



**REPUBLIC OF NAMIBIA**



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

**WINDHOEK, June 2019**

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 2018**

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**1. DISCLAIMER OF AUDIT OPINION**

I have audited the financial statements of the Berseba Village Council for the financial year ended 30 June 2018. These financial statements comprise the financial position, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies.

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:

- The Village Council have a historical debt with Namwater amounting to N\$ 3 114 330 which they are not able to pay;
- The Village Council have a historical debt with Nampower amounting to N\$ 1 452 349 which they are not able to pay;
- Medical aid contribution for employees not in compliance with the approved rates,
- Government subsidy overstated by N\$ 490 000;
- No supporting documents for adjustment journal amounting to N\$ 849 469 in the bank reconciliation;
- The Village Council indicated a bank overdraft amounting to N\$ 1 116 668 while the bank confirmed a favourable closing balace of N\$ 187 530 and
- Non discloser of depreciation charges for the year amounting to N\$ 1 305 909.

### **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\$ 1 125 649 during the year ended 30 June 2018 and, as of that date, the Village Council's current liabilities exceeded its current assets by N\$ 2 454 997.

### **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 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 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.

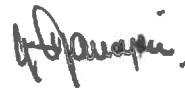
From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public 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 01 November 2018 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, June 2019**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



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

	Note	2018 N\$	2017 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, Plant and Equipment	2	6 312 554	7 618 463
Investments	3	338 336	289 854
<b>Current assets</b>			
Trade and other receivable	4	3 792 128	3 409 058
Bank account/petty cash	5	2 000	2 000
Invetories		127 990	95 482
<b>TOTAL ASSETS</b>		<b>10 573 008</b>	<b>11 414 857</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds and reserves</b>			
Capital outlay	6	6 312 554	7 618 463
Funds, accounts and reserves	7	(2 116 661)	(867 284)
<b>Current liabilities</b>			
Trade and other payables	8	5 260 447	3 626 051
Bank overdraft	5	1 116 668	1 037 627
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>10 573 008</b>	<b>11 414 857</b>

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

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		<b>2018</b>	<b>2017</b>
	Note	N\$	N\$
Income		5 443 529	4 161 384
Expenditure		(6 442 050)	(6 959 315)
<b>Net operating profit / (loss)</b>		<b>(998 521)</b>	<b>(2 797 931)</b>
Interest received		16 584	33 212
<b>Net surplus / loss) after interest</b>		<b>(981 937)</b>	<b>(2 764 719)</b>
Appropriation account	9	(143 712)	263 863
<b>Net surplus / (loss) for the period</b>		<b>(1 125 649)</b>	<b>(2 500 856)</b>

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

	<b>2018</b>	<b>2017</b>
	N\$	N\$
Cash flows from operating activities		
Cash receipts from customers	5 443 529	4 161 384
Cash paid to suppliers and employees	(5 350 359)	(5 961 526)
<b>Cash generated by operations</b>	<b>93 170</b>	<b>(1 800 142)</b>
Investment income (interest)	16 584	33 213
<b>Net cash flow from operating activities</b>	<b>109 754</b>	<b>(1 766 929)</b>
Cash flows from investing activities		
Additions to property, plant and equipment	(403 909)	830 274
Decrease/(Increase) in investments	(48 482)	941 516
<b>Net cash flow from investing activities</b>	<b>(452 391)</b>	<b>1 771 790</b>
Cash flows from financing activities		
(Decrease)/increase in fund account	(123 728)	54 897
Increase in capital outlay	403 909	(830 274)
<b>Net cash flow from financing activities</b>	<b>280 181</b>	<b>(775 377)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>(79 041)</b>	<b>(803 729)</b>
Cash and cash equivalent at the beginning of the year	(1 035 627)	(231 898)
<b>Cash and cash equivalent at the end of the year</b>	<b>(1 114 668)</b>	<b>(1 035 627)</b>

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

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**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.

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

	<b>2018</b>	<b>2017</b>
	N\$	N\$
<b>2 PROPERTY, PLANT AND EQUIPMENT</b>	<b>6 312 554</b>	<b>7 618 463</b>
Income assets	6 237 937	7 534 969
General capital assets	74 617	83 494
<b>3 INVESTMENTS</b>	<b>338 336</b>	<b>289 854</b>
Commercial banks	338 336	289 854
<b>ALLOCATED AS FOLLOWS:</b>	<b>338 336</b>	<b>289 854</b>
Build Together Fund	140 797	142 415
Revenue Account	197 539	147 439
<b>4 TRADE OTHER RECEIVABLES</b>	<b>3 792 128</b>	<b>3 409 059</b>
Consumers debtors	2 920 145	2 463 274
Build Together loans	745 948	796 273
Incomplete build together	1 785 769	1 772 849
VAT control	573 628	442 715
Provision for bad debts	(2 233 362)	(2 066 052)
<b>5 BANK AND CASH</b>	<b>(1 114 668)</b>	<b>(1 035 627)</b>
Current account	(1 116 668)	(1 037 627)
Petty cash	2 000	2 000
<b>6 CAPITAL OUTLAY</b>	<b>6 312 554</b>	<b>7 618 462</b>
Revenue contributions (Ex income)	6 237 937	7 534 969
General capital contributions	74 617	83 493
<b>7 FUNDS, ACCOUNTS AND RESERVES</b>	<b>(2 116 661)</b>	<b>(867 284)</b>
Build Together fund	2 672 515	2 796 243
Revenue account	(4 789 176)	(3 663 527)

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

	<b>2018</b>	<b>2017</b>
	N\$	N\$
<b>8 TRADE AND OTHER PAYABLES</b>	<b>5 260 447</b>	<b>3 626 051</b>
Trade payables	70 978	52 102
Provision for leave pay	347 555	299 080
Regional Council	16 818	12 590
Nampower/Namwater	4 566 679	3 003 862
Sundry	258 417	258 417
<b>9 ADJUSTMENTS</b>	<b>(143 712)</b>	<b>263 863</b>
Adjustments	72 074	772 025
Provision for bad debt	(215 786)	(508 162)