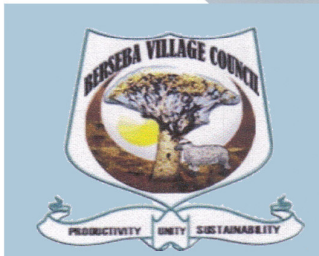




REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF BERSEBA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

Published by authority

Price (Vat excluded) N\$ 28.10
Report no: 975

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 Berseba for the financial year ended 30 June 2010, 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.

WINDHOEK, July 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF BERSEBA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

1. INTRODUCTION

The accounts of the Village Council of Berseba for the year ended 30 June 2010 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Local Authorities Act, 1992 (Act 23 of 1992).

The firm EDB & Associates of Windhoek has been appointed in terms of Section 26 (2) of the State Finance Act, 1991, to audit the accounts of the Village Council on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded off to the nearest Namibia Dollar.

2. FINANCIAL STATEMENTS

The Village Council's financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 87 (1) of the Local Authorities Act, 1992, except that the statements were not submitted within the three month period allowed by the Act. **The financial statements were only signed on 04 November 2010.** The audited financial statements are in agreement with the general ledger and are filed in the Office of the Auditor-General. The abridged balance sheet at Annexure A is a true reflection of the original signed by the Accounting Officer.

The financial statements also include:

- Annexure B: Abridged income statement
- Annexure C: Cash flow statement
- Annexure D: Notes to the financial statements

3. SCOPE OF THE AUDIT

Management's responsibility for the financial statements

The Accounting Officer of the Village Council is responsible for the preparation and fair presentation of the financial statements and for ensuring the regularity of the financial transactions. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly. The said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm complies with ethical requirements and plans and performs the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

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 judgement, including the assessment of the risks of material misstatements in 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.

4. AUDIT OBSERVATIONS AND COMMENTS

Paragraphs marked with an asterisk (*) refers to matters/concerns reported in previous reports.

4.1 Internal control and accounting records *

There were no sufficient systems of internal control and proper accounting records at the Village Council on which the auditors could rely upon for audit purposes.

4.2 Distorted financial statements

The annual financial statements as presented by Council for audit purposes were a distorted view of its actual results and operations. Inconsistency in format presentation of the financial statements for the year under review limited the auditors' analytical reviews and comparative analysis. These significant concerns on the financial statements were:

- Council's financial statements did not provide a split of departmental income and expenditure as all income and expenditure were disclosed under one heading General Administration,
- VAT has not been extracted from the expenditure amounts recorded in the financial statements,
- Funds accounts such as the Build Together Fund disappeared from the balance sheet in the 2010 financial year while constituting a huge amount of N\$ 4 253 834 in 2009 financial year.
- Council were unable to provide the auditors with a split of the services income of N\$ 1 341 531 disclosed in the financial statements,
- VAT control account remained unchanged from the previous year indicating that VAT outputs were not properly recorded and accounted for.
- Expenditure amounts e.g. fuel and oil expenses were disclosed at a low amount of N\$ 3 428 for the complete financial year.

4.3 Property, plant and equipment

The auditors detected an opening balance difference of N\$ 1 016 484 on comparison of the balance as per prior year audited financial statements and the current year fixed asset register.

While the auditors complimented Council efforts in compiling a fixed asset register for the year under review, it was noted with concern that depreciation was not calculated retrospectively but rather for the current year only. This created an inaccurate reflection of the carrying amount of fixed assets.

In addition, numerous assets listed on the fixed asset register were recorded with no values.

As a result of the above the Auditor-General is unable to express an opinion on the valuation and accuracy of property, plant and equipment.

4.4 Inventories

The auditors again complimented Council in its efforts to ensure that all inventories were disclosed in the annual financial statements. It was however noted with concern that incorrect valuation methods were used in computing livestock values e.g. a price tag of N\$ 750 were attached to all sheep irrespective of their sizes etc.

Also, cost prices for tools were estimated by management and no supporting proof could be obtained for using this basis.

In addition, the year-end stock count procedures were not attended by the auditors.

As a result of the above the Auditor-General is unable to express an opinion on the valuation of Inventory.

4.5 Consumer deposits *

Council did not report any consumer deposits collected in its financial statements for the year under review. In the previous year, an amount of N\$ 80 was disclosed which was not considered adequate by the auditors to cover for outstanding debtors.

Council should ensure that consumer deposits are collected from consumers and be reviewed and evaluated on an annual basis to ensure the adequacy thereof.

4.6 Trade and other payables

The auditors detected, during the year under review, unrecorded liabilities of N\$ 10 351. In addition, the trade payables amount of N\$ 586 237 were found to be overstated by an amount of N\$ 47 447 due to incorrect supplier reconciliations.

Council disclosed leave provision for the year under review at N\$ 101 366. The auditors, however, noted with concern that numerous employees leave days exceeded the 60 days threshold and are of the opinion that the provision of this liability should be limited to this approved threshold, as guided by the personnel rules.

As a result of the above, the Auditor-General is unable to satisfy themselves to the accuracy and completeness of trade and other payables.

4.7 VAT *

The annual financial statements of the Village Council portray a unchanged VAT debt receivable balance from previous financial year. Also, the auditors were unable to reconcile the receivable as per VAT returns submitted to the debt receivable in the annual financial statements due to the fact that all returns were not availed.

In contrary to the above debt receivable, the statement of account from the Inland Revenue reflected a debt payable of N\$ 247 488 at 30 June 2010.

The current debt receivable might not even be a true reflection taken into account that VAT has not been extracted from the expenditures incurred during the year under review.

4.8 Payroll *

The auditors reconciliation of the earnings reports with the financial statements payroll costs detected a difference of N\$ 79 387. This was mainly attributed to incorrect disclosure of payroll related payments to the Insurance expense account.

4.9 Provision for bad debts *

No provision was made by the Village Council for bad and doubtful debts as per the financial statements.

The auditors own review indicate provisions to be made as follows:

Description	2010	2009	2008
	N\$	N\$	N\$
Auditors recalculated provision	1 134 776	1 135 343	939 334
	1 134 776	1 135 343	939 334

Also outstanding debt at 120 days and plus for the respective financial years were as follows:

Description	2010	2009	2008
120 days and more	%	%	
	89	87	84
	89	87	84

The magnitude of these provisions, highlight serious concerns on the debt collection control and measurements. As a result of the above the current valuation of accounts receivables are materially misstated in the annual financial statements.

4.10 Fund accounts *

Special Funds such as Build Together Programme, are administered by the Village Council on behalf of the relevant Ministry or other bodies should be considered significant as it have its own peculiar specifications as stipulated by the relevant Ministry.

Another Fund namely, the Capital Outlay Fund Account that accounts for all related capital expenditure movements is also administered.

Both these Fund accounts collectively constituted around N\$ 4 253 834 of total funds in prior year vanished from Council's balance sheet. Any current year movements, if applicable, were thus not audited.

The above concerns indicate the lack of internal control measures in place to administer the Funds with the necessary integrity.

4.11 Bank reconciliations *

No evidence could be found that bank reconciliations are being done on a monthly or regular basis. The bank reconciliation of Council for 30 June 2010 did not balance and the auditors own reconciliation reflected a difference of N\$ 68 794.

As a result of the above, the Auditor-General is unable to satisfy himself to the accuracy and completeness of the bank balances.

4.12 Reconciliations *

Notice is drawn attention to the absence of annual and monthly reconciliations of control accounts and the need for the follow up on reconciled items when reconciliations have been performed. The most important control for ensuring the accuracy of the general/detailed ledger is vested in the monthly reconciliation process. In general, the audit revealed that annual and monthly general ledger reconciliations are neither performed nor reviewed or are performed too late to constitute an effective control.

The reconciliations that are performed are often not reviewed by persons in senior positions. Also of concern are the significant numbers of reconciling items that are not properly cleared. The reconciliations in the following cycles were affected:

- Accounts payables and expenses
- Bank and Cash
- Payroll
- Fixed Assets

4.13 Government contributions *

The Council's financial statements for the 2010 financial year disclosed contributions received amounting to N\$ 1 200 000. The auditors review of the amounts received as per Council's bank statements revealed an amount of N\$ 1 270 661. This resulted in an understatement of the above income by an amount of N\$ 70 661.

3.14 Adjustments

An unexplained adjustments of N\$ 1 969 366: 2010 was made to the appropriation account.

3.15 Capital Reserve Fund

The financial statements of 2009 reflects a closing balance of N\$ 2 225 785. This balance was not carried forward to the 2010 financial year. No explanation could be provided by the Council.

5. ACKNOWLEDGEMENT

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

6. FINANCIAL RESULTS

The results of the operations of, and transactions on the Revenue account for the year were as follows:

	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus 01/07/2009			-	1 789 653
General accounts				
- Rates and general	2 613 091	2 218 118	394 973	
- Non-profitable *	-	-	-	
- Self-supporting *	-	-	-	
Trade accounts				
- Water *	-	-	-	
- Electricity *	-	-	-	
Surplus for the year	2 613 091	2 218 118	394 973	394 973
				2 184 626
Adjustments and utilizations (Note 10 of Annexure D)				1 969 366
Accumulated surplus 30/06/2010				4 153 992

* Council's annual financial statements did not provide adequate disclosure of income and expenditure relating to the different accounts.

7. CURRENT BANK ACCOUNT

	2010	2009
	N\$	N\$
Favourable cash-book balance at 30 June	379 944	(113 622)
Outstanding cheques	28 309	147 647
Adjustments *	(68 795)	-
Balance as per bank statement	339 458	33 995

* The auditors review found that Council's bank reconciliation at 30 June 2010 did not balance. No monthly bank reconciliations were performed.

8. INVESTMENTS AND INTEREST PROCEEDS

Institution	2010	2009
	N\$	N\$
Commercial banks and building societies	1 001 240	1 164 598
Totals	1 001 240	1 164 598

* Council again did not account for its investment in SORED.

The investments were allocated as follows:

Allocation	2010	2009
	N\$	N\$
Housing Fund	879 703	-
Capital projects *	121 537	-
Revenue	-	1 164 598
	1 001 240	1 164 598

* Incorrect disclosure in annual financial statements – should be allocated under Revenue Section.

9. FUND ACCOUNTS

The position of the funds and accounts at year-end is reflected in note 7 in Annexure D.

10. TRADE ACCOUNTS

10.1 Results of electricity and water operations

Due to a lack of disclosure in departmental income and expenditures the current year figures could not be substantiated.

10.2 Water and electricity distribution results

	Electricity		Water	
	2010	2009	2010	2009
	Kw	Kw	m ²	m ²
Units sold	122 549	113 260	27 654	31 515
Units bought	(462 649)	(534 094)	(43 838)	(40 351)
Net deficit	(340 100)	(420 834)	(16 184)	(8 836)
Percentage	(74%)	(79%)	(37%)	(22%)

Council continues to operate on losses and it is advisable for Council to investigate and improve on these distribution losses.

11. SELF-SUPPORTING SERVICES

11.1 Results for the year under review

Due to a lack of disclosure in departmental income and expenditures the current year figures could not be substantiated.

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No fruitless, unauthorized or avoidable expenditure was identified during the years under review.

13. SUSPENSE ACCOUNTS

No suspense accounts were disclosed in the annual financial statements for the years under review.

14. IRREGULARITIES AND LOSSES

Except for an investigation launched by the line Ministry and enquired by ACC (see Note 32), no irregularities and losses were identified during the years under review.

15. CAPITAL PROJECTS

Nature of projects/ acquisitions	Financed by	Total expenditure 2010	Total expenditure 2009
	Revenue account		
Electricity network	N\$ -	N\$ -	N\$ 31 023
General administration	293 740	293 740	10 458
	293 740	293 740	41 481

The capital outlay acquisitions as per income and expenditure statement for water department reflected a zero balance while the fixed asset register reflected an amount of N\$ 293 740. No capital statement was compiled by the Council.

16. BURSARIES

No bursaries were granted during the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID.

Contributions from Government for 2010: N\$ 1 200 000 (2009: N\$ 900 000) were disclosed in the income and expenditure statements, while the auditors detected that the amount received on Council's current bank account totaled N\$ 1 270 661. This resulted into an understatement of the income by N\$ 70 661.

18. COMPENSATION PAYMENTS

No compensation payments were made by the Village Council during the years under review.

19. VISITS TO FOREIGN COUNTRIES

One councilor went to Brussels but all costs were paid by the inviting party.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the Council.

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

There were no gifts or donations by or to the Local Authority

22. TRANSFER OF PROPERTY

No properties were sold or transferred by the Village Council for the years under review.

23. TRADE AND OTHER RECEIVABLES/ PAYABLES

23.1 Trade and other receivables at 30 June were:

	2010	2009
	N\$	N\$
Services, rates and taxes	1 471 798	1 309 367
Housing Fund receivables	-	2 069 146
VAT receivables	179 173	179 173
Total	1 650 971	3 557 686

No provision for doubtful debts was made by the Village Council to account for doubtful debts. As per the debtors age analysis 89% for 2010 (2009: 87%) of total debts are outstanding for more than 120 days. The recoverability of these debtors is doubtful, therefore the auditors are of the opinion that Council should account for the provision for bad debts in the financial statements. Refer to audit concerns in paragraph 4.9.

The VAT control account of N\$ 179 173 remained unchanged for the year under review. Refer to audit concerns.

23.2 Trade and other payables at 30 June were:

	2010	2009
	N\$	N\$
Trade payables	586 237	679 825
Consumer deposits	-	80
Provisions	101 366	160 000
Totals	687 603	839 905

Consumer deposits as reflected has been considered inadequate by the auditors bearing in mind the concerns as raised in paragraph 23.1.

Council have made provision for leave pay of N\$ 101 366. The auditors noted with concern that numerous employees leave days accumulated to more than 60 days. The provision for leave should be restricted to this threshold.

24. ASSESSMENT RATES

No assessment has been charges by the Village Council for the years under review. A review by the auditors on the valuation roll indicates that most of the lands are still registered under the Village Council.

25. LOANS

25.1 External loans

No external loans were entered into during the years under review.

25.2 Internal loans

No internal loans were advanced or received during the years under review.

25.3 Housing loans

The amount advanced in favour of housing loans under the Build Together programme are reflected at a zero balance (2009: N\$ 2 069 146) in the annual financial statements. The auditors could not ascertain how this balance was repaid and are of the opinion that there are still numerous debts outstanding.

26. SALE OF ERVEN

There was no sale of erven register at the Village Council for the financial years under review.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

No property was sold on instalment basis for the years under review.

28. TARIFF ADJUSTMENTS

Tariffs adjustments were done in accordance with the Official Government gazette.

29. APPROVALS

29.1 Excess on approved budget

No departmental comparison of budget figures to actual could be done due to limitations of the financial statements disclosures. The overall review of budgets figures against the actual reflected that actual revenue and expenditure were lower than estimated.

29.2 Revenue written off

No revenue was written off.

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicles and values thereof:

	Sedan		LDV's, 4x4's and Combi's		Heavy vehicles	
	Number	Value N\$	Number	Value N\$	Number	Value N\$
Balance - 01/07/09	1	109 567	2	185 901	2	307 513
Additions	-	-	-	-	1	277 740
Sub-total	1	109 567	2	185 901	3	585 253
Depreciation	-	(24 093)	-	(65 429)	-	(71 032)
Balance - 30/06/10	1	85 474	2	120 472	3	514 221

The statistics, based on logbooks, regarding all vehicles are as follows:

- 72 119 km travelled during the year under review;
- 13 271 litres of petrol consumed during the year under review;
- N\$ 66 799 of petrol expenses during the year under review.

30.2 Inventory

An amount of N\$ 208 950 (2009: N\$ 46 378) for livestock were disclosed in the financial statements. In addition, an amount of N\$ 291 245 (2009: nil) for bricks and tools were disclosed.

31. GENERAL

There is an insufficient system of internal control at the Village Council for the years under review. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does reduce risks, it causes the risk that management and Council override existing controls, a potentially dangerous practice, which Council should vigilantly guard against.

32. SPECIAL INVESTIGATIONS

An Anti-Corruption Commission (ACC) investigation was performed at the Council during 13th April to 17th April 2009. This report was availed to the auditors in the current year together with a letter from the ACC. The major issues reported therein were:

- 1) Conflict of interest and favoritism by Village Secretary by buying livestock from his uncle and appointment of an uncle of the Village Secretary as cattle herder.
- 2) The Village Secretary alone was responsible for the management of the livestock while no additional staff member is assigned to assist. This creates the risks of exposure to theft and mismanagement.
- 3) Use of Council vehicle by the Village Secretary whilst he received a monthly car allowance.

The auditors were unable to obtain Council's response on these issues during the course of the audit. The auditors however noted with concern that the Village Secretary continue to use Council vehicles and he is still the only person managing the livestock.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 The following matters were brought to the attention of the Chief Executive Officer by way of a report to management:

- Distorted financial statements;
- Lack of supporting documentation;
- Long-overdue debtors accounts;
- Non-disclosure of SORED investment.
- Poor administration of Build Together Funds

34. DISCLAIMED AUDIT OPINION

The accounts of the Village Council of Berseba for the financial year ended 30 June 2010, summarized in Annexures A to D, were audited by me in terms of Section 85 of the Local Authorities Act, 1992, read with Section 25 (1) (b) of the State Finance Act, 1991.

In my opinion, because of the significance of the matters highlighted underneath, I am unable to express an opinion due to the following reasons:

- There were no sufficient systems of internal control nor proper accounting records at the Village Council.
- Distorted financial position, results and cashflow for the year under review.
- Fixed assets opening balance unexplained difference of N\$ 1 016 484 and overstated net book values of assets due to non-performance of retrospective depreciation charges.
- Overvalued livestock amount as stated in the annual financial statements.

- Consumer deposits reflected in the annual financial statements are insufficient compared to the consumer debts outstanding.
- Overstatement of trade creditors by an amount of N\$ 47 447.
- Incorrect valuation of VAT control account.
- Payroll differences of N\$ 79 387 due to incorrect disclosures.
- Provision for doubtful debts of N\$ 1 134 776 were not accounted for in the annual financial statements resulting into an incorrect valuation of consumer debtors.
- Omission of Fund Account balances.
- Understatement of government contributions by an amount of N\$ 70 661.
- Overstatement of expenditures amounts in the annual financial statements due to VAT not extracted
- Adjustment of N\$ 1 969 366 was made by Council.
- A balance of N\$ 2 225 795: 2009 was carried forward to the 2010 financial year.

WINDHOEK, July 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

VILLAGE COUNCIL OF BERSEBA

BALANCE SHEET AT 30 JUNE

	Notes	2010 N\$	2009 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	2 307 927	3 390 393
Investments	3	1 306 687	2 225 795
		1 001 240	1 164 598
Current assets			
Trade and other receivables	4	2 533 668	3 606 621
Inventory	5	1 650 971	3 557 685
Bank and cash		500 195	46 378
		382 502	2 558
TOTAL ASSETS		4 841 595	6 997 014
FUNDS AND LIABILITIES			
Funds and reserves			
Capital outlay	6	4 153 992	6 043 487
Funds and accounts	7	-	2 225 795
		4 153 992	3 817 692
Current liabilities			
Bank overdraft		687 603	953 527
Trade and other payables	8	-	113 622
		687 603	839 905
TOTAL FUNDS AND LIABILITIES		4 841 595	6 997 014

ANNEXURE B

VILLAGE COUNCIL OF BERSEBA

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2010 N\$	2009 N\$
INCOME		2 553 963	1 576 200
EXPENDITURE		(2 218 118)	(1 738 729)
NET OPERATING SURPLUS (DEFICIT)		335 845	(162 529)
INVESTMENT INCOME EARNED FOR REVENUE ACCOUNTS		59 128	82 724
NET SURPLUS (DEFICIT) FOR THE YEAR		394 973	(79 805)
APPROPRIATION ACCOUNT	9	1 969 366	(12 263)
		2 364 339	(92 068)
REVENUE ACCOUNT - Beginning of the year		1 789 653	1 881 721
REVENUE ACCOUNT - End of the year		4 153 992	1 789 653

VILLAGE COUNCIL OF BERSEBA

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2010	2009
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		2 553 963	1 576 200
Cash paid to suppliers		1 051 843	(1 884 565)
Cash utilized by operations	10	3 605 806	(308 365)
Investment income		59 128	82 724
Movement in Fund accounts			
- Fund accounts		(2 028 039)	10 207
- Capital outlay – Increase		(2 225 795)	41 481
Net cash flow from operating activities		(588 900)	(173 953)
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		919 108	(41 481)
Change in investments – Decrease		163 358	236 880
		1 082 466	195 399
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		493 566	21 446
CASH AND CASH EQUIVALENTS			
- Beginning of the year		(111 064)	(132 510)
CASH AND CASH EQUIVALENTS			
- End of the year		382 502	(111 064)

VILLAGE COUNCIL OF BERSEBA

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

1. ACCOUNTING POLICIES

1.1 Basis of presentation

The financial statements have been prepared under 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. Cost includes 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.

No depreciation is calculated on property, plant and equipment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

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 in hand, deposits held at call with banks and investments in money marked instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current liabilities.

1.4 Internal Funds

The following Funds were created by the Village Council:

1.4.1 Fixed Property Fund

Proceeds from the sale of land that has been developed by the Village Council accumulate in this Fund. Costs incurred on the development of land are charged to this Fund.

1.4.2 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.

1.4.3 Capital Reserve Fund

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

VILLAGE COUNCIL OF BERSEBA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE
(continued)

	2010	2009
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Property development, vehicles, plant and equipment	1 306 687	2 225 795
Total	1 306 687	2 225 795
3. INVESTMENTS		
Commercial banks and building societies	1 001 240	1 164 598
Total	1 001 240	1 164 598
The investments were allocated as follows:		
Build Together Fund **	879 703	-
Capital projects *	121 537	-
Revenue	-	1 164 598
Total	1 001 240	1 164 598
** In prior year current account of Build Together were included as part of investments.		
* Incorrect disclosure of these investments – Should be under revenue		
4. TRADE AND OTHER RECEIVABLES		
Services, rates and taxes	1 471 798	1 309 367
Build Together Fund receivables	-	2 069 145
VAT control account	179 173	179 173
	1 650 971	3 557 685
5. INVENTORY		
Livestock	208 950	46 378
Bricks and tools	291 245	-
	500 195	46 378
6. CAPITAL OUTLAY		
Revenue contributions	-	2 040 892
General Capital contributions	-	184 903
	-	2 225 795

VILLAGE COUNCIL OF BERSEBA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE
(continued)

	2010	2009
	N\$	N\$
7. FUNDS AND ACCOUNTS		
Fixed Property Fund	-	1 700
Housing Fund	-	2 026 339
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	4 153 992	1 789 653
	4 153 992	3 817 692
8. TRADE AND OTHER PAYABLES		
Trade payables	586 237	679 825
Provisions	101 366	160 000
Consumer deposits	-	80
	687 603	839 905
9. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Unknown adjustments	1 969 366	(12 263)
	1 969 366	(12 263)
10. CASH UTILISED BY OPERATIONS		
NET OPERATING SURPLUS/(DEFICIT) BEFORE TRANSFERS	394 973	(79 805)
ADJUSTMENTS FOR:		
- Adjustments to appropriation Account	1 969 366	(12 263)
- Investment income	(59 128)	(82 724)
OPERATING INCOME/(LOSS) BEFORE CHANGES IN WORKING CAPITAL	2 305 211	(174 792)
CHANGES IN WORKING CAPITAL		
Trade and other receivables	1 906 714	(442 218)
Inventory	(453 817)	1
Trade and other payables	(152 302)	308 644
	1 300 595	(133 573)
CASH GENERATED (UTILISED) BY OPERATIONS	3 605 806	(308 365)