



REPUBLIC OF NAMIBIA



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

Published by authority

Price (Vat excluded) N\$ 28.00
Report no: 117/2019

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 Gochas for the financial years 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, December 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
GOCHAS VILLAGE COUNCIL
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

1. DISCLAIMER AUDIT OPINION

I have audited the financial statements of the Gochas Village Council for the financial year ended 30 June 2018. These financial statements comprise the balance sheet, income statement, cash flow statement and notes to the annual financial statements 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 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 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 insufficient and inappropriate to provide a basis for my opinion. A disclaimer audit opinion is issued due to the following (** recurring findings*):

- *None adherence to a recognized accounting framework;
- *Statement of cash flows prepared using incorrect figures;
- *Incomplete set of financial statements;
- Water sales amounting to N\$ 1 101 867 could not be verified due to an unresolved system error;
- Electricity sales amounting to N\$ 2 143 363 could not be verified due to an unresolved system error;
- Property taxes amounting to N\$ 574 351 could not be verified due to an unresolved system error;
- Cleaning services amounting to N\$ 231 149 could not be verified due to an unresolved system error;
- Interest on arrears amounting to N\$ 253 343 could not be verified due to an unresolved system error and lack of supporting documents;
- *Unsupported inventory balance amounting to N\$ 2 131 746;
- *None attendance by an independent accountant at inventory count for the period under review;
- *Understatement of accumulated depreciation by N\$ 1 147 347 on assets acquired through loans;
- *Failure to classify land and buildings valued at N\$ 3 528 739 into inventory, property (land and buildings) or investment property;

- *Uncorrected overstatement of capital additions from prior year by an amount of N\$ 4 490 600;
- Capital expenditure treated as both capital and revenue expenditure amounting to N\$ 2 122 214;
- Prior year capital expenditure amounting to N\$ 863 706 was incorrectly accounted for in 2017/2018;
- Capital additions as per annual financial statements are less than the actual expenditure by an amount of N\$ 169 481;
- *Insufficient details in the fixed asset register to enable easy calculation of depreciation;
- *Incorrect allocation of the movement in provision for bad debts amounting to N\$ 381 586 to the appropriation account;
- *Incorrect allocation of the movement in provision for current liabilities amounting to N\$ 666 540 to the appropriation account;
- Incorrect allocation of unpaid GRN loan portion amounting to N\$ 85 833 to the operational expenditure;
- Incorrect allocation to the appropriation of unpaid GRN loan portion amounting to N\$ 155 189;
- Incorrect allocation of gains in fair value of livestock amounting to N\$ 158 300 to the appropriation account;
- Reversal of prior year prior accruals to the appropriations amounting to N\$ 1 153 874;
- *Understatement of bulk electricity purchases amounting to N\$ 509 600;
- *Understatement of value added tax receivable amounting to N\$ 904 407;
- Unreconciled differences between the cashbook and the bank statement amounting to N\$ 287 554; and
- *Build Together is understated by an amount of N\$ 299 463.

3. MATERIAL UNCERTAINTY REGARDING GOING CONCERN

The auditors draw attention to the financial statements, which indicates that the Village Council incurred a net loss of N\$ 673 546 (2018) and N\$ 2 182 394 (2017) and, as of that date, the Town Council's borrowing (bank overdraft) increased by N\$ (135 734) indicate that a material uncertainty exists that may cast significant doubt on the Village Council's ability to continue as a going concern. The Audit Opinion is not modified in respect of this matter.

4. OTHER INFORMATION

Management is responsible for 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.

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 the legislation, and for such internal control as management determines is 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 and 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 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 use 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 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 auditor's 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 financial statements were submitted later than required by the Accounting Officer to the Auditor-General on 25 October 2018 in terms of Section 87 (1) of the Local Authority Act, 1992, instead of three months after year end.

WINDHOEK, December 2019



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

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

ASSETS	Note	2018 N\$	2017 N\$
Non-current assets		30 724 542	27 634 706
Property, plant and equipment	2	30 277 774	27 130 330
Investments	3	446 768	504 376
Current assets		5 765 959	5 813 796
Trade and other receivables	4	3 634 213	3 640 119
Inventory	5	2 131 746	2 041 719
Cash and cash equivalents	6	-	131 958
TOTAL ASSETS		36 490 501	33 448 502
EQUITY AND LIABILITIES			
Equity		33 514 864	29 951 019
Capital outlay	7	30 208 559	26 987 331
Funds and accounts	8	3 306 305	2 963 688
Long-term liabilities			
Long-term loans	9	1 593 558	1 822 532
Current liabilities		1 382 079	1 674 951
Trade and other payables	10	1 246 344	1 674 951
Bank Overdraft	6	135 735	-
TOTAL EQUITY AND LIABILITIES		36 490 501	33 448 502

**GOCHAS VILLAGE COUNCIL
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE**

		2018	2017
	Note	N\$	N\$
Income		9 674 049	9 194 081
Expenditure		(10 371 761)	(11 528 935)
Net operating surplus/(deficit)		(697 712)	(2 334 854)
Interest received		24 167	152 459
Net surplus/(deficit) after interest		(673 545)	(2 182 395)
Appropriation account	11	882 560	204 079
Net surplus/(deficit) after appropriations		209 015	(1 978 316)

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

		2018	2017
	Note	N\$	N\$
Cash flow from Operating activities			
Cash receipts from customers		9 674 049	9 194 081
Cash paid to suppliers		(10 001 930)	(10 502 283)
Cash generated from operations	12	(327 881)	(1 308 199)
Investment income		24 167	152 459
Cash flow from Financing activities			
Increase/ (decrease) in capital outlay		3 221 229	5 525 168
Increase/ (decrease) in fund account		133 603	140 709
Net cash flow from financing activities		3 051 117	4 510 135
Cash flow from Investing activities			
Additions to plant and equipment		(3 147 444)	(5 457 230)
-Decrease/(increase) in investments		57 609	1 318 315
-(Decrease)/ increase in loans receivable		(228 973)	21 617
Net cash flow from investing activities		(3 318 809)	(4 117 298)
Total Cash Movement for the year		(267 692)	(392 837)
Net (decrease) / increase in cash & cash equivalents		(267 692)	392 837
Cash and cash equivalents at beginning of the year		131 958	(260 879)
Total cash at the end of the year	6	(135 735)	131 958

**GOCHAS VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2018
(continued)**

1. ACCOUNTING POLICIES

1.1 Basis of presentation

The financial statements set out in annexures A to D were prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent in all material aspects with those applied in the previous year.

1.2 Property, plant and equipment and depreciation

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 and valuation of these items of property plant and equipment is depreciated on a reducing balance basis over their expected useful lives.

1.3 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.

1.4 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current liabilities.

1.5 Fund accounts

The following funds were maintained by the village council in terms of section 58(1) and 80(1) of the Local Authorities Act, Act 23 of 1992.

a) Capital reserve fund

The purpose of this fund is to make provision for future capital development of the council income is also derived from interest on investments, and sale of erven.

b) Fixed property fund

Proceeds from sale of land that has been developed by the Gochas Village Council, accumulated in this fund.

GOCHAS VILLAGE COUNCIL**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2018****(continued)**

The purpose of this fund is to provide for housing loans. Income to this fund is derived from interest earned on secured housing loans and investments as well as from profits made on the resale of housing scheme houses. Interest paid on the external housing loans is charged to this fund.

c) Build together fund

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

GOCHAS VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)

	2018	2017
	N\$	N\$
2. Property, Plant and Equipment	30 277 774	27 130 331
Income assets	24 232 611	24 285 884
General capital assets	4 897 816	1 697 100
Loan assets	1 147 347	1 147 347
3. Investments	446 768	504 376
Capital reserve fund	174 347	83 788
Build together fund	272 421	420 588
4. Trade and other receivables	3 634 213	3 640 118
Trade receivables	5 075 684	4 662 451
Value added tax	984 051	1 183 613
Sundry debtors	2 300	800
Housing fund receivables	2 056 189	1 895 679
Provision for doubtful debts	(4 484 011)	(4 102 425)
5. Inventory	2 131 746	2 041 719
Livestock	277 600	119 300
Other Inventories	1 682 706	1 714 802
Work in Progress - Incomplete Build Together Projects	171 440	207 617
6. Cash and cash equivalents	(135 735)	131 958
Current bank account	(138 612)	129 081
Petty Cash	2 877	2 877
7. Capital outlay	30 208 559	26 987 331
Contribution from revenue	24 232 611	24 285 883
Contribution from capital	4 897 816	1 697 100
Loans redeemed	1 078 132	1 004 348

GOCHAS VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)

	2018	2017
	N\$	N\$
8. Funds and Accounts	3 306 305	2 963 688
Fixed property fund	77 597	77 597
Capital reserve fund	11 826 155	11 826 155
Housing fund	114 753	114 753
Built together fund	4 369 885	4 237 420
Built together prepaid fund	164 983	163 845
Revenue account	(13 247 068)	(13 456 082)
9. Long-term liabilities	1 593 558	1 822 531
External loans	69 214	142 999
Government of Namibia	1 524 344	1 679 533
10. Trade and other payables	1 246 344	1 674 951
Trade creditors	333 057	1 153 874
Deposits on erven sales	136 465	83 269
Leave provisions	716 484	398 356
Other payables	36 421	15 459
Consumer deposits	16 170	16 245
Regional Council	4 267	4 268
Rention	3 480	3 480
11. Adjustments and appropriations	882 560	204 079
Provision for bad debts	(699 714)	(388 702)
Income	1 582 274	592 781

GOCHAS VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(Continued)

	2018	2017
	N\$	N\$
12. Cash utilised in operations	(327 881)	(1 308 199)
Net operating deficit before transfers	(697 712)	(2 334 854)
Adjustments (appropriations)	882 559	204 079
(Decrease) / increase in trade and other payables	(428 607)	935 513
Decrease / (increase) in inventories	(90 027)	(323 215)
(Increase) / decrease in trade and other receivables	5 906	210 278

