



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF MALTAHÖHE**

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2013, 2014, 2015 AND 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 Maltahöhe for the financial years ended 30 June 2013, 2014, 2015 and 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.

WINDHOEK, June 2017

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MALTAHÖHE VILLAGE COUNCIL
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013, 2014, 2015 AND 2016**

1. Report on the Financial Statements

1.1 INTRODUCTION

The accounts of the Maltahohe Village Council for the financial years ended 30 June 2013, 2014, 2015 and 2016 are being reported on in accordance with provisions set out in the Local Authorities Act, 1992 (Act 23 of 1992).

Figures in the report are rounded to the nearest Namibia dollar and deficits are indicated in (brackets).

I certify that I have audited the accompanying financial statements of the Maltahohe Village Council for the financial years ended 30 June 2013, 2014, 2015 and 2016. These financial statements comprise of the following:

Annexure A: Balance sheet;
Annexure B: 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 18 October 2016 instead of three months (3 months) after the year end as required by the Act.

The financial statements, and general information provided by the Accounting Officer are attached as Annexure 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 39 of the Regional Council Act, 1992 and relevant legislation, and for such internal control as management deemed 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 movable goods; 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. ACKNOWLEDGMENT

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

5. KEY AUDIT FINDINGS

5.1 Internal control and accounting records

There were no sufficient system of internal control and proper accounting records at the Village Council on which the auditors could rely upon for audit purposes.

Recommendation

It is recommended that the Council implement a proper system of internal control and keep proper accounting records.

5.2 Property, plant and equipment

The Council could not provide proper documentation on the construction of the new building of N\$ 1 632 505.

Recommendation

It is recommended that the Council should keep all invoices in a proper order and provide them for audit purposes.

5.3 Property, plant and equipment

The auditors are of the opinion that the asset register is not fairly stated with regard to the assertions of completeness, accuracy and classification. The auditors also observed that assets that were acquired have not been included in the asset register, and items on the asset register that should have been expensed.

Recommendation

It is recommended that the Council should ensure that the asset register is up to date at all times.

5.4 Trade and other receivables

There were no VAT reconciliations done, thus the annual financial statements does not reflect an accurate balance of the VAT account.

Recommendation

It is recommended that the Council should reconcile the VAT account properly to the payments, the general ledger and the amount disclosed in the financial statements.

5.5 Trade and other receivables

The auditors are of the opinion that the provision for bad debts is understated with N\$ 6 164 071.

Recommendation

It is recommended that the Council should increase the provision for bad debts.

5.6 Trade and other receivables

No age analysis or a list of Build Together advances could be provided for audit purposes.

Recommendation

It is recommended that the Council should keep such items up to date and available.

5.7 Trade and other payables

No lists or reconciliations of trade and other payables were available for audit purposes, and the auditors were thus unable to verify the correctness and completeness of trade and other payables.

Recommendation

It is recommended that the Council should compile a list and reconciliations of these payables.

5.8 Inventory

The auditors did not observe the counting of the inventories on 30 June. There were no stock sheets for the auditors to perform alternative practical audit procedures to confirm the existence of the inventories on hand at year-end.

Recommendation

It is recommended that the Council should reflect the correct amount for inventory on the financial statements.

5.9 VAT and P.A.YE

All VAT returns were submitted late to the Directorate: Inland Revenue. No PAYE returns were submitted to the Directorate: Inland Revenue. No provisions in the financial statements were made for the outstanding PAYE or VAT. The Council should address this matter to avoid interest and penalties.

Recommendation

It is recommended that the Council should give urgent attention to these matters.

5.10 Income – Electricity

The Council could not provide auditors with electricity statistics; therefore the auditors could not perform practical tests on the sale of electricity.

Recommendation

It is recommended that the Council should keep these statistics on the billing system.

5.11. Income - Assessment rates

At the time of the audit, the Council could not trace the valuation roll, thus the auditors could not perform any tests on rates and taxes income.

Recommendation

It is recommended that the Council should find and update the valuation roll.

5.12 Expenses

The auditors could not perform proper tests on expenses with regard to the assertions of accuracy and completeness, due to improper filing, untraceable invoices and transactions processed with VAT inclusive.

Recommendation

It is recommended that the Council should keep all invoices and ensure that transactions are processed with VAT exclusive.

5.13. Salaries and Wages

The Council was unable to explain the material difference of N\$ 576 421 between the salary register and the annual financial statements.

Recommendation

It is recommended that the Council should reconcile the payroll on a monthly basis and properly file these reconciliations.

5.14 Management letter

Management did not respond to the management letter.

5.15 Circular D3/2015

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

Recommendation

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


6. BASIS FOR DISCLAIMER AUDIT OPINION

- No sufficient system of internal control and proper accounting records;
- No proper detail of assets on the asset register;
- No proper documentation on the construction of the new building of N\$ 1 632 505;
- No VAT reconciliations;
- Understatement of the provision for bad debts with N\$ 6 164 071;
- No age analysis for debtors;
- No list of Build Together advances could be provided for audit purposes;
- No lists or reconciliations of trade and other payables was conducted;
- No stock sheets of the inventories on hand at year-end were available;
- No provisions for interest and penalties;
- Unavailability of electricity statistics;
- No valuation roll was available to test assessment rates;
- No proper filing of expense invoices to properly test the expenses; and
- Unexplained difference of N\$ 576 421 between the salary register and the annual financial statements.

7. DISCLAIMER AUDIT OPINION:

The accounts of the Maltahohe Village Council for the financial year ended 30 June 2013, 2014, 2015 and 2016 summarised in Annexures A to D, were audited by me in terms of Section 85 of the Local Authorities Act, 1992, Act 23 of 1992 read with Section 25(1) (b) of the State Finance Act, 1991(Act 31 of 1991).

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, June 2017

**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

**MALTAHoHE VILLAGE COUNCIL
BALANCE SHEET AT 30 JUNE**

	Note	2016	2015	2014	2013	2012
ASSETS		N\$	N\$	N\$	N\$	N\$
NON CURRENT ASSETS		24 023 383	23 103 750	21 873 517	19 040 329	6 118 139
Property, plant and equipment	1	20 489 177	19 065 595	17 030 020	12 050 443	6 118 139
Investments	2	3 534 206	4 038 155	4 843 497	6 989 886	-
CURRENT ASSETS		7 650 360	4 507 027	2 944 404	1 559 728	448 015
Trade and other receivables	3	7 502 154	4 268 751	2 785 882	1 482 325	355 047
Inventories	4	33 005	33 005	33 005	33 005	51 555
Cash and cash equivalents	5	115 201	205 271	125 517	44 398	41 413
TOTAL ASSETS		31 673 743	27 610 777	24 817 921	20 600 057	6 566 154
FUNDS AND RESERVES		21 874 451	20 134 831	18 058 115	13 805 103	2 793 386
Capital outlay	6	22 781 500	21 261 043	19 100 209	15 378 683	2 201 805
Funds and accounts	7	(907 049)	(1 126 212)	(1 042 094)	(1 573 580)	591 581
LONG-TERM LIABILITIES		2 603 541	2 603 541	2 603 541	2 603 541	-
Long-term loans	8	2 603 541	2 603 541	2 603 541	2 603 541	-
CURRENT LIABILITIES		7 195 751	4 872 405	4 156 265	4 191 413	3 772 768
Trade and other payables	9	7 195 751	4 872 405	4 156 265	4 191 413	3 772 768
TOTAL FUNDS AND LIABILITIES		31 673 743	27 610 777	24 817 921	20 600 057	6 566 154

ANNEXURE B

MALTAH0HE VILLAGE COUNCIL
INCOME STATEMENT FOR THE YEARS ENDED 30 JUNE

Note	2016	2015	2014	2013	2012
	N\$	N\$	N\$	N\$	N\$
INCOME	9 140 212	6 694 591	5 244 125	6 006 976	3 866 390
EXPENDITURE	(10 452 630)	(10 079 209)	(7 342 443)	(6 894 094)	(4 206 215)
NET OPERATING LOSS	(1 312 418)	(3 384 618)	(2 098 318)	(887 118)	(339 825)
INVESTMENT INCOME	171 333	245 237	279 726	176 618	-
NET LOSS FOR THE YEAR	(1 141 085)	(3 139 381)	(1 818 592)	(710 500)	(339 825)
APPROPRIATION ACCOUNT	1 339 735	3 030 636	2 316 657	(2 355 074)	-
ACCUMULATED FUNDS - Beginning of year	198 650	(108 745)	498 065	(3 065 574)	(339 825)
ACCUMULATED FUNDS - End of year	(2 084 673)	(1 975 928)	(2 473 993)	591 581	931 406
	(1 886 023)	(2 084 673)	(1 975 928)	(2 473 993)	591 581

ANNEXURE C

MALTAHoHE VILLAGE COUNCIL
CASH FLOW STATEMENT FOR THE YEARS ENDED 30 JUNE

	Note	2016	2015	2014	2013	2012
		N\$	N\$	N\$	N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES						
Cash receipts from customers		9 140 212	6 694 591	5 244 125	6 006 976	3 866 390
Cash paid to suppliers		(10 022 952)	(7 815 302)	(6 364 491)	(9 939 251)	(840 049)
Cash (utilised)/generated by operations	11	(882 740)	(1 120 711)	(1 120 366)	(3 932 275)	3 026 341
Investment income		171 333	245 237	279 726	176 618	-
Movement in Fund accounts						
- Change in Capital outlay		1 520 457	2 160 834	3 721 526	13 176 878	2 201 805
- Change in Funds		20 513	24 627	33 421	900 413	-
Net cash flow from operating activities		829 563	1 309 987	2 914 307	10 321 634	5 228 146
CASH FLOW FROM INVESTING ACTIVITIES						
Net capital expenditure		(1 423 582)	(2 035 575)	(4 979 577)	(5 932 304)	(6 118 139)
Change in investments		503 949	805 342	2 146 389	(6 989 886)	-
		(919 633)	(1 230 233)	(2 833 188)	(12 922 190)	(6 118 139)
CASH FLOW FROM FINANCING ACTIVITIES						
Change in long-term liabilities		-	-	-	2 603 541	-
		-	-	-	2 603 541	-
NET CASH AND CASH EQUIVALENTS		(90 070)	79 754	81 119	2 985	(889 993)
CASH AND CASH EQUIVALENTS – 01.07		205 271	125 517	44 398	41 413	931 406
CASH AND CASH EQUIVALENTS – 30.06		115 201	205 271	125 517	44 398	41 413

ANNEXURE D

**MALTAH6HE VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE**

	2016	2015	2014	2013	2012
	N\$	N\$	N\$	N\$	N\$
1. PROPERTY, PLANT AND EQUIPMENT					
Total	20 489 177	19 065 595	17 030 020	12 050 443	6 118 139
	20 489 177	19 065 595	17 030 020	12 050 443	6 118 139
2. INVESTMENTS Commercial Banks	3 534 206	4 038 155	4 843 497	6 989 886	-
Capital section	3 534 206	4 038 155	4 660 616	5 918 666	-
Housing Fund	-	-	182 662	135 118	-
Revenue	-	-	219	936 102	-
3. TRADE AND OTHER RECEIVABLES					
Services, rates and taxes	7 502 154	4 268 751	2 785 882	1 482 325	355 047
VAT	7 493 954	4 545 742	3 016 295	1 831 024	355 047
Build Together	461 870	111 254	142 906	10 498	-
Provision for bad debts	282 735	348 160	363 086	377 208	-
	8 238 559	5 005 156	3 522 287	2 218 730	355 047
	(736 405)	(736 405)	(736 405)	(736 405)	-
4. INVENTORY	33 005	33 005	33 005	33 005	51 555
Livestock	33 005	33 005	33 005	33 005	51 555

ANNEXURE D

MALTAHÖHE VILLAGE COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE (Continue)

	2016	2015	2014	2013	2012
	N\$	N\$	N\$	N\$	N\$
5 CASH AND BANK BALANCES	115 201	205 271	125 517	44 398	41 413
Namwater joint account	90 549	-	-	-	-
Current account	24 652	205 271	125 517	44 398	-
6 CAPITAL OUTLAY	22 781 500	21 261 043	19 100 209	15 378 683	2 201 805
Unknown	-	-	-	-	2 201 805
Loans redeemed	94 295	94 295	94 295	94 295	-
Revenue contributions	4 706 807	4 805 569	4 923 654	5 063 351	-
General Capital contributions	17 980 398	16 361 179	14 082 260	10 221 037	-
7 FUNDS AND ACCOUNTS	(907 049)	(1 126 212)	(1 042 094)	(1 573 580)	591 581
Fixed Property Fund	100 829	100 829	100 829	100 829	591 581
Capital Reserve Fund	300 373	300 373	300 373	300 373	-
Housing Fund	577 772	557 259	532 632	499 211	-
Revenue account	(1 886 023)	(2 084 673)	(1 975 928)	(2 473 993)	-
8 LONG-TERM LIABILITIES	2 603 541	2 603 541	2 603 541	2 603 541	-
The Government of Namibia	2 590 425	2 590 425	2 590 425	2 590 425	-
Housing loans	13 116	13 116	13 116	13 116	-

ANNEXURE D

**MALTAH6HE VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE (Continue)**

	2016	2015	2014	2013	2012
	N\$	N\$	N\$	N\$	N\$
9 TRADE AND OTHER PAYABLES	7 195 751	4 872 405	4 156 265	4 191 413	3 772 768
Trade payables	6 258 804	3 923 483	4 070 951	3 468 199	48 361
Provision for leave	78 503	78 503	78 504		3 429 796
Suspence accounts	850 000	863 609	-		141 577
Consumer deposits	8 444	6 810	6 810	78 502	78 502
	-	-	-	644 712	74 532
10 APPROPRIATION ACCOUNT	1 339 735	3 030 636	2 316 657	(2 355 074)	-
Prior year adjustments	1 339 735	3 030 636	2 316 657	(2 355 074)	-
11 GENERATED BY OPERATIONS	(882 740)	(1 120 711)	(1 120 366)	(3 932 275)	3 026 341
NET OPERATING DEFICIT BEFORE TRANSFERS	(1 141 085)	(3 13381)	(1 818 592)	(710 500)	(339 825)
- Adjustments to appropriation account	1 339 735	3 030 636	2 316 657	(2 355 074)	-
- Investment income	(171 333)	(245 237)	(279 726)	(176 618)	-
Change in trade and other receivables	(3 233 403)	(1 482 869)	(1 303 557)	(1 127 278)	(355 047)
Change in inventories	-	-	-	18 550	(51 555)
Change in trade and other payables	2 323 346	716 140	(35 148)	418 645	3 772 768