



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF BERSEBA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

Published by authority

Price (Vat excluded) N\$ 33.00
Report no: 113/2018

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 2017, 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, October 2018

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
BERSEBA VILLAGE COUNCIL
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

1. DISCLAIMER OF AUDIT OPINION

I certify that I have audited the financial statements of the Berseba Village Council for the financial year ended 30 June 2017. These financial statements comprise the financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 OF 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 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 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 not sufficient and not appropriate to provide a basis for my opinion. A disclaimer audit opinion is being expressed due to the following:

- No supporting documents for revenue amounting to N\$ 1 295 123;
- No supporting document for expenditure amounting to N\$ 266 354;
- No accounting standards and accounting policy used for reporting;
- No recovery of Build together Loans was amounting to N\$ 1 185 541;
- Provision for doubtful debts overstated by N\$ 438 816
- Build together debtors overstated by N\$ 875 849;
- Inventory not confirmed amounting to N\$ 95 482;
- Long outstanding debt with Namwater amounting to N\$ 2 607 690;
- Interest on long outstanding Namwater increased by N\$ 113 019;
- VAT overstated by N\$ 212 957;
- Inconsistence in applying medical rate contribution;
- Government subsidy not reflected in general ledger amounting to N\$ 264 500;
- Cash sales were under banked amounting to N\$ 25 600;
- No supporting documents for adjustment amounting to N\$ 772 025;
- Bulk water purchases differ with N\$ 1 657 350 to financial statements;
- Difference bulk electricity purchases amounting to N\$ 1 104 394;
- Statements not submitted as per circular D3/2015 of the Auditor-General; and
- No strategic plan and IT management policy in place at the Village Council.

3. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

I draw attention to Annexure B in the financial statements, which indicates that the Village Council incurred a net loss of N\$ 2 500 856 during the year ended 30 June 2017 and, as of that date, the Village Council's current liabilities exceeded its total assets by N\$ 2 720 709. As stated in basis of qualification, these events or conditions, along with other matters as set forth in Annexure B, indicate that a material uncertainty exists that may cast significant doubt on the Village Council's ability to continue as a going concern. My opinion is modified in respect of this matter.

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 the 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. 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 Generally Recognised Accounting Practice and 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.

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 of overseeing the entity's financial reporting process.

6. 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 (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 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 uses 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 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.

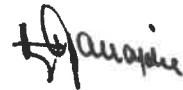
7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accounts were submitted by the Accounting Officer to the Auditor-General on the 27 November 2017 in terms of Section 87(1) of the Local Authorities Act, 1992 (Act No. 23 of 1992 instead of the three month as required by the Act.

ACKNOWLEDGEMENT

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

WINDHOEK, October 2018



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

**BERSEBA VILLAGE COUNCIL
BALANCE SHEET AS AT 30 JUNE**

	Note	2017 N\$	2016 N\$
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and equipment	2	7 618 463	7 796 036
Investments	3	289 854	1231370
CURRENT ASSETS			
Trade and other receivables	4	3 409 058	3 083 550
Bank and cash	6	2 000	2 000
Inventories	5	95 482	119 900
		11 414 857	12 232 856
EQUITY AND LIABILITIES			
FUNDS AND RESERVERS			
Capital Outlay	7	7 618 463	8 448 737
Funds and accounts	8	(867 284)	1 578 677
CURRENT LIABILITIES			
Trade and other payable	9	3 626 051	1 971 544
Bank Overdraft	6	1 037 628	233 897
		11 414 857	12 232 856

ANNEXURE B

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

	Note	2017 N\$	2016 N\$
Income		4 161 384	3 922 826
Expenditure		(6 959 315)	(5 891 002)
Net operating profit / (loss)		(2 797 931)	(1 968 176)
Interest received		33 212	76 039
Net surplus / (loss) after interest		(2 764 719)	(1 892 137)
Appropriation account	10	263 863	1 093 814
Net surplus / (loss) after appropriations		(2 500 856)	(798 323)
Revenue account - Beginning of the year		(1 162 671)	(364 346)
Revenue account - End of the year		(3 663 527)	(1 162 669)

ANNEXURE C

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

	2017	2016
	N\$	N\$
Cash flow from operating activities	(1 146 441)	(1 159 800)
Cash receipt from customer	4 161 384	3 922 826
Cash paid to suppliers	(5 307 825)	(5 082 626)
Investment income(interest)	33 213	76 039
	(1 113 228)	(1 083 761)
Cash flow from investing activities	1 118 089	611 016
Addition to property plant and equipment	176 573	(523 762)
Decrease/(Increase) in investments	941 516	1 134 778
Cash flow from financing activities	(775 377)	572 546
(Decrease)/ increase in Fund account	54 897	48 784
Increase in Capital outlay	(830 274)	523 762
Net decrease/increase in cash and cash equivalents	(803 730)	99 801
Cash and cash equivalent at the beginning of the year	(231 898)	(331 698)
Cash and cash equivalent at the end of the year	(1 035 628)	(231 897)

**BERSEBA VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

1 ACCOUNTING POLICIES

1.1 Introduction

The annual financial statements set out in Annexures A to D were prepared on the historical cost basis and incorporate the following principle 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 with loan funds are stated at cost and no depreciation is provided thereon until the loan is fully redeemed. All other items of property plant and equipment are stated at cost or valuation and except fixed property; the cost or valuation of these items of property plant and equipment is depreciated on the reducing-balance basis over their expected useful lives.

Fixed assets and depreciation: Fixed assets are stated at cost or a valuation where assets have been acquired by grant or donation less depreciation written off over expected useful lives as determined by Council from time to time.

Fixed assets acquired with loan funds are not depreciated until the loan is repaid unless the expected lifetime of the asset is less than the repayment of the loan in which case depreciation is calculated on the shortfall.

1.3 Inventory

Inventories are measured at weighted average.

1.4 Fund accounts

The following Fund was maintained;

Housing Fund- Build together

The purpose of the Fund is to provide for housing loans. Income for the fund is derived from interest earned on secure housing loans and investments.

ANNEXURE D

BERSEBA VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (CONTINUED)

	2017	2016
	N\$	N\$
2. PROPERTY PLANT AND EQUIPMENT	7 618 463	7 796 036
Income Assets	7 534 969	7 796 036
General Capital assets	83 494	-
3. INVESTMENTS		
Commercial banks	289 854	1 231 370
Allocated as follows:	289 854	1 231 370
Capital account	-	652 702
Build together fund	142 415	120 910
Revenue	147 439	457 758
4. TRADE AND OTHER RECEIVABLES	3 409 058	3 083 550
Consumer Debtors	2 463 274	2 012 567
Build together loans	796 273	831 724
Incomplete build together	1 772 849	1 772 849
VAT control	442 715	93 647
Provision for bad debt	(2 066 051)	(1 627 236)
5. INVENTORIES	95 482	119 900
Live stock	95 482	119 900
6. BANK AND CASH	(1 035 628)	(231 897)
Current account	(1 037 628)	(233 897)
Petty cash	2 000	2 000
7. CAPITAL OUTLAY	7 618 462	8 448 737
Revenue contributions (Ex income)	7 534 969	5 849 612
General Capital contributions	83 493	2 599 125
8. FUNDS ACCOUNTS AND RESERVES	(867 284)	1 578 677
Build together fund	2 796 243	2 741 346
Revenue account	(3 663 527)	(1 162 669)

ANNEXURE D

**BERSEBA VILLAGE COUNCIL
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
 30 JUNE (CONTINUED)**

	2017	2016
	N\$	N\$
9. TRADE AND OTHER PAYABLES	3 626 051	1 971 544
Trade payable	52 102	1 612 994
Provision for leave	299 080	349 936
Regional Council	12 590	8 614
Nampower/Namwater	3 003 862	-
Sundry	258 417	-
10. ADJUSTMENT TO APPROPRIATION ACCOUNT	263 863	1 093 814
Adjustments	772 025	785 016
Old deposit adjustment	-	308 798
Provision for bad debt	(508 162)	-