



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF BERSEBA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

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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 Berseba for the financial year ended 30 June 2015, 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, September 2016

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF BERSEBA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

1. REPORT ON THE FINANCIAL STATEMENTS

1.1 INTRODUCTION

This report on the accounts of the Village Council of Berseba for the financial year ended 30 June 2015 is presented to the National Assembly in accordance with the Local Authorities Act, 1992 (Act 23 of 1992).

The firm EDB & Associates 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. Deficits are indicated in (brackets).

I certify that I have audited the accompanying financial statements for the Village Council of Berseba for the financial year ended 30 June 2015. These financial statements comprise of the following:

- Annexure A: Balance sheet
- Annexure B: Abridged income statement
- Annexure C: Cash flow statement
- Annexure D: Notes to the 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 they were only submitted on 05 November 2015 instead of three months (3 months) after the year end as required by the Act.

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

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, 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud and 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 reasonable 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 insufficient and inappropriate to provide a basis of the audit opinion.

4. ACKNOWLEDGEMENT

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

5. KEY AUDIT FINDINGS

5.1 Trade and other payables

Auditors recalculated VAT reconciliation computation revealed a material difference of N\$ 415 165 for the year under review.

The Namwater debt at year end was overstated by an amount of N\$ 653 426.

The auditors' review of leave pay indicates an under provision of N\$ 40 734.

Provision for 5 % rates and taxes to the Regional Council remained constant at N\$ 4 316 since the prior year.

5.2 Consumer deposits

No deposits were charged to consumers when they opened their accounts. For the financial year, consumer deposits recorded, accounted for 0% of Village Council total outstanding debtor balances.

A material difference of N\$ 832 657 was found when auditors conducted a reasonability calculation on consumer deposits. It is evident and troublesome to note that the Village Council lack control over the collection of deposits.

5.3 Fixed assets

The Village Council was unable to provide an updated fixed asset register which correlate to the annual financial statements of the financial year, at the time of the audit.

Additions to fixed assets amounted to N\$ 254 786 which could not be substantiated with supporting documentation. A difference of N\$ 14 768 was found between the annual financial statements and the fixed assets register.

5.4 Housing fund debtors

No reconciliations, no explanation or any supporting documentation could be provided; hence the auditors could not confirm housing fund debtors.

5.5 Inventory

The only stock found is that of livestock.

Auditors did not attend the stock count and due to the Council's poor record keeping no alternative procedures could be performed to verify the existence and completeness. The Council could not substantiate the value used in valuing stock and as a result the auditors could not verify that stock.

5.6 Lack of supporting documents

No supporting documents were provided for Government contribution and subsidy amounting to N\$ 2 579 258.

5.7 Payroll

An unexplained difference of N\$ 287 189 was found on the payroll reconciliations.

5.8 Bank reconciliation

The Council did not prepare monthly bank reconciliations, only at year end. Stale cheques amounting to N\$ 20 745 were not reversed in the cash book for the year under review.

5.9 Annual financial statement and finstel records

The auditors noted, that numerous balances and totals on the Finstel trial balance did not correlate with those stated in the annual financial statements.

6. BASIS FOR DISCLAIMER AUDIT OPINION

- Unexplained differences in the balance of trade and other payables;
- Material understatement of consumer deposits;
- Material unsubstantiated fixed asset additions;
- No reconciliations could be provided on housing fund debtors;
- Poor record keeping to confirm inventory;
- Lack of supporting documents for income and expenditure;
- Unexplained differences on the payroll;
- No reversal of stale cheques;
- Unreconciled Finstel trial balance and annual financial statements.

7. AUDIT OPINION: DISCLAIMED AUDIT OPINION

The accounts of the Village Council of Berseba for the financial year ended 30 June 2015, summarized in Annexure A to D, were audited by me in terms of the provisions of Section 85 of the Local Authorities Act, 1992, read with Section 25 (1) (b) of the State Finance Act, 1991.

Because of the significance of the matters described in the Basis for Disclaimer of 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, September 2016

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

8. 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/(deficit) 01/07/2014				(86 669)
General accounts				
Non-profitable services	3 705 907	2 170 125	1 535 782	
Self-supporting services	158 711	121 923	36 788	
Trade accounts				
Water	562 008	374 126	187 882	
Electricity	748 224	983 364	(235 140)	
Surplus/(Deficit) for the year	5 174 850	3 649 538	1 525 321	1 525 321
Adjustments and appropriations (Note 10, of Annexure D)				(1 802 998)
Accumulated deficit 30/06/2015				(364 346)

9. CURRENT BANK ACCOUNT

The favorable bank statement balance on the current bank account amounted to N\$ 67 141 (2014: N\$ 197 939). Outstanding receipts totaled to N\$ 7 388 (2014: N\$ nil), outstanding cheques totaled to N\$ 408 228 (2014: N\$ 26 672), resulting in a reconciled favorable cash-book balance of N\$ 333 698 (2013: N\$ 173 880). Stale cheques amounted to N\$ 20 745 that were not reversed for the year under review.

10. INVESTMENTS AND INTEREST PROCEEDS

	2015	2014
	N\$	N\$
Invested at:		
Commercial banks	2 366 148	870 317
	2 366 148	870 317
Allocation:		
Housing Fund	94 418	81 462
Capital Projects	652 702	652 702
Revenue	1 619 028	136 153
	2 366 148	870 317

11. FUND ACCOUNTS

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

12. TRADE ACCOUNTS

12.1 Operating results

The results for the financial year under review and the previous year were as follows:

	Electricity		Water	
	2015	2014	2015	2014
	N\$	N\$	N\$	N\$
Sales	558 722	617 605	562 008	615 595
Cost of sales	(532 441)	(368 784)	(236 249)	(623 046)
Gross profit	26 281	248 821	325 759	(7 451)
Other (expenses) / income	(261 420)	(24 736)	(513 640)	(64 795)
Net (deficit)	(235 139)	224 085	(187 881)	(72 246)
Gross profit / (loss) on cost of sales	4.94%	67.47%	(137.89%)	(1.2%)
Net (loss) / profit percentage on cost of sale	(44.16%)	60.76%	(79.53%)	(11.6%)

12.2 Water and electricity distribution results

	Electricity		Water	
	2015	2014	2015	2014
	Kw	Kw	m ³	m ³
Units sold	87 512	92 478	552 475	395 478
Units bought	(821 314)	(1 340 094)	(531 657)	(49 898)
Net (deficit) / surplus	(733 802)	(1 247 616)	20 818	(345 580)
Percentage	(89%)	(93%)	4%	(87%)

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

13. SELF-SUPPORTING SERVICES

	Revenue	Expenditure	Surplus /	Surplus /
	2015	2015	(Deficit)	(Deficit)
	2015	2015	2015	2014
Cleansing services and sewerage	N\$ 192 111	N\$ 175 061	N\$ 17 050	N\$ (55 711)
Total	192 111	175 061	17 050	(55 711)

The above table shows that the self-supporting services indicate an overall net profit for the year under review.

14. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No such expenditure was identified during the year under review.

15. SUSPENSE ACCOUNTS

No suspense accounts were disclosed for the year under review.

16. IRREGULARITIES AND LOSSES

No irregularities and losses were identified during the year under review.

17. CAPITAL PROJECTS

Nature of projects/ Acquisitions	Financed by	Total expenditure 2015	Total expenditure 2014
	General Capital		
General administration	N\$ 204 013	N\$ 204 013	-
Town lands	11 121	11 121	-
Vehicles	-	-	2 466 638
Electricity supply	3 436	3 436	-
Water supply	28 711	28 711	-
Streets and roads	197 358	197 358	297 445
	444 639	444 639	2 764 083

No proper fixed asset register could be availed by the Council.

18. BURSARIES

No bursaries were granted during the year under review.

19. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

Contributions from Government amounts to N\$ 258 894 (2014: N\$ 304 292). Road Fund Administration contribution amounts to N\$ 3 371 436 (2014: N\$ 2 254 899).

20. COMPENSATION PAYMENTS

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

21. VISITS TO FOREIGN COUNTRIES

There were no visits to foreign countries during the year.

22. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the Council.

23. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

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

24. TRANSFER OF PROPERTY

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

25. TRADE AND OTHER RECEIVABLES/ PAYABLES

25.1 Trade and other receivables at 30 June:

	2015	2014
	N\$	N\$
Services, rates and taxes	2 199 370	2 215 619
Housing Fund receivables (Includes incomplete projects of N\$ 2 226 849)	2 547 742	2 563 579
Value Added Tax	-	271 286
Less: Provision for bad debts	(2 007 342)	(1 816 061)
Total	2 739 770	3 234 423

As per the debtors age analysis 89% for 2015 (2014: 79%) of total debts are outstanding for more than 120 days.

25.2 Trade and other payables at 30 June:

	2015	2014
	N\$	N\$
Trade payables	1 764 237	1 764 880
Value Added Tax	39 611	-
Provisions	318 005	213 681
Total	2 121 853	1 978 561

26. ASSESSMENT RATES

Assessment rates charged by the Village Council for the year under review amounted to N\$ 86 325 (2014: N\$ 86 325).

27. LOANS

27.1 External loans

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

27.2 Internal loans

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

27.3 Housing loans

The amount advanced in favour of housing loans under the Build Together Program is reflected at N\$ 2 547 742 (2014: N\$ 2 563 579) in the annual financial statements.

28. SALE OF ERVEN

There was no sale of erven for the financial year under review.

29. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

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

30. TARIFF ADJUSTMENTS

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

31. APPROVALS

31.1 Excess on approved budget

No overspending.

31.2 Revenue written off

No revenue was written off.

32. INVENTORY AND EQUIPMENT

32.1 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 - 01/07/14	1	38 550	2	1 202 632	2	158 682
Sub-total	1	38 550	2	1 202 632	2	158 682
Depreciation	-	(19 274)	-	(21 143)	-	(79 342)
Balance - 30/06/15	1	19 276	2	1 181 489	2	79 340

No information was provided by the Council for the carrying amount of the above motor vehicles and values are as per the current year fixed asset register.

32.2 Inventory

An amount of N\$ 328 550 (2014: N\$ 288 600) for livestock was disclosed in the financial statements.

33. GENERAL

The system of internal control at the Village Council is insufficient for the year under review.

34. SPECIAL INVESTIGATIONS

No special investigations were under taken during the current year.

35. FORMAL AND INFORMAL QUERIES

35.1 Formal queries are embodied in this report.

35.2 Informal queries were discussed with the Village Council management.

VILLAGE COUNCIL OF BERSEBA

ANNEXURE A

BALANCE SHEET AS AT 30 JUNE 2015

	Notes	2015 N\$	2014 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	7 272 274	10 807 310
Investments	3	2 366 148	870 317
Current assets			
Inventory	5	328 550	288 600
Accounts receivable	6	2 739 770	3 234 423
Cash and bank	8	2 000	808 150
TOTAL ASSETS		12 708 742	16 008 800
EQUITY AND LIABILITIES			
Equity			
Funds & accounts	7.1	2 328 217	2 570 228
Capital outlay	7.2	7 924 975	11 460 011
Current liabilities			
Accounts payable	9	2 121 852	1 978 561
Bank overdraft	8	333 698	-
TOTAL EQUITY AND LIABILITIES		12 708 742	16 008 800

VILLAGE COUNCIL OF BERSEBA

ANNEXURE B

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	<u>Note</u>	<u>2015</u>	<u>2014</u>
		N\$	N\$
INCOME		5 074 626	3 972 478
EXPENDITURE		<u>(3 649 538)</u>	<u>(4 035 426)</u>
OPERATING PROFIT/(LOSS) FOR THE YEAR		1 425 088	(62 948)
INVESTMENT INTEREST EARNED FOR FUND ACCOUNTS		<u>100 233</u>	<u>50 716</u>
NET PROFIT/(LOSS) FOR THE YEAR		1 525 321	(12 232)
Add : Appropriation and adjustments	10	<u>(1 802 998)</u>	<u>(305 763)</u>
ACCUMULATED (LOSS) FOR THE YEAR		(277 677)	(317 995)
30 June 2014		(86 669)	231 326
30 June 2015		<u>(364 346)</u>	<u>(86 669)</u>

VILLAGE COUNCIL OF BERSEBA

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 N\$	2014 N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		5 074 626	3 972 478
Cash paid to suppliers		(4 854 542)	(3 615 774)
Cash generated by operations	11	220 084	356 704
Investment income		100 233	50 716
Movement in Fund accounts			
- Fund accounts – increase		35 665	38 665
- Capital outlay - decrease		(3 535 036)	4 501 415
Cash generated by operating activities		(3 179 054)	4 947 500
CASH GENERATED BY INVESTING ACTIVITIES			
Net capital expenditure		2 039 206	(4 314 451)
Increase in investments		3 535 037	(4 501 416)
		(1 495 831)	186 965
CASH UTILIZED BY FINANCING ACTIVITIES			
Net (increase)/decrease in cash and cash equivalents'		(1 139 848)	633 049
Cash and cash equivalents at the beginning of the year		808 150	175 101
Cash and cash equivalents' at the end of the year	8	(331 698)	808 150

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 provided 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 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 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.

ANNEXURE D

VILLAGE COUNCIL OF BERSEBA

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

	2015	2014
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	7 272 274	10 807 310
3. INVESTMENTS		
Commercial banks	2 366 148	870 317
Allocated to:		
Build Together Fund	94 418	81 462
Capital Projects	652 702	652 702
Revenue	1 619 028	136 153
	2 366 148	870 317
4. LOANS DEBTORS		
HOUSING FUNDS		
- Housing loan debtors	320 893	336 730
- Incomplete Projects	2 226 849	2 226 849
	2 547 742	2 563 579
5. INVENTORY		
Inventories consist of :		
Livestock	328 550	288 600
	328 550	288 600
6. ACCOUNTS RECEIVABLE		
Services, rates and taxes	2 199 370	2 215 619
Value Added Tax	-	271 286
Less: Provision for bad debts	(2 007 342)	(1 816 061)
Build Together loan debtors	2 547 742	2 563 579
	2 739 770	3 234 423

ANNEXURE D

VILLAGE COUNCIL OF BERSEBA

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

	2015	2014
	N\$	N\$
7. FUNDS AND ACCOUNTS		
7.1 External funds	2 328 217	2 570 228
Housing Fund	2 692 564	2 656 899
Revenue account kept in compliance with Section 86 (1) of the Local Authorities Act, 1992.	(364 347)	(86 671)
7.2. Capital outlay	7 924 975	11 460 011
Revenue account	5 316 972	6 112 114
General capital	2 608 003	5 347 898
8. CASH AND CASH EQUIVALENTS		
	(331 698)	808 150
Bank overdraft	(333 698)	806 150
Petty cash	2 000	2000
	(331 698)	808 150
9. ACCOUNTS PAYABLE		
Trade payables	1 764 237	1 764 237
Value Added Tax	39 610	-
Provisions	318 005	213 681
	2 121 852	1 977 918
10. ADJUSTMENTS AND APPROPRIATIONS		
Unknown adjustments	-	(158 578)
Provision for bad debts	(2 064 095)	(451 968)
Debtors prior year	-	(123 280)
Leave provision adjustment	-	27 210
Vat adjustment	-	290 581
Revaluation of stock	-	83 320
Prior year investment adjustment	-	26 602
Creditors prior year	-	350
Prior year adjustments	261 097	-
	(1 802 998)	(305 763)

VILLAGE COUNCIL OF BERSEBA

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

	<u>2015</u>	<u>2014</u>
	N\$	N\$
11. CASH UTILISED IN OPERATIONS		
Net operating profit/(loss)	1 525 321	(12 232)
OPERATIONAL INCOME BEFORE CHANGE IN WORKING CAPITAL	(377 910)	(368 711)
GENERATION OF WORKING CAPITAL		
Trade and other receivables	494 653	285 691
Inventory	(39 950)	(83 320)
Trade and other payables	143 291	523 044
	<u>220 084</u>	<u>356 704</u>

