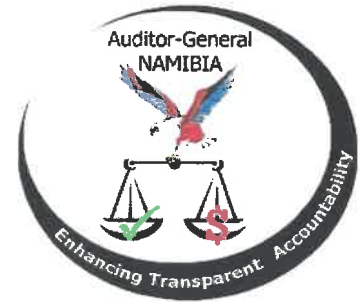




**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**

# **VILLAGE COUNCIL OF GIBEON**

**FOR THE FINANCIAL YEARS ENDED 31 MARCH 2016, 2017 AND 2018**

Published by authority

Price (Vat excluded) N\$ 24.00

Report no: 81/2019



**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 Gibeon for the financial years ended 31 March 2016, 2017 and 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 ACCOUNT OF THE  
GIBEON VILLAGE COUNCIL  
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2018, 2017 AND 2016**

---

**1. ADVERSE OF OPINION**

I have audited the financial statements of the Village Council of Gibeon for the financial years ended 30 June 2018, 2017 and 2016. These financial statements comprise the balance sheet, income statement, statement of cash flow and notes to the financial statements for the years then ended, and a summary of significant accounting policies.

In my opinion because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph the financial statements do not give a true and fair view of the financial position of the Gibeon Village Council as at 30 June 2018, 2017 and 2016, and cash flows for the years then ended.

**2. BASIS FOR 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 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 my opinion. Adverse audit opinion is being expressed due to the following reasons;

**3. BASIS FOR ADVERSE OPINION**

- Wrong classification of accumulated deficit amounting to N\$ 13 301 766 (2016) recorded under assets in the Balance Sheet;
- Unexplained difference of additions to assets amounting to N\$ 1 961 160 (2016) between the asset register and the cash flow statement;
- Overstatement of additions to assets amounting to N\$ 340 739 (2018) and N\$ 528 609 (2016) processed VAT inclusive;  
Incomplete assets register;
- Depreciation not charged to the Income Statement;
- Unexplained salary differences between the general ledger and the final earning reports amounting to N\$ 127 559 (2018), N\$ 69 382 (2017) and N\$ 243 928 (2016);
- Non-disclosure of interest received in the Cash flow statements amounting to N\$ 74 678 (2018) and N\$ 107 621 (2017);

- Understatement of trade receivables amounting to N\$ 162 267 (2018), N\$ 146 245 (2017) and N\$ 103 421 (2016);
- Non-submission of supporting documents amounting to N\$ 7 438 431(2018), N\$ 6 976 989 (2017) and N\$ 4 541 933 (2016);
- Unconfirmed bank overdraft amounting to N\$ 7 842 788 (2018), N\$ 5 650 955 (2017) and N\$ 5 373 523 (2016);
- Misstatement of repair and maintenance amounting to N\$ 4 033 202 (2016) ; and
- Misstatement of expenditure amounting to N\$ 2 025 885(2017) and N\$ 1 781 503(2016).

#### **4. OTHER MATTERS**

Attention is drawn to the management on the following matter(s) that relate to my responsibility in the audit of the financial statements and excluding matters already disclosed by the Gibeon Village Council.

#### **5. OTHER INFORMATION**

Management is responsible for the other information. The auditor's opinion on the financial statements does not cover the other information and accordingly the auditor does not express any form of assurance conclusion thereon. In connection with my 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 my knowledge obtained in the audit or otherwise appears to be materially misstated.

I have not found any inconsistency; therefore I have nothing to report in this regard.

#### **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 Section 86 of Local Authorities Act, 1992 and other 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.

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.

## **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 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;

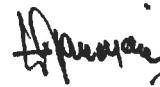
- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a 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 auditor's 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 the report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **8. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

The accounts were submitted later than required by the Accounting Officer to the Auditor-General on the 17 November 2018 in terms of Section 87(1) of the Local Authority Act, 1992 (Act 23 of 1992), instead of three (3) months after year end.



**WINDHOEK, June 2019**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



## ANNEXURE A

**VILLAGE COUNCIL OF GIBEON  
BALANCE SHEET AS AT 30 JUNE**

	Note	2018 N\$	2017 N\$	2016 N\$	2015 N\$
<b>Non-current assets</b>		<b>33 094 310</b>	<b>28 532 477</b>	<b>25 987 326</b>	<b>22 316 395</b>
Property, Plant and Equipment		31 791 057	26 761 137	22 926 141	15 152 952
Investments		1 303 254	1 771 340	3 061 185	7 163 443
<b>Current assets</b>		<b>5 248 829</b>	<b>6 004 632</b>	<b>5 199 375</b>	<b>3 292 697</b>
Trade and other receivables	4	5 247 829	6 003 632	5 199 375	3 292 697
Bank account/Petty cash		1 000	1 000	-	-
<b>Total Assets</b>		<b>38 343 139</b>	<b>34 537 109</b>	<b>31 186 701</b>	<b>25 609 092</b>
<b>Funds and Liabilities</b>					
<b>Funds and Reserves</b>		<b>17 425 745</b>	<b>16 510 319</b>	<b>12 812 311</b>	<b>11 871 990</b>
Capital outlay	5	31 791 057	26 761 137	23 163 714	15 390 525
Funds and Accounts	6	(14 365 311)	(10 250 818)	(10 351 403)	(3 518 535)
<b>Current Liabilities</b>		<b>20 917 394</b>	<b>18 026 790</b>	<b>18 374 390</b>	<b>13 737 102</b>
Trade and other payables	7	13 074 606	12 375 835	13 000 867	9 293 333
Bank overdraft		7 842 788	5 650 955	5 373 523	4 443 769
<b>Total Funds and Liabilities</b>		<b>38 343 139</b>	<b>34 537 109</b>	<b>31 186 701</b>	<b>25 609 092</b>

**ANNEXURE B**

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

	Note	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
		N\$	N\$	N\$	N\$
Income		15 922 918	14 422 798	12 784 193	12 038 214
Expenditure		(22 723 132)	(17 089 364)	(21 217 444)	(7 238 246)
<b>Net operating surplus/(Loss)</b>		<b>(6 800 214)</b>	<b>(2 666 566)</b>	<b>(8 433 250)</b>	<b>4 799 968</b>
Interest received		74 678	107 621	125 213	133 440
<b>Net surplus/(Loss) for the year</b>	8	<b>(6 725 537)</b>	<b>(2 558 945)</b>	<b>(8 308 037)</b>	<b>4 933 408</b>
Adjustment		2 602 025	2 655 330	1 466 644	(1 550 298)
<b>Net surplus/(Loss) for the year</b>		<b>(4 123 512)</b>	<b>96 385</b>	<b>(6 841 393)</b>	<b>3 783 110</b>

**ANNEXURE C**

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

	<b>2018</b>	<b>2017</b>	<b>2016</b>
	N\$	N\$	N\$
<b>Cash flow from operating activities</b>	<b>(2 594 260)</b>	<b>(1 225 282)</b>	<b>(5 040 538)</b>
Cash receipts from customers	15 922 918	14 422 798	12 784 193
Cash paid to suppliers	(18 591 856)	(15 755 701)	(17 949 944)
Investment income(interest)	74 678 *	107 621 *	125 213
<b>Cash flow from investing activities</b>	<b>(4 561 833)</b>	<b>(2 545 151)</b>	<b>(3 670 931)</b>
Additions to property plant and equipment	(5 029 919)	(3 834 996)	(7 773 189)
Decrease in investments	468 087	1 289 845	4 102 258
<b>Cash flow from financing activities</b>	<b>5 038 938</b>	<b>3 601 623</b>	<b>7 781 714</b>
Increase in fund account	9 019	4 200	8 525
Increase in capital outlay	5 029 919	3 597 423	7 773 189
Net decrease in cash and cash equivalent	(2 191 833)*	(276 431 )*	(929 754)
Cash and cash equivalent-Beginning of the year	(5 649 955)	(5 373 523)	(4 443 769)
Cash and cash equivalent-End of the year	<b>(7 841 788)</b>	<b>(5 649 955)</b>	<b>(5 373 523)</b>

**Note: \* Changes in cash and cash equivalent did not include the interest received for the amount of N\$ 107 621 and N\$ 74 678.**

## ANNEXURE D

### VILLAGE COUNCIL OF GIBEON NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE

---

#### 1. ACCOUNTING POLICIES

The annual financial statements set in Annexure A-D were prepared on the historical cost basis and incorporate the principle accounting policies, which are consistent in all material aspects with those applied in the previous year.

#### 2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment with loans funds are stated at cost and no depreciation is provided there on 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.

#### 3. FUND ACCOUNTS

##### **Housing Fund-Build Together**

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

**ANNEXURE D**

**VILLAGE COUNCIL OF GIBEON NOTES TO THE FINANCIAL STATEMENTS AT  
30 JUNE continued**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	N\$	N\$	N\$	N\$
<b>4. Trade and other receivable</b>	<b>5 247 829</b>	<b>6 003 631</b>	<b>5 199 375</b>	<b>3 292 697</b>
Consumer debtors	7 970 440	7 580 350	6 875 605	5 910 228
Build together loans	1 596 761	1 599 481	1 602 056	1 604 496
Sundry debtors	782 839	1 530 750	1 530 750	1 177 392
VAT control	2 098 929	2 059 344	659 869	-
	<b>12 448 969</b>	<b>12 769 924</b>	<b>10 668 280</b>	<b>8 692 116</b>
Less: Provision for doubtful debts	(7 201 140)	(6 766 293)	(5 468 905)	(5 399 419)
<b>5. Capital Outlay</b>	<b>31 791 057</b>	<b>26 761 137</b>	<b>23 163 714</b>	<b>15 390 525</b>
Revenue Contributions (ex-Income)	22 746 332	17 159 836	12 768 263	4 440 497
General Capital Contributions	9 044 724	9 601 301	10 395 451	10 950 028
<b>6. Funds, Accounts and Reserves</b>				
Build together fund	2 963 616	2 954 597	2 950 397	2 941 872
Revenue account	(17 328 927)	(13 205 415)	(13 301 800)	(6 460 407)
	<b>(14 365 311)</b>	<b>(10 250 818)</b>	<b>(10 351 403)</b>	<b>(3 518 535)</b>
<b>7. Trade and Other Payables</b>	<b>13 074 606</b>	<b>12 375 835</b>	<b>13 000 867</b>	<b>9 293 333</b>
Trade payable	-	1 204 106	1 184 152	1 065 460
Consumer deposits	2 760	2 760	2 760	2 760
Other	1 449	-	-	10 220
Sundry creditor	1 265 677	-	-	87 871
Provision for leave	839 195	713 840	614 259	614 259
Regional Council contribution	46 758	30 661	20 441	-
Nampower	3 079 274	2 206 609	1 862 317	291 176
Namwater	7 839 493	8 217 858	9 316 938	7 221 587

## ANNEXURE D

**VILLAGE COUNCIL OF GIBEON NOTES TO THE FINANCIAL STATEMENTS AT  
30 JUNE (continued)**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	N\$	N\$	N\$	N\$
<b>8. Adjustment to appropriation account</b>	<b>2 602 025</b>	<b>2 655 330</b>	<b>1 466 644</b>	<b>(1 150 298)</b>
Adjustment	4 135 877	4 052 299	1 536 130	-
Provision for doubtful debts	(1 533 852)	(1 396 970)	(69 486)	(1 150 298)
<b>9. Cash utilized by operations</b>				
Operating surplus/(Deficit)	(6 725 537)	(2 558 945)	(8 433 250)	4 799 968
Adjustments to appropriation	2 602 025	2 655 330	1 466 644	(1 150 298)
Net operating surplus/(deficit)	(4 123 512)	96 385	(6 966 607)	3 649 670
<b>Changes in working capital</b>				
Decrease/(Increase) in trade receivables	755 802	(804 256)	(1 906 678)	-
(Decrease)/Increase in trade payables	698 772	(625 032)	3 707 534	-
	1 454 574	(1 429 288)	1 800 855	-
Cash utilized by operations	<b>(2 668 938)</b>	<b>(1 332 903)</b>	<b>(5 165 751)</b>	<b>3 649 670</b>