



**REPUBLIC OF NAMIBIA**



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

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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 Witvlei 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.

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

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**WINDHOEK, June 2018**



**REPORT OF THE AUDITOR-GENERAL  
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**1. Report on the financial statements**

**1.1 INTRODUCTION**

The accounts of the Village Council of Witvlei for the financial year ended 30 June 2017 are presented to the National Assembly in accordance with the provisions set out in the Local Authorities Act, 1992 (Act No. 23 of 1992).

Figures in the report are rounded to the nearest Namibia Dollar and deficits are indicated in (brackets).

I certify that I have audited the accompanying financial statements of the Village Council of Witvlei for the financial year ended 30 June 2017. These financial statements comprise the following:

Annexure A: Balance sheet;  
Annexure B: Income statement; and  
Annexure C: Notes to 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, (Act No. 23 of 1992), on 02 February 2018 instead of (3) three months after the year-end as required by the Act.

The financial statements and notes to the financial statements provided by the Accounting Officer are attached as Annexure A – C.

**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 85(1) of the Local Authorities Act, (Act No. 23 of 1992) and 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 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 States 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 was insufficient and inappropriate to provide a basis for the audit opinion.

## **4. ACKNOWLEDGEMENTS**

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

## **5. KEY AUDIT FINDINGS**

### **5.1 Build Together programme**

As reported in the 2015 and 2016 audit report, the auditors again observed that, the Council does not have updated records of the build together beneficiaries to the value of N\$ 1 820 968 for the financial year under review.



## **Recommendation**

It is recommended that the Council ensure that records of build together beneficiaries are regularly updated and records of payments are kept.

## **Management comment**

*The Council take note of the recommendation and will make sure that records of build together beneficiaries are updated and payments records are kept.*

## **5.2 Provisions for doubtful debts**

Due to the absence of a credit policy auditors were unable to recalculate the provision for bad debts amounting to N\$ 6 450 000.

## **Recommendation**

It is recommended that the Council should ensure that, a credit control policy, which includes aspects such as provision for doubtful debts is drafted, approved and implemented.

## **Management comment**

*The credit policy was not in place during the year under review.*

## **5.3 Value added taxation (VAT)**

VAT reconciliation performed by the auditors revealed a difference of (N\$ 1 516 863) between the financial statements and the VAT returns.

## **Recommendations**

It is recommended that the Council should ensure that VAT reconciliation is correctly performed and variances are followed up with the Receiver of Revenue.

## **Management comment**

*The amount reflected in the balance sheet was the VAT returns outstanding as 30<sup>th</sup> June 2017 not what was claimed for the whole year.*

## **5.4 Tariffs – Refuse removal**

The auditors found that the Ministry of Safety and the Ministry of Health and Social Services were charged an incorrect tariff of N\$ 93 for refuse removal instead of N\$ 110.

## **Recommendation**

It is recommended that the Council should ensure that the correct gazetted tariffs are charged for each client.

## **Management comment**

*Council take note and will correct the tariffs accordingly*

## **5.5 Approved housing bonds**

As reported in the 2015 and 2016 audit report, the auditors again observed that, no approved and registered housing bond for employees with houses are evident in their personal files and thus were not provided for audit purpose.

## **Recommendation**

It is recommended that the Council documents approved housing bonds for employees with houses and who are entitled to housing allowance of 40% of their basic salary.

## **Management comment**

*Council take note and will ensure that the documents are in place.*

## **5.6 Lack of employment contracts**

As reported in the 2015 and 2016 audit report, the auditors again observed that, all employees except the former Chief Executive Officer (CEO) do not have contracts of employment on their personal files.

## **Recommendations**

It is recommended that the Council should ensure that contracts of employment are compiled for all employees and signed by the employees as well as the CEO (on behalf of the Council).

## **Management comment**

*Council take note and the contract of employment will be in place come the next financial year.*

## **5.7 Provision for leave**

An amount of N\$ 200 000 for provision for leave disclosed on the financial statement could not be verified as supporting documents were not provided for audit purposes.

### **Recommendation**

It is recommended that the Council should provide all supporting documents for audit purposes.

### **Management comment**

*Council takes note and will ensure that appropriate provision is made for leave days.*

### **5.8 Staff record Cards**

The auditors observed that, the Council does not update staff record cards for employees since 1 July 2015.

### **Recommendation**

It is recommended that the Council should ensure that staff record cards are regularly updated and reflect the notch which is on the employees' payslip.

### **Management comment**

*Council takes note and have put in measure to rectify it.*

### **5.9 Fixed asset register**

As reported in the 2015 and 2016 audit report, the auditors again observed that, the Council does not have a fixed asset register in place. As a result, the movement on assets amounting to N\$ 1 007 666 could not be verified.

Furthermore, the Councils assets are not marked with a unique identification number.

### **Recommendation**

It is recommended that the Council ensure that a fixed asset register is created as a matter of urgency and updated accordingly, and further ensure that all fixed assets of the Council are marked with unique identification numbers.

### **Management comment**

*Council take note and will ensure that the asset register will be put in place and ensure all the assets are marked.*

### **5.10 Depreciation**

Due to the absence of a depreciation policy, the Council does not depreciate their assets. Thus, the carrying values of fixed assets owned by the Council are unknown and therefore the auditors were unable to ascertain themselves by alternative means as to the completeness of the fixed assets.

## **Recommendation**

It is recommended that the Council ensure that a depreciation policy is drafted, approved and implemented as a matter of urgency and fixed assets are depreciated according to the applicable policy.

## **Management comment**

*Council take note and will make sure the policy is in place.*

### **5.11 Vehicle**

It was observed during physical verification that the Mazda BT 50 (engine no: G6366453) with registration no: N 622 GO does not belong to the Council. The value of this vehicle could not be confirmed, as the Council does not have a fixed asset register

Furthermore, there is no controls in issuing vehicles for official use.

## **Recommendation**

The Council is recommended to verify its assets upon receiving. Furthermore, ensure that there are controls in issuing vehicles to employees for official use.

## **Management comment**

*Council take note and will sort it out. With the acquisition of the vehicle there was a mix-up at the line Ministry.*

### **5.12 Bank Reconciliations**

The auditors discovered during the audit that, the Council does not perform bank reconciliations on a monthly basis.

## **Recommendation**

It is recommended that the Council ensure that bank reconciliations are performed on a regular basis.

## **Management comment**

*Council take note and will ensure to perform the monthly bank reconciliation.*

### **5.13 Investment**

The auditors observed that the Council disclosed an amount of N\$ 1 004 255 as investments. This amount is a sum total of grants from the government and rates and taxes, not investments.

## **Recommendation**

The Council is recommended to ensure that all transactions are correctly classified.

## **Management comment**

*Council takes note and will ensure transactions are correctly classified.*

## **5.14 Subsistence and travel allowance(s)**

For the subsistence and travel vouchers tested, it was discovered that the Councils staff member's claims for hours travelled on the departure date of the trip and the hours on the arrival date.

Furthermore, claims are not submitted after trips and some trips are not supported by invitations.

## **Recommendations**

It is recommended that the Council should ensure that staff members only claim for additional hours travelled on the arrival date.

## **Management comment**

*Council take note and will ensure the S & T claims are calculated accordingly.*

## **5.15 Recognition of expenditure**

The auditors discovered that the Council's expenses are not recognised on an accrual base as required; instead the Council only recognised expenditure on a cash basis.

## **Recommendations**

It is recommended that the Council should ensure that transactions are recognised and recorded on the accrual base concept.

## **Management comment**

*Council take note and ensures the expenses are recognized on accrual base concept.*

## **5.16 Fruitless expenditure**

The Council incurred VAT consultation expenses amounting to N\$ 395 152 and preparation of financial statements expenses amounting to N\$ 67 000. The Council makes use of consultants even though it employs accounting staff.

## **Recommendations**

It is recommended that the Council should ensure that staff members are trained on VAT reconciliation compilation and preparation of financial statements as a matter of urgency.

## **Management comment**

*Council take note and will ensure staff members are trained on VAT reconciliation and compilation of financial statements.*

### **5.17 Cash flow statement**

The Council did not prepare a cash flow statement to the financial statements for the year under review.

## **Recommendation**

It is recommended that the Council should disclose the cash flow statement in the financial statements.

## **6. BASIS FOR DISCLAIMER OF AUDIT OPINION**

- Non-updated records of the build together beneficiaries to the value of N\$ 1 820 968;
- No credit policy in place;
- A difference of N\$ 1 516 863 between the financial statements and the VAT returns;
- A wrong tariff for refuse removal used;
- No approved housing bonds exist;
- No employment contracts exist;
- Un updated staff record Cards;
- No asset register exists;
- No depreciation policy in place ;
- No Bank reconciliations exists;
- Wrong classification amounting to N\$ 1 004 255;
- Fruitless expenditure amounting to N\$ N\$ 395 152; and
- No accounting policy and reporting framework.

## **7 DISCLAIMER OF AUDIT OPINION**

The accounts of the Village Council of Witvlei for the financial year ended 30 June 2017, summarized per Annexure A to C have been audited in terms of Section 87 (1) of the Local Authorities Act, 1992 (Act No. 23 of 1992).

Because of the significance of the matters described in the Basis for Disclaimer of audit Opinion paragraph, I have not been able to obtain appropriate audit evidence to provide a basis for an opinion. Accordingly, I do not express an opinion of the financials statements of the Village Council of Witvlei as at 30 June 2017.



**WINDHOEK, June 2018**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## VILLAGE COUNCIL OF WITVLEI

## STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE

	Note	2017 N\$	2016 N\$
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property Plant and Equipment		10 336 646	9 328 979
Investments	2	1 021 487	1 763 266
<b>Current Assets</b>			
Trade and Other Receivables	3	8 515 588	8 946 877
Petty Cash		2 577	361
Bank Account	4	504 817	756 767
<b>TOTAL ASSETS</b>		<b>20 381 115</b>	<b>20 796 250</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Appropriation Account		(200 118)	2 814 001
Capital Outlay ( Financing )	5	9 133 771	8 126 104
Fund and Accounts	6	2 996 834	2 735 431
<b>Non-Current Liabilities</b>			
Long-Term Loans		1 257 379	1 257 379
<b>Current Liabilities</b>			
Trade and Other payables	7	7 193 249	5 863 336
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>20 381 115</b>	<b>20 796 251</b>

## ANNEXURE B

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

	<b>2017</b>	<b>2016</b>
	N\$	N\$
Income	13 493 930	12 535 262
Expenditure	(9 746 082)	(10 357 371)
Net operating profit	<b>3 747 848</b>	<b>2 177 891</b>
Investment income earned for revenue account	71 158	71 450
<b>Net profit for the year after interest</b>	<b>3 819 006</b>	<b>2 249 341</b>
Adjustment service debtor	(2 340 312)	-
Provision bad debt	(6 450 000)	-
Provision leave Reserve	(200 000)	-
Transferred	8 006	59 245
Vat refund	2 149 182	-
Revenue account adjustment	-	-
<b>Net surplus after appropriations</b>	<b>(3 014 118)</b>	<b>2 308 586</b>



## VILLAGE COUNCIL OF WITVLEI

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

	<b>2017</b>	<b>2016</b>
	N\$	N\$
<b>2. Investments</b>	<b>1 021 487</b>	<b>1 763 266</b>
Revenue	923 322	1 671 501
Housing Fund	98 165	91 765
<b>3. Trade and other Receivables</b>	<b>8 515 588</b>	<b>8 946 877</b>
Consumers	12 893 655	4 713 869
Housing Fund Debtors	1 820 968	1 827 277
VAT	250 965	2 405 731
Provision for Bad Debts	(6 450 000)	-
<b>4. Bank and Cash</b>	<b>504 818</b>	<b>756 767</b>
Current Account	417 686	680 168
Account Namwater	87 132	76 599
<b>5. Capital Outlay</b>	<b>9 133 770</b>	<b>8 126 103</b>
Loans Redeemed	142 990	142 990
Revenue Contribution	8 990 760	7 983 093
General Capital Contribution	20	20
<b>6. Funds Accounts and Reserves</b>	<b>2 996 834</b>	<b>2 735 432</b>
Fixed Property Fund	1 077 700	808 384
Capital Reserve Fund	-	8 006
Housing Fund	1 919 134	1 919 042
<b>7. Trade and other payables</b>	<b>7 193 249</b>	<b>5 863 336</b>
Trade Payables	6 982 759	5 852 846
Consumer Deposits	10 490	10 490
Provision for Leave	200 000	-

