



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF KALKRAND
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 Kalkrand 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.

WINDHOEK, June 2021

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 THE
KALKRAND VILLAGE COUNCIL
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

1. ADVERSE OF AUDIT OPINION

I have audited the financial statements of the Kalkrand Village Council for the financial year ended 30 June 2019. These financial statements comprise the balance sheet, income statement, cash flow statement of changes in equity, statement of comparison of budget and actual amounts and the notes to the financial statements.

In my opinion, because of the significance of the matters discussed in the basis for Adverse Audit Opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of Kalkrand Village Council as at 30 June 2019.

2. BASIS FOR ADVERSE OF 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. An adverse audit opinion is being expressed due to the following:

2.1. Property, plant and equipment (PPE)

The fixed asset register provided by the Village Council does not comply with the requirements of IPSAS 17, as the full details of fixed assets and class of assets are not disclosed. The auditors were thus unable to confirm and verify the completeness, existence and valuation of fixed assets amounting to N\$ 46 864 687 as disclosed in the annual financial statements.

Furthermore, it was found that the total depreciation charge for the year amounting to N\$ 3 744 916 could not be verified due to the absence of a depreciation policy.

In addition, there were no engineer's certificates of transfer of work-in-progress assets to Property, Plant and Equipment.

The Council only insured N\$ 8 334 123 of its total assets which are worth N\$ 46 864 683.

2.2 Expenditures

The Council overstated the bulk purchases expense with N\$ 1 232 040 in the annual financial statements due to recording and recognition of expenditure on the cash basis of accounting.

2.3 Payroll

The Council could not provide the policy on provision; therefore, the auditors were unable to confirm the corrections of the provision for leave amounting to N\$ 431 754 that was disclosed in the financial statements.

In addition, auditors observed an unexplained difference of N\$ 170 596 between the general ledger and the payroll report.

2.4 Cash and Cash Equivalents

The cash and cash equivalent amounting to N\$ 4 599 371 was wrongly classified as investments in the financial statements.

In addition the audit noted an unexplained difference of N\$ 3 593 523 between the cash and cash equivalents at year-end disclosed in the Balance Sheet and the Cash Flow Statement.

Furthermore, the audit noted an unexplained difference of N\$ 12 853 511 between the cash paid to suppliers and cash paid expenditures in the Cash Flow and Income Statement.

3. KEY PERFORMANCE INDICATORS (KPI's)

Although the Council has a strategic plan in place, it was observed that no operational plans as well as quantity review reports for the year under review were submitted for audit purposes. The auditors were thus unable to assess whether the key performance indicators of the Council were achieved as per the annual operational plan.

4. 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 nothing to report in this regard.

5. 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 Kalkrand Village Council in the financial statements: I have nothing to report in this regard.

6. OTHER INFORMATION

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and, accordingly, I do 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 nothing to report in this regard.

7. 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 Authority 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 for overseeing the entity's financial reporting process.

8. 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, 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, I also;

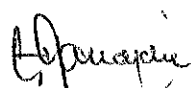
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting 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 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.

9. ACKNOWLEDGEMENT

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

WINDHOEK, June 2021


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

**VILLAGE COUNCIL OF KALKRAND
BALANCE SHEET AT 30 JUNE**

ANNEXURE A

	Note	2019	2018
		N\$	N\$
ASSETS			
NON-CURRENT ASSETS			
		52 689 997	50 277 853
Property, plant and equipment		46 864 687	43 103 166
Loan receivable		1 225 940	1 319 349
Investments	2	4 599 370	5 855 338
CURRENT ASSETS			
		1 885 423	1 284 382
Trade and other receivables	3	1 809 727	1 118 572
Bank account/petty cash	4	75 696	165 810
TOTAL ASSETS		54 575 420	51 562 235
FUNDS AND LIABILITIES			
FUNDS AND RESERVES			
		50 199 792	46 983 171
Capital outlay/loans redeemed	5	-	43 103 166
Funds and accounts	6	50 199 792	3 880 005
CURRENT LIABILITIES			
		4 375 628	4 579 064
Consumer deposits		2 100	350
Trade and other payables	7	4 373 528	4 578 714
TOTAL FUNDS AND LIABILITIES		54 575 420	51 562 235

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

	Note	2019	2018
		N\$	N\$
Balance as at 01 July 2017		437 895	-
Surplus for the year		2 263 406	-
Adjustment to appropriation account		2 222 663	397 152
Balance at 01 July 2018		397 152	-
Surplus/Deficit for the year		2 430 901	-
Adjustment to appropriation account	8	44 045 508	-
Balance at 30 June 2019		46 873 561	-

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

ANNEXURE C

		2019	2018
	Note	N\$	N\$
Income		14 440 226	29 280 625
Expenditure		(12 250 839)	(27 219 614)
		2 189 387	2 061 011
Interest received		241 514	202 395
Net surplus after interest		2 430 901	2 263 406

ANNEXURE D

VILLAGE COUNCIL OF KALKRAND
CASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2019 N\$	2018 N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		14 440 226	29 280 625
Cash paid to suppliers		(19 949 222)	(28 749 764)
Net cash flows from operating activities	8	(5 508 996)	530 861
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property plant and equipment		7 506 437	10 509 767
Decrease/(Increase) in investments		1 255 968	101 601
Decrease/(Increase) in loans receivable		93 379	-
Net cash flows from investing activities		8 855 784	10 611 368
CASH FLOW FROM FINANCING ACTIVITIES			
(Decrease)/Increase in Fund account		156 622	113 309
Increase in Capital outlay		-	(10 509 767)
Net cash flows from financing activities		156 622	(10 396 458)
Net (Decrease)/Increase In Cash and Cash Equivalents		3 503 410	745 771
Cash And Cash Equivalents - Beginning of Year		165 810	(579 961)
Cash And Cash Equivalents - End of Year	3	3 669 220	165 810

VILLAGE COUNCIL OF KALKRAND

ANNEXURE E

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE

	Budget	Actual	Variance
	N\$	N\$	N\$
Revenue from non-exchange transactions			
Property taxes	619 951	133 317	486 634
Fines penalties and levies	20 000	22 321	(2 321)
Transfer from GRN	1 470 630	7 969 337	(6 498 707)
Transfer from RFA	642 000	641 990	10
	<u>2 752 581</u>	<u>8 766 964</u>	<u>(6 014 383)</u>
Revenue from exchange transactions			
Rendering of service	970 000	875 275	94 725
Sale of electricity	2 102 317	1 988 894	113 423
Sale of Water	1 985 524	1 039 667	945 857
Rental from facilities and equipment	321 095	168 860	152 235
Income - external investment		241 514	(241 514)
Income - outstanding receivable	650 000	651 342	(1 342)
Sale of erven	963 961	915 422	48 539
Other income	322 500	33 801	288 699
	<u>7 315 397</u>	<u>5 914 775</u>	<u>1 400 622</u>
Total Revenue	<u>10 067 978</u>	<u>14 681 740</u>	<u>4 613 762</u>
Expenditure			
Employees costs	3 427 590	2 481 696	945 894
Remuneration of councilors	191 056	191 056	-
Repairs and maintenance	313 693	110 986	202 707
General expenses	570 281	4 146 975	(3 576 694)
Non-cash items/depreciation	-	5 155 128	(5 155 128)
Consulting and other	313 693	164 999	148 694
Total Expenditure	<u>4 816 313</u>	<u>12 250 839</u>	<u>(7 434 526)</u>
Surplus for the year		2 430 901	

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

1. ACCOUNTING POLICIES

1.1 Introduction

The financial statements have been prepared in accordance with accrual basis international public sector accounting standards (IPSAS). The financial statements 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. IPSAS 33 allows first-time adopter a period of up to 3 years to recognize and/or measure certain assets and liabilities.

In its transition to accrual basis IPSAS Kalkrand Village Council took advantage of exemption that affect fair disclosure for reporting its assets and liabilities in accordance with these assets respective IPSAS. As a result it is not able to make an explicit and reserved statement of compliance with accrual basis IPSAS in preparing is transitional IPSAS financial statements for the reporting period ended 30 June 2019.

With respect to the unavailability of accounting policies in the previous financial reporting framework used by the Village Council assets and liabilities shall be measured using accounting policies consistent with IPSAS to the extent of the availability of information relating to respective assets and liabilities in compliance with IPSAS 33 paragraph 137 (a) which requires the Village Council discloses progress made towards recognizing measuring presenting and/or disclosing assets liabilities revenue and/or expenditure in accordance with the requirements of the applicable IPSAS.

1.2 Property plant and equipment (PPE)

Property plant and equipment with loan 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.

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.

VILLAGE COUNCIL OF KALKRAND

ANNEXURE F

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

1.2 Property plant and equipment (PPE) (continued)

The current useful life is as follows:

Office Furniture and Equipment	10	Depreciation
Computer Equipment	5	Straight line
Land and Buildings	20	Straight line
Infrastructure	15	Straight line
Plant and Equipment	10	Straight line
Sedan Vehicles	5	Straight line
LDV's and Combi's	5	Straight line
Heavy vehicles	10	Straight line
Tractors and Trailers	10	Straight line

At present the assets of Council are not as yet all marked. Council is in the process of verifying all assets according to the current assets register and will correct the asset register accordingly.

SUMMARY OF THE ASSET REGISTER

INCOME ASSETS

DEPARTMENT	Balance N\$ 2018/06/30	Additions N\$	Depreciation N\$	Balance N\$ 2019/06/30
<u>RATE AND GENERAL</u>				
General Administration	1 055 035	57 404	314 693	797 745
<u>NON-PROFITABLE</u>				
Parks & Recreation	1 323 632	-	163 964	1 159 669
Roads and Streets	1 655 944	688 982	362 607	1 982 319
Townlands	3	-		3
	<u>4 034 615</u>	<u>746 386</u>	<u>841 264</u>	<u>3 939 736</u>
<u>SELF SUPPORTING SERVICES</u>				
Cleansing services	11 968		11 965	3
Sewerage	28 610 257	5 672 241	2 080 238	32 202 259
	<u>28 622 225</u>	<u>5 672 241</u>	<u>2 092 204</u>	<u>32 202 262</u>
<u>TRADING SERVICES</u>				
Electricity	6 239 896	334 595	304 554	6 269 937
Water	4 206 425	753 216	506 895	4 452 747
	<u>10 446 321</u>	<u>1 087 811</u>	<u>811 448</u>	<u>10 722 684</u>
TOTAL	<u>43 103 162</u>	<u>7 506 437</u>	<u>3 744 916</u>	<u>46 864 683</u>
GENERAL CAPITAL ASSETS				

RATE AND GENERAL

Townlands

4	-	-	4
4	-	-	4

GRAND TOTALS

43 103 166	7 506 437	3 744 916	46 864 687
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Pledged as security

All the property plant and equipment are free of any encumbrances

Capitalized Expenditure

	<u>2019</u>	<u>2018</u>
	N\$	N\$
Opening balance	43 103 166	32 593 399
Additions	7 506 437	13 809 157
Depreciation	(3 744 916)	(3 299 290)
	<u>46 864 687</u>	<u>43 103 266</u>

Revaluation

No revaluation of assets was performed.

1.3 Fund accounts

Capital reserve fund
Renewal fund
Fixed Property Fund
Housing Fund

The purpose of this fund is to account for reserve capital amounts received. The renewal and capital reserve funds have been written to the appropriation account as no movement has taken place in the last few years.

The fixed property fund

Proceeds on the sale of developed properties accumulate in this fund.

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

ANNEXURE F

1.3 Fund accounts (continued)

Build Together (Housing fund)

This is a revolving fund and consists of funds originally from the government for decentralised build together beneficiaries. Disbursement of the funds to beneficiaries. Interest earned on this fund is capitalized to the fund.

	2019
	<u>N\$</u>
Fixed property fund	
Opening balance	1 679 499
Income	69 424
Expenses	<u>(56 576)</u>
Closing balance 2019	1 692 346
Build together loans	
	2019
	<u>N\$</u>
Opening balance	1 319 349
Interest charges	65 674
Installments	<u>(159 082)</u>
Closing balance 2019	1 225 941
Loan Debtor trial balance	1 225 941

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

	2019	2018
	N\$	N\$
2. INVESTMENTS	4 599 370	5 855 338
Renewal fund	-	167 206
Capital Reserve	-	2 264
Revenue	2 047 688	3 144 400
Build Together Fund	123 492	113 278
Fixed Property Fund	2 428 190	2 428 190
3. TRADE AND OTHER RECEIVABLES	1 809 727	1 118 572
Consumer Debtors	11 766 674	9 399 812
Build Together Fund	-	-
Sundry receivables	88 325	88 325
VAT	271 234	726 430
Provision for bad debts	(10 316 506)	(9 095 995)
4. CASH AND CASH EQUIVALENTS	75 696	165 810
Cash on hand	-	1 000
Current bank account	75 696	164 810

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

ANNEXURE F

	2019	2018
	N\$	N\$
5. CAPITAL OUTLAY		
Revenue contributions	-	43 103 166
General Capital contributions	-	43 103 162
	-	4
6. FUNDS AND ACCOUNTS		
	50 199 792	3 880 005
Capital Reserve Fund	-	2 262
Renewal Fund	-	167 206
Build Together Fund	1 692 346	1 679 499
Fixed Property Fund	2 428 190	2 428 190
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act 1992.	46 079 256	(397 152)
7. TRADE AND OTHER PAYABLES		
	4 373 528	4 578 714
Consumer deposits	-	1 170 626
Suspense accounts	-	3 408 088
Provisions	-	-
Namwater/Nampower	3 645 692	-
Provision for leave	431 754	-
Regional Council	49 452	-
Sundry Creditors	246 630	-
8. ADJUSTMENTS TO APPROPRIATION ACC		
	44 045 508	(2 222 663)
Expenditure	(1 000)	(3 304 465)
Leave provision	43 103 166	-
Revenue	943 342	1 081 802

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

9. CASH UTILIZED BY OPERATIONS

	2019	2018
	N\$	N\$
	5 508 995	530 861
Operating (deficit) surplus before interest and transfers	2 430 901	2 263 406
Adjustments to appropriation account	44 045 508	(2 222 663)
Decrease (Increase) in investments	1 255 968	-
Changes in accounting	(42 190 555)	-
Investment income	241 514	-
Decrease (Increase) in trade and other receivable	(69 155)	1 628 874
(Decrease) Increase in trade and other payables	(205 186)	(1 138 756)

SALE OF WATER IN UNITS AND NAMIBIAN DOLLARS

	2019
	N\$
Sale	1 039 667
Cost of bulk purchases	(1 223 870)
Gross profit/Loss	(184 203)
Net expenditure	(245 988)
Net loss	(430 191)
Gross loss percentage on sales	%
Net loss on sales	%

Units purchased	81 702
Units sold	55 245
	26 457
Net loss % on sales	%
	32.38