



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

VILLAGE COUNCIL OF WITVLEI

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2015 and 2016

Published by authority

Price (Vat excluded) N\$ 40.00
Report no: 83/2018

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 Witvlei 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, June 2018

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

1. Report on the financial statements

1.1 INTRODUCTION

The accounts of the Village Council of Witvlei for the financial years ended 30 June 2015 and 2016 are being reported on in accordance with Section 85 as set out in the Local Authorities Act, 1992, (Act No. 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 Village Council of Witvlei for the financial years ended 30 June 2015 and 2016. These financial statements comprise the following:

Annexure A: Balance sheet;
Annexure B: Income statement; and
Annexure C: Notes to 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 (Act No. 23 of 1992).

The financial statements, notes to the financial statements and general information provided by the Accounting Officer are attached as Annexure A-C.

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 85(1) of the Local Authorities Act, (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 States 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 was insufficient and inappropriate to provide a basis for the audit opinion.

4. ACKNOWLEDGEMENTS

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

5. KEY AUDIT FINDINGS

5.1 Fixed Assets

As reported in the 2014 audit report, the auditors again discovered that, a Land Cruiser 70, with a registration number N 7913 GO, belonging to the Council is registered in the name of an employee.

Recommendation

It is recommended that the Council should ensure that all fixed assets belonging to the Council are registered in the name of the Council.

Management response

The Council has started with the processe of registering the vehicle from the employee to the Council's name.

5.2 Fixed asset register

As reported in the 2014 audit report, the auditors again observed that, the Council does not have a fixed asset register. As a result, the movement in assets of N\$ 123 317 could not be verified.

Furthermore, the Councils assets are not marked with unique identification numbers.

Recommendation

It is recommended that the Council should ensure that a fixed asset register is created as a matter of urgency and updated accordingly, and further ensure that all fixed assets of the Council are marked with unique identification numbers.

Management response

The Council has engaged a consultant to help with the asset register and waiting for the new budget to be approved to start with the process.

5.3 Depreciation

The Council does not depreciate the assets. Thus, the carrying values of fixed assets owned by the Council are unknown.

Recommendation

It is recommended that the Council should ensure that a depreciation policy is drafted, approved and implemented as a matter of urgency and fixed assets are depreciated according to the approved policy.

Management response

The Council has taken note of the recommendation and will engage the consultant regarding the drafting of depreciation policy as recommended.

5.4 Insurance Contract

The Council could not provide the insurance contract for assets insured to the value of N\$ 123 317.

Recommendation

It is recommended that the Council should ensure that all the assets of the Council own are insured.

Management Response

The Council has taken note of the recommendation.

5.5 Trade and other Receivables

A differences of N\$ 2 135 735 for the year 2016 and N\$ 868 844 for the year 2015 were observed between the financial statements and the general ledger.

Recommendation

It is recommended that the Council should ensure that the balances are correctly recorded in the financial statement and as per general ledger.

Management Response

The Council has taken note of the recommendation.

5.6 Build Together Programme

As reported in the 2014 audit report, the auditors again observed that, the Council does not have an updated record of build together beneficiaries to the value of N\$ 1 832 322 and N\$ 1 827 277 for 2015 and 2016 financial years respectively.

Recommendation

It is recommended that the Council should ensure that records of build together beneficiaries are regularly updated and records of payments are kept.

Management response

The Council has taken note of the recommendation.

5.7 Rates Debtors

The Council did not provide a detailed customer ledger to substantiate outstanding rates and taxes for debtors amounting to N\$ 1 592 154.

Recommendation

It is recommended that the Council should ensure that a detailed customer ledger is regularly maintained and reconciled.

Management response

The Council has taken note of the recommendation.

5.8 Provisions for doubtful debts

As reported in the 2014 audit report, the auditors again observed that, the Council did not make provision for bad debts on outstanding debtors in the financial statements for the financial years under review, due to the absence of a Credit Control Policy.

Recommendations

It is recommended that the Council should ensure that, a Credit Control Policy, which includes aspects such as provision for doubtful debts, is drafted, approved and implemented.

Management Response

The Council has taken note of the recommendation.

5.9 VAT (value added tax) receivable

It was discovered during the audit that, the Council did not account for value added tax (VAT) in its books in both financial years. For the 2015/2016 financial year, input VAT is included in additions to property, plant and equipment as well as some expenditures.

Furthermore, the returns for the period July 2013 to June 2016 were only submitted after 30 June 2016 and an amount of N\$ 918 528 was subsequently received as a VAT refund. The said amount was not provided for in the financial statements.

Recommendation

It is recommended that the income and expenditure should be recorded net of VAT and the VAT portion should be posted to the VAT control account.

Management response

No management comments were provided.

5.10 Overstatement of electricity

The reported balance of electricity bulk purchases of N\$ 1 730 661 in the financial statement is overstated by N\$ 222 359 due to inclusion of output VAT.

Recommendation

It is recommended that Council should review and reconcile all ledger accounts at each reporting date to ensure accuracy. In addition, expenditure should be recorded net of VAT and all input VAT should be posted to the VAT control account.

Management response

No management comments were provided.

5.11 Bank Accounts

It was discovered during the audit that, a bank account with a closing balance of N\$ 1 479 for Bank Windhoek as well as N\$ 4 126 for Standard Bank as at 30 June 2015 were not disclosed in the Council's financial statements. Furthermore, a bank balance of N\$ 76 599 disclosed in the 2015 financial statements could not be verified.

Recommendation

It is recommended that the Council should ensure that all bank accounts that are held in the name of the Council are disclosed, together with their closing balances in the financial statements.

Management response

The Council has taken note of the recommendation.

5.12 Bank Reconciliations

The auditors discovered during the audit that, the Council does not perform bank reconciliations on a monthly basis.

Recommendation

It is recommended that the Council should ensure that bank reconciliations are performed on a regular basis.

Management response

The Council has engaged with the consultant to help train the Council on how to keep up with the monthly bank reconciliation.

5.13 Approved housing bonds

The auditors were unable to obtain approved and registered housing bonds for employees who own houses.

Recommendation

It is recommended that the Council should document approved housing bonds for employees who own houses and are entitled to housing allowance at 40% of their basic salary are submitted for audit purposes.

Management Response

Most of the employees that are getting 40% housing allowance are built together beneficiaries and their contracts are kept at the department which run the build together program. However, the Council has taken the recommendation and will put the contract in the employee files.

5.14 Tax deduction (2015)

The auditors found that the Council fully deducts tax on employees who own houses and are entitled to 40% allowance on their basic salary, instead of deducting 2/3rd tax.

Recommendation

It is recommended that the Council should deduct the correct amount of tax as required by the Income Tax Act, 1991 (Act No. 24 of 1991).

Management Response

The Council has taken note of the recommendation and has already implemented it in 2017 financial year.

5.15 Leave pay provision

The Auditor observed that the Council did not make provision for the leave pay in both the financial years. In addition, at the time of the audit the leave records were only updated up to 31 December 2015.

Recommendations

It is recommended that provision for leave days should be accrued for in all future financial statements of the Council and leave records (cards) should be maintained and kept up to date.

Management response

No management comments were provided.

5.16 Lack of employment contracts

The Auditor observed that all employees except the former Chief Executive Officer do not have contracts of employment. Instead, they have just an offer letter that details only the salary scale and has no signature of the employees.

Recommendations

It is recommended that the Council should ensure contracts of employment are done for all employees and signed by the employees as well as CEO (on behalf of the Council).

Management response

No management comments were provided.

5.17 Revenue

The auditors could not confirm the completeness of revenue, this is due to the fact that grants received to the value of N\$ 507 716 for the 2015 financial year disclosed in the financial statement could not be traced to the bank statement and no remittance letter was provided for audit purposes.

Recommendation

It is recommended that the Council should provide all supporting documents for audit purposes.

Management Response

The Council has taken note of the recommendation.

5.18 Water sales

An amount of N\$ 588 302 for water sales disclosed in the financial statement could not be verified as supporting documents were not provided for audit purpose.

Recommendation

It is recommended that the Council should provide all supporting document for audit purposes.

Management response

The Council has taken note of the recommendation.

5.19 Income - late fees

An amount of N\$ 135 629 for late fees disclosed in the financial statement could not be verified as supporting documents were not provided for audit purposes.

Recommendation

It is recommended that the Council should provide all supporting documents for audit purposes.

Management Response

The Council has taken note of the recommendation.

5.20 General observation

The auditors observed that most of the daily cash up sales sheets are not verified and approved by the relevant personnel.

Recommendation

It is recommended that the Council ensures that daily cash ups are verified and approved by relevant personnel.

Management Response

The Council has taken note of the recommendation.

5.21 Non-compliance to the Auditor-General Circular D3/2015 (2015 and 2016)

The Council did not provide the annual financial statements and accounts in compliance to the Auditor-General Circular D3/2015.

Recommendation

It is recommended that the Council should complies with the Auditor-General Circular D3/2015 when submitting the financial statements.

Management response

The Council has taken note of the recommendation.

5.22 Cash flow statement (2015 and 2016)

The Council did not provide the cash flow statement in accordance to the financial reporting framework in addition the financial statements were not accompanied with notes to the financial statements.

Recommendation

It is recommended that the Council comply with the applicable financial reporting framework.

Management Response

No management comment provided.

5.23 Employee demotion (2015)

During the audit the auditors found that an employee was previously demoted from his position of artisan to senior handyman because of lack of qualification, however no documented and approved formal communication or a resolution passed or agreement in Councils minutes pertaining to the demotion could be provided for audit purposes.

Recommendation

It is recommended that the Council always document such communication.

Management Response

The Council has taken note of the recommendation.

5.24 Going concern

During the audit the auditors found that the balance sheet at 30 June 2016 is reflecting that the Village Council is technically solvent, the reported figures are not reliable since no depreciation charge and provision for bad debts was made in the financial statements. In addition, the Village Council is facing financial difficulties and cash flow problems and is currently relying on bail-out from the Ministry. During the 2016 financial year the Ministry bailed-out the Council with an additional amount of N\$ 4 109 268 that was over and above the budgeted contribution of N\$ 2 403 314. The financial difficulties and cash flow problems are attributable to an insufficient revenue base and poor debt collection.

Recommendations

It is recommended that the Council should put measures in place to turned around the Council to solvency by ways of improving debt collection.

Management comments

No management comments were provided.

6. BASIS OF DISCLAIMED AUDIT OPINION

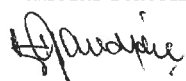
- A landcruiser belonging to the Council is registered in the name of an employee;
- The Council does not have a fixed asset register;
- The Council does not depreciate the assets;
- The Council could not provide the insurance contract for assets insured;
- Trade and other Receivables do not agree to the general ledger;
- Council does not have an updated record of build together beneficiaries;
- The Council did not provide documents to substantiate outstanding rates and taxes;
- Provision for bad debts on outstanding debtors was not provided for;
- Value added tax (VAT) not accounted for in both financial years;
- Two Bank Accounts were not disclosed in the Councils financial statements;
- Approved housing bonds not submitted for employees who own houses;
- Incorrect Tax deduction on employees who own houses;
- No Leave pay provision was provided for;
- Lack of employment contracts;
- No ducumets to confirm the completeness of revenue;
- Documents for water sales were not provided for audit purpose;
- late fees could not be verified as supporting documents were not provided for audit purposes;
- Daily cash up sales sheets are not verified and approved by relevant personnel;
- Non-compliance to the Auditor-General Circular D3/2015;
- The Council did not provide the cash flow statement;
- No documented and approved formal communication for employee demotion; and
- Going concern problems.

7. DISCLAIMED OF AUDIT OPINION

The accounts of the Village Council of Witvlei for the financial years ended 30 June 2015 and 2016 have been audited in terms of Section 87(1) of the Local Authorities Act, 1992 (Act No. 23 of 1992) .

Because of the significance of the matters described in the Basis of Disclaimed Audit 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 2018


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

VILLAGE COUNCIL OF WITVLEI
STATEMENT OF FINANCIAL POSITION AT 30 JUNE

	Note	2016	2015	2014
		N\$	N\$	N\$
ASSETS				
NON CURRENT ASSETS				
		11 092 245	8 253 466	7 813 533
Property, plant and equipment	1	9 328 979	7 845 330	7 722 013
Investments	2	1 763 266	408 137	91 520
CURRENT ASSETS				
		10 574 901	8 047 329	5 982 202
Trade and other receivables	3	9 817 773	7 851 058	5 862 487
Cash and Bank	4	757 128	196 271	119 715
TOTAL ASSETS		21 667 146	16 300 795	13 795 734
FUNDS AND LIABILITIES				
FUNDS AND RESERVES				
		13 675 537	9 881 221	8 033 546
Capital outlay	5	8 126 104	6 642 454	6 519 137
Funds and accounts	6	5 549 433	3 238 767	1 514 409
NON-CURRENT LIABILITIES				
		1 257 379	1 257 379	1 257 379
Long-term liabilities	7	1 257 397	1 257 379	1 257 379
CURRENT LIABILITIES				
		6 734 230	5 162 194	4 504 808
Trade and other payables	8	6 734 230	5 162 194	4 504 808
TOTAL FUNDS AND LIABILITIES		21 667 146	16 300 795	13 795 734

ANNEXURE B

VILLAGE COUNCIL OF WITVLEI

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

	2016	2015	2014
	N\$	N\$	N\$
INCOME	12 535 262	6 842 973	5 446 335
EXPENDITURE	(10 357 371)	(5 836 175)	(5 497 501)
NET OPERATING PROFIT	2 177 891	1 006 798	(51 166)
INVESTMENT INCOME EARNED FOR REVENUE ACCOUNT (Interest)	71 450	31 110	11 776
NET PROFIT FOR THE YEAR AFTER INTEREST	2 249 341	1 037 908	(39 390)
Unappropriated Surplus	-	(187 624)	-
Interest written back-Namwater	59 245	902 834	-
NET SURPLUS AFTER APPROPRIATIONS	2 308 586	1 753 118	(39 390)
REVENUE ACCOUNT - Beginning of year	505 415	(1 247 703)	(1 208 313)
REVENUE ACCOUNT - End of year	2 814 001	505 415	(1 247 703)

ANNEXURE C

VILLAGE COUNCIL OF WITVLEI
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

	2016	2015	2014
	N\$	N\$	N\$
1. Fixed assets	9 28 979	7 845 330	7 722 013
Property, plant and equipment	9 328 979	7 845 330	7 722 013
2. INVESTMENTS	1 763 266	408 137	91 520
Housing Fund	91 765	86 690	91 520
Investments	1 671 501	321 446	-
3. TRADE AND OTHER RECEIVABLES	9 817 773	7 851 058	5 862 487
Temporary advance revenue	870 894	868 843	-
Services	4 713 869	3 360 268	2 360 732
Assessment rates	2 405 732	1 789 624	1 667 433
House Fund	1 827 278	1 832 322	1 834 322
4. CASH AND BANK BALANCES	757 128	196 271	119 715
Current bank account	680 168	119 001	60 696
Witvlei Namwater Joint Account	76 599	76 599	59 015
Petty cash	361	671	4
5. CAPITAL OUTLAY	8 126 104	6 642 454	6 519 137
Revenue contributions	7 983 093	6 499 444	6 376 127
Loans redeemed	142 991	142 990	142 990
General Capital contributions	20	20	20
6. FUNDS AND ACCOUNTS	5 549 433	3 238 767	1 514 410
Housing Fund	1 919 042	1 919 013	1 947 073
Capital Reserve Fund	8 006	8 006	8 006
Fixed Property Fund	808 384	806 334	807 034
Revenue account	2 814 001	505 415	(1 247 703)
7. LONG-TERM LIABILITIES	1 257 397	1 257 379	1 257 379
Government Loans (External Loans)	1 257 397	1 257 379	1 257 379

VILLAGE COUNCIL OF WITVLEI

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

continue

	2016	2015	2014
	N\$	N\$	N\$
8. TRADE AND OTHER PAYABLES	6 734 230	5 162 194	4 504 809
Trade payables	5 852 846	4 282 861	4 494 319
Deposits	10 490	10 490	10 490
Temporary advances capital reserve fund	8 006	8 006	-
Temporary advances Fixed Property Fund	808 384	806 334	-
Temporary advances capital	54 504	54 504	-

