



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF KARIBIB
FOR THE FINANCIAL YEAR ENDED 30 JUNE 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 Town Council of Karibib for the financial year ended 30 June 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.

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, June 2019

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**REPORT OF THE AUDITOR - GENERAL
ON THE ACCOUNTS OF THE TOWN COUNCIL OF KARIBIB
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

1. DISCLAIMER OF OPINION

The accounts of Town Council of Karibib for the year 2018 are being reported on in accordance with the provisions set out in the Local authorities Act, 1992 (Act 23 of 1992).

Because of the significance of the matters described in the Basis for Disclaimer of 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 OF 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 insufficient and inappropriate to provide a basis for my opinion. A disclaimer audit opinion is being expressed due to the following:

- No supporting documents to verify sundry creditors amounting to N\$ 1 322 970;
- Bank balance understated by N\$ 9 413 367;
- Provision for bad debts understated by N\$ 5 121 060;
- Expenditure overstated by N\$ 391 785;
- Expenditure amounting to N\$ 290 725 captured in the wrong period; and
- No supporting documents for revenue amounting to N\$ 825 701.

3. OTHER INFORMATION

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and 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 knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

4. 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 for overseeing the entity's financial reporting process.

5. 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, 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;

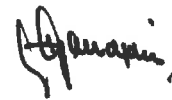
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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 auditor's 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 auditor's 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.

WINDHOEK, June 2019



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**TOWN COUNCIL OF KARIBIB
BALANCE SHEET AT 30 JUNE**

	Note	Restated		
		2018 N\$	2017 N\$	2017 N\$
Assets				
Non-current assets				
Property, plant and equipment	2	45 697 602	41 400 442	51 610 368
Investments	3	8 319 180	5 196 641	5 197 236
Housing debtors		1 930 875	1 607 984	1 607 984
Current assets				
Accounts receivables	4	15 064 039	5 185 298	5 572 807
Inventories		135 334	132 569	218 837
Bank and cash		-	-	72 791
Total assets		71 147 030	53 522 934	64 280 023
Equity and liabilities				
Funds				
Capital outlay	5	44 504 591	40 078 711	-
Fund accounts	6	13 273 789	1 629 151	6 585 213
Retained earnings		-	-	39 161 335
Non-current liabilities				
Long term loans	7	1 202 336	1 331 055	1 331 055
Other liabilities		-	-	9 324
Current liabilities				
Accounts payables	8	6 996 887	5 129 523	12 902 456
Bank overdraft		841 976	1 138 560	-
Current portion of long term loans	7	4 327 451	4 215 934	4 299 964
Total equity and liabilities		71 147 030	53 522 934	64 280 023

TOWN COUNCIL OF KARIBIB
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

		Restated	
	2018	2017	2017
Note	N\$	N\$	N\$
Income	41 896 903	26 666 470	27 277 742
Less: Expenditure	(32 273 913)	(30 364 517)	(33 882 207)
Net operating profit/loss	9 622 990	(3 698 047)	(6 804 465)
Interest earned	162 094	46 850	409 788
Net surplus / deficit	9 785 084	(3 651 197)	(6 394 677)
Adjustments	9 1 235 678	(3 750 622)	51 484 098
Net surplus / deficit for the year	11 020 762	(7 401 819)	45 089 421
Appropriation account at the beginning of the year	(5 039 009)	2 362 810	(5 928 086)
Appropriation account at the end of the year	5 981 753	(5 039 009)	39 161 335

THE COUNCIL OF KARIBIB
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

Note	2018	Restated 2017	2017
	N\$	N\$	
Cash receipts from customers	34 236 169	23 494 058	26 550 295
Cash paid to suppliers	(19 898 387)	(15 469 785)	(19 822 648)
Cash paid on behalf of employees	(11 304 407)	(11 497 552)	(11 497 552)
Other cash (payments) / receipts	(77 332)	(346 777)	(929 083)
Cash generated by operations	2 956 043	(3 820 056)	3 963 640
Interest income	162 094	46 850	409 788
Movements in funds	5 049 756	(3 999 914)	(815 541)
- Capital outlay	(6 594 882)	1 926 394	(52 851 224)
- Fund accounts	11 644 638	(5 926 308)	52 035 683
Net cash flow from operating activities	8 167 893	(7 773 120)	3 557 887
Cash flow from investing activities	(7 742 590)	6 198 538	(4 164 604)
Decrease in capital value	(4 297 160)	6 043 009	(5 611 604)
Decrease in loans	(322 891)	(479 005)	(277 520)
Decrease / (Increase) in investments	(3 122 539)	634 534	1 724 312
Cash flows from financing activities	(128 719)	(73 276)	170 418
Decrease in long term loans	(128 719)	(73 276)	170 418
Net (decrease) / increase in cash and cash equivalents	296 584	(1 647 858)	(436 507)
Cash and cash equivalents at beginning of the year	(1 138 560)	509 298	509 298
Cash and cash equivalents at end of year	(841 976)	(1 138 560)	72 791

**THE COUNCIL OF KARIBIB
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE 2018**

1 ACCOUNTING POLICIES

1.1 Basis of presentation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties where appropriate.

1.2 Property, plant and equipment and depreciation

All plant and equipment are initially recorded at cost. Cost includes all costs directly attributable 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.

Depreciation is calculated on property, plant and equipment except where the assets are financed by loans.

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

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential over the total life of the asset in excess of the most recently assessed standard of performance of the existing asset will flow to the Council. All other repairs and maintenance are charged to surplus or deficit for the year in which they are incurred.

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 New Development Fund

The purpose of this fund is to make provision for future capital development projects of the Council. Income is obtained from the Revenue Account as well as donation from the Government

THE COUNCIL OF KARIBIB
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE (continued)

1.5 Inventory

Inventories include those assets that are held for consumption and for provision of goods and services. Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell, on the first in, first out (FIFO) basis.

1.6 Internal reserves and funds

The Council established internal reserves in line with Section 80 of the Local Authorities Act 23 of 1992.

	2018	Restated 2017	2017
	N\$	N\$	N\$
2. Property plant and equipment	45 697 602	41 400 442	-
Income assets	42 223 749	37 926 589	-
General capital assets	703 482	703 482	-
Loan assets	2 770 371	2 770 371	-
3. INVESTMENTS			
Comprising of:	8 319 180	5 196 641	5 197 236
Fixed Property Fund	2 208 868	737 690	1 451 492
Build Together Fund	595 375	555 054	555 054
Capital Reserve Fund	243 472	243 473	-
Renewal Fund	268 248	268 248	-
Housing fund	201 486	201 486	-
Income	1 672 652	-	-
Erongo Investment Equity	3 129 079	3 190 690	3 190 690
4. ACCOUNTS RECEIVABLE	15 064 039	5 185 298	5 572 807
Service rates and taxes	31 416 716	11 597 526	20 596 415
Value Added Tax	461 168	3 340 262	2 878 220
Sundry debtors	1 180	2 048	-
Less: Provision for bad debts	(16 815 025)	(9 754 539)	(16 826 811)
Unallocated deposit	-	-	(1 075 017)
5. CAPITAL OUTLAY	44 504 591	40 078 711	-
Income assets	42 223 750	37 926 589	-
Loan assets	1 577 359	1 448 640	-
General capital	703 482	703 482	-

THE COUNCIL OF KARIBIB

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE (continued)

	2018	Restated 2017	2017
	N\$	N\$	N\$
6. FUND ACCOUNTS	13 273 789	1 629 151	45 746 548
Fixed property fund	2 208 868	2 208 868	2 208 868
Capital development fund	243 472	243 472	243 473
Housing fund	192 162	192 162	192 162
Renewal fund	268 248	268 248	268 248
Build together fund	4 379 286	3 755 411	3 672 462
Revenue account	5 981 753	(5 039 010)	39 161 335
7. LONG – TERM LIABILITIES	5 529 787	5 546 989	5 631 019
The Government of Namibia	1 193 012	1 321 731	1 321 731
Current portion	4 327 451	4 215 934	4 299 964
Housing fund	9 324	9 324	9324
8. TRADE PAYABLES	6 996 887	5 129 523	12 902 456
Trade creditors	869 493	945 839	991 609
Regional council payables	720 365	605 723	600 887
Namwater	945 839	-	-
Sundry creditors	1 322 970	1 291 845	-
Deposits received	250 393	217 653	217 653
Accounts receivable credit balances	-	-	8 998 889
Erongo Red payable	-	-	25 823
Suspense	-	-	(868)
Severance pay	2 111 073	1 291 708	1 291 708
Leave pay provisions	776 755	776 755	776 755
9. ADJUSTMENTS AND UTILIZATIONS	1 235 678	(3 750 622)	51 484 098
Movement in provision for bad debts	(7 060 486)	(1 374 278)	-
Income adjustments	10 559 907	(47 709)	-
Previous year adjustments expenditure	(219 362)	(588 719)	(1 367 126)
Expenditure	(2 044 381)	-	-
IFRS reclassification	-	-	52 851 224
Severance pay provision	-	(776 755)	-
Old deposits adjustments	-	(963 161)	-

THE COUNCIL OF KARIBIB
NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE (continued)

10. PRIOR YEAR ERRORS

The Town Council in the previous year had prepared financial statements using IFRS for SME's and most of the financial statement balances were not agreeing to the management report. This resulted in the following adjustments on the 2016/2017 closing balances:

Property plant and equipment	10 209 926
Investments	596
Inventory	86 268
Bank and cash	1 211 351
Trade debtors	387 510
Trade payables	(7 856 963)
Fund and accounts	(4 038 688)