



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF GOCHAS
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2016 AND 2017**

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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 Gochas for the financial years ended 30 June 2016 and 2017 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, June 2019

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
GOCHAS VILLAGE COUNCIL
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2016 and 2017**

1. DISCLAIMER AUDIT OPINION

I certify that I have audited the financial statements of the Gochas Village Council for the financial years ended 30 June 2016 and 2017. These financial statements comprise the Balance sheet, Income statement and Cash flow statement for the years then ended, and a summary of significant accounting policies and other explanatory information.

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*):

2017

- None adherence to a recognized accounting framework;
- Unsupported investment income to the value of N\$ 152 459;
- Unsupported inventory balance to the value of N\$ 2 041 719;
- *Inventory not verified by independent accountant;
- Understatement of depreciation by N\$ 1 147 347;
- Understatement of land and buildings by N\$ 3 528 739;
- Overstatement of capital additions by N\$ 4 490 600;
- Failure to provide for severance pay amounting to N\$ 278 661;
- *Understatement of valued added tax by N\$ 747 087;
- Capital expenditure amounting to N\$ 3 828 216 treated as revenue expenditure;
- Electricity and water overstated by N\$ 284 290 and N\$ 91 251 respectively;
- Government loan obligations not honoured; and
- Understatement of interest on accounts receivable by N\$ 157 169.

2016

- *No physical stock taking was conducted;
- The appropriation account movement is overstated by N\$ 2 926 420;
- The Housing Loan Debtors listing of N\$ 5 025 802 was not provided. The total movement for the year was recorded as N\$ 52 391;
- *A difference of N\$ 975 998 between auditor's reconciliation and general ledger;
- Contravention of VAT Act of Namibia resulting from VAT returns not submitted on time and import VAT were not submitted from the time the Council was registered as a result penalties accumulated to N\$ 209 693 and interest of N\$ 4 639;
- *A difference of N\$ 505 039 noted on the capital outlay account movement from 2015 to 2016.
- A difference of N\$ 2 919 451 noted for contribution to capital per vote;
- *A difference of N\$ 230 602 noted between the closing cash book balance per bank reconciliation and financial statements.
- *Trade payables understated with an amount of N\$ 283 189;
- *No listing and reconciliation provided for post-independence loan of N\$ 1 800 914;
- No explanation given for all the adjustments processed to the appropriation account amounting to N\$ 1 507 139;
- Accompanying schedules for funds and accounts not provided;
- The Housing Fund register not kept up to date; and
- Non-submission of documents for loans redeemed.

3. MATERIAL UNCERTAINTY REGARDING GOING CONCERN

The auditors draw attention to the financial statements, which indicate that the Village incurred a net loss of N\$ 2 182 394 (2017) and N\$ 11 477 766 (2016). 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 an 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.



WINDHOEK, June 2019

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

ASSETS	Note	2017	2016	2015
		N\$	N\$	N\$
Non-current assets		27 634 706	23 495 791	25 729 696
Property, plant and equipment	2	27 130 330	21 673 100	19 669 552
Investments	3	504 376	1 822 691	6 060 144
Current assets		5 813 796	5 571 777	4 146 418
Trade and other receivables	4	3 640 119	3 850 396	2 722 751
Inventory	5	2 041 719	1 718 504	734 822
Cash and cash equivalents	6	131 958	2 877	688 845
TOTAL ASSETS		33 448 502	29 067 568	29 876 114
EQUITY AND LIABILITIES				
Equity		29 951 019	26 263 458	26 520 280
Capital outlay	7	26 987 331	21 462 163	19 496 784
Funds and accounts	8	2 963 688	4 801 295	7 023 496
Long-term liabilities				
Long-term loans	9	1 822 532	1 800 914	1 777 652
Current liabilities		1 674 951	1 003 195	1 578 182
Trade and other payables	10	1 674 951	739 439	1 578 182
Bank overdraft	6	-	263 757	-
TOTAL EQUITY AND LIABILITIES		33 448 502	29 067 568	29 876 114

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

		2017	2016	2015
	Note	N\$	N\$	N\$
Income		9 194 081	11 746 342	4 328 166
Expenditure		(11 528 935)	(16 104 151)	(8 523 342)
Net operating deficit		(2 334 854)	(4 357 809)	(4 195 176)
Interest received		152 459	486 086	217 233
Net deficit after interest		(2 182 395)	(3 871 723)	(3 977 943)
Appropriation account	11	204 079	1 507 139	(8 79 956)
Net deficit after appropriations		(1 978 316)	(2 364 584)	(4 857 899)

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

		2017	2016	2015
	Note	N\$	N\$	N\$
Cash flow from Operating activities				
Cash receipts from customers		9 194 081	11 746 342	4 328 166
Cash paid to suppliers		(10 502 283)	(17 547 082)	(7 907 241)
Cash generated from operations	12	(1 308 202)	(5 800 740)	(3 579 075)
Investment income		152 459	486 086	217 233
Cash flow from Financing activities				
Increase/ (decrease) in capital outlay		5 525 169	1 965 379	1 577 256
Increase/ (decrease) in fund account		140 709	142 383	4 960 517
Net cash flow from financing activities		4 510 135	(3 206 892)	3 175 931
Cash flow from Investing activities				
Additions to plant and equipment		(5 457 230)	(2 003 547)	(1 501 369)
-Decrease/(increase) in investments		1 318 315	4 237 453	(1 313 883)
-(Decrease)/ increase in loans receivable		21 617	23 262	(75 888)
Net cash flow from investing activities		(4 117 298)	2 257 168	(2 891 140)
Total Cash Movement for the year		(915 365)	(6 750 464)	(3 294 284)
Net (decrease) / increase in cash & cash equivalents		392 837	(949 724)	284 791
Cash and cash equivalents at beginning of the year		(260 879)	688 845	404 054
Total cash at the end of the year	6	131 958	(260 879)	688 845

**GOCHAS VILLAGE COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE 2016
& 2017 (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 2016
& 2017 (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)

	2017	2016	2015
	N\$	N\$	N\$
2. Property, Plant and Equipment	27 130 330	21 673 100	19 669 552
Income assets	24 285 884	18 500 630	16 693 133
General capital assets	1 697 100	2 025 122	1 929 908
Loan assets	1 147 347	1 147 347	1 046 511
3. Investments			
Commercial banks and building societies	504 376	1 822 691	6 060 144
Capital reserve fund	83 788	1 317 130	5 410 869
Build together fund	420 588	505 561	548 440
Capital Outlay	-	-	100 835
4. Trade and other receivables	3 640 119	3 850 396	2 722 751
Trade receivables	4 662 451	4 575 315	3 570 977
Value added tax	1 183 613	998 479	-
Sundry debtors	800	-	-
Housing fund receivables	1 895 679	2 025 802	2 078 194
Provision for doubtful debts	(4 102 425)	(3 749 200)	(2 926 419)
5. Inventory	2 041 719	1 718 504	734 822
Livestock	119 300	121 000	84 200
Other Inventories	1 714 802	1 389 887	431 983
Work in Progress - Incomplete Build Together Projects	207 617	207 617	218 639

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

	2017	2016	2015
	N\$	N\$	N\$
6. Cash and cash equivalents	131 958	(260 879)	688 845
Current bank account	129 081	(263 757)	685 968
Petty Cash	2 877	2 877	2 877
7. Capital outlay	26 987 331	21 462 163	19 496 784
Contribution from revenue	24 285 884	18 500 630	16 693 133
Contribution from capital	1 697 100	2 025 122	1 929 908
Loans redeemed	1 004 348	936 411	873 743
8. Funds and Accounts	2 963 688	4 801 295	7 023 496
Fixed property fund	77 597	77 597	77 597
Capital reserve fund	11 826 155	11 823 165	11 783 403
Housing fund	114 753	114 753	114 753
Built together fund	4 237 420	4 100 525	3 998 786
Built together prepaid fund	163 845	-	162 139
Revenue account	(13 456 082)	(11 477 766)	(9 113 182)
9. Long-term liabilities	1 822 531	1 800 914	1 777 652
Externa loans	142 999	210 936	273 604
Government of Namibia	1 679 533	1 589 978	1 504 048
10. Trade and other payables	1 674 951	739 439	1 578 182
Trade creditors	1 153 874	280 659	285 147
VAT	-	-	825 119
Deposits on erven sales	83 269	73 224	69 305
Leave provisions	398 356	362 879	384 041
Other payables	15 459	7 748	-
Consumer deposits	16 245	14 929	14 570
11. Adjustments and appropriations	204 079	1 507 139	(879 956)
Prior year adjustments	-	2 505 210	388 785
Provision for bad debts	(388 702)	(3 749 200)	(425 207)
Value added tax correction	-	957 904	-
Income	592 781	1 793 225	-
Stock adjustments	-	-	(802 634)

GOCHAS VILLAGE COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2017	2016	2015
	N\$	N\$	N\$
12. Cash utilised in operations	(1 308 202)	(5 800 740)	(3 579 075)
Net operating deficit before transfers	(2 334 854)	(4 357 809)	(4 195 176)
Adjustments (appropriations)	204 079	1 507 139	(879 956)
(Decrease) / increase in trade and other payables	935 512	(838 743)	433 026
Decrease / (increase) in inventories	(323 215)	(983 682)	922 474
(Increase) / decrease in trade and other receivables	210 278	(1 127 645)	140 55