



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

VILLAGE COUNCIL OF OKONGO

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 Okongo 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, May 2020

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

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Village Council of Okongo for the financial year ended 30 June 2019. These financial statements comprise the Statement of Financial Position, the Statement of Financial Performance, Statement of Changes in Owners' Equity and Statement of Cash Flows and Notes to Financial Statements for the year then ended and a summary of significant accounting policies.

In my opinion, because of the significance of the matters described in the Basis for Adverse Audit Opinion paragraph, the financial statements do not present fairly the financial position of the Okongo Village Council for the financial year ended 30 June 2019 and its financial performance for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

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 of my 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 my opinion. The adverse audit opinion is expressed due to the following:

- Additions to Property, Plant and Equipment (work-in-progress) amounting to N\$ 931 986 were processed using cash basis in the current financial year instead of using accrual basis;
- Incorrect disclosure of additions in the reconciliation of property, plant and equipment with an amount of N\$ 9 898 584. This amount should have been capitalized during the prior year rather than included as additions for the period under review;
- The Council is using the Waiting Maternity Homes without valid ownership and no rental agreement was provided for audit purpose, furthermore based on the documents provided by the Council, the ownership and operation of the Waiting Maternity Homes is a responsibility of the Ministry of Regional and Local Government, Housing and Rural Development;
- The opening balance of the Build-together beneficiaries account (Debtors) was incorrectly brought in through revenue, instead of retained earnings, resulting in revenue being overstated by N\$ 1 665 091;
- The Council received VAT refund amounting to N\$ 353 755 from Inland Revenue and recorded it as income instead of setting-off the VAT account;
- VAT receivable account is overstated with N\$ 947 405 in the financial statement due to non-performance of reconciliation of VAT account, and furthermore, the Council process

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 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 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;
- 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;
- 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.

VILLAGE COUNCIL OF OKONGO
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
GENERAL INFORMATION

Physical Address: Okongo Village Council
98 Hospital Road
Okongo
Namibia

Postal Address: Private Bag 66003
Okongo
Namibia

Bankers: First National Bank of Namibia

VILLAGE COUNCIL OF OKONGO
STATEMENT OF FINANCIAL POSITION AT 30 JUNE

	Note	2019 N\$	2018 N\$
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	2	22 841 048	8 862 568
Work in progress: Capital Projects	3	13 927 184	17 928 718
CURRENT ASSETS			
Trade and other receivables	6	8 996 882	3 752 871
Investments	4	4 744 464	4 464 340
Cash and Cash Equivalents	5	797 740	78 722
TOTAL ASSETS		51 307 318	35 087 219
FUNDS AND LIABILITIES			
FUNDS AND RESERVES			
Capital Fund	9	49 118 759	34 894 500
NON-CURRENT LIABILITIES			
		-	-
CURRENT LIABILITIES			
Trade and other payables	7	1 357 810	19 853
Provision	8	830 747	172 866
TOTAL FUNDS AND LIABILITIES		51 307 316	35 087 219

VILLAGE COUNCIL OF OKONGO
STATEMENTS OF CHANGES IN OWNER'S EQUITY AS AT 30 JUNE

	Retained Earnings
	N\$
Balance as at 30 June 2018	48 876 688
Surplus/(Deficit) for the period	15 015 798
Balance as at 30 June 2019	<u><u>63 892 486</u></u>

a) The amount of retained Earnings does not agree to Note 9 of the notes to financial statement

**VILLAGE COUNCIL OF OKONGO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019**

1. ACCOUNTING POLICIES

1.1 Introduction

The annual financial statements are prepared on the historical cost basis and incorporated the following principles and accounting policies which have been consistently applied in all material respects.

1.2 Property, plant and equipment

Land and buildings are recorded at cost and are considered to be investment properties. Accordingly, land and buildings are depreciated at a very low rate; this is because all of the buildings are used for administration purposes only.

Motor vehicle, furniture and fittings, office equipment and building equipment are stated at cost and depreciated on the straight line method at the following rates per annum.

Motor Vehicles	5 years (20%)
Computer Equipment	3 years (33%)
Furniture, Fixture and Fitting	5 years (20%)
Land and building	50 years (2%)
Capital Infrastructures	50 years (2%)

1.3 Revenue

Revenue represents subsidy from Central Government for Development, Collection from Water, Leasehold fee, Properties Rate and Taxes and Properties sales.

1.4 Provisions

Provisions for bad and doubtful debt are made for all debts older than 120 days.

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

Reconciliation of Property, Plant and Equipment-2018

	Opening Balance	Additions	Depreciation	Total
Furniture`s Fixtures & Fittings	125 336	20 439	(36 958)	108 816
Motor vehicles	856 924	-	(285 641)	571 283
Computer equipments	114 331	28 054	(73 981)	68 404
Office equipments	10 109	2 817	(4 976)	7 950
Capital infrastructure	3 005 938	5 370 164	(269 986)	8 106 116
Total	4 112 638	5 421 474	(671 542)	8 862 569

3. Work-In-Progress: Capital Projects

	2019	2018
	N\$	N\$
Constructions of Public Toilets	35 535	-
Office construction	-	9 898 584
Sewer - sewer treatment	-	1 105 947
Surveying	4 885 544	4 605 918
Woman tailoring project	474 132	-
Constructions of Serivices Water and Sewer	1 392 777	-
WIP - Construction of Water & Sewer Ext 1&2	5 321 585	-
Wip - electrifications	1 817 611	-
Water and Sewer	-	241 409
Electrification of kios & sreet lights	-	1 534 036
Electrification of street lights	-	542 824
Total	13 927 184	17 928 718

4. Investments

Investment capital account	417 967	71 175
Call account	4 286 073	4 393 165
Bt call account	40 424	-
	4 744 464	4 464 340

VILLAGE COUNCIL OF OKONGO

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 JUNE (continued)

	2019	2018
	N\$	N\$
9. Funds and reserves		
Retain earnings	33 571 715	25 669 150
Retain earnings-build together	41 237	-
Retain earnings-jh	47 138	-
Retain earnings-omaludi	442 871	-
Profit for the year	15 015 798	9 225 350
	49 118 759	34 894 500
10. Income	23 491 053	18 852 318
10.1. Administrative grants		
Income subsidy for operation	13 561 334	13 737 674
Income-road fund administration	624 993	281 000
Build together programme-okongo btp beneficiaries	1 665 091	-
10.2. Administrative income		
Income water	2 301 314	1 788 415
Income sewerage	331 763	228 609
Income Refuse removal	31 188	20 342
Income lease/pto	1 713 305	1 366 462
Income water connection	63 295	55 730
Income garden refuse	1 296 317	507 591
Income street lights	4 000	-
Income Business registration	82 720	79 438
Income from building plan	8 000	22 667
Income from bank deposits	12 039	19 902
Income cementry/funerals	1 238	934

VILLAGE COUNCIL OF OKONGO

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 JUNE (continued)

	2019	2018
	N\$	N\$
11. Expenditures	9 192 403	10 000 402
11.1. Personnel Costs		
Other expenses Paye contribution	15 384	227 979
Other expenses Medical Aid contribution	318 150	277 350
Other expenses Pension contribution	259 390	435 484
Other expenses Social Security contribution	8 971	51 535
Leave gratuity provision	-	172 866
Council allowance	175 818	181 137
Airtime allowance	7 111	7 507
Salary & wages	1 303 538	-
Service bonus	107 189	-
Car allowance	89 316	-
Overtime	29 749	-
Housing allowance	298 944	-
Transport allowance	95 681	-
Backpays	577	-
Standby allowance	13 800	-
Ceo - salary & wages	-	198 617
CEO - Service bonus	-	12 527
CEO - Car allowance	-	64 306
Ceo - cellphone allowance	20 150	15 993
CEO - Housing allowance	-	68 142
CEO - Transport allowance	-	5 138
Ceo - medical aid contribution	-	990
Fin - Salary & wages	-	299 781
Fin - service bonus	-	16 330
Fin - overtime	-	7 892
Fin - housing allowance	-	58 720
Fin - Transport allowance	-	23 044
Fin - back pay	-	209
Hr - salary & wages	-	256 283

VILLAGE COUNCIL OF OKONGO

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 JUNE (continued)

	2019	2018
	N\$	N\$
11.2. General Expenditures		
Travel & subsistence allowance	28 860	-
Vehicle licence fees	5 498	-
Telephone	38 717	-
Electricity consumption	312 632	-
Advertising	5 287	-
Fuel	65 707	-
Entertainment	3 483	-
Postage and Courier Services	57 453	-
Vehicle insurance and Excess	30 109	-
Office/Hall rental	1 500	-
Software and Licence Support	147 038	-
Security services	49 553	-
Bad debts	622 446	-
Government gazette expenses	2 908	-
Maintenance roads	552 529	-
Compensations	398 515	-
Valuation roll	188 000	-
Contracts and Agreements	249 717	-
Maintenance dumpsites	6 800	-
Maintenance sewerage	62 180	-
Maintenance - machines & equipments	34 224	-
Maintenance - reticulation	57 877	-
Water supply - Purchasing of Electricity	234 123	-
Council - Membership fees	-	3 000
Council travel & subsistence	40 629	47 402
Km claims	7 140	1 200
Other expenses - omaludi	480 439	-
Council - Material and Stores	-	11 861
Printing and Stationary	67 399	7 000
Maintenance vehicle	12 858	-
Council fuel	3 699	17 574
Council entertainment council	17 660	10 680

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

	2019	2018
	N\$	N\$
11.2. General expenditures (continued)		
Hr - travel & subsistance	20 447	74 346
HR - Printing and stationeries	-	22 999
Hr - advertising	-	7 087
Hr - fuel	-	4 579
Hr - trainings	13 500	10 500
Dev - travel & subsistance	16 960	22 106
Dev - printing & stationeries	64 339	-
Dev - km claims	-	700
Dev - compensation	-	2 056 903
Dev - Vallualtion roll	-	188 622
Dev - advertising	13 566	464
Dev - fuel	12 452	2 505
Dev - legal expenses	-	4 194
Refuse contract	-	226 626
Refuse - Maintenance Cleaning of Town	-	144 252
Sewerage - electricity consumptions	488 373	666 903
Town land - road access	-	60 000
Water - travel & subsistance	22 487	39 807
Water - km claim	1 400	1 200
Water - Maintenance Machine and Equipment	-	24 537
Water - maintenance vehicle	3 454	10 408
Water - Maintenance reticulations	-	197 938
Water - fuel	2 500	2 694
Water - clothings	19 845	-
Other expense - social club	-	6 800
Other expense - union contribution	-	2 628
Omaludi festival	903 791	670 516
Capitalised VAT	-	992 397

VILLAGE COUNCIL OF OKONGO

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 JUNE 2019 (continued)

	2019	2018
	N\$	N\$
13. Cash received from Customers and Government		
Income - Subsidy for Operation	13 561 334	-
Income - road fund administration	624 993	-
Btp - okongo btp beneficiaries	1 665 091	-
Income water	2 301 314	-
Income sewerage	331 763	-
Income refuse removal	31 188	-
Income lease/pto	1 713 305	-
Income water connection	63 295	-
Income garden refuse	1 296 317	-
Income street lights	4 000	-
Income business registration	82 720	-
Income from Building plan	8 000	-
Income from Bank deposits	12 039	-
Income cementry/funerals	1 238	-
Income building sand	34 353	-
Tender fees	15 960	-
Income advertising billboard	162 251	-
Income - abottoirs	16 290	-
Income - informal settlement fees	424 843	-
Income - Illegal Building sand	5 050	-
Income from Accommodation Fees - JH	27 213	-
Income - Search of Boundary	410	-
Income - other	614 356	-
Income - Royalties from NORED	212 155	-
Income - donations/sponsorship received - omaludi	132 065	-
Income from Ticket Sales - Omaludi	11 270	-
Income - other sales - Omaludi	6 190	-
Income - Rental of Stants - Omaludi	99 300	-
Income - Galla Dinner table - Omaludi	25 050	-
Income - Bar (Sales for drinks) - Omaludi	6 900	-
Income - Application forms - Omaludi	800	-
23 491 053	23 491 053	-