



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF BERSEBA
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 Berseba 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.

WINDHOEK, June 2017

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 VILLAGE COUNCIL OF BERSEBA
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2016**

1. INTRODUCTION

This report on the accounts of the Village Council of Berseba for the year ended 30 June 2016 is presented to the National Assembly in accordance with the Local Authorities Act, 1992 (Act 23 of 1992).

The firm Strategis registered accountants and auditors of Windhoek has been appointed by the the Auditor-General in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the Village Council of Berseba on behalf of the Auditor-General and under his supervision.

Figures in this 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 Berseba for the year ended 30 June 2016. 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 by the Accounting Officer to the Auditor-General in compliance with Section 87(1) of the Local Authorities Act, 1992 (Act 23 of 1992).

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 23 of 1992) 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 insufficient and inappropriate to provide a basis of the audit opinion.

4. ACKNOWLEDGEMENT

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

5. KEY AUDIT FINDINGS

5.1 APPROPRIATION ACCOUNT

Documents on adjustments amounting to N\$ 1 093 813 were not provided for audit purposes.

Recommendation

It is recommended that the Council should ensure that every adjustment is supported by a schedule or supporting documents related to the same amount as the journal.

5.2 PROVISION FOR BAD DEBTS

Provision for bad debts adjustments for the period under review amounting to N\$ 380 105 were not included in the appropriation account.

Recommendation

It is recommended that adjustments relating to the appropriation account must be made during the preparation of the financial statements.

5.3 TRADE PAYABLES

The council did not provide auditors with a listing for trade payables amounting to N\$ 237 901, therefore auditors could not test on the valuation, existence and completeness of the trade payables balance.

Recommendation

It is recommended that creditors listing should be prepared and reconciled on a monthly basis and be provided for audit purposes.

5.4 BANK RECONCILIATION

The Council did not prepare monthly bank reconciliation statements, therefore auditors could not verify the validity, accuracy and completeness of the bank balance in the financial statements amounting to N\$ 233 899.

Recommendation

It is recommended that Council should ensure that bank reconciliations are done monthly and reconciled to the accounting system (Finstel).

5.5 VALUE ADDED TAX

The auditor's reasonability test on Input VAT resulted in a difference of N\$ 489 838.

Recommendation

It is recommend that Council should ensure that the information disclosed on the VAT returns corresponds to that of the general ledger.

5.6 PROPERTY PLANT AND EQUIPMENT

Supporting documents for fixed assets additions for Network upgrade amounting to N\$ 217 391 were not provided for audit purpose.

Recommendation

It is recommended that the Council must ensure that all supporting documents for all expenditure are provided for audit purpose.

5.7 INCOMPLETE PROJECTS

The Council was not able to provide the auditors with a listing or supporting schedules for the Incomplete projects balance amounting to N\$ 1 772 849.

Recommendation

The Council should prepare schedules which clearly show the breakdown of the incomplete projects account. The total amount as per the schedules should be accurately reconciled to the financial statements.

5.8 INCOME

Income based on the financial statements summary per department amounting to N\$ 4 237 944 differs to the income as recorded in the financial statements amounting to N\$ 3 998 865 resulting in a difference of N\$ 239 079.

Recommendation

It is recommended that the Council should reconcile its financial statements to the management accounts. Differences thereof should be investigated and corrected timeously.

5.9 EXPENDITURE

Expenditure on the financial statements summary per department amounting to N\$ 5 891 002 differs to the expenditure as recorded in the financial statements amounting to N\$ 6 240 730 resulting in a difference of N\$ 349 729. Furthermore Supporting documents for expenditure amounting to N\$ 284 613 were not provided for audit purposes.

Recommendation

It is recommended that the Council should reconcile its financial statements to the management accounts. Differences thereof should be investigated and corrected timeously and all supporting documents for all expenditure be filed properly.

5.10 GOING CONCERN

The Village Council incurred a net loss of N\$ 1 892 137 and further the Village Council reported an accumulated loss of N\$ 1 162 670 (2015: N\$ 364 346). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Village Council to continue operating as a going concern.

Recommendation

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

5.11 CIRCULAR D3/2015

The Chief Executive Officer of the Village Council of Berseba for the year under review did not submit respective statements as requested by circular D3/2015 of the Auditor- General.

Recommendation

It is recommended that the Village council should submit circular D3/2015 to the office of Auditor- General.

5.12 ACCOUNTING POLICY AND FRAMEWORK

The Village Council does not have an accounting policy in place and there is no accounting reporting framework.

Recommendation

It is recommended that the Council adopts an accounting reporting framework.

6. BASIS FOR DISCLAIMER OF AUDIT OPINION

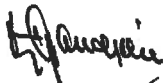
- No supporting documents for adjustments amounting \$ 1 093 813;
- Provision for bad debts movement of N\$ 380 105 not adjusted;
- Creditors listing was not available for audit purpose;
- Bank reconciliation was not available for audit verification;
- Value added tax understated by N\$ 489 838;
- No supporting documents for fixed assets additions amounting to N\$ 217 391;
- No supporting schedules for incomplete projects amounting to N\$ 1 772 849;
- Income understated by N\$ 239 079;
- Expenditure overstated by N\$ 349 729;
- No supporting documents for expenditure amounting to N\$ 284 613;
- Going concern due to continuous losses being reported;
- No accounting policy and reporting framework; and
- Statements not submitted as per circular D3/2015 of the Auditor- General.

7. DISCLAIMER AUDIT OPINION

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

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 and appropriate audit evidence to provide for an audit opinion. Accordingly, I do not express an audit opinion on the financial statements.

WINDHOEK, June 2017


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

**VILLAGE COUNCIL OF BERSEBA
BALANCE SHEET ON 30 JUNE**

	Note	2016 N\$	2015 N\$
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2	7 796 036	7 272 274
Investments	3	1 231 370	2 366 148
		9 027 406	9 638 422
CURRENT ASSETS			
Accounts receivables	4	3 083 550	2 739 770
Inventories	5	119 900	328 550
Cash and cash equivalents	6	2 000	2 000
		3 205 450	3 070 320
TOTAL ASSETS		12 232 856	12 708 742
EQUITY AND LIABILITIES			
FUNDS			
Capital outlay	7	8 448 737	7 924 975
Funds and accounts	8	1 578 677	2 328 217
		10 027 414	10 253 192
CURRENT LIABILITIES			
Trade and other payables	9	1 971 544	2 121 852
Bank Overdraft	6	233 898	333 698
		2 205 442	2 455 550
TOTAL EQUITY AND LIABILITIES		12 232 856	12 708 742

**VILLAGE COUNCIL OF BERSEBA
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE**

ANNEXURE B

	Note	2016	2015
		N\$	N\$
Income		3 922 826	5 074 626
Expenditure		5 891 002	3 649 538
Net operating profit / (loss)		(1 968 176)	1 425 088
Interest received		76 039	100 233
Net profit / (loss)		(1 892 137)	1 525 321
Adjustments	10	1 093 814	(1 802 998)
NET PROFIT / (LOSS) for the year		(793 323)	(277 677)
Appropriation account at beginning of the year		(364 346)	(86 669)
Appropriation account at end of year		(1 162 669)	(364 346)

VILLAGE COUNCIL OF BERSEBA
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	2016	2015
	N\$	N\$
Net cash flows from operating activities	(1 083 761)	320 317
Cash receipts from customers	3 922 826	5 074 626
Cash paid to suppliers	(5 082 626)	(4 854 542)
Interest received	76 039	100 233
Cash flows from operating activities	(511 216)	(3 179 054)
Movements in funds	572 546	(3 499 371)
- Funds accounts	48 784	35 665
- Capital outlay excluding loans redeemed	523 762	(3 535 036)
Cash flow from investing activities	611 016	2 039 206
Net increase in capital value	(523 762)	3 535 037
Decrease/(Increase) in investments	1 134 778	(1 495 831)
Net (decrease)/increase in cash and cash equivalents	99 800	(1 139 848)
Cash and cash equivalents at beginning of year	(331 698)	808 150
Cash and cash equivalents at end of year	(231 898)	(331 698)

VILLAGE COUNCIL OF BERSEBA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE

ANNEXURE D

	2016	2015
	N\$	N\$
1. ACCOUNTING POLICY		
Village Council did not attach accounting policy to the Financial Statements for the year under review.		
2. PROPERTY PLANT AND EQUIPMENT	7 796 036	7 272 274
Property, plant and equipment	7 796 036	7 272 274
3. INVESTMENTS	1 231 370	2 366 148
Build Together Fund	120 910	94 418
Capital projects	652 702	652 702
Revenue Account	457 758	1 619 028
	1 231 370	2 366 148
4. TRADE AND OTHER RECEIVABLES	3 083 550	2 739 770
Consumer debtors	2 012 567	2 199 370
VAT receivable	93 647	-
Build together loans	831 724	320 893
Incomplete projects	1 772 849	2 226 849
Provision for bad debts	(1 627 236)	(2 007 342)
5. INVENTORIES	119 900	328 550
Livestock	119 900	328 550
6. CASH AND CASH EQUIVALENTS	(231 898)	(331 698)
Bank overdraft	(233 898)	(333 698)
Petty cash	2 000	2 000
7. CAPITAL OUTLAY	8 448 737	7 924 975
General capital	2 559 125	2 608 003
Revenue contributions	5 849 612	5 316 972
8. FUNDS ACCOUNTS AND RESERVES	1 578 677	2 328 217
Build together fund	2 741 346	2 692 564
Revenue account	(1 162 669)	(364 347)

VILLAGE COUNCIL OF BERSEBA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE continue

	2016	2015
	N\$	N\$
9. TRADE AND OTHER PAYABLES	1 971 544	2 121 852
Trade payables	1 612 994	1 764 237
Regional council	8 614	4 316
Value added tax	-	39 610
Provisions	349 936	318 005
10. ADJUSTMENT TO APPROPRIATION ACCOUNT	1 093 813	(2 064 095)
Expenditure adjustments	-	-
Movement in provision for bad debts	-	(2 064 095)
Previous year adjustments	308 798	-
Adjustments	785 016	-