



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
VILLAGE COUNCIL OF KOËS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 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 Koës for the financial year ended 30 June 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 KOËS VILLAGE COUNCIL  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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**1. DISCLAIMER OF AUDIT OPINION**

I have audited the financial statements of the Village Council of Koes for the financial year ended 30 June 2017. 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:

- Non-disclosure of depreciation amounting to N\$ 1 791 439;
- Netbook values amounting to N\$ 11 646 164 could not be verified due insufficient information on purchase dates;
- Physical asset inspection could not be performed due to assets are not marked with serial numbers;
- Difference for loans receivable amounting to N\$ 909 822 between financial statements and Finstel System.
- Non submission of cashbook for audit purpose;
- no inventory report provided for audit purpose;
- No supporting invoices for journals amounting to N\$ 246 812 for expenditure;
- Suspense account (unallocated deposits) amounting to N\$ 1 595 664 not cleared at year-end;
- Undisclosed trade and other payables amounting to N\$ 682 465;
- Non-submission of supporting documents for Salaries amounting to N\$ 1 605 601;
- Unexplained difference amounting to N\$ 275 936 for VAT;
- VAT returns for January and February were submitted twice with different amounts of N\$ 77 852 and N\$ 64 382 respectively;

- No credit policy to confirmed the provision for bad debts amounting to N\$ 6 278 355; and
- Unexplained credits balances amounting to N\$ 165 713 recorded in the debtors' ledger.

### **3. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN**

I draw attention to the financial statements which indicates that the Council incurred a net loss of N\$ 211 553 during the year ended 30 June 2017, and as of that date the Council's current liabilities exceeded its current assets by N\$ 2 901 543. The trade receivables is N\$ 6 829 100 and provision for bad debts is estimated at N\$ 6 278 355. These conditions indicates that a material uncertainty exist that may cast significant doubt on the Council's ability to continue as a going concern.

### **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 INFORMATION**

My opinion on the financial statements does not cover the other information and 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. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

### **6. 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.

## **7. 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, 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.

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

The accounts were submitted by the Accounting Officer to the Auditor-General on 23 April 2018 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, June 2019**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



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

**ANNEXURE A**

	Note	2017 N\$	2016 N\$
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property Plant and Equipment		11 646 164	12 935 733
Loans Receivable		3 031 456	3 161 247
Investments	2	15 294	586 459
<b>Current Assets</b>			
Trade and Other Receivables	3	1 513 240	1 357 275
Livestock		317 800	519 325
<b>TOTAL ASSETS</b>		<b>16 523 954</b>	<b>18 560 039</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds and reserves</b>			
Capital outlay	4	11 094 317	12 383 887
Funds and accounts	5	95 405	1 508 140
<b>Non-current liabilities</b>			
Long term liabilities	6	601 649	601 648
<b>Current Labilities</b>			
Trade and other payable	7	4 275 031	3 999 556
Bank		457 552	66 808
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>16 523 954</b>	<b>18 560 039</b>

## ANNEXURE B

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

		<b>2017</b>	<b>2016</b>
	Note	N\$	N\$
Income		8 163 004	6 580 578
Expenditure		(8 382 980)	(6 300 987)
Net operating surplus		(219 976)	279 591
Interest Received		8 423	62 580
Net Surplus after interest		(211 553)	342 171
APPROPRIATION ACCOUNT	8	(1 345 687)	(236 192)
Net surplus after Appropriations		(1 557 240)	105 979

## ANNEXURE C

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

	Note	<u>2017</u>	<u>2016</u>
		N\$	N\$
<b>CASH UTILISED BY OPERATIONS</b>	9	(1 244 626)	(871 564)
Investment income (interest)		8 423	62 580
(Decrease) increase in Fund account		144 504	134 066
Increase in Capital outlay		1 289 570	1 709 143
<b>Net cash flow from operating activities</b>		<u><b>197 871</b></u>	<u><b>1 034 225</b></u>
<b>Cash flow from investing activities</b>		<u><b>(588 613)</b></u>	<u><b>(731 122)</b></u>
Additions to property, plant and equipment		(1 289 569)	(1 709 143)
increase in loans receivables		129 791	133 231
Decrease/(increase) in investments		571 165	844 790
<b>Net change in cash and cash equivalents</b>		<u><b>(390 744)</b></u>	<u><b>303 103</b></u>
Cash and Cash Equivalents - Beginning of the year		(66 808)	(369 911)
Cash and Cash Equivalents - end of the year		<u><u><b>(457 552)</b></u></u>	<u><u><b>(66 808)</b></u></u>

**VILLAGE COUNCIL OF KOËS  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE 2017**

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## **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 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 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, to make provision for unforeseen expenditure, as approved by the Council.

**VILLAGE COUNCIL OF KOËS**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2017 (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.

	<b>2017</b>	<b>2016</b>
	N\$	N\$
<b>2. INVESTMENTS</b>		
Commercial banks	<b>15 295</b>	<b>586 459</b>
ALLOCATED AS FOLLOWS:		
Build Together Fund	7 311	28 872
Fixed Property Fund	-	66 605
Capital Reserve Fund	-	218 788
Housing Fund	7 984	272 194
<b>3. TRADE AND OTHER RECEIVABLES</b>	<b>1 513 239</b>	<b>1 357 275</b>
Consumers Debtors	6 829 100	6 120 100
Sundry receivables	4 000	4 000
VAT Control	958 494	596 807
Provision for bad debts	(6 278 355)	(5 363 632)
<b>4. CAPITAL OUTLAY</b>	<b>11 094 317</b>	<b>12 383 887</b>
Revenue contributions (Ex Income)	10 377 618	8 207 821
General capital contributions	434 010	3 893 377
Loans redeemed	282 689	282 689
<b>5. FUNDS, ACCOUNTS AND RESERVES</b>	<b>95 405</b>	<b>1 508 140</b>
Build together fund	6 289 897	6 145 393
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	(6 790 621)	(5 233 382)

## ANNEXURE D

**VILLAGE COUNCIL OF KOËS**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2017(continued)**

<b>6. LONG-TERM LIABILITIES</b>	<b>601 649</b>	<b>601 648</b>
External loans	551 846	551 846
Housing loans	49 803	49 802
<b>7. TRADE AND OTHER PAYABLES</b>	<b>4 275 031</b>	<b>3 999 556</b>
Provisions for leave pay	410 704	344 766
Suspense account	3 851 559	3 645 880
Deposits	12 768	8 910
<b>8. ADJUSTMENTS TO APPROPRIATION ACCOUNT</b>	<b>(1 345 687)</b>	<b>(236 192)</b>
Adjustments expenditure	(661 801)	(1 192 017)
old deposit adjustments	(200)	1 594 818
Provision for bad debts	(914 723)	(638 993)
Revenue	231 037	-
<b>9. CASH UTILISED BY OPERATIONS</b>		
Operating surplus (deficit) Surplus before interest and transfers	(211 553)	342 171
Investment income	(8 423)	(62 580)
Adjustments to Appropriation account	(1 345 687)	(236 192)
<b>OPERATING SURPLUS/(DEFICIT) BEFORE CHANGES IN WORKING CAPITAL</b>	<b>(1 565 663)</b>	<b>43 399</b>
<b>CHANGES IN WORKING CAPITAL</b>	<b>321 035</b>	<b>(914 963)</b>
Decrease (increase) in inventories	201 525	(120 668)
Decrease (increase) in trade and other receivable	(155 965)	(829 715)
Decrease (increase) in trade and other payables	275 475	35 420
<b>CASH UTILISED BY OPERATIONS</b>	<b>(1 244 627)</b>	<b>(871 564)</b>

