



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF BETHANIE
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

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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 Bethanie 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.

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK December 2019

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
BETHANIE VILLAGE COUNCIL
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

1. DISCLAIMER AUDIT OPINION

I have audited the financial statements of Bethanie Village Council for the financial year ended 30 June 2018. These financial statements comprise the statement of financial position, detailed statement of income and expenditure, statement of cash flows for the year then ended, and notes to the financial statements, including 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 and appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements for the year then ended in accordance with Namibia Generally Accepted Accounting Practices.

2. BASIS FOR DISCLAIMER 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 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 appropriate to provide a basis for my opinion.

Disclaimer opinion is expressed due to the following:

- Financial statement are prepared in accordance with Namibia Generally Accepted Accounting Practices , a framework for small and medium sized enterprises and not for public interest entities and the Council did not comply with this framework;
- No supporting documents for irrecoverable bad debts amounting to N\$ 6 659 136;
- No supporting documents for Government subsidy amounting to N\$ 2 480 785;
- No supporting documents for capital projects completed amounting to N\$ 2 143 432;
- No supporting documents for livestock disclosed in the financial statement amounting to N\$ 1 221 511;
- Depreciation amounting to N\$ 1 014 205 was not charged in the income statement as an expense;
- No supporting evidence for interest on Government loans amounting to N\$ 903 726;
- Overstatement of trade payables by the amount of N\$ 353 704;
- No supporting documents for cash deposited into Council business account amounting to N\$ 293 328;
- A difference of N\$ 286 788 has been observed between bank reconciliation and the Annual Financial statements;

- A difference of N\$ 206 666 was observed between the Natis invoices and the amount processed in the general ledger;
- The Council did not submit VAT returns for period 02, 04, and 06;
- The Village Council incurred a net deficit of N\$ 1 355 434 and the current liabilities exceeded its current assets by N\$ 696 363 casting doubt on the Council to operate as a going concern; and
- The Council recognised receipts from customers as an accrued amount and payment to suppliers as a balancing figure between cash receipts and note 9: cash utilised by operation. Furthermore, an addition to Property Plant and Equipment in the cash flow does not agree to the fixed asset register. There is a difference of N\$ 1 014 205.

3. 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 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 for overseeing the entity's financial reporting process.

4. 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 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, 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, 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 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 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.



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, December 2019

VILLAGE COUNCIL OF BETHANIE
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

| | Note | 2018 N\$ | 2017 N\$ |
|-------------------------------------|------|-------------------|-------------------|
| Assets | | | |
| Non-Current assets | | | |
| Property, plant and equipment | 2 | 15 531 356 | 14 402 129 |
| Investment | 3 | 218 158 | 382 314 |
| Current Assets | | | |
| Trade and other receivables | 4 | 6 809 052 | 6 670 738 |
| Bank Account | | 17 315 | - |
| Inventory-Livestock | | 1 221 511 | 862 000 |
| Total Assets | | 23 797 392 | 22 317 181 |
| Funds and Liabilities | | | |
| Funds and Reserves | | | |
| Capital outlay | 5 | 15 322 414 | 14 174 071 |
| Funds and Accounts | 6 | (478 205) | 350 369 |
| Non-Current Liabilities | | | |
| Long-term liabilities | | 208 942 | 228 058 |
| Current Liabilities | | | |
| Trade and other payables | 7 | 8 744 241 | 6 752 875 |
| Bank overdraft | | - | 811 808 |
| Total Equity and Liabilities | | 23 797 392 | 22 317 181 |

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

| | Note | 2018 | 2017 |
|---------------------------------|------|--------------------|--------------------|
| | | N\$ | N\$ |
| Income | | 11 133 572 | 10 293 017 |
| Expenditure | | (12 496 301) | (12 377 407) |
| Net operating deficit | | (1 362 730) | (2 084 390) |
| Interest on Investment | | 7 296 | 2 762 |
| Net deficit for the year | | (1 355 434) | (2 081 628) |

ANNEXURE C

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

| | Note | 2018 N\$ | 2017 N\$ |
|---|------|------------------|------------------|
| Cash flow from operating activities | | | |
| Cash receipts from customers | | 11 133 572 | 10 293 017 |
| Cash paid to suppliers | | (10 701 317) | (10 724 303) |
| Cash generated from operation | 9 | 432 255 | (431 286) |
| Interest received | | 7 296 | 2 762 |
| Net inflow from operating activities | | 439 551 | (428 524) |
| Cash flows from investing activities | | | |
| Additions to property, plant and equipment | | (1 129 227) | 92 706 |
| Decrease/(Increase) in Investments | | 164 156 | (88 402) |
| Net cash from investing activities | | (965 071) | 4 304 |
| Cash flows from financing activities | | | |
| Increase in fund account | | 225 417 | 223 023 |
| Increase (decrease) in capital outlay | | 1 148 343 | (75 313) |
| Decrease in long term liabilities | | (19 116) | (17 393) |
| Net cash flow from financing activities | | 1 354 643 | 13 0317 |
| Net increase (decrease) in cash and cash equivalent | | 829 123 | (293 903) |
| Cash at the beginning of the year | | (811 808) | (517 905) |
| Total cash at the end of the year | | 17 315 | (811 808) |

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

1. Accounting policies

The annual financial statements set out in Annexures A to D were prepared on the historical basis and incorporate the following principle of 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 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 depreciation is calculated on the shortfall.

1.3 Livestock

Bethanie Village Council manage a herd of cattle.

1.4 Fund accounts

The following Fund were created by the Village Council:

1.4.1 Capital Reserve Fund

The purpose of this fund is to provide for replacement of movable assets.

1.4.2 Housing Fund-Build together

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

VILLAGE COUNCIL OF BETHANIE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

(Continued)

| | 2018 | 2017 |
|---|-------------------|-------------------|
| | N\$ | N\$ |
| 2. Property, plant and equipment | 15 531 356 | 14 402 129 |
| Income Assets | 11 434 542 | 10 074 771 |
| General Capital Assets | 3 698 215 | 3 928 758 |
| Loan Assets | 398 600 | 398 600 |
| 3. Investments: Commercial banks | 218 158 | 382 314 |
| Capital Account | 197 974 | 258 964 |
| Build together | 20 184 | 123 350 |
| 4. Trade receivables | 6 809 052 | 6 670 738 |
| Consumer Debtors | 7 918 053 | 3 698 215 |
| Consumer Deposits | (37 808) | (36 461) |
| Build together loans | 4 990 305 | 5 112 570 |
| Suspense Account | 5 500 | 2 500 |
| Vat Control | 592 138 | 280 750 |
| Less: Irrecoverable bad debts | (6 659 136) | (5 926 234) |
| 5. Capital Outlay | 15 322 414 | 14 174 071 |
| Revenue Contributions | 11 434 542 | 10 074 771 |
| General Capital Contributions | 3 698 215 | 3 928 758 |
| Loans Redeemed | 189 658 | 170 542 |

VILLAGE COUNCIL OF BETHANIE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

| | 2018 | 2017 |
|---|--------------------|------------------|
| | N\$ | N\$ |
| 6. Funds, Accounts and Reserves | (478 205) | 350 369 |
| Build together fund | 6 419 394 | 6 193 978 |
| Capital Reserve fund | 1 327 266 | 1 327 265 |
| Student loans | 12 853 | 12 853 |
| Revenue Account | (8 237 718) | (7 183 727) |
| 7. Trade and other payables | 8 744 241 | 6 752 875 |
| Accrued creditors | 7 241 980 | 1 810 |
| Other payables | 10 513 | 4 089 253 |
| Provision leave | 588 022 | 588 022 |
| Arrear installments on GRN loans | 903 726 | 2 073 790 |
| 8. Adjustment to Appropriation Account | 301 443 | 1 983 305 |
| Bad debts recovered | 1 672 966 | 3 016 295 |
| Prior year adjustments | (732 902) | (448 980) |
| Expenditure adjustments | (638 623) | (584 010) |
| 9. Cash Utilized by operation | | |
| Operating deficit before interest transfers | (1 362 730) | (2 084 390) |
| Adjustments to appropriation account | 301 443 | 1 983 305 |
| Net operating deficit before working capital | (1 061 287) | (101 085) |
| Changes in working capital | | |
| Increase in inventories | (359 511) | (270 000) |
| Increase in trade and other receivables | (138 314) | (189 837) |
| Increase in trade and other payables | 1 991 366 | 129 633 |
| Cash utilized by operations | 432 254 | (431 289) |

