



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
VILLAGE COUNCIL OF OTJINENE  
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2015 AND 2016**

Published by authority

Price (Vat excluded) N\$ 31.40  
Report no: 127/2018



**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 Otjinene for the financial years ended 30 June 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.

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

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**WINDHOEK, November 2018**



**REPORT OF THE AUDITOR-GENERAL  
ON THE ACCOUNTS OF THE OTJINENE VILLAGE COUNCIL FOR THE FINANCIAL  
YEARS ENDED 30 JUNE 2015 AND 2016**

---

**1. DISCLAIMER OF AUDIT OPINION**

The accounts of the Otjinene Village Council for the financial years ended 30 June 2015 and 2016 have been audited in terms of Section 85 of the Local Authorities Act, 1992 (Act No 23 of 1992) read with sections 25, 26 and 27 of the State Finance Act, 1991 (Act No 31 of 1991).

Because of the significance of the matters described in the Basis for Disclaimer of audit Opinion paragraph, I have not been able to obtain appropriate audit evidence to provide a basis for an opinion. Accordingly, I do not express an opinion of the financials statements of the Village Council of Otjinene as at 30 June 2015 and 2016.

**2. BASIS 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 in Namibia, 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-submission of all supporting documentation amounting to N\$ 11 146 505 for the year (2015) and N\$ 22 318 195 for the year (2016);
- Misstatement of VAT amounting to N\$ 538 682 for the year (2016);
- Misstatement of employee cost amounting to N\$ 170 679 (2016);
- All returns for the period (2016) were submitted late to the Receiver of Revenue;
- No Bank reconciliations were performed;
- No depreciation policy in place; and
- Credit policy not catering for provision for bad debts.

**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. I have nothing to report in this regard.

#### **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 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.

#### **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 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 skepticism 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.

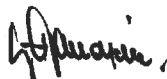
## **6. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

The financial statements for the financial years ended 30 June 2015 and 2016 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 85 of the Local Authorities Act, 1992 (Act No. 23 of 1992), read with Sections 25, 26 and 27 of the State Finance Act, 1991 (Act No. 31 of 1991), except that they were only submitted on 14 February 2017 instead of three months (3 months) after the year end as required by the Act.

## **7. ACKNOWLEDGEMENT**

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

**WINDHOEK, November 2018**

  
**JUNIAS ETUNA KANDJEKE**  
**AUDITOR-GENERAL**

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

	Note	2016 N\$	2015 N\$
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment		1 105 742	666 030
<b>Current Assets</b>			
Trade and other receivables	1	12 388 259	6 702 284
Cash and cash equivalents	2	397 719	884 029
<b>TOTAL ASSETS</b>		<b>13 891 720</b>	<b>8 252 343</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Accumulated Surplus		2 782 339	3 067 347
<b>Non-current liabilities</b>			
Loans: Revenue & General Capital		1 105 742	666 030
<b>Current Liabilities</b>			
Trade and other payables	3	5 303 638	1 518 966
Provisions	4	4 700 000	3 000 000
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>13 891 720</b>	<b>8 252 343</b>



**OTJINENE VILLAGE COUNCIL  
INCOME STATEMENT FOR THE FINANCIAL YEARS ENDED 30 JUNE**

---

		<b>2016</b>	<b>2015</b>
		N\$	N\$
	Note		
<b>Revenue</b>	5	<b>5 485 170</b>	<b>1 449 637</b>
Other income	6	3 513 243	2 379 030
Operating expenditures	7	<u>(7 619 355)</u>	<u>(1 722 862)</u>
<b>(Surplus) / Deficit before investment</b>		<b>1 379 058</b>	<b>2 105 805</b>
Investment income		10 062	14 940
<b>(Surplus) / Deficit for the year</b>		<b>1 389 120</b>	<b>2 120 745</b>

## ANNEXURE C

## OTJINENE VILLAGE COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

	2016	2015
	N\$	N\$
<b>1. TRADE AND OTHER RECEIVABLES</b>	<b>12 388 259</b>	<b>6 702 284</b>
Housing Debtors	1 233 059	1 184 789
Debtors (Services)	9 897 604	5 517 495
Incomplete Projects	<b>360 000</b>	-
Temporary Advance Revenue	897 596	-
<b>2. CASH AND CASH EQUIVALENTS</b>	<b>397 719</b>	<b>884 029</b>
Current account	305 054	864 783
Call account	92 665	19 246
<b>3. TRADE AND OTHER PAYABLES</b>	<b>5 303 638</b>	<b>1 518 966</b>
Housing Fund	2 490 654	1 184 789
Creditors	1 049 286	334 177
Temporary Advance from Housing Fund	897 595	-
VAT payables	866 103	-
<b>4. PROVISIONS</b>	<b>4 700 000</b>	<b>3 000 000</b>
Provision on Bad Debts	4 000 000	2 500 000
Provision on Leave	700 000	500 000
<b>5. REVENUE</b>	<b>5 485 170</b>	<b>1 449 637</b>
Water sales	4 223 687	880 150
Sewerage fees	389 859	334 250
Refuse removal fees	589 973	235 237
Water connections	9 214	-
Water sales basic	163 170	-
Sewerage Connections	333	-
Duplicating services	435	-
Surcharges (Censored)	108 499	-

## OTJINENE VILLAGE COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

	2016	2015
	N\$	N\$
<b>6. OTHER INCOME</b>	<b>3 513 243</b>	<b>2 379 030</b>
Government grants	3 187 528	2 050 000
Sundry income	155 360	311 480
Rent advertisements	-	17 550
Tender documents	4 696	-
Bill boards	2 650	-
Lease Agreement	102 184	-
Permission to occupy Rental Houses	56 422	-
Hall Rent	4 316	-
	87	-
<b>7. OPERATING EXPENDITURE</b>	<b>7 619 355</b>	<b>1 722 862</b>
Membership fees	35 350	15 000
Insurance	31 154	-
Bank charges	50 780	11 346
Bulk water purchases	2 108 983	334 177
Cleaning materials	13 237	15 988
Cleaning of town	102 390	-
Staff training	46 500	-
Advertising	148 140	-
Entertainment	36 468	10 530
Printing and stationery	90 581	7 885
Promotion materials	73 486	-
Materials	25 384	-
Sewerage	-	12 785
Travel & Accommodation	-	146 119
Security	94 008	-
Telephone	40 766	-
Consultancy fees	65 000	-
Salaries	1 985 578	501 002

## ANNEXURE C

## OTJINENE VILLAGE COUNCIL

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

	2016	2015
	N\$	N\$
Overtime	8 167	-
Service bonus	85 840	-
Social security commission	11 496	-
Pension fund	188 036	-
Medical aid	125 079	-
Airtime allowances	400	-
Cell phone allowances	2 000	-
Car allowances	61 333	-
Subsistence and Travelling	677 400	-
Casual labourers	66 172	-
Fuel	38 560	2 000
Repairs and maintenance	341 554	-
Licence vehicles	1 298	-
Licence finstel	23 719	-
Tender board fees	4 308	-
Utilities	140 469	-
Street maintenance	20 780	-
Insect and rodent control	19 711	-
Refuse removal	358 975	-
Protective clothing	35 008	-
Sundries expenses	21 532	-
Capital expenditures	439 712	666 030