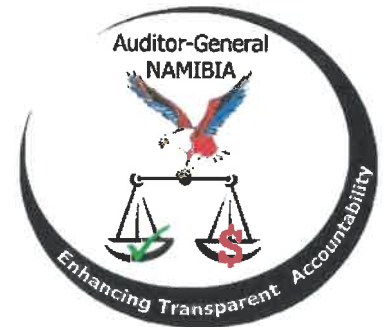




REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF KOËS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

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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 Koës for the financial year ended 30 June 2016, 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 2018

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF KOËS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

1. REPORT ON THE FINANCIAL STATEMENTS

1.1 INTRODUCTION

The accounts of the Village Council of Koës for the financial year ended 30 June 2016 are being reported on in accordance with the provisions set out in Section 85 of the Local Authorities Act, 1992 (Act 23 of 1992).

Figures in the report are rounded off to the nearest Namibia Dollar. Deficits are indicated in (brackets).

The firm Strategis Registered Accountants and Auditors of Windhoek has been appointed by the Auditor-General in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the Village Council on behalf of the Auditor-General and under his supervision.

I certify that I have audited the accompanying financial statements of the Village Council of Koës for the financial year ended 30 June 2016. These financial statements comprise of the following:

Annexure A: Balance sheet;
Annexure B: Abridged income statement;
Annexure C: Cash flow statement; and
Annexure D: Notes to the financial statements.

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 87(1) of the Local Authorities Act, 1992, except that they were only submitted on 20 October 2017 instead of three months (3 months) after the year-end as required by the Act.

The financial statements, notes to the financial statements and general information provided by the Accounting Officer are attached as Annexures A - D.

2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 87(1) of the Local Authorities Act 1992, (Act 23 of 1992), 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.

3. AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Powers and duties

Section 25(1) (c) of the State Finance Act, 1991, provides that the Auditor-General should satisfy himself that:

- a) All reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;
- b) All reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and
- c) The expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, Section 26(1) (b) (iv) of the State Finance Act, 1991, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

I believe that the audit evidence I have obtained is insufficient and inappropriate to provide a basis for the audit opinion.

4. ACKNOWLEDGEMENT

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

5. KEY AUDIT FINDINGS

5.1 Appropriation account adjustments

The auditors were not provided with supporting schedules or supporting documents for adjustments made in the Appropriation account amounting to N\$ 2 786 834.

Recommendation

It is recommended that the Council should ensure that every adjustment is supported by a schedule or supporting documents relating to such adjustments.

5.2 Trade Payables

The Council was unable to provide auditors with a listing for unallocated receipts amounting to N\$ 1 722 364, therefore completeness and accuracy of the trade payables balance could not be confirmed.

Recommendation

It is recommended that creditors listing be prepared, other relevant listings and supplier reconciliations should be performed preferably on a monthly basis.

5.3 Consumer Deposits

The average monthly water consumption during the period under review was N\$ 91 243 while the consumer deposits were recorded at N\$ 8 910. This implies that the water deposits held are inadequate to cover monthly water charges.

The Council was unable to provide a listing of consumer deposits for audit verification.

Recommendation

It is recommended that the Council should ensure that all consumer deposits are upgraded to the appropriate levels in terms of the latest gazette prices in order to reduce the risk of revenue loss.

Furthermore, consumer deposits listing should be prepared and regularly reconciled to the Finstel records.

5.4 Bank Reconciliation

The Council did not prepare monthly bank reconciliation statements therefore auditors could not verify the validity, accuracy and completeness of the bank balance in the financial statements amounting to N\$ (66 808).

Recommendation

It is recommended that the Council should ensure that bank reconciliations are done monthly and reconciled to the Finstel records and bank statements.

5.5 Accruals on Government Loans

The Council did not make a provision in the financial statements for the accrued payments to the Ministry of Finance for the external loans and these results in trade and other payables being understated.

Recommendations

It is recommended that the Council should engage the Ministry of Finance to obtain the statement on the external loans owed to the Government and provide for the accrued payments on the loans.

5.6 Build Together Loans

The Build together debtors balance as recorded in the financial statements amounting to N\$ 3 161 247 does not agree to the Build together balance as per the debtors listing amounting to N\$ 2 218 940 resulting in an unexplained difference of N\$ 942 308.

Recommendations

It is recommended that the Council should reconcile Build Together debtors listing to the Finstel records. Furthermore, all Build Together debtors must be updated timeously on the Finstel system.

5.7 Income

The income received from Road Fund Authority recorded in the financial statements amounting to N\$ 20 000 does not agree to the income confirmed by Road Fund Authority amounting to N\$ 352 000 resulting in an unexplained difference of N\$ 332 000.

The auditors could not perform reasonability test for interest in arrears amounting to N\$ 145 558 as the Council failed to provide the receivables age analysis for the 2014/2015 financial year.

The Council reported a profit on disposal of assets in the financial statements of N\$ 91 000. This is however contrary to the audit recalculated loss on disposal of assets of (N\$104 032). This account was therefore overstated by N\$ 195 032.

The Council was unable to provide supporting documents for an amount recorded as income, in the financial statements, and described as external loans for operations amounting to N\$ 195 000.

Recommendations

It is recommended that the Council must ensure that all the subsidies received are accounted for accurately and correctly posted to the respective accounts.

It is recommended that the Council should properly file all supporting documents and provide them for audit purposes.

It is further recommended that the Council should calculate profit or loss on disposals on assets sold by comparing proceeds received to the net book value at the date of sale rather than recognising proceeds received as profit on disposal.

5.8 Expenditure

Supporting documents for travelling and subsistence, printing and stationary, fuel and vehicle repairs amounting to N\$ 128 964 were not provided for audit purposes.

Bank charges as recorded in the financial statements amounting to N\$ 104 953 do not agree to the recomputed amount based on the bank statements amounting to N\$ 75 687 resulting in a difference of N\$ 29 067.

Interest on Namwater and Nampower accounts as recorded in the financial statements amounting to N\$ 108 526 and N\$ 505 685 do not agree to the recomputed balances based on the supplier statements amounting to N\$ 56 542 and N\$ 84 031 respectively. This resulted in a difference of N\$ 51 984 on Namwater and N\$ 421 654 on Nampower.

Recommendations

It is recommended that the Council must ensure that all supporting documents for transactions which occur must be properly filed so that when needed they are easily accessible.

Furthermore, expenses should be accurately recorded in Finstel and agreed to supplier statements or any other relevant documents.

5.9 Fund Account

The Council was unable to provide supporting documents to substantiate the movement from prior year of the Build together fund amounting to N\$ 135 289.

Recommendations

It is recommended that the Council must ensure that all movements on the fund accounts are supported with supporting schedules or documents.

5.10 Going Concern

The Council reported an accumulated loss of N\$ 5 233 382 (2015: N\$ 5 339 361). The current payables of the Council exceed the current receivables by N\$ 2 189 763 (2015: N\$ 3 407 830). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Village Council to continue operating as a going concern.

Recommendations

It is recommended that the Council should device appropriate measures to generate or raise enough funds to run its operations.

5.11 CIRCULAR D3/2015

The Chief Executive Officer of the Village Council of Koës for the year under review did not submit to the Auditor-General as required by Circular D3/2015.

Recommendations

It is recommended that the Chief Executive Officer should submit all annual report statements to the Auditor-General including those that are required by Circular D3/2015.

6. BASIS FOR DISCLAIMER OF OPINION


- No supporting documents for appropriation accounts adjustments;
- No listing for payables amounting to N\$ 1 722 364;
- Consumer deposits understated by N\$ 82 333;
- No listing for consumer deposits;
- Bank reconciliation not prepared to verify the bank balance amounting to N\$ 66 808;
- No provisions made for accruals on government loans;
- Build together understated by N\$ 942 308;
- Income understated by N\$ 332 000;
- Unconfirmed interest on arrears amounting to N\$ 145 558;
- Profit on sale of assets overstated by N\$ 195 032;
- No supporting documents for external loan for operations amounting to N\$ 195 000;
- No supporting documents for expenditure amounting to N\$ 128 964;
- No supporting documents for Build Together fund movement amounting to N\$ 135 289;
- Interest on Namwater and Nampower overstated by N\$ 473 638; and
- Going concern.

7. DISCLAIMER OF AUDIT OPINION:

The accounts of the Village Council of Koës for the financial year ended 30 June 2016, summarised in Annexures A to D, were audited by me in terms of Section 85 of the Local Authorities Act, 1992.

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.

WINDHOEK, May 2018



**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

ANNEXURE A

VILLAGE COUNCIL OF KOËS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE

| | Note | 2016 | 2015 |
|------------------------------------|------|-------------------|-------------------|
| | | N\$ | N\$ |
| Assets | | | |
| Non current assets | | | |
| | | 16 683 439 | 15 952 317 |
| Property, plant and equipment | 2 | 12 935 733 | 11 226 590 |
| Investments | 3 | 586 459 | 1 431 249 |
| Loans receivable | 4 | 3 161 247 | 3 294 478 |
| Current assets | | | |
| | | 1 876 600 | 926 217 |
| Trade and other receivables | 5 | 1 357 275 | 527 560 |
| Inventories | 6 | 519 325 | 398 657 |
| Total assets | | 18 560 039 | 16 878 534 |
| Funds and liabilities | | | |
| Funds and reserves | | | |
| | | 13 892 027 | 11 942 839 |
| Capital outlay | 8 | 12 383 887 | 10 674 744 |
| Funds and accounts | 9 | 1 508 140 | 1 268 095 |
| Non-current liabilities | | | |
| Long-term loans | 10 | 601 648 | 601 648 |
| Current liabilities | | | |
| | | 4 066 364 | 4 334 047 |
| Trade and other payables | 11 | 3 999 556 | 3 964 136 |
| Bank overdraft | 7 | 66 808 | 369 911 |
| Total funds and liabilities | | 18 560 039 | 16 878 534 |

VILLAGE COUNCIL OF KOËS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

| | | 2016 | 2015 |
|---|------|----------------|--------------------|
| | Note | N\$ | N\$ |
| Income | | 6 580 578 | 6 622 680 |
| Expenditure | | (6 300 987) | (9 290 857) |
| Net operating surplus/(deficit) | | 279 591 | (2 668 177) |
| Interest on investments | | 62 580 | - |
| Net operating surplus/(deficit) after interest | | 342 171 | (2 668 177) |
| Appropriation account adjustments | 12 | (236 192) | (1 608 841) |
| Net surplus/(deficit) after adjustments | | 105 979 | (4 277 018) |

ANNEXURE C

VILLAGE COUNCIL OF KOËS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE

| | Note | 2016 N\$ | 2015 N\$ |
|--|------|-----------------|------------------|
| Cash flow from operating activities | | | |
| Cash receipts from customers | | 6 580 578 | 6 622 680 |
| Cash paid to suppliers | | (7 452 142) | (8 244 368) |
| Cash utilised by operations | 13 | (871 564) | (1 621 688) |
| Investment income | | 62 580 | - |
| Increase in Fund accounts | | 134 066 | 224 825 |
| Increase in Capital outlay | | 1 709 143 | 672 555 |
| Net cash flow from operating activities | | 1 034 225 | (724 308) |
| Cash flow from investing activities | | | |
| Net capital expenditure | | (1 709 143) | (672 555) |
| Change in loan receivables | | 133 231 | 185 253 |
| Change in investments | | 844 790 | 985 545 |
| | | (731 122) | 498 243 |
| Net change in cash and cash equivalents | | 303 103 | (226 065) |
| Cash and cash equivalents - beginning of year | | (369 911) | (143 846) |
| Cash and cash equivalents - end of year | | (66 808) | (369 911) |

VILLAGE COUNCIL OF KOËS**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

1. ACCOUNTING POLICIES**1.1 Introduction**

The annual financial statements set out in Annexures A to C 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

All plant and equipment are initially recorded at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. All other plant and equipment are stated at historical cost or valuation where applicable.

1.3 Internal Funds

Internal Funds were created as follows by Council:

1.3.1 Housing Fund

The purpose of this Fund is to provide for housing loans. Income to this Fund is transferred from the general income account, external loans from Government and interest on investments and loans.

1.3.2 Capital Development Fund

This Fund was created to make provision for unforeseen expenditure, as approved by the Council.

1.3.3 Fixed Property Fund

Proceeds on the sale of property developed by the Village Council accumulate to this Fund. Interest earned on loans for the sale of land as well as interest earned on internal loans and investments accumulate to this Fund, which is used to develop properties.

ANNEXURE D**VILLAGE COUNCIL OF KOËS****NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE****(Continued)****1.3.4 Leave Reserve Fund**

This Reserve Fund provides for payment of leave credit as needed and the policy is that the balance available in the Fund should meet the total leave credits as at 30 June each year.

1.3.5 Build Together Housing Fund

The purpose of this Fund is to provide loans to applicants who want to build or buy houses with the help of the community. The instalments received for the payment of these loans are reinvested in this Fund.

| | 2016 | 2015 |
|--|-------------|-------------|
| | N\$ | N\$ |
| 2. PROPERTY PLANT AND EQUIPMENT | | |
| Property plant and equipment | 12 935 733 | 11 226 590 |
| 3. INVESTMENTS | | |
| Commercial banks | 586 459 | 1 431 249 |
| ALLOCATED AS FOLLOWS: | | |
| Build Together Fund | 28 872 | 51 501 |
| Fixed Property Fund | 66 605 | 66 605 |
| Capital Reserve Fund | 218 788 | 307 132 |
| Housing Fund | 272 194 | 272 194 |
| Revenue | - | 733 817 |
| | 586 459 | 1 431 249 |
| 4. LOANS RECEIVABLE | | |
| Build Together Fund | 3 161 247 | 3 294 478 |
| | 3 161 247 | 3 294 478 |
| 5. TRADE AND OTHER RECEIVABLES | | |
| Consumers | 6 120 100 | 5 186 781 |
| Sundry receivables | 4 000 | 4 000 |
| VAT | 596 807 | 61 418 |
| | 6 720 907 | 5 252 199 |
| Provision for bad debts | (5 363 632) | (4 724 639) |
| | 1 357 275 | 527 560 |

VILLAGE COUNCIL OF KOËS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

(Continued)

| | 2016 | 2015 |
|--|-------------|-------------|
| | N\$ | N\$ |
| 6. INVENTORY | 519 325 | 398 657 |
| Livestock | 512 950 | 392 650 |
| Current account | 6 375 | 6 007 |
| 7. BANK AND CASH | | |
| Current account | (66 808) | (369 911) |
| 8. CAPITAL OUTLAY | 12 383 887 | 10 674 744 |
| Loans redeemed | 282 689 | 282 689 |
| Revenue contributions | 8 207 821 | 9 958 045 |
| General capital contributions | 3 893 377 | 434 010 |
| 9. FUNDS, ACCOUNTS AND RESERVES | | |
| Build together fund | 6 145 393 | 6 011 327 |
| Capital development fund | 307 132 | 307 132 |
| Fixed property fund | 66 605 | 66 605 |
| Housing fund | 222 392 | 222 392 |
| Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992 | (5 233 382) | (5 339 361) |
| | 1 508 140 | 1 268 095 |
| 10. LONG-TERM LIABILITIES | | |
| Government of Namibia | | |
| - Other loans | 551 846 | 551 846 |
| - Housing loans | 49 802 | 49 802 |
| | 601 648 | 601 648 |

ANNEXURE D

VILLAGE COUNCIL OF KOËS

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

| | 2016 | 2015 |
|---|------------------|--------------------|
| | N\$ | N\$ |
| 11. TRADE AND OTHER PAYABLES | 3 999 556 | 3 964 136 |
| Trade payables | - | 1 814 108 |
| Consumer deposits | 8 910 | 8 370 |
| Provisions | 344 766 | 401 988 |
| Suspense account | 3 645 880 | 1 739 670 |
| 12. ADJUSTMENTS TO APPROPRIATION ACCOUNT | | |
| Prior year adjustments expenditure | (1 192 017) | (1 672 610) |
| Prior year adjustment revenue | 1 594 818 | - |
| Revenue | - | 63 769 |
| Provision for bad debts | (638 993) | - |
| | <u>(236 192)</u> | <u>(1 608 841)</u> |
| 13. CASH UTILISED BY OPERATIONS | | |
| Net operating surplus/(deficit) before interest and transfers | 342 171 | (2 668 177) |
| Adjustments for: | | |
| - Appropriation account | (236 192) | (1 608 841) |
| - Investment income | (62 580) | - |
| OPERATING SURPLUS/(DEFICIT) BEFORE CHANGES IN WORKING CAPITAL | <u>43 399</u> | <u>(4 277 018)</u> |
| CHANGES IN WORKING CAPITAL | | |
| Trade and other receivables | (829 715) | 1 081 409 |
| Inventories | (120 668) | (54 590) |
| Trade and other payables | 35 420 | 1 628 511 |
| | <u>(914 963)</u> | <u>2 655 330</u> |
| CASH UTILISED BY OPERATIONS | <u>(871 564)</u> | <u>(1 621 688)</u> |