



REPUBLIC OF NAMIBIA



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REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

VILLAGE COUNCIL OF WITVLEI

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 Village Council of Witvlei 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.

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, July 2020

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF WITVLEI
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Village Council of Witvlei for the financial year ended 30 June 2019, provided by the Accounting Officer as attached in Annexure A-H. These financial statements comprise the statement of financial position, the statement of comprehensive income, the statement of cash flows, statement of changes in owner's equity, statement of comparisons of budget versus actual amount for the year then ended and the notes to the annual financial statements, including a summary of significant accounting policies.

In my opinion, because of the significance of matters discussed in the Basis for Adverse audit Opinion paragraph, the financial statements do not present fairly in all material respect, the financial position of the Village Council of Witvlei for the financial year ended 30 June 2019 and its financial performance 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 the audit 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 sufficient and appropriate to provide a basis for the adverse audit opinion.

The adverse audit opinion is expressed due to the following:

2.1 FIXED ASSETS

The Council does not have a depreciation policy for the year under review and a difference amounting to N\$ 512 537 between the incomplete fixed asset register and the financial statement was observed. The need to depreciate non-current assets arises from the accruals assumption. If money is expended in purchasing an asset then the amount expended must at some time be charged against profits. If the asset consumes economic benefits over a number of accounting periods it would be inappropriate to charge any single period (e.g. the period in which the asset was acquired) with the whole of the expenditure. Instead, some method must be found of spreading the cost of the asset over its useful life. This view of depreciation as a process of allocation of the cost of an asset over several accounting periods is the view adopted by IPSAS 17.

2.2 CASH FLOW STATEMENT

The Council did not prepare a cash flow statement as per IPSAS 2 and a difference amounting to N\$ 710 260 was observed between the general ledger compared to the bank confirmation. The aim of cash flow statement is to provide information for users of financial statements about an entity's ability to generate cash and cash equivalents, as well as indicating the cash needs of the entity. The statement of cash flows provides historical information about cash and cash equivalents, classifying cash flows between operating, investing and financing activities.

2.3 DEBTORS

The Council did not make an irrecoverable debtor allowance. According to the Conceptual Framework an asset is a resource controlled by the council from which future economic benefits are expected to flow. If the customer can't pay, then no economic benefits are expected to flow from the trade receivable. So the trade receivable no longer meets the definition of an asset and it must be removed from the statement of financial position and is charged as an expense in the statement of profit or loss.

2.4 PROVISION FOR LIABILITIES IPSAS

The Council did not make provision for liabilities, such as Leave days and bonus. This is on the basis that for a provision there is uncertainty about the timing or amount of the future expenditure. Provision should be recognised as a liability in the financial statements when all three of the following conditions are met. An entity has a present obligation result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation.

2.5 VALUATION ROLL AND REFUSE REMOVAL

The Council did not comply with Local Authorities Act, 1992 (Act No. 23 Of 1992) section 66 which requires local authorities as soon as possible after the date specified in the notice and, thereafter, at intervals of not more than five years of the date so specified have its valuation roll updated. Currently the Council is using the valuation roll for the year 2010. The Council is also using wrong tariffs for the refuse removal charges.

2.6 VALUE ADDED TAX AND CREDITORS

The Council did not submit a detailed creditors ledger and age analysis, also the auditors could not verify N\$ 613 467 for Value Added Tax input due to omission of input VAT from the control account.

2.7 LEASE AGREEMENTS

The Council does not have lease agreements in place with the lessee's leasing the Councils residential houses. The Council farmlands debts are not settled as per the lease agreements in place which resulted in some lessee's owning the Council a significant debt amounting to N\$ 208 714 despite their contracts lapsing in the current financial year.

2.8 BUDGET EXECUTION

The auditors noted that the Council under spend its allocated budgeted funds by 60 percent.

2.9 COMPLIANCE WITH APPLICABLE FINANCIAL REPORTING STANDARDS

The Council did not comply with certain International Public Sector Accounting Standards (IPSASs). These include:

IPSAS 20 Related Parties – Non-disclosure of related parties;

IPSAS 33 First time adoption;

IPSAS 19 - non-disclosure of contingent liabilities and assets;

IPSAS 1.150 (b) – non-disclosure of the nature of operations and principal activities; and

IPSAS 24.39 – did not explain the budgetary basis adopted and approved.

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 determined that there are no key audit matters identified in respect of the financial statement for the Village Council of Wiltvei.

4. 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.

5. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements for the financial year ended 30 June 2019 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 85 of the Local Authorities Act, 1992 (Act No. 23 of 1992), read with Sections 25, 26 and 27 of the State Finance Act, 1991 (Act No. 31 of 1991), except that they were only submitted on 02 December 2019 instead of three months (3 months) after the year end as required by the Act.

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 legislation, and for such internal control as management deems 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.

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 an auditor's 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 (ISSAIs). I exercise professional scepticism throughout the audit.

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

8. ACKNOWLEDGEMENT

The co-operation and assistance by the management and staff of the Village Council of Witvlei during the audit is appreciated.

WINDHOEK, July 2020



JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

**VILLAGE COUNCIL OF WITVLEI
STATEMENT OF FINANCIAL POSITION AT 30 JUNE**

ANNEXURE A

	Note	<u>2019</u> N\$
Current Assets		
Cash and cash equivalents	1	17 815 535
Receivables from exchange transactions	2	580 938
Financial assets	3	16 151 172
		1 083 425
Non-current assets		
Property, plant and equipment	4	9 694 211
TOTAL ASSETS		27 509 746
LIABILITIES		
Current Liabilities		
Payables under exchange transactions	5	10 989 802
Other	6*	10 964 140
		25 662
Total current liabilities		
Non-current liabilities		
Financial liabilities-borrowings	7*	1 257 379
TOTAL LIABILITIES		12 247 181
Net assets (Total assets less total liabilities)		15 262 566
NET ASSETS/EQUITY ATTRIBUTABLE TO THE OWNERS		
Total net assets/equity		15 043 098
Capital contributed by the government		420 398
Other reserves	8	15 179 138
Accumulated surplus/(deficit)		(556 438)
Balancing figure		219 468

*Note 6 and 7 amounts do not correspond with the amount on the statement of financial position.

ANNEXURE B
VILLAGE COUNCIL OF WITVLEI
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

	Note	2019
		N\$
REVENUE		
Contribution from the Government of Namibia	5*	1 400 000
Fees, taxes and fines		12 959
Other operating revenue		4 772 324
Total operating revenue		6 185 283
EXPENDITURE		
General and administrative expenses		4 677 078
Wages, salaries and employee benefits		2 913 644
Supplies and consumables used		235 807
Depreciation and amortization expense	3*	468 530
Interest income		1 553 336
Net surplus/(deficit) for the period		(556 440)

*Note 3 and 5 amounts do not correspond with the amount on the statement of comprehensive income.

THE VILLAGE COUNCIL OF WITVLEI
STATEMENT OF CHANGES IN NET ASSETS / EQUITY FOR THE YEAR ENDED
30 JUNE

	Capital Contributed by the government 2019	Other Reserves	Accumulated Surplus (Deficit) 2019	Total
	N\$	N\$	N\$	N\$
Balance at 30 June 2018	307 714	14 918 580	1 229 469	16 455 763
Changes in net equity for 2019	-	260 558	-	260 558
Equity contribution from government	112 684	-	-	112 684
Total surplus/(deficit) for the period	-	-	(556 440)	(556 440)
Balance at 30 June 2019	420 398	15 179 138	673 029	16 272 565

**THE VILLAGE COUNCIL OF WITVLEI
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE**

	Note	2019
		N\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Government grants and subsidies		1 400 000
Rendering of services		634 823
Sale of goods		2 564 031
Finance income		1 566 296
Other income, rentals and agency fees		617 604
Total Receipts	10	6 782 754
Payments		
Compensation of employees		(2 913 644)
Goods and Services		(3 280 771)
Other payments		(1 294 402)
Total payments		(7 488 817)
Net cash flows from operating activities		(706 063)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment		(277 047)
Net cash flows from investing activities		(277 047)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash flows from financing activities		-
Net increase/(decrease) in cash and cash equivalents		(983 110)
Cash and cash equivalents at the beginning of the financial year		<u>549 688</u>
Cash and cash equivalents at the end of the financial year	7*	<u>(433 422)</u>

*Note 7 does not correspond to the amount at the statement of cash flow.

ANNEXURE E
THE VILLAGE COUNCIL OF WITVLEI
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT
30 JUNE

	Approved Budget	Actual	Difference
	N\$	N\$	N\$
RECEIPTS			
GRN Grants & Subsidies	2 099 619	1 707 714	391 905
Rendering of services	6 619 839	17 081 469	(10 461 630)
Sale of goods	5 223 083	3 330 202	1 892 881
Finance income	395 000	1 566 296	(1 171 296)
Other income, rentals and agency fees	1 278 065	617 604	660 461
Total Receipts	15 615 606	24 303 285	(8 687 679)
PAYMENTS			
Salaries, wages and other benefits	3 194 063	2 913 644	280 419
Contribution to pension fund & retirement benefit plan	406 693	376 493	30 200
End of service benefits	24 532	53 354	(28 822)
Medical insurance	412 894	371 330	41 564
Staff training	29 948	33 480	(3 532)
Total salaries wages and other benefits	4 068 130	3 748 301	319 829
Other operating expenditure			
Consultancy fees	43 450	43 000	450
Office rent and related expenses	100 500	99 708	793
Motor vehicle expenses (insurance, maintenance and fuel)	166 502	235 807	(69 305)
Operation and maintenance of computers, furniture and office equipment	8 442	11 673	(3 231)
Books and professional subscription	101 739	124 012	(22 273)
Advertising and corporate identity expenses	59 464	11 700	47 764
Business travel expenses	109 765	168 394	(58 629)
Miscellaneous expenses	10 461 845	4 374 981	6 086 864
Total operating expenditure	11 051 706	5 069 275	5 982 433
Capital expenditure and other	453 196	277 047	176 149
Computer equipment	42 573	42 573	-
Total capital expenditure and others	495 769	319 620	176 149
TOTAL PAYMENTS	15 615 605	9 137 196	6 478 411

VILLAGE COUNCIL OF WITVLEI
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
 30 JUNE

	<u>2019</u>
	N\$
1. CASH AND CASH EQUIVALENTS	
Petty cash	614
Cash on hand	38 379
Bank Windhoek current	121 547
NDP MURD account	420 398
	<u>580 938</u>
2. TRADE RECEIVABLES	
Housing fund debtors	4 935 949
Service debtors	11 215 223
	<u>16 151 172</u>
3. FINANCIAL ASSETS/INVESTMENTS	
2018 capital expenditure account	614 000
<i>Less:</i> 2019 capital expenditure	(277 047)
	336 953
2019 housing fund balance	59 464
2019 intervention joint account (Namwater)	687 008
Total financial assets	<u>1 083 425</u>

VILLAGE COUNCIL OF WITVLEI
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
 30 JUNE (Continued)

	<u>2019</u>
	N\$
4. PROPERTY, PLANT AND EQUIPMENT	
2018 balance	9 973 709
Capital expenditure	277 048
<i>Total assets value</i>	10 250 756
<i>Less: balance sheet adjustment</i>	(44 008)
	<u>10 206 748</u>
<i>Less: depreciation 5%</i>	512 538
<i>Add: balance sheet adjustment</i>	(44 008)
	468 530
2019 balance	<u>*9 694 211</u>

Depreciation calculated conservatively on 5% of total assets. Fixed asset register to be phased in over a period of three years.

* See observation in par 2.1 on page 1

5. TRADE AND OTHER PAYABLES

VAT payable	366 581
Creditors	10 597 558
<i>Payables from exchange transactions</i>	<u>10 964 140</u>
Leave provision	24 532
Deposits	1 130
<i>Other payables</i>	<u>25 662</u>

6. LONG TERM LOANS

LOAN NO.	AMOUNT N\$	INTEREST N\$	TERM (Years)	BALANCE N\$
WIT 13	1 492	-	25	487
WIT 15	247 164	-	25	146 102
PUB 79	50 000	-	30	49 055
WIT 80				299 263
WIT 81				63 217
WIT 82				293 060
WIT 83				117 695
GO 91				288 500
				<u>1 257 379</u>

VILLAGE COUNCIL OF WITVLEI
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
 30 JUNE (Continued)

	<u>2019</u>
	N\$
7. CAPITAL CONTRIBUTIONS FROM GOVERNMENT	
2018 balance brought forward	307 714
2018/2019 subsidy	1 400 000
	<u>1 707 714</u>
Year-end balance: MURD account	(420 398)
Amount utilized	<u>1 287 316</u>
2018/2019 subsidy	1 400 000
Amount utilized	(1 287 316)
Net balance 2018/2019	<u><u>112 684</u></u>
8. OTHER RESERVES	
Capital outlay (contribution from revenue)	
2018 closing balance	8 627 843
2019 capital expenditure	277 047
	<u>8 904 890</u>
Loans redeemed	142 990
	<u><u>9 047 880</u></u>
Build-together Housing Fund	
2019 bank account balance	59 464
2019 debtors (incl. in receivables)	4 935 949
	<u>4 995 412</u>
Fixed Property Fund	<u>1 135 845</u>
Total other reserves	<u><u>15 179 138</u></u>

ANNEXURE H

VILLAGE COUNCIL OF WITVLEI
NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	2019
	N\$
9. Government grants and subsidies	1 820 398
Allocated	1 400 000
Less balance of NDP MURD account (not in current account)	420 398
10. Receipts	6 782 754
Income for year	7 738 620
Prior year trade receivables	15 195 306
Current year trade receivables	(16 151 172)
Actual receipts	
Receipts	6 782 754
Less total income	(7 738 620)
Total decrease in income to get to actual receipts	(955 866)
Decrease sales of goods	(766 171)
Decrease rendering of services	(189 695)
Finance income	1 553 336
Taxes fees and fines	12 959
Other operating income	4 772 324
Rendering of services	824 518
Sales of goods	3 330 202
Other income, rentals, etc.	617 604
Total income before government contributions	6 338 620
GRN grants	1 400 000
Total income	7 738 620

VILLAGE COUNCIL OF WITVLEI
 NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE
 (Continued)

	2019
	N\$
11. Payments	6 886 184
Expenses	8 295 059
Depreciation	512 538
Previous year trade payables	9 068 389
Current year trade payables	(10 989 802)
Payments	6 886 184
Total expenses	(8 295 059)
Addback depreciation	512 538
Expenses to decrease by	(896 337)
Goods and services	(643 384)
Other payments	(248 423)
Rent paid	(16 348)
Goods and services	4 912 889
Bulk water	1 832 115
Bulk electricity	2 003 616
Water reticulation	10 045
Electricity reticulation	78 378
Books, subscriptions etc.	124 012
Motor vehicle expenses	235 807
Street lights	4 926
Internship	2 250
Electricity Control Board license renewal	10 000
Contribution - Regional Council	40 611
Environmental Impact Assessment	83 605
Health Services (Insect & Rodent Control + Social grants)	16 800
Sundries (cleaning materials & others)	85 500
Bank charges	67 133
Legal costs	1 271
Fire protection	7 749
First Aid Equipment	849
Official entertainment	18 365

VILLAGE COUNCIL OF WITVLEI
 NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE
 (Continued)

		2019
		N\$
11.	Other payments Continue	289 853
	Office rent & related expenses	99 708
	Insurance	85 893
	Telephone & postage	34 241
	Printing & stationaries	35 847
	Hall & Office Renovations	24 926
	Cleansing of Town+ Hall	6 238
	Fencing of Townland	3 000
	PPE purchases	277 047
	Workshop extension	20 352
	Fencing	61 554
	Meter leadings	195 141

*The notes to the Cash flow statement were prepared but not indicated at the Cash flow statement.

