



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

VILLAGE COUNCIL OF WITVLEI

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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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 Witvlei for the financial year ended 30 June 2019, 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, July 2020

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF WITVLEI
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Village Council of Witvlei for the financial year ended 30 June 2019, provided by the Accounting Officer as attached in Annexure A-H. These financial statements comprise the statement of financial position, the statement of comprehensive income, the statement of cash flows, statement of changes in owner's equity, statement of comparisons of budget versus actual amount for the year then ended and the notes to the annual financial statements, including a summary of significant accounting policies.

In my opinion, because of the significance of matters discussed in the Basis for Adverse audit Opinion paragraph, the financial statements do not present fairly in all material respect, the financial position of the Village Council of Witvlei for the financial year ended 30 June 2019 and its financial performance for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

2. BASIS FOR ADVERSE 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 the audit 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 sufficient and appropriate to provide a basis for the adverse audit opinion.

The adverse audit opinion is expressed due to the following:

2.1 FIXED ASSETS

The Council does not have a depreciation policy for the year under review and a difference amounting to N\$ 512 537 between the incomplete fixed asset register and the financial statement was observed. The need to depreciate non-current assets arises from the accruals assumption. If money is expended in purchasing an asset then the amount expended must at some time be charged against profits. If the asset consumes economic benefits over a number of accounting periods it would be inappropriate to charge any single period (e.g. the period in which the asset was acquired) with the whole of the expenditure. Instead, some method must be found of spreading the cost of the asset over its useful life. This view of depreciation as a process of allocation of the cost of an asset over several accounting periods is the view adopted by IPSAS 17.

2.2 CASH FLOW STATEMENT

The Council did not prepare a cash flow statement as per IPSAS 2 and a difference amounting to N\$ 710 260 was observed between the general ledger compared to the bank confirmation. The aim of cash flow statement is to provide information for users of financial statements about an entity's ability to generate cash and cash equivalents, as well as indicating the cash needs of the entity. The statement of cash flows provides historical information about cash and cash equivalents, classifying cash flows between operating, investing and financing activities.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no key audit matters identified in respect of the financial statement for the Village Council of Wiltveit.

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 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. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements for the financial year ended 30 June 2019 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 85 of the Local Authorities Act, 1992 (Act No. 23 of 1992), read with Sections 25, 26 and 27 of the State Finance Act, 1991 (Act No. 31 of 1991), except that they were only submitted on 02 December 2019 instead of three months (3 months) after the year end as required by the Act.

6. 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 deems 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.

7. 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 an auditor's 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 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 (ISSAIs). I exercise professional scepticism throughout the audit.

**VILLAGE COUNCIL OF WITVLEI
STATEMENT OF FINANCIAL POSITION AT 30 JUNE**

	Note	<u>2019</u> N\$
Current Assets		17 815 535
Cash and cash equivalents	1	580 938
Receivables from exchange transactions	2	16 151 172
Financial assets	3	1 083 425
Non-current assets		
Property, plant and equipment	4	9 694 211
TOTAL ASSETS		27 509 746
LIABILITIES		
Current Liabilities		10 989 802
Payables under exchange transactions	5	10 964 140
Other	6*	25 662
Total current liabilities		
Non-current liabilities		
Financial liabilities-borrowings	7*	1 257 379
TOTAL LIABILITIES		12 247 181
Net assets (Total assets less total liabilities)		15 262 566
NET ASSETS/EQUITY ATTRIBUTABLE TO THE OWNERS		
Total net assets/equity		15 043 098
Capital contributed by the government		420 398
Other reserves	8	15 179 138
Accumulated surplus/(deficit)		(556 438)
Balancing figure		219 468

*Note 6 and 7 amounts do not correspond with the amount on the statement of financial position.

THE VILLAGE COUNCIL OF WITVLEI
STATEMENT OF CHANGES IN NET ASSETS / EQUITY FOR THE YEAR ENDED
30 JUNE

	Capital Contributed by the government 2019	Other Reserves	Accumulated Surplus (Deficit) 2019	Total
	N\$	N\$	N\$	N\$
Balance at 30 June 2018	307 714	14 918 580	1 229 469	16 455 763
Changes in net equity for 2019	-	260 558	-	260 558
Equity contribution from government	112 684	-	-	112 684
Total surplus/(deficit) for the period	-	-	(556 440)	(556 440)
Balance at 30 June 2019	420 398	15 179 138	673 029	16 272 565

ANNEXURE E
THE VILLAGE COUNCIL OF WITVLEI
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS AS AT
30 JUNE

	Approved Budget	Actual	Difference
	N\$	N\$	N\$
RECEIPTS			
GRN Grants & Subsidies	2 099 619	1 707 714	391 905
Rendering of services	6 619 839	17 081 469	(10 461 630)
Sale of goods	5 223 083	3 330 202	1 892 881
Finance income	395 000	1 566 296	(1 171 296)
Other income, rentals and agency fees	1 278 065	617 604	660 461
Total Receipts	15 615 606	24 303 285	(8 687 679)
PAYMENTS			
Salaries, wages and other benefits	3 194 063	2 913 644	280 419
Contribution to pension fund & retirement benefit plan	406 693	376 493	30 200
End of service benefits	24 532	53 354	(28 822)
Medical insurance	412 894	371 330	41 564
Staff training	29 948	33 480	(3 532)
Total salaries wages and other benefits	4 068 130	3 748 301	319 829
Other operating expenditure			
Consultancy fees	43 450	43 000	450
Office rent and related expenses	100 500	99 708	793
Motor vehicle expenses (insurance, maintenance and fuel)	166 502	235 807	(69 305)
Operation and maintenance of computers, furniture and office equipment	8 442	11 673	(3 231)
Books and professional subscription	101 739	124 012	(22 273)
Advertising and corporate identity expenses	59 464	11 700	47 764
Business travel expenses	109 765	168 394	(58 629)
Miscellaneous expenses	10 461 845	4 374 981	6 086 864
Total operating expenditure	11 051 706	5 069 275	5 982 433
Capital expenditure and other	453 196	277 047	176 149
Computer equipment	42 573	42 573	-
Total capital expenditure and others	495 769	319 620	176 149
TOTAL PAYMENTS	15 615 605	9 137 196	6 478 411

VILLAGE COUNCIL OF WITVLEI
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
 30 JUNE (Continued)

	<u>2019</u> N\$
4. PROPERTY, PLANT AND EQUIPMENT	
2018 balance	9 973 709
Capital expenditure	277 048
<i>Total assets value</i>	10 250 756
<i>Less: balance sheet adjustment</i>	(44 008)
	<u>10 206 748</u>
<i>Less: depreciation 5%</i>	512 538
<i>Add: balance sheet adjustment</i>	(44 008)
	468 530
2019 balance	<u>*9 694 211</u>

Depreciation calculated conservatively on 5% of total assets. Fixed asset register to be phased in over a period of three years.

* See observation in par 2.1 on page 1

5. TRADE AND OTHER PAYABLES

VAT payable	366 581
Creditors	10 597 558
<i>Payables from exchange transactions</i>	<u>10 964 140</u>
Leave provision	24 532
Deposits	1 130
<i>Other payables</i>	<u>25 662</u>

6. LONG TERM LOANS

LOAN NO.	AMOUNT N\$	INTEREST N\$	TERM (Years)	BALANCE N\$
WIT 13	1 492	-	25	487
WIT 15	247 164	-	25	146 102
PUB 79	50 000	-	30	49 055
WIT 80				299 263
WIT 81				63 217
WIT 82				293 060
WIT 83				117 695
GO 91				288 500
				<u>1 257 379</u>

ANNEXURE H

VILLAGE COUNCIL OF WITVLEI
NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	2019
	N\$
9. Government grants and subsidies	1 820 398
Allocated	1 400 000
Less balance of NDP MURD account (not in current account)	420 398
10. Receipts	6 782 754
Income for year	7 738 620
Prior year trade receivables	15 195 306
Current year trade receivables	(16 151 172)
Actual receipts	
Receipts	6 782 754
Less total income	(7 738 620)
Total decrease in income to get to actual receipts	(955 866)
Decrease sales of goods	(766 171)
Decrease rendering of services	(189 695)
Finance income	1 553 336
Taxes fees and fines	12 959
Other operating income	4 772 324
Rendering of services	824 518
Sales of goods	3 330 202
Other income, rentals, etc.	617 604
Total income before government contributions	6 338 620
GRN grants	1 400 000
Total income	7 738 620

VILLAGE COUNCIL OF WITVLEI
NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE
(Continued)

		2019
		N\$
11.	Other payments Continue	289 853
	Office rent & related expenses	99 708
	Insurance	85 893
	Telephone & postage	34 241
	Printing & stationaries	35 847
	Hall & Office Renovations	24 926
	Cleansing of Town+ Hall	6 238
	Fencing of Townland	3 000
	PPE purchases	277 047
	Workshop extension	20 352
	Fencing	61 554
	Meter leadings	195 141

*The notes to the Cash flow statement were prepared but not indicated at the Cash flow statement.