



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF OMUTHIYA

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

Published by authority

Price (Vat excluded) N\$ 30.00
Report no: 2016/09

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 Omuthiya for the financial year ended 30 June 2015, 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, March 2016

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE TOWN COUNCIL OF OMUTHIYA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

1. INTRODUCTION

The accounts of the Town Council of Omuthiya for the year ended 30 June 2015 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Local Authorities Act, 1992 (Act 23 of 1992).

The firm MAC & Associates has been appointed in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the Town Council on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded off to the nearest Namibia Dollar. Deficits are indicated in (brackets).

2. FINANCIAL STATEMENTS

The Town Council's financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 87(1) of the Local Authorities Act, 1992. The audited financial statements are in agreement with the general ledger and are filed in his Office. The abridged balance sheet on Annexure A is a true reflection of the original. The following annexures are also attached to this report:

Annexure B: Abridged income statement
Annexure C: Cash flow statement
Annexure D: Notes to the financial statements

3. SCOPE OF THE AUDIT

Management's responsibility for the financial statements

The Accounting Officer of the Town Council is responsible for the preparation and fair presentation of the financial statements and for ensuring the regularity of the financial transactions. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on these statements and on the regularity of the financial transactions included in them to report his opinion to the National Assembly. The said firm conducted the audit in accordance with the International Standards on Auditing. Those standards require that the firm comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 judgement, 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 controls 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 controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

4. AUDIT OBSERVATIONS AND COMMENTS

Items marked with the asterisk (*) were also reported in the prior year.

4.1 Omission of equity investment (*)

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

4.2 Understatement of property, plant and equipment

Capital expenditure incurred during the year amounting to N\$ 2 417 713 was debited to the Capital development Fund and never capitalised. As a result, the reported property, plant and equipment are understated by N\$ 2 417 713 net of the applicable depreciation charge for the period.

5. ACKNOWLEDGEMENT

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

6. FINANCIAL RESULTS

The results of the various operations and transactions on the Revenue Account for the year are as follows:

	Revenue	Expenditure	Surplus	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus at 01/07/2014				8 616 696
General accounts				
Non-profitable services	27 362 103	34 232 117	(6 870 014)	
Self-supporting services	4 725 531	493 252	4 232 279	
Trade accounts				
Electricity	353 482	-	353 482	
Water	3 767 906	2 827 000	940 906	
Deficit for the year	36 209 022	37 552 369	(1 343 347)	(1 343 347)
Adjustments and appropriations (Note 8 of Annexure D)				(155 170)
Accumulated surplus at 30/06/2015				7 118 179

7. CURRENT BANK ACCOUNT

	2015	2014
	N\$	N\$
Cash-book balance at 30 June	684 409	1 138 743
Outstanding cheques	502 943	70 511
Outstanding deposits	-	(16 664)
Balance as per bank statement	1 187 352	1 192 590

8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June 2015 and the interest thereon are as follows:

Institution	2015		2014	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Invested at:				
Commercial banks	25 684 842	1 304 088	18 808 978	1 059 988
	25 684 842	1 304 088	18 808 978	1 059 988
Distribution				
Revenue Account	16 840 354	1 304 088	11 861 300	756 778
Capital Development Fund	2 241 577	-	4 659 290	303 086
Senior Citizens Fund	6 381	-	28 311	103
Build Together Fund	23	-	21	21
Fixed Property Fund	6 596 507	-	2 260 037	-
	25 684 842	1 304 088	18 808 978	1 059 988

9. FUND ACCOUNTS

The position of internal Funds and Reserves is shown in note 5 of Annexure D.

10. TRADE ACCOUNTS

10.1 Operating results

The results for the financial year under review are as follows:

	Water	
	2015	2014
	N\$	N\$
Sales	3 613 436	2 726 298
Cost of sales	(2 312 067)	(1 910 472)
Gross profit	1 301 369	815 826
Other expenses	(360 463)	(407 705)
NET SURPLUS	940 906	408 121
Gross profit %	36.0%	29.9%
Net profit %	26.0%	15.0%

10.2 Distribution losses are as follows:

Water distribution gains, in cubic metres (m³), are as follows:

	Water	
	2015	2014
	m ³	m ³
Sold	223 193	193 193
Bought	(238 164)	(211 301)
Distribution loss	(14 971)	(18 108)
Loss as percentage of units sold	6.7%	9.4%

11. SELF-SUPPORTING EXTERNAL SERVICES

The net results of these services are as follows:

	Revenue 2015	Expenditure 2015	Surplus/ (Deficit) 2015	Surplus/ (Deficit) 2014
	N\$	N\$	N\$	N\$
Sewerage	721 805	(105 455)	616 350	486 018
Cleansing	664 581	(217 815)	446 766	327 828
Assessment rates	3 339 145	(166 947)	3 172 198	1 379 501
Abattoir	-	(3 035)	(3 035)	-
	4 725 531	493 252	4 232 279	2 193 347

The Council should endeavour into a process to make the abattoir self-supporting.

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No such expenditure was noted.

13. SUSPENSE ACCOUNTS

No suspense accounts were maintained.

14. IRREGULARITIES AND LOSSES

No irregularities or losses were revealed by the audit for the year.

15. CAPITAL PROJECTS

The following were spent on capital projects:

	Financed by		Total 2015	Total 2014
	Revenue	Capital		
	N\$	N\$	N\$	N\$
Chief Executive Officer	-	-	-	22 966
Finance	39 426	-	39 426	30 366
Fire Brigade	3 013	-	3 013	-
Parks and Recreation	28 033	-	28 033	-
Abattoir	3 035	-	3 035	-
Council General Expenses	3 234	-	3 234	-
Water	4 816	-	4 816	-
Town Planning & Development	17 423 800	-	17 423 800	453 430
Technical Services	2 458 127	-	2 458 127	-
Cleansing Services	-	-	-	79 277
Sewerage	21 675	-	21 675	41 392
Electricity	-	-	-	5 395 847
Streets and Roads	-	-	-	4 251 140
	19 985 159	-	19 985 159	10 274 418

16. STUDY LOANS/BURSARIES

No study loans/bursaries were awarded during the year.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

No contributions, grants and financial aid were made during the year.

18. COMPENSATION PAYMENTS

Land compensation payments made during the year amounted to N\$ 5 320 912 (2014: N\$ 2 757 835).

19. VISITS TO FOREIGN COUNTRIES

The cost of visits to foreign countries amounted to N\$ 35 608 (2014: N\$ NIL) and the trips were approved by the Minister.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims for losses were received during the year.

21. GIFTS AND DONATIONS TO THE LOCAL AUTHORITY

There were no donations received during the year.

22. TRANSFER OF PROPERTY TO/FROM THE GOVERNMENT

No property was transferred to/or from the Government.

23. TRADE AND OTHER RECEIVABLES/PAYABLES

23.1 Trade and other receivables at 30 June are as follows:

	2015	2014
	N\$	N\$
Consumers	2 739 544	3 184 357
Sundry receivables	418 060	46 161
Inland Revenue - VAT	2 515 252	672 783
	5 672 856	3 903 301
Less: Provision for bad debts	(2 190 092)	(2 190 092)
	3 482 764	1 713 209

23.2 Trade and other payables at 30 June are as follows:

	2015	2014
	N\$	N\$
Trade payables	6 268 855	1 245 674
Land compensation – unutilised funds	6 731 806	4 202 719
Consumer deposits	332 913	242 961
Provision for leave pay	692 016	498 773
	14 025 590	6 190 127

24. ASSESSMENT RATES

	2015	2014
	N\$	N\$
The proceeds from assessment rates	3 338 937	1 449 438
Tariffs per N\$1 valuation per annum - Site valuation	0.04590	0.04590
Tariffs per N\$1 valuation per annum – Improvements	0.00916	0.00916

25. LOANS

25.1 The Council did not have loans.

26. SALE OF ERVEN

The proceeds of erven and plots sold are as follows:

	2015	2014
	N\$	N\$
Erven sold	4 336 470	3 589 156

Sale of business erven amounted to N\$ 1 598 913 (2014: N\$ 1 912 112) and sale of residential erven amounted to N\$ 2 737 557 (2014: N\$ 1 677 044).

27. PROPERTY SOLD ON AN INSTALMENT BASIS

No information could be obtained with regards to the erven sold on an instalment basis.

28. TARIFF ADJUSTMENTS

Tariff adjustments were applied in accordance with the relevant Official Government Notices.

29. APPROVALS

All budget excesses were approved.

30. STOCK AND EQUIPMENT

30.1 Motor vehicles

	Sedan vehicles		LDV and kombi's		Heavy vehicles (Lorries and busses)	
	Number	Value	Number	Value	Number	Value
On hand 30/06/2014	2	N\$ 231 673	4	N\$ 296 869	4	1 080 000
Acquisitions	-	-	-	-	1	2 424 821
	2	231 673	4	296 869	5	3 504 821
Depreciation	-	(31 755)	-	(181 308)	-	(377 482)
On hand 30/06/2015	2	199 918	4	115 561	5	3 127 339

30.2 Inventory

Inventories amount to N\$ 136 220 (2014: N\$ 91 843) and they comprise stationery and consumables.

31. SPECIAL INVESTIGATIONS

No special investigations were carried out during the year.

32. GENERAL

The accounting and internal controls applied by the Council are reasonable. Proper segregation of duties is hindered by the small number of staff employed.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries addressed to the Chief Executive Officer consist of:

- Unallocated direct deposits; and
- Inconsistent application of depreciation rate.

34. QUALIFIED AUDIT OPINION

The accounts of the Town Council of Omuthiya for the financial year ended 30 June 2015, summarised in Annexure A to D, were audited by me in terms of the provisions of Section 85 of the Local Authorities Act, 1992, read with Section 25 (1)(b) of the State Finance Act, 1991.

The audit opinion has been qualified due to the following reasons:

- Understatement of property, plant and equipment;

Except for the effects of any adjustment which might have been necessary as referred to in the preceding paragraph, the financial statements fairly present the financial position of the Town Council of Omuthiya as at 30 June 2015, and the results of its operations and cash flows for the year then ended and in the manner required by the Local Authorities Act, 1992, and the State Finance Act, 1991.

WINDHOEK March 2016

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

OMUTHIYA TOWN COUNCIL

BALANCE SHEET AS AT 30 JUNE 2015

	Notes	2015 N\$	2014 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	94 137	72 968 594
Investments	3	68 452	54 159 616
		25 684	18 808 978
Current assets			
Trade and other receivables	4	4 300	2 945 523
Inventories		3 480	1 713 209
Cash and cash equivalents	7	136 220	91 843
		684 430	1 140 471
TOTAL ASSETS		98 440	75 914 117
FUNDS AND LIABILITIES			
Funds and reserves			
Capital outlay	5.1	84 415	69 723 990
Funds and accounts	5.2	68 452	54 159 616
		15 962	15 564 374
Current liabilities			
Trade and other payables	6	14 025	6 190 127
TOTAL FUNDS AND LIABILITIES		98 440	75 914 117

OMUTHIYA TOWN COUNCIL

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 N\$	2014 N\$
INCOME		34 904 934	21 701 232
EXPENDITURE		(37 552 369)	(22 374 648)
OPERATING DEFICIT		(2 647 435)	(673 416)
Interest earned		1 304 088	756 778
NET (DEFICIT)/SURPLUS AFTER INTEREST		(1 343 347)	83 362
Add : Appropriation and adjustments	8	(155 170)	(555 219)
NET DEFICIT AFTER APPROPRIATIONS		(1 498 517)	(471 857)
ACCUMULATED SURPLUS			
- 30 June 2014		8 616 696	9 088 553
- 30 June 2015		7 118 179	8 616 696

OMUTHIYA TOWN COUNCIL

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 N\$	2014 N\$
Cash flows from operating activities			
Cash receipts from customers		34 904 €	21 701 232
Cash paid to suppliers and employees		(31 686 00)	(21 605 406)
Cash generated by operations	9	3 218	95 826
Investments income		1 304	756 778
Net cash flows from operating activities		4 523	852 604
Cash flows from financing activities			
Increase in capital outlay		14 292 €	5 798 735
Increase/(decrease) in fund accounts		1 896 809	(7 814 984)
Net cash flows from financing activities		16 189 €	(2 016 249)
Cash flows from investing activities			
Purchase of property, plant and equipment		(14 292 85	(5 798 735)
(Increase)/decrease in investments		(6 875 8€	8 100 514
Net cash flows from investing activities		(21 168 72	2 301 779
Net decrease in cash and cash equivalents		(456 04	1 138 134
Cash and cash equivalents at the beginning of the year		1 140	2 337
Cash and cash equivalents at the end of the year		684 430	1 140 471

TOWN COUNCIL OF OMUTHIYA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

	2015	2014
	N\$	N\$
3. INVESTMENTS		
Fixed deposits and money on call	25 684 842	18 808 978
4. TRADE AND OTHER RECEIVABLES		
Consumers	2 739 544	3 184 357
Sundry debtors	418 060	46 161
Inland Revenue - VAT	2 515 252	672 783
	5 672 856	3 903 301
<i>Less :</i>		
Provision for doubtful debts	(2 190 092)	(2 190 092)
	3 482 764	1 713 209
5. FUNDS AND ACCOUNTS		
5.1 Financing of capital		
Contributions ex revenue	46 343 355	30 509 694
Contributions ex Government	22 109 118	23 649 922
	68 452 473	54 159 616
5.2 Funds and Reserves		
Capital Development Fund	2 241 577	4 659 290
Fixed Property Fund	6 596 506	2 260 037
Build Together Fund	23	21
Senior Citizens Fund	6 381	28 330
	8 844 487	6 947 678
Revenue account kept in compliance with Section 86 (1) of the Local Authorities Act, 1992	7 118 179	8 616 696
	15 962 666	15 564 374
6. TRADE AND OTHER PAYABLES		
Trade creditors	6 268 855	1 245 675
Provision for leave pay	692 016	498 773
Consumer deposits	332 913	242 961
Land Compensation – Unutilised funds	6 731 806	4 052 718
Business Survey – Unutilised funds	-	150 000
	14 025 590	6 190 127

TOWN COUNCIL OF OMUTHIYA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015 (continued)

	2015	2014
	N\$	N\$
7. CASH AND CASH EQUIVALENTS		
Petty cash	21	1 728
Bank balance	684 409	1 138 743
	684 430	1 140 471
8. ADJUSTMENTS AND APPROPRIATIONS		
Decrease in provision for doubtful debts		(700 421)
(Increase)/decrease in provision for leave pay	(195 143)	209 574
Regional Council Contribution adjustment	(72 472)	-
Prior year expenditure	66 258	(73 716)
Other	1 481	35 894
Erven sales in respect of prior years	(180 000)	(26 550)
Prior year dividend	152 308	-
Revenue adjustment	72 398	-
	(155 170)	(555 219)
9. CASH UTILISED IN OPERATIONS		
Net operating deficit	(2 647 435)	(673 416)
Adjustments and appropriations	(155 170)	(555 219)
Operating (deficit)/surplus before changes in working capital	(2 802 605)	(1 228 635)
Changes in working capital		
Increase in trade and other payables	7 835 463	993 403
(Increase)/decrease) in inventories	(44 377)	226 151
(Increase)/decrease in trade and other receivables	(1 769 555)	104 907
	6 021 531	1 324 461
	3 218 926	95 826