



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF AROAB
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

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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 Aroab for the financial year ended 30 June 2016, 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, October 2017

**REPORT OF THE AUDITOR-GENERAL
ON THE ACCOUNTS OF THE VILLAGE COUNCIL OF AROAB
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

1. Report on the Financial Statements

1.1 INTRODUCTION

The accounts of the Village Council of Aroab for the financial year ended 30 June 2016 are being reported on in accordance with the provisions set out in Section 85 of the Local Authorities Act, 1992 (Act 23 of 1992).

The firm Mostert Landgrebe 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 Village 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).

I certify that I have audited the accompanying financial statements of the Village Council of Aroab for the financial year ended 30 June 2016. These financial statements comprise of the following:

Annexure A: Balance sheet;
Annexure B: Abridged income statement;
Annexure C: Cash flow statement; and
Annexure D: Notes to the financial statements

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 87(1) of the Local Authorities Act, 1992.

The financial statements, notes to the financial statements and general information provided by the Accounting Officer are attached as Annexures 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 87(1) of the Local Authorities Act 1992 (Act 23 of 1992), 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 reasonable 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 and 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 circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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 sufficient and appropriate to provide a basis for the audit opinion.

4. ACKNOWLEDGEMENT

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

5. KEY AUDIT FINDINGS

5.1 Circular D3/2015

The Chief Executive Officer of the Village Council of Aroab did not submit the statements as required by Circular D3/2015 of the Auditor-General.

Recommendation

It is recommended that the Chief Executive Officer should submit all annual statements to the Auditor-General including those required by Circular D3/2015 of the Auditor-General.

6. UNQUALIFIED AUDIT OPINION

The accounts of the Village Council of Aroab for the financial year ended 30 June 2016 summarised in Annexures A to D, were audited by me in terms of Section 85 of the Local Authorities Act, 1992,(Act 23 of 1992).

I certify that, in my opinion, the financial statements fairly present the financial position of the Village Council of Aroab at 30 June 2016 and their financial performance and cash flows for the year then ended.

WINDHOEK, October 2017



**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

VILLAGE COUNCIL OF AROAB
STATEMENT OF FINANCIAL POSITION AT 30 JUNE

	Note	2016 N\$	2015 N\$
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	2	31 780 308	29 269 304
Investments	3	11 162 984	11 278 511
CURRENT ASSETS			
Trade and other receivables	4	4 027 067	3 146 150
Inventories	5	1 095 826	1 132 316
Bank and cash	6	438 268	994 987
TOTAL ASSETS		48 504 453	45 821 268
FUNDS AND LIABILITIES			
FUNDS AND RESERVES			
Capital outlay	7	31 543 924	29 017 625
Funds and accounts	8	15 212 736	15 029 182
NON-CURRENT LIABILITIES			
Long-term loans	9	236 384	251 680
CURRENT LIABILITIES			
Trade and other payables	10	1 511 409	1 522 781
TOTAL FUNDS AND LIABILITIES		48 504 453	45 821 268

ANNEXURE B

VILLAGE COUNCIL OF AROAB
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

	Note	2016 N\$	2015 N\$
INCOME		19 857 528	11 673 307
EXPENDITURE		14 918 159	13 438 543
NET OPERATING (DEFICIT)/SURPLUS		4 939 369	(1 765 236)
INTEREST ON INVESTMENTS		125 752	13 937
NET OPERATING (DEFICIT)/SURPLUS AFTER INTEREST		5 065 121	(1 751 299)
APPROPRIATION ACCOUNT	11	120 176	30 701
NET (DEFICIT)/SURPLUS AFTER APPROPRIATIONS		5 185 297	(1 720 598)
REVENUE ACCOUNT - Beginning of year		2 933 715	4 654 313
REVENUE ACCOUNT - End of year		8 119 012	2 933 715

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

	Note	2016 N\$	2015 N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		19 857 528	11 673 307
Cash paid to suppliers		(15 633 782)	(12 898 119)
Cash (utilised)/generated by operations	12	4 203 746	(1 224 812)
Investment income		125 752	13 937
Increase in Fund accounts		(5 001 743)	4 099 942
Increase in Capital outlay		2 526 299	2 026 554
Net cash flow from operating activities		1 854 054	4 915 621
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		(2 511 004)	(2 011 222)
Change in investments		115 527	(2 394 778)
		2 395 477	(4 406 000)
CASH FLOW FROM FINANCING ACTIVITIES			
Change in long-term loans		15 296	(15 331)
NET CHANGE IN CASH AND CASH EQUIVALENTS			
		(556 719)	494 290
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR			
		994 987	500 697
CASH AND CASH EQUIVALENTS - END OF YEAR			
		438 268	994 987

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

1. ACCOUNTING POLICIES

1.1 Introduction

The annual financial statements set out in Annexures A to C 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

Property, plant and equipment are stated at cost or valuation where assets have been acquired by grant or by donation. No provision for depreciation is made

1.3 Internal Funds

Internal Funds were created as follows by the Council:

1.3.1 Housing Fund

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

1.3.2 Capital Development Fund

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

1.3.3 Fixed Property Fund

Proceeds on the sale of property developed by the Village Council accumulate to this Fund. Interest earned on loans for the sale of land as well as interest earned on internal loans and investments accumulate to this Fund, which is used to develop properties.

1.3.4 Leave Reserve Fund

This Reserve Fund provides for payment of leave credit as needed and the policy is that the balance available in the Fund should meet the total leave credits as at 30 June each year.

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

1.3.5 Build Together Housing Fund

The purpose of this Fund is to provide loans to applicants who want to build or buy houses with the help of the community. The instalments received for the payment of these loans are reinvested in this Fund

	<u>2016</u>	<u>2015</u>
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Income assets	31 288 084	28 775 241
Loan assets	481 802	481 802
General capital assets	10 422	12 261
Total	<u>31 780 308</u>	<u>29 269 304</u>
3. INVESTMENTS		
INVESTMENTS		
Commercial banks	<u>11 162 984</u>	<u>11 278 511</u>
ALLOCATED AS FOLLOWS		
Build Together Fund	1 098 928	1 144 358
Capital Reserve Fund	2 575 105	7 546 461
Housing Fund	175 660	173 953
Social Housing Fund	87 177	18 961
Revenue	7 226 114	2 394 778
	<u>11 162 984</u>	<u>11 278 511</u>
4. TRADE AND OTHER RECEIVABLES		
Consumers	4 304 511	3 863 018
Build Together Fund and Housing Fund receivables	2 533 909	2 357 319
VAT	963 548	406 482
	<u>7 801 968</u>	<u>6 626 819</u>
Provision for bad debts	<u>(3 774 901)</u>	<u>(3 480 669)</u>
	<u>4 027 067</u>	<u>3 146 150</u>
5. INVENTORY		
Consumables	63 326	28 616
Livestock	1 032 500	1 103 700
	<u>1 095 826</u>	<u>1 132 316</u>

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

	2016	2015
	N\$	N\$
6. BANK AND CASH		
Current account	436 748	993 467
Petty cash	1 520	1 520
	<u>438 268</u>	<u>994 987</u>
7. CAPITAL OUTLAY		
Loans redeemed	245 418	230 122
Revenue contributions	31 288 084	28 775 241
General capital contributions	10 422	12 262
	<u>31 543 924</u>	<u>29 017 625</u>
8. FUNDS, ACCOUNTS AND RESERVES		
Build Together Fund	4 252 045	4 086 696
Capital Reserve Fund	2 575 105	7 743 494
Housing Fund	179 397	178 115
Social Housing Fund	87 177	87 162
Revenue account kept in compliance with Section 86(1) of the Local Authority Act, 1992	8 119 012	2 933 715
	<u>15 212 736</u>	<u>15 029 182</u>
9. LONG-TERM LIABILITIES		
Government of Namibia	236 384	251 680
	<u>236 384</u>	<u>251 680</u>
10. TRADE AND OTHER PAYABLES		
Trade payables	224 416	166 891
Consumer and other deposits	38 258	36 973
Provisions	284 173	176 859
Loan instalments in arrear	629 965	867 574
Retention	334 597	274 484
	<u>1 511 409</u>	<u>1 522 781</u>

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

	<u>2016</u>	<u>2015</u>
	N\$	N\$
11. Adjustments to appropriation account		
Provision for bad debts	(294 232)	(206 311)
Livestock adjustments	(71 200)	215 250
Provision for leave	(84 852)	11 466
Income adjustment	587 128	10 296
Cheque corrections	635	-
Difference in opening balance	98	-
Expense adjustment	(17 401)	-
	<u>120 176</u>	<u>30 701</u>
12. Cash (utilised)/generated by operations		
Net operating (deficit)/surplus before interest and transfers	4 939 369	(1 765 236)
Adjustments for:		
- Adjustments to appropriation account	<u>120 176</u>	<u>30 701</u>
Operating (deficit)/surplus before changes in working capital	<u>5 059 545</u>	<u>(1 734 535)</u>
Changes in working capital		
Trade and other receivables	(880 917)	487 813
Inventories	36 490	(220 878)
Trade and other payables	(11 372)	242 788
	<u>(855 799)</u>	<u>509 723</u>
Cash (utilised)/generated by operations	<u>4 203 746</u>	<u>(1 224 812)</u>