



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
VILLAGE COUNCIL OF TSES  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 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 Tses for the financial year ended 30 June 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, December 2018**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF  
THE VILLAGE COUNCIL OF TSES  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2016**

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**1. DISCLAIMED AUDIT OPINION**

I certify that I have audited the financial statements of the Tses Village Council for the financial year ended 30 June 2016. These financial statements comprise the Statement of financial Position, Statement of Comprehensive Income, and a summary of significant accounting policies and other explanatory information.

Because of the significance of the matters described in the Basis for Disclaimed Audit Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence. Accordingly, I do not express an opinion on the financial statements.

**2. BASIS FOR 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 sufficient and inappropriate to provide a basis for my opinion. The disclaimer audit opinion is expressed due to the following:

- Understatement of provision for doubtful debts with N\$ 4 286 217;
- No supporting documents for housing loans amounting to N\$ 1 590 691;
- No supporting documents for expenditure amounting to N\$ 1 137 527;
- Misstatement of revenue by N\$ 522 088;
- Non-submission of Cash flow Statement;
- No supporting document for provision of leave pay amounting N\$ 263 448;
- Misstatement of Assets with N\$ 247 825;
- Misstatement of VAT with N\$ 242 279;
- Incomplete assets register; and
- No supporting document for temporary advance revenue to the value of N\$ 629 253.

**3. 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 do not have anything to report on this matter.

#### **4. OTHER INFORMATION**

My opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements our responsibility is to read the other information and in doing so consider whether the other information is materially inconsistent with the financial statements or our 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.

#### **5. 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 IFRS for SMEs and legislation and for such internal control as management determines is 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.

#### **6. 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 auditor's 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 auditor's 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.

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

The financial statements were submitted to the Office of the Auditor-General by the Accounting Officer in compliance with Section 87 (1) of the Local Authorities Act, 1992, except that they were submitted on the 20 February 2018 instead of three months after year end.

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

## **8. ACKNOWLEDGEMENT**

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

**WINDHOEK December 2018**



**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



**VILLAGE COUNCIL OF TSES**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016**

|                                     | Note | 2016<br>N\$       | 2015<br>N\$       |
|-------------------------------------|------|-------------------|-------------------|
| <b>ASSETS</b>                       |      |                   |                   |
| <b>Non-current assets</b>           |      |                   |                   |
| Property, plant and equipment       | 2    | 17 351 784        | 15 482 476        |
| Investments                         |      | 195 278           | 141 121           |
| <b>Current assets</b>               |      |                   |                   |
| Trade and other receivables         | 3    | 7 355 630         | 6 168 087         |
| Inventory                           |      | 44 914            | 41 314            |
| <b>TOTAL ASSETS</b>                 |      | <b>24 947 606</b> | <b>21 832 998</b> |
| <b>EQUITY AND LIABILITIES</b>       |      |                   |                   |
| <b>Equity</b>                       |      |                   |                   |
| Capital outlay                      | 4    | 17 351 784        | 15 482 475        |
| Funds and accounts                  | 5    | 175 408           | 1 269 302         |
| <b>Current liabilities</b>          |      |                   |                   |
| Trade and other payables            | 6    | 7 257 959         | 4 352 074         |
| Bank overdraft                      |      | 162 455           | 729 147           |
| <b>TOTAL EQUITY AND LIABILITIES</b> |      | <b>24 947 606</b> | <b>21 832 998</b> |

## ANNEXURE B

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

|                                      | Note | 2016<br>N\$        | 2015<br>N\$        |
|--------------------------------------|------|--------------------|--------------------|
| Income                               |      | 7 286 489          | 7 297 584          |
| Expenditure                          |      | (9 860 617)        | (9 211 106)        |
| <b>OPERATING PROFIT FOR THE YEAR</b> |      | <b>(2 574 128)</b> | <b>(1 913 522)</b> |
| Interest earned                      |      | 16 431             | 46 128             |
| <b>NET LOSS FOR THE YEAR</b>         |      | <b>(2 557 697)</b> | <b>(1 867 394)</b> |
| Add : Appropriation and adjustments  | 7    | 1 350 683          | 3 223 937          |
| <b>RETAINED PROFIT FOR THE YEAR</b>  |      | <b>(1 207 014)</b> | <b>1 356 543</b>   |
| Accumulated Funds - 01 July 2015     |      | (1 032 800)        | (2 389 343)        |
| Accumulated Funds - 30 June 2016     |      | <b>(2 239 814)</b> | <b>(1 032 800)</b> |

**VILLAGE COUNCIL OF TSES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

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**1. ACCOUNTING POLICIES**

**1.1 Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties where appropriate.

**1.2 Property, plant and equipment and depreciation**

All plant and equipment are initially recorded at cost. Costs include all costs directly attributable to bringing the assets to working condition for their intended use. All other plant and equipment are stated at historical cost or valuation where applicable.

Depreciation of fixed assets ranges from 5 to 50 years.

**1.3 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current liabilities.

**1.4 Fixed property fund**

Proceeds from the sale of land that has been developed by the Village Council accumulates in this fund. Costs incurred on the development of land is charged to this fund.

**1.5 Housing fund**

The purpose of this fund is to provide for housing loans. Income to this fund is transferred from the general income statement account, external loans from Government and interest on investments and loans.

**1.6 Capital reserve fund**

This fund was created to make provision for unforeseen expenditure as approved by the Council.

**1.7 Build together fund**

The purpose of this fund is to provide housing loans to the low income group. Income is derived from Government contributions, repayments, interest on investments and loans

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

|   | <b>2016</b>       | <b>2015</b>       |
|---|-------------------|-------------------|
|   | N\$               | N\$               |
| <b>2. PROPERTY, PLANT AND EQUIPMENT</b>             |                   |                   |
| <b>Consists of :MORNING</b>                         |                   |                   |
| Property development, vehicles, plant and equipment | <b>17 351 784</b> | <b>15 482 475</b> |
| <b>Financed by :</b>                                |                   |                   |
| Revenue contributions                               | 12 383 752        | 10 514 444        |
| Capital contributions                               | 4 968 032         | 4 968 032         |
|   | <b>17 351 784</b> | <b>15 482 475</b> |
| <b>3. TRADE AND OTHER RECEIVABLES</b>               |                   |                   |
| Services  | 6 611 523         | 5 821 841         |
| Value Added Tax                                     | -                 | 85 757            |
| Suspense account                                    | -                 | 69 360            |
| Housing Fund Receivables                            | 1 590 691         | 1 666 964         |
| Temporary advance revenue                           | 629 253           | 494 017           |
|   | <b>8 831 467</b>  | <b>8 137 939</b>  |
| <b>Less :</b>                                       |                   |                   |
| Provision for doubtful debts                        | (1 475 836)       | (1 475 836)       |
|   | <b>7 355 631</b>  | <b>6 662 103</b>  |

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

|  | <b>2016</b>       | <b>2015</b>       |
|--|-------------------|-------------------|
|  | N\$               | N\$               |
| <b>4. CAPITAL OUTLAY</b>   |                   |                   |
| Contribution from Capital  | 4 968 032         | 4 968 031         |
| Contribution from Revenue  | 12 383 752        | 10 514 444        |
|  | <b>17 351 784</b> | <b>15 482 475</b> |
| <b>5. FUNDS AND ACCOUNTS</b>   |                   |                   |
| Housing Fund   | 2 415 222         | 2 302 102         |
| Revenue account kept in compliance with<br>Section<br>86(1) of the Local Authorities Act 1992. | (2 239 814)       | (1 032 800)       |
|  | <b>175 408</b>    | <b>1 269 302</b>  |
| <b>6. TRADE AND OTHER PAYABLES</b>   |                   |                   |
| Trade creditors  | 6 358 104         | 3 741 991         |
| VAT  | 6 632             | -                 |
| Suspense Account   | -                 | 346 111           |
| Leave Provisions   | 263 448           | 263 488           |
| Consumer Deposits  | 523               | 523               |
| Temporary advance account  | 629 253           | 494 017           |
|  | <b>7 257 960</b>  | <b>4 846 130</b>  |
| <b>7. ADJUSTMENTS AND APPROPRIATIONS</b>   |                   |                   |
| Adjustments Journal 1  | -                 | 923 881           |
| Prior year adjustments   | 1 350 683         | 2 300 056         |
|  | <b>1 350 683</b>  | <b>3 223 937</b>  |

