



REPUBLIC OF NAMIBIA



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

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 Tsandi 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 2018

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

1. Report on the Financial Statements

1.1 INTRODUCTION

The accounts of Tsandi Village Council for the financial years ended 30 June 2016 and 2017 are presented to the National Assembly in accordance with the provisions set out in the Local Authorities Act, 1992 (Act No. 23 of 1992).

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

I certify that I have audited the accompanying financial statements of Tsandi Village Council for the financial years ended 30 June 2016 and 2017. These financial statements comprise the following:

Annexure A: Balance sheet;
Annexure B: Income statement;
Annexure C: Statement of changes in equity;
Annexure D: Cash flow statement; and
Annexure E: Notes to the financial statements.

The Chief Executive Officer in compliance with Section 87(1) of the Local Authorities Act, 1992 (Act No. 23 of 1992) submitted the financial statements to the Auditor-General.

The financial statements and notes to the financial statements provided by the Chief Executive Officer are attached as Annexure A-E.

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 86 of the Local Authorities Act, 1992 (Act No. 23 of 1992), and relevant 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.

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 sufficient and appropriate to provide a basis for the audit opinion.

4. ACKNOWLEDGEMENT

I would like to express my appreciation for the courtesy extended by the staff of the Tsandi Village Council during the audit.

5. KEY AUDIT FINDINGS

5.1 Revenue - 2015/2016

The auditors observed that revenue amounting to N\$ 112 063 was wrongly recorded as income generated from Omusati Regional Council but in actual fact these are debtors transferred from the Omusati Regional Council.

Recommendation

The Chief Executive Officer should ensure that transactions are correctly classified to the account they belong to in order to avoid over/understatements of accounts in the financial statements.

Management comment

The rectification will be recorded as Accounts Receivable towards the end of the financial year. However, the Council will seek assistance of the independent consultant to assist with the preparation of the financial statements as you will note that Tsandi Village Council has recently been proclaimed and most of the records were transferred from Omusati Regional Council by then.

5.2 Property, Plant and Equipment – 2016/17

The auditors observed the construction of Tsandi Village Council's office is still in progress, however there is no work in progress raised under assets in the financial statements. The auditors further noted the partial payments for construction of offices amounting to N\$ 941 781 made during 2016/2017 financial year as per certificate of work completed issued and was recorded as general expenses in the financial statements.

Recommendation

The Chief Executive Officer should ensure that the work in progress is separately disclosed under non-currents assets as a separate line item in the Balance Sheet.

Management comment

The Council have noted the non-disclosure of work in progress as reported. This happened due to a limited knowledge on appropriate record under the reporting template. The office is sending the staff members to the training in order to acquire knowledge in the preparation of financial statements.

5.3 Transactions recorded with VAT inclusive – 2015/2016

The auditors discovered that vouchers amounting to N\$ 735 085 were processed inclusive of VAT amounting to N\$ 95 067.

Recommendation

The Chief Executive Officer should ensure that transactions with VAT are recorded exclusive of VAT in the financial statements.

Management comment

The office has taken note of the recommendation and took note of the error made during the capturing of the transactions. The error is to be rectified within our financial system.

5.4 Depreciation 2016/2017

The Village Council failed to account correctly for the prior year depreciation due to incorrect formula application.

Recommendation

The Chief Executive Officer should ensure that fixed assets are correctly depreciated in accordance with the depreciation policy.

Management comment

The formula used to calculate depreciation by the financial system miscalculated the depreciation value, hence the formula will be adjusted so that it calculates the correct depreciation value correctly.

5.5 General Expenditure – 2016/17

The auditors discovered that an expense related to construction of the Tsandi Village Council Office amounting to N\$ 535 464 was recorded under general expenditure instead of work in progress during 2016/2017 financial year.

Recommendation

The Chief Executive Officer should ensure that transactions are posted to the correct accounts.

Management comment

The Council has taken note of the wrongly classification of the transactions.

5.6 Non-compliance to the Auditor-General Circular D3/2015

The Council failed to prepare circular D3/2015 as per Auditor-General's directive. Statements as required by Circular D3/2015 of the Auditor-General were not submitted.

Recommendation

The Chief Executive Officer should ensure that the Council prepare and submit the financials as per circular D3/2015 of the Auditor-General.

Management Comment

The Office has taken note of the recommendation and is requesting the Office of the Auditor-General to train our staff on D3/2015 format reporting for future proper and accurate records submission.

5.7 Contribution Account –Statement of Financial Position - 2016/2017

Asset donated from Omusati Regional Council was not accounted for in the Statement of Financial Position. As a result, the statement of financial position does not balance. A difference of N\$ 18 768 555 was observed.

Recommendation

The Chief Executive Officer should ensure that the Council correctly account for donated assets.

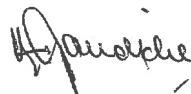
6. BASIS FOR ADVERSE AUDIT OPINION

- Revenue amounting to N\$ 112 063 was wrongly recorded as income;
- Contribution Account not credited with N\$ 18 768 555;
- N\$ 941 781 work in progress was wrongly recorded as general expenses;
- Vouchers amounting to N\$ 735 085 were processed inclusive of VAT;
- Depreciation overstated with an amount of N\$ 63 260;
- Work in progress amounting to N\$535 464 was recorded under general expenditure;
- The financial statements were not submitted as per circular D3/2015; and
- Asset donated the amount of N\$ 18768 555 not accounted for.

7. ADVERSE AUDIT OPINION

The accounts of Tsandi Village Council for the years ended 30 June 2016 and 2017 have been audited in terms of Section 85 of the Local Authorities Act, 1992 (Act No.23 of 1992).

In my opinion, except for the possible effects of the matters described in the Basis for Adverse Audit Opinion paragraph, the financial statements do not give a true and fair view of the financial position of Tsandi Village Council as at 30 June 2016 and 2017, and their financial performance and cash flows for the years then ended.



WINDHOEK, June 2018

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

ANNEXURE A

**TSANDI VILLAGE COUNCIL
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE**

	Note	2017 N\$	2016 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	22 509 202	712 803
Current assets			
Inventory		22 913	-
Trade and other receivables		409 044	110 936
Cash and cash equivalents	3	9 350 365	2 452 258
TOTAL ASSETS		*32 291 523	3 275 997
FUNDS AND LIABILITIES			
Funds and reserves			
Accumulated funds and reserves		12 521 491	2 657 023
Current liabilities			
Trade and other payables	4	1 031 477	740 596
TOTAL FUNDS AND LIABILITIES		*13 522 968	3 397 619

*Refer to paragraph 5.7 above

ANNEXURE B

TSANDI VILLAGE COUNCIL
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

		2017	2016
	Note	N\$	N\$
Income	5	24 910 466	2 908 639
Expenditure	6	15 134 245	254 992
Operating surplus		9 776 221	2 653 647
Interest received		88 468	3 376
Net surplus for the year		9 864 689	2 657 023
Revenue account			
At the beginning of the year		2 657 023	-
At the end of the year		12 521 712	2 657 023

TSANDI VILLAGE COUNCIL

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR END 30 JUNE

	N\$
Balance at 01 July 2015	-
Net surplus for the year	<u>2 657 023</u>
	<u>2 657 023</u>
Balance at 30 June 2016	2 657 023
Net surplus for the year	<u>9 864 468</u>
Balance at 30 June 2017	<u>12 521 491</u>

TSANDI VILLAGE COUNCIL
CASH FLOW STATEMENT FOR THE YEAR ENDED

	2017	2016
Note	N\$	N\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	24 612 358	2 797 703
Cash paid to suppliers and employees	(14 499 971)	(178 898)
Net cash flows from operating activities	10 112 387	2 618 805
CASHFLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(2 462 201)	(57 604)
Interest received	88 468	3 376
Net cash flows from investing activities	(2 373 733)	(54 228)
 (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	 7 738 654	 2 564 577
CASH AND CASH EQUIVALENTS		
-AT THE BEGINNING OF THE YEAR	2 564 577	-
-AT THE END OF THE YEAR	10 303 231	2 564 577

**TSANDI VILLAGE COUNCIL
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE**

1. ACCOUNTING POLICIES

1.1 Presentation of Annual Financial Statements

The annual financial statements have been prepared on the historical cost basis and incorporate the following principal accounting policies set out below which are consistent with those of the previous year.

These policies comply with Namibian statements of Generally Accepted Accounting Practice.

1.2 Property, plant and equipment

Property, plant and equipment are tangible items that:

- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes; and
- are expected to be used during more than one period.

All plant and equipment are stated at cost. Cost include costs incurred initially to acquire or construct an item of plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognized in the carrying amount of an item of plant and equipment, the carrying amount of the replaced part is derecognized.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is included in the cost of property, plant and equipment.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of plant and equipment, which is as follows:

Land and Building	50 Years
Furniture and fittings	5 Years
Motor vehicles	5 Years
Machinery & equipment	5 Years
Other Equipment	3 Years
Computer equipment	3 Years

1.3 Revenue

Revenue is derived from Municipal Charges and Subsidy from Central Government

ANNEXURE E

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

2. PROPERTY, PLANT AND EQUIPMENT

	2016/2017		2015/2016			
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ valuation	Accumulated depreciation	Carrying value
	N\$	N\$	N\$	N\$	N\$	N\$
Land & Building(hand over)	19 834 143	(403 842)	19 430 301	-	-	-
Motor vehicles	745 745	(221 850)	523 896	735 945	(73 297)	662 649
Furniture & Fittings	132 101	(22 626)	109 475	20 510	(2 051)	18 459
Computer equipment	128 874	(43 168)	85 706	2 999	(500)	2 499
Office equipment	29 373	(16 691)	12 682	22 329	(3 721)	18 607
Machinery and equipment	2 644 866	(297 723)	2 347 143	11 766	(1 177)	10 589
	23 515 101	1 005 899	22 509 202	793 549	80 745	712 803

ANNEXURE E

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

Reconciliation of property, plant and equipment - 2016/2017

	Opening N\$	Additions N\$	Disposals N\$	Depreciation N\$	Total N\$
Land & Building(hand over from Omusati RC)	-	19 834 143	-	(403 842)	19 430 301
Motor vehicles	662 649	9 800	-	(148 553)	523 896
Furniture & Fittings	18 459	111 591	-	(20 575)	109 475
Computer equipment	2 499	125 875	-	(42 668)	85 706
Office equipment	18 607	7 044	-	(12 969)	12 682
Machinery and equipment	10 589	2 633 100	-	(296 547)	2 347 143
	712 803	22 721 553	-	925 154	22 509 202

The additions include assets handed over from Omusati Regional Council of N\$ 20 282 264.41

Reconciliation of property, plant and equipment - 2015/2016

	Opening N\$	Additions N\$	Disposals N\$	Depreciation N\$	Total N\$
Motor vehicles	-	735 945	-	(73 297)	662 649
Furniture & Fittings	-	20 510	-	(2 051)	18 459
Computer equipment	-	2 999	-	(500)	2 499
Office equipment	-	22 329	-	(3 721)	18 607
Machinery and equipment	-	11 766	-	(1 177)	10 589
	-	793 549	-	(80 745)	712 803

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

	2017	2016
	N\$	N\$
3. CASH AND CASH EQUIVALENTS	9 350 365	2 452 258
Petty cash	21	-
Standard Bank - operational account	317 076	1 028 881
Online Banking account	2 553	-
Standard Bank - call account	9 030 715	1 423 376
4. TRADE AND OTHER PAYABLES	1 031 477	740 596
Accounts payable	267 209	735 945
Vat payable	764 268	4 651
5 INCOME	24 910 466	2 908 639
Income from municipal charges	3 131 177	112 063
Income generated from Omusati Regional Council	-	796 576
Homestead Compensation from Omusati Regional Council	3 779 289	-
Subsidy from Ministry of Urban & Rural Development	18 000 000	2 000 000

ANNEXURE E

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

	2017	2016
	N\$	N\$
Income from municipal charges	3 131 177	908 639
Income from water	1 473 045	112 063
Income generated from ORC	-	796 576
Income from sewerage	244 143	-
Income from refuse removal	406 700	-
Income from PTO	586 898	-
Income from tender fee	39 000	-
Income from photocopy & fax	628	-
Income from equipment hire	30 804	-
Income from penalties fee	3 668	-
Income from water connection	19 831	-
Income received from overdue account	51 430	-
Income from building plan	6 304	-
Income from garden refuse	100 369	-
Income from street cleaning	70 035	-
Income from refund (creditors)	2 980	-
Income from building sand	8 650	-
Income from bill boards	210	-
Income from fitness certificate	12 050	-
Income from illegal operation	1 050	-
Income from sewerage blockage	50	-
Income from Sundries	73 332	-

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

	2017	2016
	N\$	N\$
6. EXPENDITURE	15 134 245	254 993
Councilors Expenses	305 013	112 747
Councilors allowance	159 218	92 877
Councilors- Entertainment allowance	8 000	4 987
Councilors Cellphone allowance	5 700	1 425
Councilors Municipal association contribution	24 850	9 500
Councilors - S&T and Travel Subsistence	76 740	2 688
Councilor Vehicle insurance	6 030	-
Councilor Advertisement operation	6 000	-
Council- Year end function	5 000	-
Councilors- fuel lubricant (vehicle)	13 475	1 270
Staff Expenses	1 493 825	1 800
Salary and wage	806 453	-
Cellphone allowance	12 000	1 800
Car allowance	83 474	-
House allowance	195 078	-
Transport allowance	51 000	-
Service bonus	26 887	-
Social security commission	5 910	-
Medical aid	120 808	-
Pension fund	177 649	-
Overtime	14 008	-
Human resources leave reserve fund	559	-

ANNEXURE E

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

	2017	2016
	N\$	N\$
General Expenses	13 335 406	140 446
S&T domestic	120 081	17 922
KM Claim	90 660	-
Material and store	-	1 134
Office consumables (cartridges & toners)	22 310	-
Printing & Stationery	65 972	2 972
Telephone and fax charges	12 253	-
Staff training	65 597	5 822
Advertisement general operation	8 335	19 064
Entertainment Official	5 212	539
Motor vehicles fuel & oil	59 822	3 930
Motor vehicles repair and maintenance	60 130	-
Motor vehicles license	1 476	2 214
Photocopies rental charges	11 349	-
Construction of Office	2 438 243	-
Compensation of homestead	3 767 533	-
Courier Charges	12 813	98
Depreciation of assets	925 154	80 745
Bank charges	32 266	3 758
Electricity Consumption	233 897	-
Electricity Charges	17 200	-
Electricity repair	360	-
Software GP License fee	19 571	-
GP Financial System & Payroll	279 719	-
Rental of office space	84 010	-
Insurance of asset	36 380	-
Disaster Funding	567	-
Building repair and maintenance	150	-
Capital project of services for sewer & water	3 415 320	-
Clearing of temporary stand	80 926	-
Refuse removal cleaning of town	2 475	-
Refuse removal contract	121 200	2 248

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

	2017	2016
	N\$	N\$
Fencing of dumping site	79 405	-
Casual laborers	300	-
Cleaning material	5 602	-
Protective clothes	13 410	-
Sewer line and old oxidation pond	21 039	-
Sewer pumps	10 735	-
Small tools	12 356	-
Water meters repair and maintenance	10 397	-
Repair and maintenance- Reticulation	11 086	-
Capital outlay water meters	15 221	-
Water Bulk purchases (Namwater)	1 164 875	-

