



**REPUBLIC OF NAMIBIA**



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



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
VILLAGE COUNCIL OF AROAB  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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**1. Report on the Financial Statements**

**1.1 INTRODUCTION**

The accounts of the Village Council of Aroab for the financial year ended 30 June 2017 are being reported on in accordance with the provisions set out in Section 85 of the Local Authorities Act, 1992 (Act 23 of 1992).

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

I certify that I have audited the accompanying financial statements of the Village Council of Aroab for the financial year ended 30 June 2017. These financial statements comprise of the following:

Annexure A: Balance sheet;  
Annexure B: Abridged income statement; and  
Annexure C: Notes to the 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.

The financial statements, notes to the financial statements and general information provided by the Accounting Officer are attached as Annexures 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 87(1) of the Local Authorities Act 1992, (Act 23 of 1992), 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**

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

## **5. KEY AUDIT FINDINGS**

### **5.1 STATEMENT OF CASH FLOWS NOT PRESENTED**

No cash flow statement was presented in these annual financial statements.

## **Recommendation**

It is recommended that the Council should include a statement of cash flows in its financial statements submitted to the Office of the Auditor-General.

## **5.2 CIRCULAR D3 OF 2015**

The Council did not prepare and submit financial statements in accordance with the requirements of Circular D3 of 2015 issued by the Office of the Auditor-General.

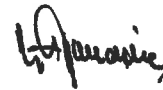
### **Recommendation**

It is recommended that the Council should ensure that all annual financial statements including records as required per Circular D3/2015 are submitted to the Office of the Auditor-General.

## **6. UNQUALIFIED AUDIT OPINION**

The accounts of the Village Council of Aroab for the financial year ended 30 June 2017 summarised in Annexures A-C were audited by me in terms of Section 85 of the Local Authorities Act, 1992, (Act 23 of 1992).

I certify that, in my opinion, the financial statements fairly present the financial position of the Village Council of Aroab as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with International Standards for Supreme Audit Institutions (ISSAIs) and the State Finance Act.



**WINDHOEK, May 2018**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**VILLAGE COUNCIL OF AROAB**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE**

	Note	<u>2017</u> N\$	<u>2016</u> N\$
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	2	41 260 445	42 943 292
Investments	3	35 651 847	31 780 308
		5 608 598	11 162 984
<b>CURRENT ASSETS</b>			
Trade and other receivables	4	6 281 144	5 561 161
Inventories	5	4 542 377	4 027 067
Bank and cash	6	1 194 657	1 095 826
		544 110	438 268
<b>TOTAL ASSETS</b>		<b>47 541 589</b>	<b>48 504 453</b>
<b>FUNDS AND LIABILITIES</b>			
<b>FUNDS AND RESERVES</b>			
Capital outlay	7	45 509 595	46 756 660
Funds and accounts	8	35 432 686	31 543 924
		10 076 909	15 212 736
<b>NON-CURRENT LIABILITIES</b>			
Long-term loans		219 160	236 384
		219 160	236 384
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	1 812 833	1 511 409
		1 812 833	1 511 409
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>47 541 588</b>	<b>48 504 453</b>



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

	<b>Note</b>	<b>2017</b> N\$	<b>2016</b> N\$
INCOME		11 173 719	19 857 528
EXPENDITURE		16 602 548	14 918 159
NET OPERATING (DEFICIT)/SURPLUS		(5 428 829)	4 939 369
INTEREST ON INVESTMENTS		435 222	125 752
NET OPERATING (DEFICIT)/SURPLUS AFTER INTEREST		(4 993 607)	5 065 121
APPROPRIATION ACCOUNT	10	(409 037)	120 176
NET (DEFICIT)/SURPLUS AFTER APPROPRIATIONS		(5 402 644)	5 185 297
REVENUE ACCOUNT - Beginning of year		8 119 012	2 933 715
REVENUE ACCOUNT - End of year		2 716 368	8 119 012

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

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**1. ACCOUNTING POLICIES**

**1.1 Introduction**

The annual financial statements set out in Annexures A to C were prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent in all material aspects with those applied in the previous year.

**1.2 Property, plant and equipment**

Property, plant and equipment are stated at cost or valuation where assets have been acquired by grant or by donation. No provision for depreciation is made.

**1.3 Internal Funds**

Internal Funds were created as follows by Council:

**1.3.1 Housing Fund**

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

**1.3.2 Capital Development Fund**

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

**1.3.3 Fixed Property Fund**

Proceeds on the sale of property developed by the Village Council accumulate to this Fund. Interest earned on loans for the sale of land as well as interest earned on internal loans and investments accumulate to this Fund, which is used to develop properties.

**VILLAGE COUNCIL OF AROAB**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30**  
**JUNE (Continued)**

**1.3.4 Leave Reserve Fund**

This Reserve Fund provides for payment of leave credit as needed and the policy is that the balance available in the Fund should meet the total leave credits as at 30 June each year.

**1.3.5 Build Together Housing Fund**

The purpose of this Fund is to provide loans to applicants who want to build or buy houses with the help of the community. The instalments received for the payment of these loans are reinvested in this Fund.

	<b>2017</b>	<b>2016</b>
	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>	35 651 847	31 780 308
Income assets	35 161 462	31 288 084
Loan assets	481 802	481 802
General capital assets	8 583	10 422
<b>3. INVESTMENTS</b>		
INVESTMENTS		
Commercial banks	5 608 598	11 162 984
ALLOCATED AS FOLLOWS		
Build Together Fund	1 396 947	1 098 928
Capital Reserve Fund	2 883 993	2 575 105
Housing Fund	177 123	175 660
Social Housing Fund	87 177	87 177
Revenue	1 063 358	7 226 114
	5 608 598	11 162 984
<b>4. TRADE AND OTHER RECEIVABLES</b>		
Consumers	4 615 152	4 304 511
Build Together Fund and Housing Fund receivables	2 135 531	2 533 909
VAT	1 613 709	963 548
Provision for bad debts	(3 822 015)	(3 774 901)
	4 542 377	4 027 067

## VILLAGE COUNCIL OF AROAB

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30  
JUNE (Continued)

	2017	2016
	N\$	N\$
<b>5. INVENTORY</b>	<b>1 194 657</b>	<b>1 095 826</b>
Consumables	33 257	63 326
Livestock	1 161 400	1 032 500
<b>6. BANK AND CASH</b>	<b>544 109</b>	<b>438 268</b>
Current account	542 589	436 748
Petty cash	1 520	1 520
<b>7. CAPITAL OUTLAY</b>	<b>35 432 686</b>	<b>31 543 924</b>
Loans redeemed	262 641	245 418
Revenue contributions	35 161 462	31 288 084
General capital contributions	8 583	10 422
<b>8. FUNDS, ACCOUNTS AND RESERVES</b>	<b>10 076 909</b>	<b>15 212 736</b>
Build Together Fund	4 210 954	4 252 045
Capital Reserve Fund	2 883 993	2 575 105
Housing Fund	178 418	179 397
Social Housing Fund	87 177	87 177
Revenue Account	2 716 367	8 119 012
<b>9. TRADE AND OTHER PAYABLES</b>	<b>1 812 835</b>	<b>1 511 409</b>
Trade payables	256 988	224 416
Consumer and other deposits	54 401	38 258
Provisions	287 569	284 173
Loan instalments in arrear	667 872	629 965
Retention	546 005	334 597
<b>10. ADJUSTMENTS TO APPROPRIATION</b>	<b>(409 037)</b>	<b>120 176</b>
Provision for bad debts	(47 114)	(294 232)
Livestock adjustments	128 900	(71 200)
Provision for leave	-	(84 852)
Income adjustment	122 590	587 128
Cheque corrections	-	635
Difference in opening balance	-	98
Expense adjustment	(613 413)	(17 401)