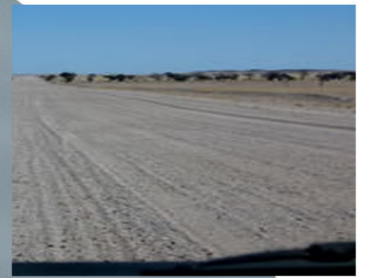




REPUBLIC OF NAMIBIA



AUDIT REPORT ON THE ACCOUNTS OF THE

VILLAGE COUNCIL OF UIS

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2006 & 2007

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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 Uis for the financial years ended 30 June 2006 and 2007, 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 2009

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL
ON THE ACCOUNTS OF THE VILLAGE COUNCIL OF UIS
FOR THE FINANCIAL YEARS ENDED
30 JUNE 2006 and 2007**

1. INTRODUCTION

The accounts of the Village Council of Uis for the years ended 30 June 2006 and 2007 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, (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 Town Council on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded off to the nearest Namibian 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 statements were unsigned and it could not be determined when they were drawn up. The letters of representation concerning both financial years are dated 10 February 2009. 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: Abridged income statement
- Annexure C: Cash flow statement
- Annexure D: Notes to the financial statements

3. SCOPE OF THE AUDIT

The Accounting Officer of the Village Council is responsible for the preparation of the financial statements and for ensuring the regularity of the financial transactions. 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 audit as carried out by the said firm, included:

- a) Examination on a test basis of the evidence relevant to the amounts, disclosure and regularity of financial transactions included in the financial statements;
- b) assessment of the significant estimates and judgements made by the Accounting Officer of the Village Council in preparation of the financial statements and whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed; and
- c) evaluation of the overall adequacy of the presentation of information in the financial statements.

The audit was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence to give reasonable assurance that:

- The financial statements are free from material misstatement, whether caused by error, fraud or other irregularities;
- in all material respects, the expenditure and income have been applied to the purposes intended; and
- the financial transactions conform to the authorities which govern them.

4. AUDIT OBSERVATIONS AND COMMENTS

4.1 Recoverability of debtors - 2006 and 2007

In the years under review, the Council's debts outstanding increased by 2.6% for 2007 and for 2006: 3.6% a relatively low increase, but total debt outstanding is rather significant in value. No provision for doubtful debts has been estimated or provided for.

	2007	2006	2005
	N\$	N\$	N\$
Debt outstanding	4 478 610	4 361 646	4 206 235
Provision for bad debts	-	-	-
Percentage (decrease)/increase in outstanding debts	2.6%	3.6%	3.5%
Percentage (decrease)/increase in provision for bad debts	0%	0%	0%
Percentage provision vs. debt	0%	0%	0%

Furthermore the proportion of debtors at 120 days, as evident from 30 June 2007, compared to total debt outstanding has remained high, raising concern of possible future cash flow difficulties. No positive credit control policies were in place and no efforts to approach professional debt collectors were made.

The Council should follow a strict policy of debt collection, and if the amounts outstanding appear to be uncollectable, consideration should be given to write off such debts in order to maintain the integrity of the accounting records of the Village Council.

Due to the significance of this matter, the Auditor-General cannot express an opinion on bad and doubtful debts.

4.2 Submission of annual financial statements - 2006 and 2007

The Accounting Officer of the Village Council failed to submit the annual financial statements on time for the financial years under review to the Office of the Auditor-General for audit purposes. Annual financial statements need to be submitted within three months after the financial year as per requirement by Section 87 of the Local Authorities Act.

4.3 Stock control - 2006 and 2007

As in prior financial years all purchases of stock items when incurred were written off against the Revenue Account. While this practice is financial prudent, it leads to inadequate accounting control over the items of stock held by the Council.

4.4 Consumer deposits

A balance of N\$ 17 162 for 2007 and 2006: N\$ 14 041 has been recorded in respect of consumer deposits received, but when reviewed and compared to total debt outstanding, deposits cover appears to be inadequate to compensate for future default in consumer accounts.

	2007	2006	2005
	N\$	N\$	N\$
Debt outstanding	4 478 609	4 361 646	4 206 235
Consumer deposits	17 162	14 041	11 225
Percentage of deposits against outstanding debts	0.38%	0.32%	0.27%

It is advised that the Village Council should determine the level of consumer deposits to be made and implement necessary steps for collection of such.

4.5 Source documents

Numerous important source documents for expenditure incurred by the Village Council could not be found at the time of the audit. This was mainly attributable to a unorganised filing system and poor recordkeeping by the Council.

This lack of proper record keeping is in contravention of Section 86 of the Local Authorities Act.

4.6 Fixed assets

No fixed asset register was maintained by the Village Council for the period under review. As a result, no physical verification of assets, especially with respect to assets taken over from the Ministry of Regional and Local Government, Housing and Rural Development could be conducted.

Without proper internal control measures being put in place and enforced being the proper recording and safekeeping of assets, financial as well as physical loss is bound to be suffered by the Village Council.

It is therefore recommended that a complete fixed asset register be implemented at the Village Council, to limit the possibility that assets can be misappropriated. Council should also enquire about the whereabouts of assets taken over from the Ministry of Regional and Local Government, Housing and Rural Development and properly account for them as soon as possible.

Due to the significance of this matter, the Auditor-General cannot express an opinion on fixed assets.

4.7 Value-Added-Tax

The Village Council did not submit any VAT returns for both financial years. No provision for possible penalties and interest, for failure to furnish returns, has been provided for in the financial statements. Also, output and input VAT on income and expenditure transactions were not accounted for and excluded.

Due to the significance of this matter, the Auditor-General cannot express an opinion on VAT.

4.8 Recognition of accounts receivable and services income

The auditors' inspections revealed that the Village Council's services income for 2005/2006 as well as 7 months for the 2006/2007 financial years were recognised on an estimate basis. The rationale for the use of this method was found to be questionable as this information could have been extracted from the yellow card statements. Estimates were based on a Finstel average services income of February 2007 to June 2007. Also, no comparison of the debtors balance as stated in the 30 June 2006 financial statements to the yellow cards balances were made.

Due to the significance of this matter, the Auditor-General cannot express an opinion on services income and accounts receivable, especially with regard to 30 June 2006.

4.9 Non-compliance with recommendations

Many of the above-mentioned problem areas have already been highlighted in previous audit reports and were again highlighted when finalising the audit during February 2009, however none or only a few of the recommendations have been implemented. Council should indicate why corrective measures are still not being implemented.

5. ACKNOWLEDGEMENT

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

6. FINANCIAL RESULTS

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

2007	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus as at 01/07/2006				3 992 007
General accounts				
Rates and general	1 529 806	1 573 551	(43 745)	
Non-profitable	1 663	169 971	(168 308)	
Self-supporting (note 11)	219 827	214 022	5 805	
Trade accounts				
Water supply	925 003	1 192 324	(267 321)	
	2 676 299	3 149 868	(473 569)	
Deficit for the year				(473 569)
Accumulated surplus as at 30/06/2007				3 518 438

2006	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus as at 01/07/2005				3 529 727
General accounts				
Rates and general	1 522 893	789 775	733 118	
Non-profitable	1 740	177 624	(175 884)	
Self-supporting	155 870	224 179	(68 309)	
Trade accounts				
Electricity supply	14 456	16 487	(2 031)	
Water supply	638 937	667 231	(28 294)	
	2 333 896	1 875 296	458 600	
Surplus for the year				458 600
(Adjustments and utilizations detailed in Note 7 of the financial statements.)				3 680
Accumulated surplus as at 30/06/2006				3 992 007

7. CURRENT BANK ACCOUNT

The balance sheet reflected a favourable cash-book balance for 2007: N\$ 353 624 and non-favourable for 2006: N\$ 48 774, (2005: favourable N\$ 1 072), which is also the reconciled balance. The bank statements reflected a favourable balance for 2007: N\$ 346 563 and non-favourable for 2006: N\$ 23 353 (2005: favourable N\$ 34 292), mainly due to outstanding cheques at year end.

8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2007 and 2006 there was N\$ 29 180 and N\$ 367 408 respectively (2005: N\$ 300 000) invested at financial institutions, as follows:

	2007	2006	2005
	N\$	N\$	N\$
Notice and Call Deposits	29 180	367 408	300 000
	29 180	367 408	300 000
Investments were allocated to the following Funds:			
Build-Together Fund	29 180	367 408	300 000
	29 180	367 408	300 000

Investment interest for 2007: N\$ 8 931 and for 2006: N\$ 17 882 (2005: N\$ 19 755) were earned for the year. Interest totaling N\$ 49 526 relating to prior years has been included in the N\$ 67 408 mentioned for the 2006 financial year.

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 water were as follows:

	2007	2006	2005
	N\$	N\$	N\$
Sales	913 102	628 047	663 508
Cost of bulk purchases	(947 608)	(478 611)	(639 371)
Gross (loss) / profit	(34 506)	149 436	24 137
Expenses (net)	(232 815)	(177 730)	(68 620)
Net deficit	(267 321)	(28 294)	(44 483)
Gross (loss)/profit % on bulk purchases	(3.64%)	31.22%	3.78%
Net loss % on bulk purchases	(28.21%)	(5.91%)	(6.96%)

10.2 The distribution losses for water could not be determined due to inadequate record keeping.

10.3 The results of operations of electricity were as follows:

	2007	2006	2005
	N\$	N\$	N\$
Sales	-	11 056	289 811
Cost of bulk purchases	-	(2 588)	(498 469)
Gross profit	-	8 468	(208 658)
Expenses (net)	-	(10 499)	(85 408)
Net deficit	-	(2 031)	(294 066)
Gross profit % on cost of bulk purchases	-	327.2%	(41.9%)
Net profit % on cost of bulk purchases	-	(78.5%)	(59%)

10.4 The distribution losses for electricity could not be determined due to inadequate record keeping. Distribution of electricity was taken over from the Village Council by Erongo RED during the 2005/2006 financial year.

11. SELF-SUPPORTING SERVICES

The net results of self supporting services were as follows:

	2007	2006	2005
	N\$	N\$	N\$
Cleansing services	82 342	13 521	71 026
Townlands	(76 537)	(81 831)	(45 372)
	5 805	(68 310)	25 654

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

13. SUSPENSE ACCOUNTS

No money was accounted for in suspense accounts during the years under review.

14. IRREGULARITIES AND LOSSES

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

15. CAPITAL PROJECTS

The following expenditure was incurred during the year for capital projects or acquisitions.

	2007	2006	2005
	Revenue account	Revenue account	Revenue Account
	N\$	N\$	N\$
General administration	736 219	2 995	395 000
Water services	-	-	135 053
Total	736 219	2 995	530 053

16. BURSARIES

No bursaries were granted during the years under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

No contributions or grants were made and financial aid was given during the years under review.

18. COMPENSATION PAYMENTS

No compensation payments were made during the years under review.

19. VISITS TO FOREIGN COUNTRIES

No such visits were identified during the years under review.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

A claim for damages of N\$ 51 054 by a former employee of the Council has been received during the 2005/2006 financial year.

21. GIFTS / DONATIONS BY / TO THE LOCAL AUTHORITY

The Council has received redundant furniture, of which the value could not be established, from the Ministry of Regional and Local Government, Housing and Rural Development. Also, an amount of N\$ 500 was spent by the Council on a gift for a retired employee.

22. TRANSFER OF PROPERTY TO / FROM GOVERNMENT

No properties were transferred from the Ministry of Regional and Local Government, Housing and Rural Development for the years under review.

23. TRADE AND OTHER RECEIVABLES/PAYABLES

23.1 Debtors at 30 June were:

	2007	2006	2005
	N\$	N\$	N\$
Consumer services	4 478 610	2 901 504	2 852 475
Housing rental	-	1 460 142	1 353 760
	4 478 610	4 361 646	4 206 235

Bad debts are underprovided, 2007: N\$ 4 341 831 and 2006: N\$ 4 095 203.

23.2 Creditors at 30 June were:

	2007	2006	2005
	N\$	N\$	N\$
Trade creditors and provisions	810 911	219 769	510 711
Consumer deposits	17 162	14 041	11 225
	828 073	233 810	521 936

24. ASSESSMENT RATES

Income from assessment rates amounted to N\$ 120 118 for 2007 and for 2006: N\$ 73 591 (2005: N\$ 73 591). The tariffs for private and business properties for 2007: N\$ 0.07 and for 2006: N\$ 0.035 (2005: N\$ 0.025) per dollar per year on site valuations plus 2007: N\$ 0.0045 and for 2006: N\$ 0.009 (2005: N\$ 0.0035) per dollar per year on the valuation of improvements is in line with gazetted rates.

Assessment rates income stated in the 2006 as well 2005 financial years are estimated figures. See paragraph 4.8.

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 amounts advanced in favour of housing loans under the Build Together and Housing Fund Scheme could not be established for the years under review.

26. SALE OF ERVEN

During the financial years under review no erven were sold.

27. PROPERTY SOLD ON INSTALMENT BASIS

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

28. TARIFF ADJUSTMENTS

All tariff adjustments were in accordance with the relevant Official Government Gazette notices.

29. APPROVALS

29.1 Excess on approved budget

All necessary approvals were obtained.

30. STOCK AND EQUIPMENT

30.2 Stock and equipment

As in prior financial years, no continuous records of inventory, vehicles and equipment on hand were maintained.

31. SPECIAL INVESTIGATIONS

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

32. GENERAL

32.1 Internal controls

The accounting and internal controls were found to be inadequate. Proper segregation of duties is not feasible due to the small number of staff employed. While increased management involvement reduces risks, the risk arises that management and Council override existing controls.

32.2 Temporary advances

Temporary advances to revenue for 2007: N\$ 515 721 and 2006: N\$ 117 493 were disclosed on the financial statements.

33. FORMAL AND INFORMAL QUERIES

Formal queries are embodied in this report.

Informal queries addressed to the Town Clerk consist of:

- Sales/Accounts receivable cycle
- VAT
- Fixed assets
- Accounts payable
- General matters
- Funds and reserves
- Inventory and payroll

34. DISCLAIMED AUDIT OPINION

The accounts of the Village Council of Uis for the financial years ended 30 June 2006 and 2007, 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.

The statements have been prepared on the basis of accounting practices applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

I am unable to express an opinion on the financial statements, results of operations and the cash flows of the Council for the years ended 30 June 2006 and 2007 due to the following reasons:

- No provision for bad debts has been made, N\$ 4 341 831 for 2007 and N\$ 4 095 203 for 2006.
- Source documents were not available for audit procedures.
- No fixed asset register is in place.
- VAT returns were not submitted to Inland Revenue.
- Accounts receivable are reflected on an estimate basis.

WINDHOEK, October 2009

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

VILLAGE COUNCIL OF UIS

BALANCE SHEETS ON 30 JUNE

	Notes	2007 N\$	2006 N\$	2005 N\$
ASSETS				
Non-current assets				
Property, plant and equipment	3	4 361 232	3 963 243	3 891 031
Investments	4	4 332 053	3 595 835	3 592 840
		29 179	367 408	298 191
Current assets				
Accounts receivable	5	4 862 233	4 392 083	4 238 373
Cash and cash equivalents		4 478 610	4 361 645	4 206 235
		383 623	30 438	32 138
TOTAL ASSETS		9 223 465	8 355 326	8 129 404
EQUITY AND LIABILITIES				
Funds				
Funds and accounts	2	8 395 392	8 072 743	7 607 468
Accumulated funds	2	4 876 954	4 080 736	4 077 741
		3 518 438	3 992 007	3 529 727
Current liabilities				
Accounts payable	6	828 073	282 583	521 936
Bank overdraft		828 073	233 810	521 936
		-	48 773	-
TOTAL EQUITY AND LIABILITIES		9 223 465	8 355 326	8 129 404

VILLAGE COUNCIL OF UIS

INCOME STATEMENTS FOR THE YEARS ENDED 30 JUNE

	Note	2007 N\$	2006 N\$	2005 N\$
INCOME		2 667 368	2 266 488	1 736 090
EXPENDITURE		(3 149 868)	(1 875 296)	(1 977 293)
NET OPERATING (LOSS) / PROFIT		(482 500)	391 192	(241 203)
INVESTMENT INTEREST EARNED		8 931	67 408	-
NET (LOSS) / INCOME		(473 569)	458 600	(241 203)
ADJUSTMENTS	7	-	3 680	-
NET (LOSS) / PROFIT for the year		(473 569)	462 280	(241 203)
APPROPRIATION ACCOUNT AT THE BEGINNING OF THE YEAR		3 992 007	3 529 727	3 770 930
APPROPRIATION ACCOUNT AT THE END OF THE YEAR		3 518 438	3 992 007	3 529 727

VILLAGE COUNCIL OF UIS

CASH FLOW STATEMENTS FOR THE YEARS ENDED 30 JUNE

	Notes	2007 N\$	2006 N\$	2005 N\$
Cash flow from operating activities				
Cash receipt from customers		2 667 368	2 266 488	1 736 090
Cash paid to customers		(2 672 570)	(2 315 152)	(1 943 720)
Cash generated/capitalized by operations	8	(5 202)	(48 664)	(207 630)
Investment income		8 931	67 408	-
Movement in Fund accounts:				
- Increase in Fund accounts		60 000	-	103 460
- Increase in capital outlay		736 218	2 995	530 053
Net cash flow from operating activities		799 947	21 739	425 883
Cash flow from investing activities				
Net capital expenditure		(736 218)	(2 995)	(530 053)
Change in investments – (increase)/decrease		338 229	(69 217)	82 957
		(397 989)	(72 212)	(447 096)
NET MOVEMENT IN CASH & CASH EQUIVALENTS		401 958	(50 473)	(21 213)
CASH & EQUIVALENTS – Beginning of the year		(18 335)	32 138	53 351
Cash & equivalents - End of the year		383 623	(18 335)	32 138

VILLAGE COUNCIL OF UIS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE

1. ACCOUNTING POLICIES

The annual financial statements are compiled in accordance with the historical convention modified by the restatement of the financial instruments to fair value, except where otherwise stated.

The principal accounting policies of the Village Council, which are set out below, had been consistent and comply with Namibian Statements of Generally Accepted Accounting Practices. The financial statements have been prepared in accordance with the requirements of the Namibian Local Authorities Act.

1.1 Fixed assets and depreciation

Fixed assets are stated at cost or at valuation where assets have been acquired by grant or donation, less depreciation written off over the expected useful lives as determined by the Council from time to time. Fixed assets acquired with loan funds are not depreciated until the loan is repaid, unless the expected lifetime of the asset is less than the repayment period of the loan in which case depreciation is calculated on the shortfall.

1.2 Inventories

Inventories are measured at lower cost and net realizable value. The cost of inventories should comprise all cost of purchases, cost of conversion and other cost incurred in bringing the inventories to their present location and condition.

2. OWN FUNDS**2.1 Financing of capital:**

	<u>2007</u>	<u>2006</u>	<u>2005</u>
	N\$	N\$	N\$
Contribution from:	4 332 053	3 595 835	3 592 840
General Capital	3 207 972	3 207 973	3 207 973
Contribution from Revenue	1 124 081	387 862	384 867

2.2 Funds

Fixed Property Fund	4 063 339	4 476 907	4 014 628
Housing Fund	60 294	294	294
Accumulated surplus / (deficit)	484 607	484 607	484 607
	3 518 438	3 992 006	3 529 727

TOTAL FUNDS

8 395 392	8 072 742	7 607 468
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VILLAGE COUNCIL OF UIS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE

	2007	2006	2005
	N\$	N\$	N\$
3. FIXED ASSETS			
Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment.	4 332 053	3 595 835	3 592 840
Financed from:			
Capital account	3 207 972	3 207 973	3 207 973
Revenue account	1 124 081	387 862	384 867
	4 332 053	3 595 835	3 592 840
4. INVESTMENTS			
Fixed deposits and money on call	29 179	367 408	298 191
	29 179	367 408	298 191
Comprising of:			
Housing Fund	29 179	367 408	(1 809)
Fixed Property Fund	-	-	300 000
	29 179	367 408	298 191
5. ACCOUNTS RECEIVABLE			
Consumers accounts	4 478 610	2 901 504	2 852 475
House rentals	-	1 460 141	1 353 760
	4 478 610	4 361 645	4 206 235
6. ACCOUNTS PAYABLE			
Trade creditors and provisions	810 911	219 769	510 711
Consumer deposits	17 162	14 041	11 225
	828 073	233 810	521 936
7. ADJUSTMENTS AND UTILIZATIONS			
Overprovision - creditors	-	3 680	-
	-	3 680	-

VILLAGE COUNCIL OF UIS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE

	2007	2006	2005
	N\$	N\$	N\$
8. CASH GENERATED BY OPERATIONS			
NET OPERATING SURPLUS/(LOSS) BEFORE TRANSFERS	(473 569)	458 600	(241 203)
Adjustments for:			
Appropriation account	-	3 680	-
Investment income	(8 931)	(67 408)	-
OPERATING (DEFICIT)/SURPLUS BEFORE CHANGES IN WORKING CAPITAL	(482 500)	394 872	(241 203)
CHANGES IN WORKING CAPITAL			
(Increase)/decrease in accounts receivable	(116 965)	(155 410)	(142 783)
Increase/(decrease) in accounts payable	594 263	(288 126)	176 356
	477 298	(443 536)	33 573
CASH GENERATED BY OPERATIONS	(5 202)	(48 664)	(207 630)