



REPUBLIC OF NAMIBIA



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

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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 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.

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

WINDHOEK, September 2019

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

1. DISCLAIMER OF AUDIT OPINION

I have audited the financial statements of the Village Council of Koes for the financial year ended 30 June 2018. These financial statements comprise the Balance sheet, Income statement, and Statement of Cash Flow and Notes to the 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 DISCLAIMER 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 insufficient and inappropriate to provide a basis for my opinion. A disclaimer audit opinion is being expressed due to the following:

- No financial accounting framework used to compile the annual financial statements;
- Unconfirmed leave provision amounting to N\$ 316 933;
- Difference amounting to N\$ 310 625 observed between the general ledger and the payroll report;
- No credit policy in place for regulating debtors;
- Difference of N\$ 19 999 500 between the debtors age analysis and the debtors amount as per the financial statements;
- Unrecorded government grants amounting to N\$ 176 976;
- No supporting document provided for property, plant and equipment amounting to N\$ 125 323;
- Insufficient supporting document provided to verify the procurement of a Bus amounting to N\$ 374 625;
- Misstatement of bank balance in the financial statement due to a system generated bank overdraft amounting to (N\$ 905 463) while the bank statements had a favourable balance of N\$ 42 804;
- Monthly bank reconciliation are not performed, to rectify errors on time;
- No cashbook was provided for audit purposes;

- Trade payables age analysis and detailed ledger as at 30 June 2018 were not provided;
- Un-cleared suspense account listed under trade payable amounting to N\$ 1 036 753;
- Unconfirmed accrued expenses amounting to N\$ 130 982;
- No supporting documents for expenditure amounting to N\$ 194 071;
- Insufficient supporting documents attached to payment vouchers amounting to N\$ 199 906;
- VAT wrongly processed amounting to N\$ 209 763; and
- Material uncertainty exist that may cast significant doubt on the Council's ability to continue as a going concern.

3. 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 Generally Recognised Accounting Practice and 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.

4. 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, 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.

- 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

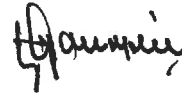
resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- 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 used 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.

**5. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS
(COMPLIANCE)**

The accounts were submitted by the Accounting Officer to the Auditor-General on 15 April 2019 in terms of Section 87(1) of the Local Authorities Act, 1992 (Act No. 23 of 1992) instead of the three months after the financial year end as required by the Act.

WINDHOEK, September 2019



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

ANNEXURE A

	Note	2018 N\$	2017 N\$
ASSETS			
Non-Current Assets			
Property, Plant and Equipment		11 167 474	11 646 164
Loans Receivable		2 019 054	3 031 456
Investments	2	9 700	15 295
Current Assets			
Trade and Other Receivables	3	2 174 860	1 513 239
Livestock		429 360	317 800
TOTAL ASSETS		15 800 447	16 523 954
FUNDS AND LIABILITIES			
Funds and reserves			
Capital outlay	4	10 615 628	11 094 317
Funds and accounts	5	(678 126)	95 405
Non-current liabilities			
Long term liabilities	6	601 648	601 648
Current Liabilities			
Trade and other payable	7	4 355 834	4 275 031
Bank		905 463	457 552
TOTAL FUNDS AND LIABILITIES		15 800 447	16 523 954

ANNEXURE B

VILLAGE COUNCIL OF KOËS
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2018 N\$	2017 N\$
Income		9 031 902	8 163 004
Expenditure		(9 067 285)	(8 382 980)
Net operating surplus/(deficit)		(35 383)	(219 976)
Interest Received		95	8 423
Net Surplus/(Deficit) after interest		(35 288)	(211 553)
APPROPRIATION ACCOUNT	8	6 849	(1 345 687)
Net surplus/(deficit) after Appropriations		(28 439)	(1 557 240)

ANNEXURE C

VILLAGE COUNCIL OF KOËS
CASH FLOWS STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2018 N\$	2017 N\$
Cash flow from operating activities			
Cash receipts from customers		9 031 902	8 163 004
Cash paid to suppliers		(9 752 813)	(9 407 630)
	9	(720 911)	(1 244 626)
Investment income (interest)		95	8 423
(Decrease) increase in Fund account		(745 092)	144 504
Increase in Capital outlay		478 689	1 289 570
Net cash flow from operating activities		(987 219)	197 870
Cash flow from investing activities			
Additions to property, plant and equipment		(478 689)	(1 289 570)
Increase in loans receivables		1 012 402	129 791
Decrease/(increase) in investments		5 595	571 165
		539 308	(588 614)
Net change in cash and cash equivalents			
NET DECREASE/INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and Cash Equivalents - Beginning of the year		(447 911)	(390 744)
Cash and Cash Equivalents - Beginning of the year		(457 552)	(66 808)
Cash and Cash Equivalents - end of the year		(905 463)	(457 552)

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

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

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.

1.2.1 Fixed assets and Depreciation:

Fixed assets are stated at cost or 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.

1.3 Inventory

Inventories are measured at weighted average.

1.4 Funds Accounts

The following Fund was maintained;

1.4.1 Housing Fund – Build together

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

1.4.2 Capital Development Fund

This Fund was created for the reserve fund of capital, to be used by council for unforeseen expenditure approved by the Council.

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

1.4.3 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.

	2018	2017
	N\$	N\$
2. INVESTMENTS		
Commercial banks	9 700	15 295
ALLOCATED AS FOLLOWS:	9 700	15 295
Build Together Fund	7 368	7 311
Housing Fund	2 332	7 984
3. TRADE AND OTHER RECEIVABLES	2 174 860	1 513 239
Consumers Debtors	9 646 598	6 829 100
Stores	6 375	-
Sundry receivables	-	4 000
VAT Control	1 136 158	958 494
Provision for bad debts	(8 614 271)	(6 278 355)
4. CAPITAL OUTLAY	10 615 628	11 094 317
Revenue contributions (Ex Income)	9 898 929	10 377 618
General capital contributions	434 010	434 010
Loans redeemed	282 689	282 689
5. FUNDS, ACCOUNTS AND RESERVES	(678 126)	95 405
Build together fund	5 544 799	6 289 897
Capital development fund	307 138	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	(6 819 060)	(6 790 621)

ANNEXURE D

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

	2018	2017
	N\$	N\$
6. LONG-TERM LIABILITIES	601 648	601 648
External loans	551 846	551 846
Housing loans	49 802	49 802
7. TRADE AND OTHER PAYABLES	4 355 833	4 275 031
Provisions for leave pay	316 933	410 704
Suspense account	4 025 912	3 851 559
Deposits	12 988	12 768
8. ADJUSTMENTS TO APPROPRIATION ACCOUNT	6 849	(1 345 687)
Correction to 510	616 177	-
Adjustments expenditure	-	(661 801)
old deposit adjustments	-	(200)
Provision for bad debts	(2 335 917)	(914 723)
Revenue	1 639 909	231 037
Leave Provision	86 680	-
9. CASH UTILISED BY OPERATIONS	(720 912)	(1 444 627)
Operating surplus (deficit) Surplus before interest and transfers	(35 288)	(211 553)
Investment income	(96)	(8 423)
Adjustments to Appropriation account	6 849	(1 345 687)
OPERATING SURPLUS/(DEFICIT) BEFORE CHANGES IN WORKING CAPITAL	(28 535)	(1 565 663)
CHANGES IN WORKING CAPITAL	(692 377)	121 036
Decrease (increase) in inventories	(111 560)	201 525
Decrease (increase) in trade and other receivable	(661 620)	(155 965)
Decrease (increase) in trade and other payables	80 803	75 476