and notes to the financial statements provided by the Accounting Officer are attached as Annexure 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, 1992 (Act No. 23 of 1992), 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 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 responsible 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 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 circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.

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 in-sufficient and inappropriate to provide a basis for an audit opinion.

## **4. ACKNOWLEDGEMENT**

I wish to express my gratitude to management and staff of the Town Council of Arandis for cooperating and assisting with the audit.

## **5. KEY AUDIT FINDINGS**

### **5.1. CONSUMER DEPOSITS**

The average consumer deposits based on the total water sales for the year amounting to N\$ 543 280 differs to the consumer deposits balance per financial statements amounting to N\$ 106 400 resulting in an unexplained difference of N\$ 436 880.

## **RECOMMENDATION**

It is recommended that the Council should charge consumer deposits on new customers. Furthermore, the Council should revise the consumer deposits to be in line with the increase in water consumption and the latest price gazette.

## **MANAGEMENT COMMENT**

*Town Council will seek council resolution to revise and impose a minimum levy on a monthly basis to all consumer accounts to recover the consumer deposit as per the gazetted tariff.*

## **5.2. VALUE ADDED TAX**

VAT returns for August 2016 to April 2017 were not available for audit verification. auditors therefore could not satisfy themselves on the completeness, valuation and existence of the financial statements balance amounting to N\$ 1 400 403.

## **RECOMMENDATION**

*It is recommended that the Council should ensure that all VAT returns are submitted and filed properly.*

## **MANAGEMENT COMMENT**

Town Council will improve on its filing system.

## **5.3. INVENTORY**

Auditors could not obtain sufficient audit evidence with regard to the completeness, existence and valuation of inventories as the inventories were expensed, and hence no-account balance at year end.

## **RECOMMENDATION**

It is recommended that the Council should implement inventory control measures and ensure that arrangements are made for regular stock counts. In addition, inventory balances at year end should not be expensed.

## **MANAGEMENT COMMENT**

*Town Council will inform the appointed auditors to conduct the inventory taking before the year end closure.*

## **5.4. REVENUE**

Deeds of sale for ervens and houses amounting to N\$ 2 557 254 and N\$ 166 924 respectively were not available for audit verification. Auditors therefore could not satisfy themselves on the completeness and accuracy of the above mentioned balances.

## **RECOMMENDATION**

It is recommended that the Council must ensure that all deeds of sale for properties sold are filed properly.

## **MANAGEMENT COMMENT**

*The Town Council will ensure that filing is improved.*

### **5.5. BANK AND CASH**

The bank balance as recorded in the financial statements amounting to (N\$ 3 851 587) does not agree to the bank reconciliation statement as at year end amounting to (N\$ 3 346 284) resulting in a difference of N\$ 505 303.

Cheques amounting to N\$ 613 100 which have been cleared before year end were included in the list of outstanding cheques as at 30 June 2017

## **RECOMMENDATION**

It is recommended that the Council must ensure that the bank reconciliation is done monthly and the list of outstanding cheques is correctly reconciled to the bank statement to ensure that all cleared cheques are not included in the unrepresented cheques list.

## **MANAGEMENT COMMENT**

*Town Council is working on the bank reconciliation to bring it up to date.*

### **5.6. EXPENDITURE**

The Council could not provide the auditors with the supporting documents for the insurance expenditure, rental of vehicles and telephone expenses amounting to N\$ 457 621. Therefore, the auditors could not satisfy themselves on the completeness, accuracy and valuation of the above-mentioned expenditure.

## **RECOMMENDATION**

It is recommended that the Council should provide supporting invoices for every payment made. These invoices should be checked for accuracy, validity and should be reconciled to the payments made.

## **MANAGEMENT COMMENT**

*Town will improve on its filing system with all the necessary supporting documents.*

### **5.7. APPROPRIATION ACCOUNT**

The Council could not provide the auditors with supporting documents to verify the previous year adjustment balance amounting to N\$ 332 045.



The movement for the provision for bad debts as recorded in the financial statements amounting to N\$ 941 137 does not agree to the recomputed movement based on the 2016 and 2017 provision balance amounting to N\$ 786 183 resulting in a difference of N\$ 154 954.

#### **RECOMENDATION**

It is recommended that the Council should ensure that all adjustments are supported by a detailed schedule or supporting documents relating to such adjustments and that all movements for the year are correct.

#### **MANAGEMENT COMMENT**

*Town Council to rectify the difference.*

#### **5.8. PROVISION FOR BAD DEBTS**

The provision for bad debts based on the recoverably rate amounting to N\$ 37 731 160 differs to the provision for bad debts as recorded in the financial statements amounting to N\$ 33 360 420 resulting in a difference of N\$ 4 370 740.

#### **RECOMENDATION**

It is recommended that the Council should revise its provision for bad debts policy so that it is in line with the rate of collection of debts.

#### **MANAGEMENT COMMENT**

*Town Council to rectify the difference.*

#### **5.9. GOING CONCERN**

The Town Council reported an accumulated loss of N\$ 26 525 074 (2016: N\$ 28 820 782).

#### **RECOMENDATION**

Appropriate measures should be put in place for the Town Council to generate or raise enough funds to run its operations.

#### **MANAGEMENT COMMENT**

*Town Council to improve of revenue collection in order to break even or aimed to a surplus.*

#### **5.10 CIRCULAR D3/2015**

The Chief Executive Officer of the Town Council of Arandis for the year under review did not submit a complete set of financial statements as requested by circular D3/2015 of the Auditor-General.

## MANAGEMENT COMMENT

*The Town Council will implement the full Circular in the next financial year.*

### 6. BASIS FOR DISCLAIMER OF OPINION

- Provision for bad debts understated by N\$ 4 370 740;
- No supporting documents for revenue amounting to N\$ 2 724 178;
- VAT returns not available for audit verification;
- Bank and cash understated by N\$ 505 303;
- No supporting documents for expenditure amounting to N\$ 457 621;
- No supporting documents for appropriation adjustments amounting to N\$ 332 045;
- Consumer deposits understated by N\$ 436 880;
- Inventory omitted from the financial statements;
- Going concern;and
- Incomplete Circular D3/2015 statements not submitted.

### 7. DISCLAIMER OF OPINION

The accounts of the Town Council of Arandis for the financial year ended 30 June 2017 summarised in Annexure A to D, were audited in terms of the provision of Section 85 of the Local Authorities Act.

Because of the significance of the matters described in the basis for the disclaimer of audit opinion paragraph, I have not been able to obtain sufficient and appropriate audit evidence to provide for an audit opinion. Accordingly, I do not express an audit opinion on the financial statements.



WINDHOEK, May 2018

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

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

	Note	2017 N\$	2016 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	53 893 455	49 258 159
Investments	3	7 691 593	9 317 061
<b>Current assets</b>			
Accounts receivables	4	11 307 326	3 384 981
<b>TOTAL ASSETS</b>		<b>72 892 374</b>	<b>61 960 201</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Funds</b>			
Capital outlay	6	53 893 455	49 258 159
Funds and accounts	7	6 039 033	3 326 097
<b>Current liabilities</b>			
Trade and other payables	8	9 108 299	8 649 058
Bank Overdraft	5	3 851 587	726 887
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>72 892 374</b>	<b>61 960 201</b>

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

	<b>Note</b>	<b>2017</b>	<b>2016</b>
		N\$	N\$
Income		36 753 902	29 947 485
Expenditure		(33 295 144)	(29 029 486)
Net operating surplus		3 458 758	917 999
Adjustments	9	(1 163 051)	(9 971 536)
Net surplus / (deficit) for the year		2 295 707	(9 053 537)
Appropriation account at 30 June 2016		(28 820 781)	(19 767 245)
Appropriation account at 30 June 2017		<b>(26 525 074)</b>	<b>(28 820 782)</b>

## TOWN COUNCIL OF ARANDIS

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2017 N\$	2016 N\$
<b>Cash flow from operating activities</b>			
Cash receipts from customers		36 753 902	29 947 485
Cash paid to suppliers		(41 921 297)	(31 161 260)
Cash (utilised) by operations	10	(5 167 395)	(1 213 775)
<b>Cash flows from operating activities</b>		<b>(5 167 395)</b>	<b>(1 213 775)</b>
<b>Cash flow from financing activities</b>			
		<b>5 052 523</b>	<b>2 895 546</b>
Increase in capital outlay		4 635 296	1 981 201
Increase in fund accounts		417 227	914 345
<b>Net cash flow from operating activities</b>		<b>(114 872)</b>	<b>1 681 771</b>
<b>Cash flow from investing activities</b>		<b>(3 009 828)</b>	<b>(30 617)</b>
Net increase in capital value		(4 635 296)	(1 981 201)
Decrease in investments		1 625 468	1 950 584
Net (decrease) / increase in cash and cash equivalents		(3 124 699)	1 651 154
Cash and cash equivalents at beginning of year		(726 888)	(2 378 042)
Cash and cash equivalents at end of year		<b>(3 851 587)</b>	<b>(726 888)</b>

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

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**1. ACCOUNTING POLICIES**

The annual financial statements set out in Annexure A to D 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**

All property, plant and equipment are initially recorded at cost. Cost included all costs directly attributed to bringing the assets to working condition for their intended use. All other plant and equipment are stated at historical cost or valuation where applicable and are depreciated over their estimated useful lives.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the asset or cash generating units are written down to their recoverable amount.

**1.3 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current liabilities.

**1.4 Revenue**

All monies received by and accrued to and expenses paid reflected in the accounts are kept in compliance with section 86(1)(b) of the Local Authorities Act of 1992.

**1.5 Fixed property fund**

Proceeds from the sale of land that has been developed by the Town Council accumulates in this Fund. Cost incurred on the development of land is charged to this fund.

**1.6 Housing fund**

The purpose of this Fund is to provide for housing loans. Income to this Fund is transferred from the general income statement account, external loans from Government and interest on investments and loans.

**1.7 Capital reserve fund**

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

## TOWN COUNCIL OF ARANDIS

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

	2017	2016
	N\$	N\$
<b>2. PROPERTY PLANT AND EQUIPMENT</b>	<b>53 893 455</b>	<b>49 258 159</b>
Income assets	36 792 592	30 019 617
General capital assets	17 100 863	19 238 542
<b>3. INVESTMENTS</b>	<b>7 691 593</b>	<b>9 317 061</b>
Commercial banks	-	1 669 110
Liberty Life	3 335 743	3 292 101
Equity Investments (Erongo Red)	4 355 850	4 355 850
<b>Comprising of:</b>	<b>7 691 593</b>	<b>9 317 061</b>
Housing Fund	3 215 528	4 633 599
Build together fund	120 215	327 612
Equity Investment- Erongo	4 355 850	4 355 850
<b>4. TRADE AND OTHER RECEIVABLES</b>	<b>11 307 326</b>	<b>3 384 981</b>
Consumer debtors	31 813 197	25 080 272
Namwater Debtors	6 417 648	4 701 745
VAT receivable	1 400 403	374 452
Sundry debtors	420 228	283 273
Housing Debtors	4 562 270	5 465 476
Provision for bad debts	(33 306 420)	(32 520 237)
<b>5. CASH AND CASH EQUIVALENTS</b>	<b>3 851 587</b>	<b>726 887</b>
Bank overdraft	3 851 587	726 887
<b>6. CAPITAL OUTLAY</b>	<b>53 893 455</b>	<b>49 258 159</b>
Revenue contributions	34 807 522	21 223 612
General capital contributions	19 085 933	28 034 547

## TOWN COUNCIL OF ARANDIS

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

	2017	2016
	N\$	N\$
<b>7. FUND AND ACCOUNTS</b>	<b>6 039 034</b>	<b>3 326 098</b>
Housing fund	14 977 093	14 746 394
Build together	4 509 104	4 099 843
Capital reserve fund	13 077 911	13 300 643
Revenue account	(26 525 074)	(28 820 782)
<b>8. TRADE AND OTHER PAYABLES</b>	<b>9 108 300</b>	<b>8 649 058</b>
Trade creditors	8 027 950	92 333
Consumer Deposits	106 400	105 620
Leave pay provisions	791 845	808 644
Other Payables	-	7 642 461
Sundry Payables	182 105	-
<b>9. ADJUSTMENT TO APPROPRIATION ACCOUNT</b>	<b>(1 163 051)</b>	<b>(9 971 536)</b>
Bad debts provision	(941 137)	(10 926 816)
Correction to VAT	(332 045)	(180 478)
Leave Pay Provision	16 799	(149 796)
Revenue adjustment	93 332	1 285 554
<b>10. CASH UTILISED BY OPERATIONS</b>		
Net operation surplus	3 458 759	917 999
Appropriation account adjustments	(1 163 051)	(9 971 536)
<b>OPERATING SURPLUS / (DEFICIT) BEFORE CHANGES IN WORKING CAPITAL</b>	<b>2 295 708</b>	<b>(9 053 537)</b>
<b>GENERATION OF WORKING CAPITAL</b>		
Movement in trade and other receivables	(7 922 344)	9 427 842
Movement in trade and other payables	459 241	(1 588 080)
	<b>(7 463 103)</b>	<b>7 839 762</b>
Cash utilised by operations	<b>(5 167 395)</b>	<b>(1 213 775)</b>