



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF MALTAHÖHE
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2017 AND 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 Maltahöhe for the financial years ended 30 June 2017 and 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.

WINDHOEK, July 2019

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 VILLAGE COUNCIL
OF MALTAHÖHE FOR THE FINANCIAL YEARS ENDED 30 JUNE 2017 AND 2018**

1. DISCLAIMER AUDIT OPINION

I have audited the financial statements of the Village Council of Maltahöhe for the financial years ended 30 June 2017 and 2018. These financial statements comprise the statement of financial position and statement of comprehensive income for the years then ended.

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 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 reasons (**recurring matters*):

- No financial reporting framework in place;
- *Incomplete fixed asset register;
- Absence of a fixed asset policy;
- No supporting documents for investment to the value of N\$ 236 223 (2017);
- No supporting documents for property development and equipment to the value of N\$ 991 635 (2017) and N\$ 617 594 (2018);
- Non-submission of payment vouchers amounting to N\$ 1 900 102 (2018);
- Assets to the value of N\$ 438 009 wrongly classified as expenditure (2018);
- Bulk water purchase overstated with N\$ 122 454 (2017) and N\$ 249 865 (2018);
- Value added tax on bulk electricity purchase amounting to N\$ 494 037 (2017) and N\$ 525 579 (2018) not posted to the VAT account;
- No supporting documents for other payables of N\$ 1 082 671 (2017) and N\$ 1 699 538 (2018);
- Failure to provide for bad debts in accordance with credit policy, resulting in difference of N\$ 7 390 502 (2017) and N\$ 9 031 462 (2018);
- Unexplained trade receivables difference of N\$ 104 535 (2017) and N\$ 1 996 977 (2018) between transaction ledger and financial statements;
- No interest income is recognised on outstanding build together loans;
- VAT returns for the years under review not submitted to the Receiver of Revenue;
- * No provision for interest and penalties raised in the financial statements;
- Difference of N\$ 341 364 (2017) and N\$ 618 727 (2018) between auditors calculation and VAT receivables disclosed in the financial statements;
- Understatement of rates and taxes revenue with N\$ 548 869 (2017) and N\$ 1 099 710 (2018);
- Townland and grazing fees to the value of N\$ 160 332 (2017) could not be verified; due to poor record keeping of the Council;

- Understatement of water and electricity sales with N\$ 581 103 (2017) and N\$ 187 296 (2018);
- No supporting documents for government contributions amounting to N\$ 6 284 657;
- No supporting documents for Road Fund Administration amounting to N\$ 399 628;
- No supporting documents for house rental amounting to N\$ 724 832;
- A difference of N\$ 120 053 (2017) between daily reports and weekly deposits;
- *Unexplained difference of N\$ 645 417 (2017) and N\$ 514 018 (2018) between payroll reports and financial statements;
- Pay As You Earn (PAYE) deducted from employees' salaries not paid over to Inland Revenue Directorate, N\$ 142 749 (2017) and N\$ 241 226 (2018);
- Suspense account balances of N\$ 1 411 492 (2017) and N\$ 1 511 664 (2018) could not be verified; as the Council could not provide information or supporting documents to support the balances;
- Closing balances for 2016 financial year were not processed in 2017 transaction ledger as opening balances; and
- The Council did not prepare the cash flow statement for the financial years under review.

3. OTHER INFORMATION

Management is responsible for the 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.

4. 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 Section 86 of the Local Authorities Act, 1992 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.

5. 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 a 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.

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 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

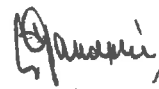
period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

6. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements were submitted later than required by the Accounting Officer to the Auditor-General on the 27th February 2019 in terms of Section 87(1) of the Local Authorities Act, 1992.

The Council did not provide management letter comments on the audit findings for incorporation.

WINDHOEK, July 2019



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**VILLAGE COUNCIL OF MALTA HÖHE
BALANCE SHEET AS AT 30 JUNE**

	Note	2018 N\$	2017 N\$	2016 N\$
ASSETS				
Non-Current Assets		24 821 455	23 828 190	24 024 383
Property, plant and equipment		21 702 749	21 277 019	20 489 177
Investments		3 118 706	2 551 171	3 535 206
Current Assets		13 618 301	10 458 237	7 650 360
Trade and other receivables	1	13 426 103	10 012 638	7 502 154
Inventories		-	-	33 005
Cash and cash equivalents	2	192 197	445 599	115 201
TOTAL ASSETS		38 439 756	34 286 427	31 674 743
FUNDS AND LIABILITIES				
Funds		21 511 133	20 643 098	21 874 451
Capital outlay	3	23 111 168	22 685 438	22 781 500
Funds and accounts	4	(1 600 036)	(2 042 340)	(907 049)
Non-Current Liabilities		2 603 542	2 603 542	2 603 541
Long-term loans	5	2 603 542	2 603 542	2 603 541
Current Liabilities		14 325 081	11 039 788	7 195 751
Trade and other payables	6	14 325 081	11 039 788	7 195 751
TOTAL FUNDS AND LIABILITIES		38 439 756	34 286 427	31 673 743

VILLAGE COUNCIL OF MALTAHÖHE
INCOME STATEMENT FOR THE YEARS ENDED 30 JUNE

		2018	2017	2016
	Note	N\$	N\$	N\$
Revenue	7	11 692 736	9 136 769	9 140 213
Expenditure	8	(12 443 376)	(10 770 530)	(10 452 630)
Net operating deficit		(750 640)	(1 633 761)	(1 312 417)
Investment income		86 650	149 093	171 333
Net deficit for the year		(663 990)	(1 484 668)	(1 141 084)
Appropriation account	9	1 090 111	431 755	1 339 735
Surplus/(deficit) after appropriation		426 121	(1 052 913)	198 651

VILLAGE COUNCIL OF MALTAHÖHE
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

	2018	2017	2016
	N\$	N\$	N\$
1. TRADE AND OTHER RECEIVABLES	13 426 103	10 012 638	7 502 154
Services	12 346 187	9 600 563	7 493 954
Value added tax	1 450 837	918 324	461 870
Sundry debtors	151 417	-	-
Housing fund debtors	214 067	230 156	282 735
Provision for bad debts	(736 405)	(736 405)	(736 405)
2. CASH AND CASH EQUIVALENTS	192 197	445 599	115 201
Bank	99 140	5 621	24 652
Namwater joint account	93 057	203 754	90 549
Investments	-	236 223	-
3. CAPITAL OUTLAY	23 111 168	22 685 438	22 781 500
Loans redeemed	94 295	94 295	94 295
Revenue contributions	5 141 823	4 610 745	4 706 807
General capital contributions	17 875 050	17 980 398	17 980 398
4. FUNDS AND ACCOUNTS	(1 600 036)	(2 042 340)	(907 049)
Fixed property fund	100 829	100 829	100 829
Capital reserve fund	300 373	300 373	300 373
Housing fund	610 704	594 522	577 772
Revenue account	(2 611 942)	(3 038 065)	(1 886 023)
5. LONG-TERM LIABILITIES	2 603 542	2 603 542	2 603 541
The Government of Namibia	2 590 426	2 590 426	2 590 425
Housing loans	13 116	13 116	13 116
6. TRADE AND OTHER PAYABLES	14 325 081	11 039 788	7 195 751
Trade payables	12 726 471	9 541 350	6 258 804
Provision for leave	78 502	78 502	78 503
Suspense accounts	1 511 664	1 411 492	850 000
Consumer deposits	8 444	8 444	8 444

VILLAGE COUNCIL OF MALTAHÖHE
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE
(continued)

	2018	2017	2016
	N\$	N\$	N\$
7. REVENUE	11 692 736	9 136 769	9 140 213
Contribution by Government	2 268 242	1 637 468	-
Property rates	533 571	533 318	473 322
Tender board fees	-	1 956	11 104
Sundry income	7 865	14 897	42 134
Business registration	2 641	1 272	971
Duplication services	236	341	2 916
House rentals	324 650	370 577	382 963
Interest on arrears	1 139 181	676 671	460 336
Cleansing services	305 212	307 638	290 563
Road Fund Administration	399 628	-	363 665
Burial fees	6 678	7 942	4 133
Grazing fees	29 546	32 942	31 695
Renting townlands	74 406	140 786	258 531
Sewerage private	126 130	132 054	129 844
Sewerage suction	-	92 991	186 918
ECB levy	145 411	30 260	21 072
Electricity sales	3 823 866	2 946 797	4 830 543
Connection fees	1 629	1 831	4 919
Contribution government	1 406 741	972 206	557 204
Sale of water	1 096 581	1 233 233	1 081 417
Water connection fees	522	1 589	5 963
8. EXPENDITURE	12 443 376	10 770 529	10 452 629
Salaries and allowances	3 582 959	3 018 176	3 470 151
General expenses	7 913 796	7 582 259	6 376 652
Repairs and maintenance	329 027	142 796	605 826
Capital charges	617 594	27 298	-
9. APPROPRIATION ACCOUNT	1 090 111	431 755	1 339 735
Revenue not allocated	753 813	755 121	2 669 259
Trial balance difference	674 312	-	-
Expenditure not allocated	(41 173)	(278 471)	(1 329 524)
Creditors written back	-	(11 890)	-
Livestock written off	-	(33 005)	-
Votes that does not exist	(279 236)	-	-
Difference money recover	(17 606)	-	-