



**REPUBLIC OF NAMIBIA**



**AUDIT REPORT ON THE ACCOUNTS OF THE**

# **VILLAGE COUNCIL OF TSES**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

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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 Tses 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, February 2012**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

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

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**1. INTRODUCTION**

The accounts of Village Council of Tses 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 BDO 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. 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 following annexures are also attached to this report:

|            |   |                                   |
|------------|---|-----------------------------------|
| 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 misstatement.

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 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**

Items that were also reported in the previous financial year are indicated by way of an asterisk (\*).

##### **4.1 Internal control and accounting records (\*)**

There was no system of internal control at the Village Council on which the auditors could rely upon for audit purposes.

##### **4.2 Property, plant and equipment (\*)**

No asset register was available at the Village Council and therefore no verification of assets relating to the existence, carrying value or completeness could be performed by the auditors.

##### **4.3 Inventories (\*)**

No inventories were disclosed in the financial statements of the Village Council. The auditors were unable to calculate the estimated value of inventories due to poor record keeping at the Village Council. It is again recommended that the Council should develop and implement a system to control and account for the stock of the Council regularly.

##### **4.4 Consumer deposits (\*)**

No list for consumer deposits was available at the Village Council. Therefore the auditors were unable to verify these amounts.

##### **4.5 Salaries and wages (\*)**

The auditors identified an unexplained difference of N\$ 262 481 between the payroll summary and the general ledger.

##### **4.6 Investments (\*)**

Investments amounting to N\$ 569 827 held at unknown insurance companies could not be confirmed due to a lack of supporting records. Council should provide evidence that this investment still exist.

##### **4.7 Housing debtors and rentals (\*)**

No supporting documentation could be obtained for housing debtors. The Council could also not provide the auditors with rental agreements for Council properties. It was thus not possible to ascertain the existence, completeness, accuracy and valuation of housing debtors.

##### **4.8 Trade receivables (\*)**

No provision was made for doubtful debts. The amounts outstanding for 90 days and longer amounted to N\$ 1 323 912 (2009: N\$ 1095 404) as at year end. The auditors are of the opinion that the provision for bad debts should be N\$ 1 270 245.

##### **4.9 Losses on sale of water (\*)**

The Council continues to incur significant losses on the sale of water. (See paragraph 6)

#### **4.10 Trade payables (\*)**

The audit tests revealed that the Council did not accrue for various expenses in current year amounting to a total of N\$ 56 949.

As such the auditors could not satisfy themselves with regards to the completeness of the creditors balance in current year.

#### **4.11 Value Added Tax (\*)**

There was a material difference of N\$ 158 154 between the VAT reconciliation and the financial statements for the year.

The VAT returns were not submitted on time and no provision was made for interest and penalties.

A material difference of N\$ 1 090 176 exists between the general ledger and the Receiver of Revenue statement.

It would appear that Council has been under declaring its Input VAT for the current year.

Council has also did not declare all their zero rated and exempt sales on VAT returns. Futhermore it appears that the Council is completing the VAT returns incorrectly.

#### **4.12 Funds and reserves (\*)**

No supporting documentation was available to substantiate the movement in the Housing Fund. This movement could also not be verified in the previous financial years. The existence, completeness and accuracy of the current balance could thus not be ascertained.

#### **4.13 Appropriation account (\*)**

No supporting documentation could be provided for the appropriation account adjustments to the amount of N\$ 301 136 for the current year. No breakdown of the journals could be provided to the auditors.

#### **4.14 Suspense accounts**

Council has various suspense accounts which could not be traced to supporting documentation. Therefore the auditors were unable to determine the nature of the suspense accounts

| <b>Details</b>        | <b>Amount</b> |
|-----------------------|---------------|
|                       | N\$           |
| Suspense account – dt | 110 970       |
| Suspense account - ct | (55 435)      |

The Council should clear these suspense accounts during the next financial year.

#### **4.15 Water purchases (\*)**

Council could not provide the auditors with all Namwater invoices for the year as such they could not verify the existence, completeness and accuracy of water purchases of N\$ 545 052.

#### **4.16 Existence and completeness of expenditures and other income (\*)**

The auditors could not obtain supporting documentation for the following expenditure.

|                     |        |
|---------------------|--------|
|                     | N\$    |
| Consulting fees     | 35 000 |
| Electricity schemes | 51 930 |

In addition the auditors could not obtain supporting documentation for the following income.

|               |        |
|---------------|--------|
|               | N\$    |
| SITE rentals  | 66 554 |
| Sundry income | 38 870 |
| House rental  | 39 510 |

#### 4.17 Electricity purchases

Council could not provide the auditors with all Nampower invoices for the year as such they could not verify the existence, completeness and accuracy of N\$ 500 993 related to electricity bulk purchases.

### 5. ACKNOWLEDGEMENT

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

### 6. FINANCIAL STATEMENTS

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

|   | Revenue   | Expenditure | Surplus/<br>(Deficit) | Balance          |
|---|-----------|-------------|-----------------------|------------------|
|   | N\$       | N\$         | N\$                   | N\$              |
| Accumulated deficit 01/07/2009                          |           |             |                       | 38 390           |
| <b>General accounts</b>                                 |           |             |                       |                  |
| Non-profitable  |           |             |                       |                  |
| Self-supporting   | 1 637 576 | 1 837 452   | (199 876)             |                  |
|   | 87 978    | 84 172      | 3 806                 |                  |
| <b>Trade accounts</b>                                   |           |             |                       |                  |
| Water   | 305 165   | 627 864     | (322 699)             |                  |
| Electricity   | 411 343   | 612 334     | (200 991)             |                  |
| Total deficit for the year                              | 2 442 062 | 3 161 822   | (719 760)             | (719 760)        |
|   |           |             |                       | (681 370)        |
| Adjustments and utilizations (See note 9 of Annexure D) |           |             |                       | *301 136         |
| <b>Accumulated surplus 30/06/2010</b>                   |           |             |                       | <b>(380 234)</b> |

\* It was noted that the Council did not submit an appropriation account with their financial statements. (See also paragraph 4.13)

### 7. CURRENT BANK ACCOUNT

The bank statement reflected an unfavorable balance of N\$ 15 080 (2009: N\$ 3 991 favourable). No cheques were outstanding at year-end. The cash-book reflected a unfavorable balance of N\$ 15 080 (2009: favourable N\$ 3 991).

## 8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2010 the following investments were held:

|                        | 2010           |              | 2009             |               |
|------------------------|----------------|--------------|------------------|---------------|
|                        | Investment     | Interest     | Investment       | Interest      |
|                        | N\$            | N\$          | N\$              | N\$           |
| Financial institutions | 21 010         | 4 845        | 561 821          | 16 385        |
| Insurance companies    | 569 827        | -            | 563 750          | -             |
|                        | <b>590 837</b> | <b>4 845</b> | <b>1 125 571</b> | <b>16 385</b> |

Section 80(3) of the Act reads as follows:

*“(3) A local Authority Council may invest any unexpended portion of its funds with a bank registered in terms of the Banks Act, 1965 (Act 23 of 1965), a building society as defined in Section 1 of the Building Society Act, 1986 (Act 2 of 1986), and the Post Office Savings Bank controlled and managed by the Namibia Post Limited established by Section 2 of the Posts and Telecommunications Companies Establishment Act, 1992, or such other financial institution as may be approved by the Minister.”*

The auditors requested proof of the approval by the Minister of all investments held at insurance companies. The Council could not provide such a letter. No supporting documentation could be provided for the investment.

The investments and interest earned were allocated as follows:

|              | 2010           |              | 2009             |               |
|--------------|----------------|--------------|------------------|---------------|
|              | Investment     | Interest     | Investment       | Interest      |
|              | N\$            | N\$          | N\$              | N\$           |
| Revenue      | 590 837        | 4 810        | 948 442          | 16 385        |
| Housing Fund | -              | 35           | 177 129          | -             |
|              | <b>590 837</b> | <b>4 845</b> | <b>1 125 571</b> | <b>16 385</b> |

## 9. FUND ACCOUNTS

The position of the fund accounts at the end of the year is as shown in Note 2 in Annexure D. The cash available to these funds was applied in terms of internal regulations and the unapplied portion was invested.

## 10. TRADE ACCOUNTS

### 10.1 The results of operations were as follows:

|   | Water            |                 | Electricity      |                  |
|---|------------------|-----------------|------------------|------------------|
|   | 2010             | 2009            | 2010             | 2009             |
|   | N\$              | N\$             | N\$              | N\$              |
| Sales                                     | 296 933          | 390 092         | 386 455          | 252 85           |
| Cost of bulk purchases                    | (545 052)        | (294 926)       | (500 993)        | (437 795)        |
| Gross profit/(loss)                       | (248 119)        | 95 166          | (114 538)        | (184 944)        |
| Net income/(expenditure)                  | (74 580)         | (132 142)       | (86 453)         | (357 550)        |
| <b>Net (deficit)</b>                      | <b>(322 699)</b> | <b>(36 976)</b> | <b>(200 991)</b> | <b>(542 494)</b> |
| Gross profit/(loss) % on bulk purchases   | (45.52%)         | 32.27%          | (22.86%)         | (42.24%)         |
| Net surplus/(deficit) % on bulk purchases | (59.21%)         | (12.54%)        | (40.12%)         | (123.92%)        |

## 10.2 Distribution losses

The Council could not provide the auditors with statistics to enable them to calculate the distribution losses for the year. This is seen in a very serious light specifically when looking at the financial losses that the Council suffered.

## 11. SELF-SUPPORTING SERVICES

The net results of the following operations were as follows:

|                      | <b>Income</b> | <b>Expenditure</b> | <b>2010</b>  | <b>2009</b>    |
|----------------------|---------------|--------------------|--------------|----------------|
|                      | N\$           | N\$                | N\$          | N\$            |
| Cleansing            | 27 840        | 84 172             | (56 332)     | (20 980)       |
| Sewerage             | 59 138        | -                  | 59 138       | 56 116         |
| Townlands            | 1 000         | -                  | 1 000        | 93 909         |
| Surplus for the year | <b>87 978</b> | <b>84 172</b>      | <b>3 806</b> | <b>129 045</b> |

Council should investigate the reason for the decrease in surplus.

## 12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

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

## 13. SUSPENSE ACCOUNTS

The suspense accounts balances amounted to N\$ 55 435 payable and N\$ 110 970 receivables at year-end. The Council could not explain what the content of these suspense accounts are. Therefore the auditors could not analyse them.

## 14. IRREGULARITIES AND LOSSES

No irregularities or losses due to theft, fire or accidents were revealed during the years under review.

## 15. CAPITAL PROJECTS

The following expenditure was incurred during the year for capital projects or acquisitions according to a statement submitted to the auditors:

| <b>Nature of capital expenditure</b> | <b>Financed by<br/>Revenue as per<br/>Capital statement</b> | <b>Total<br/>2010</b> | <b>Total<br/>2009</b> |
|--------------------------------------|---|-----------------------|-----------------------|
|                                      | N\$   | N\$                   | N\$                   |
| General administration               | 231 199   | 231 199               | 243 007               |
| Parks and recreation                 | 500 813   | 500 813               | 92 000                |
| Electricity                          | *_  | -                     | 387 064               |
| Water                                | -   | -                     | 100 000               |
|                                      | <b>732 012</b>  | <b>732 012</b>        | <b>822 071</b>        |

According to the financial statements of the Council, there were capital expenditure on the electricity supply vote to the amount of N\$ 51 930 that is not disclosed in the Capital statements.

As reported under paragraph 4.2, the above acquisitions could not be verified by the auditors.



## 16. BURSARIES

No bursaries were granted during the year.

## 17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID RECEIVED FROM GOVERNMENT

|   | 2010             | 2009             |
|---|------------------|------------------|
|   | N\$              | N\$              |
| Contributions as per Ministry of Regional, Local Government and Housing and Rural Development | 1 200 000        | 1 500 000        |
|   | <b>1 200 000</b> | <b>1 500 000</b> |

The amount recorded as income in the financial statements for the 2009/2010 financial year differs with N\$ 242 014. The financial statements reflects an amount of N\$ 1 442 014. The difference could not be explained by the Council.

## 18. COMPENSATION PAYMENTS

No compensation payments were made during the years under review.

## 19. VISITS TO FOREIGN COUNTRIES

Information regarding visits to foreign countries for the years under review could not be availed due to inadequate record keeping.

## 20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims were paid as a result of accidents during the years under review.

## 21. GIFTS / DONATIONS BY THE LOCAL AUTHORITY

No gifts or donations were made by the Village Council during the year under review.

## 22. TRANSFER OF PROPERTY

No property was transferred by the Village Council during the year under review.

### 23.1 Trade and other receivables at 30 June were as follows:

|                           | 2010             | 2009             |
|---------------------------|------------------|------------------|
|                           | N\$              | N\$              |
| Services, rates and taxes | 1 460 139        | 1 319 496        |
| Other debtors             | 1 552 664        | 1 108 024        |
|                           | <b>3 012 803</b> | <b>2 427 520</b> |

No provision for bad debts was made during the year. A list of housing fund debtors was not made available to the auditors. (Refer to paragraphs 4.7 and 4.8).

### 23.2 Trade and other payables at 30 June were as follows:

|                   | 2010             | 2009             |
|-------------------|------------------|------------------|
|                   | N\$              | N\$              |
| Trade payables    | 2 573 457        | 1 920 113        |
| Consumer deposits | 2 290            | 2 290            |
| Value added tax   | 24 257           | 311 136          |
| Suspense account  | 55 435           | -                |
|                   | <b>2 655 439</b> | <b>2 233 539</b> |

No list of consumer deposits was available for audit purposes. The Village Council did not provide for VAT penalties or interest arising from the late submission of VAT returns in current and prior year. A VAT reconciliation could not be provided to auditors for verification. There were material differences between the VAT amount per Receiver of Revenue statement and the VAT amount per ledger. (See paragraph 4.11).

## **24. ASSESSMENT RATES**

Net proceeds from assessment rates were N\$ 53 193. The tariff for private property was N\$ 0.23557 per dollar per year of the site valuations plus N\$ 0.00571 per dollar per year of the valuations of improvements. The tariff for business property was N\$ 0.23557 per dollar per year of the site valuations plus N\$ 0.00571 per dollar per year of the valuations of improvements.

## **25. LOANS**

### **25.1 External loans**

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

### **25.2 Internal loans**

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

### **25.3 Build Together Fund**

According to the financial statements of the Council, build together debtors had a total outstanding amount of N\$ 1 441 694. No list of these loans could be made available to the auditors and therefore they could not verify the correctness of this balance.

## **26. SALE OF ERVEN**

No erven were sold during the year under review.

## **27. PROPERTIES SOLD ON AN INSTALLMENT BASIS**

No properties were sold on an installment basis for the year under review.

## **28. TARIFF ADJUSTMENTS**

Tariff adjustments were all in accordance with the relevant Official Government notice for both financial years.

## **29. APPROVALS**

### **29.1 Revenue written off**

No revenue was written off during the year under review.

## 29.2 Excess on approved budget

The following votes were exceeded:

| <b>VOTE</b>             | <b>Approved budget</b> | <b>Actual expenditure</b> | <b>Over-expenditure</b> |
|-------------------------|------------------------|---------------------------|-------------------------|
|                         | N\$                    | N\$                       | N\$                     |
| Council general expense | -                      | 119 444                   | 119 444                 |
| Parks and recreation    | -                      | 501 313                   | 501 313                 |
| Water                   | 446 000                | 627 864                   | 181 864                 |
| Electricity             | 585 750                | 612 334                   | 26 584                  |
| <b>Total</b>            | <b>1 031 750</b>       | <b>1 860 955</b>          | <b>829 205</b>          |

## 30. INVENTORY AND EQUIPMENT

### 30.1 Motor vehicles

The reconciliation of the number of motor vehicles, distance traveled and fuel consumed for the year could not be availed by the Council for reporting purposes.

### 30.2 Inventory

No inventory records were made available to the auditors.

## 31. SPECIAL INVESTIGATIONS

No special investigations were carried out during the year under review.

## 32. GENERAL

A sufficient system of internal control for the years under review was not in place at the Village Council. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does reduce risks, it raises the risk that management and the Council could override existing controls.

## 33. FORMAL AND INFORMAL QUERIES

A management letter was issued after the audit. This letter was addressed to the Village Secretary and the following issues were raised.

- Investments
- Lack of rental contracts
- Lack of a housing loan register
- VAT
- Lack of a fixed asset register
- Inadequate consumer deposits
- Non-disclosure of inventories
- Expenses
- Income
- Bad and doubtful debts
- Losses on water and electricity

### **34. DISCLAIMED AUDIT OPINION**

The accounts of the Village Council of Tses for the financial year ended 30 June 2010 summarized in Annexures 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.

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

- No system of internal control was in place on which the auditors could rely.
- No asset register was available.
- Inventories were not disclosed in the financial statements.
- No list of consumer deposits was available.
- A difference of N\$ 262 481 was found between the payroll summaries and the general ledger which could not be explained.
- No supporting documentation for and investment of N\$ 569 827 held at an unknown company could be provided.
- Supporting documentation could not be obtained to verify housing debtors to the amount of N\$ 1 441 694.
- No provisions were made for bad and doubtful debts. The provision should be approximately N\$ 1 270 245.
- There exists a material difference of N\$ 158 154 between the VAT reconciliation and the general ledger.
- There was also a difference of N\$ 1 090 176 related to VAT between the general ledger of the Council and the statements received from the Receiver of Revenue.
- Council did not accrue for payables amounting to N\$ 56 949.
- Movements within the housing fund could not be verified due to a lack of information.
- No detailed breakdown of the appropriation journal to the amount of N\$ 301 136 could be obtained from Council.
- The Council has two suspense accounts with balances of (N\$ 55 4356) and N\$ 110 969 respectively for which supporting documentation could not be found.
- Council could not provide the auditors with all Namwater invoices for the year.
- Council could not provide the auditors with supporting documentation for various income and expense items.

**WINDHOEK, February 2012**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## VILLAGE COUNCIL OF TSES

## BALANCE SHEET AS AT 30 JUNE 2010

|                                     | Notes | 2010<br>N\$       | 2009<br>N\$      |
|-------------------------------------|-------|-------------------|------------------|
| <b>ASSETS</b>                       |       |                   |                  |
| <b>Non-current assets</b>           |       |                   |                  |
| Property, plant and equipment       | 2     | 6 971 842         | 6 239 831        |
| Investments                         | 3     | 590 837           | 1 125 571        |
| <b>Current assets</b>               |       |                   |                  |
| Suspense account                    | 4     | 110 970           | -                |
| Cash and cash balances              | 5     | -                 | 3 991            |
| Accounts receivable                 | 6     | 2 901 833         | 2 427 520        |
| <b>TOTAL ASSETS</b>                 |       | <b>10 575 482</b> | <b>9 796 913</b> |
| <b>EQUITY AND LIABILITIES</b>       |       |                   |                  |
| <b>Equity</b>                       |       |                   |                  |
| Capital outlay                      | 7.1   | 6 971 842         | 6 239 831        |
| Fund accounts and reserves          | 7.2   | 933 122           | 1 323 543        |
| <b>Current liabilities</b>          |       |                   |                  |
| Cash and cash balances              | 5     | 15 079            | -                |
| Accounts payable                    | 8     | 2 655 439         | 2 233 539        |
| <b>TOTAL EQUITY AND LIABILITIES</b> |       | <b>10 575 482</b> | <b>9 796 913</b> |

## VILLAGE COUNCIL OF TSES

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

|                                     | <u>Note</u> | <u>2010</u>             | <u>2009</u>          |
|-------------------------------------|-------------|-------------------------|----------------------|
|                                     |             | N\$                     | N\$                  |
| INCOME                              |             | 2 437 252               | 2 434 377            |
| EXPENDITURE                         |             | <u>(3 161 822)</u>      | <u>(2 855 697)</u>   |
| OPERATING PROFIT FOR THE YEAR       |             | (724 570)               | (421 320)            |
| INTEREST ON INVESTMENT              |             | <u>4 810</u>            | <u>16 385</u>        |
| NET PROFIT FOR THE YEAR             |             | (719 760)               | (404 935)            |
| Add : Appropriation and adjustments | 9           | <u>301 136</u>          | <u>1 057 558</u>     |
| RETAINED INCOME FOR THE YEAR        |             | (418 624)               | 652 623              |
| 30 June 2009                        |             | <u>38 390</u>           | <u>(614 233)</u>     |
| 30 June 2010                        |             | <u><b>(380 234)</b></u> | <u><b>38 390</b></u> |

## VILLAGE COUNCIL OF TSES

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

|   | <u>Note</u> | <u>2010</u>      | <u>2009</u>      |
|---|-------------|------------------|------------------|
|   |             | N\$              | N\$              |
| <b>Cash flow from operating activities</b>            |             |                  |                  |
| Cash receipts from customers                          |             | 2 437 252        | 2 434 377        |
| Cash paid to suppliers                                |             | (3 024 069)      | (3 062 951)      |
| <b>Cash generated from operations</b>                 | 10          | <b>(586 817)</b> | <b>(628 574)</b> |
| Investment income                                     |             | 4 810            | 16 385           |
| Movement in Fund accounts                             |             |                  |                  |
| - Fund accounts                                       |             | (28 203)         | 566 199          |
| - Capital outlay                                      |             | 732 011          | 822 072          |
| <b>Net cash flow from operating activities</b>        |             | <b>178 207</b>   | <b>776 082</b>   |
| <b>Cash flow from investing activities</b>            |             |                  |                  |
| Net capital expenditure                               |             | (732 011)        | (822 072)        |
| (Increase)/ Decrease in investment                    |             | 534 735          | 40 730           |
| <b>Net cash flow from investing activities</b>        |             | <b>(197 277)</b> | <b>(781 342)</b> |
| Net decrease in cash and cash equivalent              |             | <b>(19 070)</b>  | <b>(5 260)</b>   |
| Cash and cash equivalent at the beginning of the year |             | <b>3 991</b>     | <b>9 251</b>     |
| Cash and cash equivalents at the end of the year      |             | <b>(15 079)</b>  | <b>3 991</b>     |

## VILLAGE COUNCIL OF TSES

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

**1. ACCOUNTING POLICIES**

The financial statements are prepared on historical cost basis and incorporate the following principal accounting policies, which are consistent with those applied in the previous year:

**1.1 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 formal depreciation policy on property, plant and equipment exists.

**1.2 Internal Fund**

The following Fund was maintained by the Village Council:

**1.2.1 Housing Fund**

Housing loans are being paid out of this Fund. Sections 30(1)(i) and 57 of the Local Authorities Act refer.

|   | <u>2010</u>      | <u>2009</u>      |
|---|------------------|------------------|
|   | N\$              | N\$              |
| <b>2. PROPERTY, PLANT AND EQUIPMENT</b> |                  |                  |
| <b>Consists of :</b>                    |                  |                  |
| Property, plant and equipment           | <u>6 971 842</u> | <u>6 239 831</u> |
| <b>Financed by :</b>                    |                  |                  |
| Revenue account                         | 4 636 036        | 3 904 024        |
| General capital                         | 2 335 806        | 2 335 807        |
|   | <u>6 971 842</u> | <u>6 239 831</u> |
| <b>3. INVESTMENTS</b>                   |                  |                  |
| Financial institutions                  | 21 010           | 561 821          |
| Insurance companies                     | 569 827          | 563 750          |
|   | <u>590 837</u>   | <u>1 125 571</u> |
| <b>4. SUSPENSE ACCOUNT</b>              |                  |                  |
| Debtors                                 | 110 970          | -                |
|   | <u>110 970</u>   | <u>-</u>         |



## VILLAGE COUNCIL OF TSES

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

|   | <b>2010</b>      | <b>2009</b>      |
|---|------------------|------------------|
|   | N\$              | N\$              |
| <b>5. CASH AND CASH BALANCES</b>  |                  |                  |
| Current bank account (overdraft)  | (15 079)         | 3 991            |
|   | <b>(15 079)</b>  | <b>3 991</b>     |
| <b>6. ACCOUNTS RECEIVABLE</b>   |                  |                  |
| Services  | 1 460 139        | 1 319 496        |
| Housing loans   | 1 441 694        | 1 108 024        |
|   | <b>2 901 833</b> | <b>2 427 520</b> |
| <b>7. FUNDS AND ACCOUNTS</b>  |                  |                  |
| <b>7.1 Capital Outlay</b>   |                  |                  |
| Revenue contributions   | 4 636 036        | 3 904 024        |
| General capital contributions   | 2 335 806        | 2 335 807        |
|   | <b>6 971 842</b> | <b>6 239 831</b> |
| <b>7.2 Funds, Accounts and Reserves</b>   |                  |                  |
| Housing Fund  | 1 313 356        | 1 285 153        |
| Revenue Account kept in compliance with<br>Section 86(1) of the Local Authorities Act, 1992 | (380 234)        | 38 390           |
|   | <b>933 122</b>   | <b>1 323 543</b> |
| <b>8. ACCOUNTS PAYABLE</b>  |                  |                  |
| Trade payables  | 2 573 457        | 1 920 113        |
| Deposits  | 2 290            | 2 290            |
| Suspense  | 55 435           | -                |
| Value Added Tax   | 24 257           | 311 136          |
| <b>Total</b>  | <b>2 655 439</b> | <b>2 233 539</b> |
| <b>9. ADJUSTMENTS AND APPROPRIATIONS</b>  |                  |                  |
| Correction of wrong allocations   | -                | (40 638)         |
| Unknown   | 301 136          | -                |
| Allocation of additional income   | -                | 53 427           |
| Correction of debtors: previous years   | -                | 90 354           |
| Correction of creditors   | -                | 954 415          |
|   | <b>301 136</b>   | <b>1 057 558</b> |

## VILLAGE COUNCIL OF TSES

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

|   | <b>2010</b>      | <b>2009</b>        |
|---|------------------|--------------------|
|   | N\$              | N\$                |
| <b>10. CASH UTILISED IN OPERATIONS</b>                                |                  |                    |
| Net operating loss  | (719 760)        | (404 935)          |
| Adjustments (appropriations)  | 301 136          | 1 057 558          |
| Investment income   | (4 810)          | (16 385)           |
| <b>OPERATING SURPLUS/(LOSS) BEFORE CHANGES<br/>IN WORKING CAPITAL</b> | <b>(423 434)</b> | <b>636 238</b>     |
| <b>CHANGES IN WORKING CAPITAL</b>                                     |                  |                    |
| (Increase) in accounts receivable and suspense account                | (585 283)        | (718 593)          |
| Increase/(Decrease) in accounts payable                               | 421 900          | (546 219)          |
|   | <b>(163 383)</b> | <b>(1 264 812)</b> |
|   | <b>(586 817)</b> | <b>(628 574)</b>   |