



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF BETHANIE

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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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 Bethanie for the financial year ended 30 June 2013, 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, October 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE VILLAGE COUNCIL OF BETHANIE
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2013**

1. INTRODUCTION

The accounts of the Village Council of Bethanie for the year ended 30 June 2013 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 MAC & 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. Deficits are indicated in brackets.

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 they were only submitted in 4 March 2014 instead of within three months after year-end as required by the Act.** 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, Annexure A, is a true reflection of the originals.

The following Annexures are also attached to this report:

Annexure B: 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 these 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 misstatements, 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 these 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 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.

4. AUDIT OBSERVATIONS AND COMMENTS

4.1 Unsupported and inadequate provision for doubtful debts

- The audit established that the provision for doubtful debts is understated by N\$ 3 260 346.

4.2 Unexplained differences on the Build Together loans

- The fully disbursed Build Together loan balance per general ledger amounts to N\$ 4 933 772 while the loans trial balance (supporting list) has an amount of N\$ 3 081 978 resulting in an understatement of N\$ 1 851 794.
- There was no supporting list for the temporary advances to buyers (relating to the Build Together loans) amounting to N\$ 813 987.

4.3 Overstatement of Value Added Tax receivable

The VAT receivable balance reported is overstated by N\$ 159 206 due to the inclusion of disallowed claims.

4.4 Understatement of the bulk water purchases

Bulk water purchases account reflected in the financial statements is understated by N\$ 418 993 as a result of incorrect reversal of the prior year creditors that should have been posted to the appropriation account.

4.5 Understatement of the bulk electricity purchases

Bulk electricity purchases account reflected in the financial statements is understated by N\$ 462 239 as a result of incorrect reversal of the prior year creditors that should have been posted to the appropriation account.

4.6 Overstatement of the inventory

The inventories balance reflected in the financial statements is overstated by N\$ 104 050 and no explanation was given for the overstatement.

4.7 Overstatement of the bank overdraft

Cheques already cleared by the bank in the current financial year amounting to N\$ 498 474 are reflected as outstanding cheques at year end resulting in the overstatement of the bank overdraft. Furthermore, there is an additional unexplained reconciling item amounting to N\$ 33 796.

4.8 Unsupported adjustments

- There were no supporting documents for a material adjustment (write-off of suspense accounts) posted to the appropriation account amounting to N\$ 770 910, and as a result, the auditors were unable to verify the validity of the adjustment.
- There were no supporting documents for the adjustment posted to the opening balances of property, plant and equipment, Contribution from Revenue Fund and the General Capital Fund of N\$ 619 520, N\$ 393 816 and N\$ 225 703 respectively.

4.9 Property, plant and equipment

- There was no fixed assets register maintained for the 2012/13 financial year.
- The assets were not depreciated during the financial year resulting in the overstatement of the reported property, plant and equipment.

4.10 Lack of supporting documents for sundry income

There were no supporting documents for sundry income amounting to N\$ 286 360.

5. ACKNOWLEDGEMENT

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

6. FINANCIAL RESULTS

	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit as at 01/07/2012				(70 853)
General accounts				
Non-profitable	4 318 574	2 951 581	1 366 993	
Self-supporting	1 225 941	1 631 995	(406 054)	
Trade accounts				
Water supply	1 721 416	1 431 086	290 330	
Electricity supply	3 059 722	1 885 106	1 174 616	
	10 325 653	7 899 768	2 425 885	
Surplus for the year				2 425 885
Adjustments and utilisations (See Note 10, Annexure D)				(2 064 466)
Accumulated surplus 30/06/2013				290 566

7. CURRENT BANK ACCOUNT

	2013	2012
	N\$	N\$
Cash-book balance at 30 June	(429 393)	(79 116)
Outstanding cheques	498 474	498 474
Unexplained difference	*33 795	-
Balance as per bank statement	102 876	419 358

* As explained on item 4.7 the bank overdraft balance is overstated by N\$ 532 270.

8. INVESTMENTS AND INTEREST PROCEEDS

At 30 June 2013 N\$ 37 814 (2012: N\$ 336 763) was invested at financial institutions, as follows:

	2013	2012
	N\$	N\$
Investments were allocated to the following Funds:		
Build Together Fund	-	336 763
Revenue Fund	37 814	-
	37 814	336 763

9. FUND ACCOUNTS

The position of the Fund accounts at the end of the year is shown in Note 2 of Annexure D.

10. TRADE ACCOUNTS

10.1 The results of operations of electricity are as follows:

	2013	2012
	N\$	N\$
Sales	2 913 490	2 390 900
Cost of bulk purchases	(1 552 047)	(1 469 549)
Gross profit	1 361 443	921 351
Expenses (net)	(186 827)	(209 103)
Net surplus	1 174 616	712 248
Gross profit on sales	46.7%	62.7%
Net profit percentage on sales	40.3%	48.5%

* As explained on item 4.5 electricity bulk purchases are understated by N\$ 462 239.

10.2 Electricity distribution:

Electricity distribution results, in kilo watt hours (Kw/h) are as follows:

	Electricity	
	2013	2012
	Kw/h	Kw/h
Units sold for the year	1 633 399	*
Units purchased during the year	(2 025 270)	*
Distribution loss	(391 871)	*
Loss as percentage of units sold	(24.0%)	*

* The Council could not provide the information.

10.3 Water distribution:

The results of operations of water are as follows:

	2013	2012
	N\$	N\$
Sales	1 133 944	1 107 669
Cost of bulk purchases	(377 966)	(1 057 043)
Gross profit	755 978	50 626
Expenses (net)	(465 647)	(306 201)
Net surplus/(deficit)	290 331	(255 575)
Gross profit sales	66.7%	4.8%
Net surplus/deficit percentage on sales	25.6%	(23.1%)

* As explained on item 4.4, water bulk purchases are understated by N\$ 418 993.

10.4 Water distribution:

Water distribution results, in cubic metres (m³), are as follows:

	Water	
	2013	2012
	m ³	m ³
Units sold for the year	84 131	*
Units purchased during the year	(106 273)	*
Distribution loss	(22 142)	*
Loss as percentage of units sold	(26.3%)	*

* The Council could not provide the information.

11. SELF-SUPPORTING SERVICES

The net results of self-supporting services are as follows:

	Income	Expenses	Surplus/(Loss)	Surplus/(Loss)
	2013	2013	2013	2012
	N\$	N\$	N\$	N\$
Natis	299 889	231 828	68 061	35 835
Street and roads	119 657	442 244	*(322 587)	(55 310)
Fire brigade	-	-	-	(6 751)
Town lands	83 807	305 459	*(221 652)	94 959
Parks and recreation	-	1 219	*(1 219)	(1 436)
Cleansing services	722 588	651 245	71 343	(34 992)
	1 225 941	1 631 995	(406 054)	32 305

* Council should put measures in place to make these services self-supporting.

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No fruitless, unauthorised and avoidable expenditure was revealed during the audit.

13. SUSPENSE ACCOUNTS

No transactions were accounted for in suspense accounts during the year under review.

14. IRREGULARITIES AND LOSSES

No irregularities and losses were revealed by the audit for the year under review.

15. CAPITAL PROJECTS

The following capital expenditure was incurred during the year under review:

Nature of projects /acquisitions	2013	2012
	Expenditure	Expenditure
	N\$	N\$
General administration	160 074	208 458
Cleansing services	-	51 645
Water	725 163	45 503
Fire brigade *	-	1 100 000
Electricity supply	-	95 120
Total	885 237	1 500 726

* A fire truck was donated and was not an expenditure for the Council.

16. BURSARIES

No bursaries were granted during the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

	2013	2012
Contribution from Government	N\$	N\$
	4 229 160	2 308 400
	4 229 160	2 308 400

18. COMPENSATION PAYMENTS

No compensation payments were made during the year under review.

19. VISITS TO FOREIGN COUNTRIES

There were no such visits during the year under review.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims against the Local Authority were made during the year under review.

21. GIFTS / DONATIONS BY/TO THE LOCAL AUTHORITY

Grants and donations amounting to N\$ 16 136 (2012: N\$ 9 666) were given by the Local Authority during the year under review.

22. TRANSFER OF PROPERTY TO / FROM GOVERNMENT

No properties were transferred to or from the Government during the year under review.

23. TRADE AND OTHER RECEIVABLE/PAYABLES

23.1 Trade and other receivables at 30 June 2013 comprise the following:

	2013	2012
	N\$	N\$
Services	4 580 988	5 678 069
Consumer deposits	(16 673)	(11 574)
Build Together advances	5 747 759	5 297 228
Receiver of revenue - VAT	522 108	126 016
Sundry receivables	139 608	-
Less: Provision for bad debts	(553 076)	(553 076)
	10 420 714	10 536 663

23.2 Trade and other payables at 30 June 2013 comprise the following:

	2013	2012
	N\$	N\$
Trade payables	2 261 622	2 700 509
Provisions	101 314	101 314
Arrear instalments on Government loans	1 323 359	1 281 746
	3 686 296	4 083 569

24. ASSESSMENT RATES

	2013	2012
	N\$	N\$
Net proceeds from assessment rates	234 796	216 305
Tariffs per N\$ 1 valuation per annum - Business Valuation per annum		
- Land	0.0141	0.0128
- Improvements	0.0196	0.0178
Tariffs per N\$ 1 valuation per annum - Residential Valuation per annum		
- Land	0.0138	0.0125
- Improvements	0.0196	0.0178

25. LOANS

25.1 External loans

External loans payable to the Government of Namibia amounting to N\$ 289 497 (2012: N\$ 301 718) were outstanding at year-end. Instalments in arrears amounted to N\$ 1 323 360 (2012: N\$ 1 281 746).

25.2 Internal loans

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

25.3 Housing loans

The amount advanced in favour of housing loans under the Build Together programme are reflected at N\$ 5 747 759 (2012: N\$ 5 297 228).

26. SALE OF ERVEN

During the current financial year, cash proceeds to the value of N\$ 27 734 (2012: N\$ 9 096) were received for erven sold and allocated to the Revenue Fund.

27. PROPERTY SOLD ON INSTALLMENT BASIS

No details of houses that were sold on an instalment basis during the year under review could be provided.

28. TARIFF ADJUSTMENTS

Tariff adjustments were in accordance with the relevant Official Government Gazette.

29. APPROVALS

Approvals for all over expenditure were obtained.

30. STOCK AND EQUIPMENT

30.1 Motor vehicles

The Council could not provide complete information on motor vehicles inventory and the related carrying values.

30.2 Inventory

Inventory comprising of livestock amounted to N\$ 526 600 (2012: N\$ 535 000). As stated on item 4.6, the inventory is overstated by N\$ 104 050.

31. SPECIAL INVESTIGATIONS

No special investigations were carried out during the year.

32. GENERAL

32.1 Internal controls

The accounting and internal controls applied by the Council are satisfactory, except where indicated in this report. Proper segregation of duties is feasible but hindered by the small number of staff employed.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries addressed to the Chief Executive Officer consist of:

- Slow debt collection
- Consumer deposits

34. DISCLAIMED AUDIT OPINION

The accounts of the Bethanie Village Council for the financial year ended 30 June 2013, summarized in Annexure A to D, were audited by me in terms of provisions of Section 85 of the Local Authorities Act, 1992 read with Section 25(1) of the State Finance Act, 1991.

I am unable to express an audit opinion due to the following reasons:

- The audit established that the provision for doubtful debts is understated by N\$ 3 260 346;
- The Build Together loans were understated by N\$ 1 851 794;
- There was no supporting list for the temporary advances to buyers (relating to the Build Together) amounting to N\$ 813 987;
- The VAT receivable balance reported is overstated by N\$ 159 206;
- Understatement of the bulk water purchases by N\$ 418 993;
- Understatement of the bulk electricity purchases by N\$ 462 239;

- Overstatement of the inventory by N\$ 104 050;
- Overstatement of the bank overdraft by N\$ 532 270;
- Unsupported adjustments to the amount of N\$ 2 009 949;
- There was no fixed assets register maintained for the 2012/13 financial year;
- The assets were not being depreciated resulting in the overstatement of the reported property, plant and equipment; and
- There were no supporting documents for sundry income amounting to N\$ 286 360.

WINDHOEK, October 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

VILLAGE COUNCIL OF BETHANIE

BALANCE SHEET ON 30 JUNE 2013

	Notes	2013	2012
		N\$	N\$
ASSETS			
Non-current assets		16 885 488	15 679 679
Property, plant and equipment	3	16 847 673	15 342 916
Investments	4	37 815	336 763
Current assets		10 947 314	11 071 663
Accounts receivable	5	10 420 714	10 536 663
Inventories - livestock	8	526 600	535 000
TOTAL ASSETS		27 832 802	26 751 342
EQUITY AND LIABILITIES			
Funds		23 427 617	22 286 941
Capital outlay	2.1	16 513 015	14 996 037
Funds and accounts	2.2	6 914 602	7 290 904
Non-current liabilities			
Long-term liabilities	7	289 497	301 718
Current liabilities		4 115 688	4 162 683
Accounts payable	6	3 686 295	4 083 567
Bank Overdraft	9	429 393	79 116
TOTAL EQUITY AND LIABILITIES		27 832 802	26 751 342

VILLAGE COUNCIL OF BETHANIE

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013	2012
		N\$	N\$
INCOME		10 325 455	7 342 735
EXPENDITURE		(7 899 768)	(6 863 220)
NET OPERATING SURPLUS		2 425 687	479 515
INVESTMENTS INTEREST EARNED		197	2 854
NET SURPLUS	2	2 425 884	482 369
ADJUSTMENTS/APPROPRIATIONS	10	(2 064 466)	(485 122)
NET SURPLUS/(DEFICIT) FOR THE YEAR		361 418	(2 753)
APPROPRIATION ACCOUNT AT THE BEGINNING OF THE YEAR		(70 852)	(68 100)
APPROPRIATION ACCOUNT AT THE END OF THE YEAR		290 566	(70 853)

VILLAGE COUNCIL OF BETHANIE

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013	2012
		N\$	N\$
Cash receipts from customers		10 325 455	(2 752)
Cash paid to suppliers		(10 237 159)	(3 142 046)
<i>Cash generated/(utilised)by operations</i>	11	88 296	(3 147 652)
Investments income		197	2 854
<i>Net cash flows from operating activities</i>		88 493	(3 144 798)
<i>CASH FLOW FROM INVESTING ACTIVITIES</i>		(1 205 809)	(630 277)
Increase in property, plant and equipment		(1 504 757)	(881 207)
Decrease in investments		298 948	250 930
<i>CASH FLOW FROM FINANCING ACTIVITIES</i>		767 040	3 431 391
Decrease in long-term loans		(12 221)	(11 128)
Increase in capital outlay		1 516 981	491 609
(Decrease)/Increase in funds		(737 720)	2 950 910
<i>DECREASE IN CASH AND CASH EQUIVALENTS</i>		(350 276)	(343 684)
Cash and cash equivalents at the beginning of the year		(79 117)	264 567
Cash and cash equivalents at the end of the year		(429 393)	(79 117)

VILLAGE COUNCIL OF BETHANIE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2013

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.

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 estimation recoverable amount, the assets or cash generating units are written down to their recoverable.

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 market instruments, net of bank overdrafts. On 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. Cost 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 expenditures as approved by the Council.

VILLAGE COUNCIL OF BETHANIE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2013 (continued)

	2013	2012
	N\$	N\$
2. FUND ACCOUNTS		
2.1 Capital outlay:		
Contribution from:	16 513 015	14 996 037
Loans redeemed	109 103	96 882
Revenue contributions	8 350 435	7 071 381
General capital contributions	8 053 477	7 827 774
2.2 Funds	6 914 602	7 290 904
Capital Reserve Fund	1 327 266	1 327 266
Built Together Fund	5 296 770	6 034 490
Accumulated surplus (deficit)	290 566	(70 852)
TOTAL FUNDS	23 427 617	22 286 941
3. FIXED ASSETS		
Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment.	16 847 673	15 342 916
Financed from:		
Revenue account	16 847 673	15 342 916
	16 847 673	15 342 916
4. INVESTMENTS		
Commercial banks	37 815	336 763
	37 815	336 763
<u>Allocated as follows:</u>		
Build Together Fund	-	336 763
Revenue Fund	37 815	-
	37 815	336 763

VILLAGE COUNCIL OF BETHANIE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2013 (continued)

	2013	2012
	N\$	N\$
5. TRADE AND OTHER RECEIVABLES		
Services	4 580 988	5 678 069
Consumer deposits	(16 673)	(11 574)
Built Together advances	5 747 759	5 297 228
Receiver of revenue – VAT	522 108	126 016
Other	139 608	-
Less: Provision for bad debts	(553 076)	(553 076)
	10 420 714	10 536 663
6. TRADE AND OTHER PAYABLES		
Trade payables	2 261 622	2 700 509
Provisions	101 314	101 314
Arrear instalments on Government loans	1 323 359	1 281 745
	3 686 295	4 083 568
7. LONG-TERM LIABILITIES		
External loans	289 497	301 718
	289 497	301 718
8. INVENTORIES		
Livestock	526 600	535 000
	526 600	535 000
9. BANK OVERDRAFT		
Current bank account	(429 393)	(79 116)
	(429 393)	(79 116)
10. ADJUSTMENTS AND UTILISATIONS		
Prior year adjustments	(2 064 466)	(485 122)
	(2 064 466)	(485 122)

VILLAGE COUNCIL OF BETHANIE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2013 (continued)

	<u>2013</u>	<u>2012</u>
	N\$	N\$
11. CASH UTILISED BY OPERATIONS		
Cash generated / (absorbed) by operations		
Net surplus before investment interest and adjustments.	2 425 687	479 516
Adjustment on appropriation account	<u>(2 064 466)</u>	<u>(485 122)</u>
OPERATING SURPLUS/DEFICIT) BEFORE CHANGES IN WORKING CAPITAL	<u>361 221</u>	<u>(5 606)</u>
Changes in working capital		
Decrease/(Increase) in accounts receivable	115 949	(3 246 451)
Decrease/(Increase) in inventories	8 400	(208 500)
(Decrease)/Increase in accounts payable	<u>(397 274)</u>	<u>312 905</u>
	<u>(272 925)</u>	<u>(3 142 046)</u>
CASH UTILISED BY OPERATIONS	<u><u>88 296</u></u>	<u><u>(3 147 652)</u></u>