



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF WITVLEI
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

Published by authority

Price (Vat excluded) N\$ 26.87

Report no: 119/2014

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 Witvlei for the financial year ended 30 June 2012, 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, December 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF WITVLEI
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

1. INTRODUCTION

The accounts of the Village Council of Witvlei for the year ended 30 June 2012 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 NC Tromp Accountants 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 finalised on 19 April 2013 instead of six months after the 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 at Annexure A is a true reflection of the original signed by the Accounting Officer.

The financial statements also include:

Annexure B: Abridged income statement

Annexure C: Cash flow statement

Annexure D: Notes to the financial statements

3. SCOPE OF THE AUDIT

Management's Responsibility for the Financial Statements

The Accounting Officer of the Village Council is responsible for the preparation and fair presentation of these financial statements and for ensuring the regularity of the financial transactions. This responsibility includes designing, implementing and maintaining internal controls 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 of 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 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 OBSERVATION AND COMMENTS

4.1 Internal control and accounting records

There was no sufficient 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 list of assets or fixed asset register were available at the time of the audit. The Council has a valid and up to date insurance policy. With no fixed asset register the auditors cannot confirm the assets nor if the insurance policy covers all assets.

No depreciation was calculated on plant and equipment and no evidence of insurance could be provided by the Council.

4.3 Trade receivables

No debtors list or age analysis were available at the time of the audit. It was also noted that the Council did not provide for doubtful debts. It is advised that the Council should prepare a debtors list/age analysis and provide for possible bad debts in future.

No listing for housing fund debtors was available and the auditors thus could not verify the housing fund balance to their satisfaction.

4.4 Inventories

No provision for inventories was made in the financial statements of the Village Council. Due to poor record keeping at the Village Council the auditors were unable to calculate the estimated amount of inventories.

4.5 Trade and other payables

At the time of the audit no list of creditors or creditors age analysis could be provided.

No adjustment was made in the financial statements to reflect the Namwater and Nampower liability and the P.A.Y.E. liability.

No records for the provision for VAT suspense was available at the Village Council and the auditors were thus unable to verify anything on the VAT account. The Council must reconcile its ledger balance with the Receiver of Revenue records.

The provision for leave pay balance was nil. The auditors suggest a calculated leave provision in the financial statements.

4.6 Consumer deposits

No details of consumer deposits are available at the Village Council.

4.7 Salaries

The PAYE calculated on the employees salaries are not correct and thus was deducted incorrect. The PAYE is not paid over timeously to the authorities. The auditors suggest proper calculations should be done and the monies paid over according to the law.

4.8 Liquidity position

Although current ratio appears to be adequate on the face of the balance sheet, the estimated fair value of the debtors book could not be calculated. The non-payment of the GRN loan and the under statement of creditors can result in a negative current ratio and lead to the non-payment of liabilities.

4.9 Minutes of meetings

The minutes of meetings provided for audit purposes were not complete.

5. ACKNOWLEDGEMENT

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

6. FINANCIAL RESULTS

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

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit 01/07/2011				(605 389)
General accounts				
- Non-profitable	2 632 343	2 772 977	(140 634)	
- Self-supporting	181 332	-	181 332	
Trade accounts				
- Water	662 501	893 221	(230 720)	
- Electricity	1 000 879	734 582	266 297	
	4 477 055	4 400 780	76 275	76 275
Deficit for the year				(529 114)
Adjustments and utilisations				266 933
Accumulated deficit 30/06/2012				(262 181)

7. CURRENT BANK ACCOUNT

According to the Village Council the bank balance at year end was N\$ 56 602.

8. INVESTMENTS AND INTEREST PROCEEDS

According to the financial statements of the Council there were N\$ 2 389 947 invested at year-end. These investments could not be confirmed due to lack of documentation.

The investments as at 30 June were as follows:

Institution	2012	2011
	N\$	N\$
Housing Fund	2 389 947	731 739
Totals	2 389 947	731 739

The investments were allocated as follows:

Allocation	2012	2011
	N\$	N\$
Housing Fund	2 389 947	731 739
	2 389 947	731 739

9. FUND ACCOUNTS

The position of the Funds and accounts at year-end was as shown in note 7 in Annexure D.

10. TRADE ACCOUNTS

10.1 The results of electricity and water operations were as follows:

	Electricity		Water	
	2012	2011	2012	2011
	N\$	N\$	N\$	N\$
Sales	1 000 879	858 933	662 501	531 765
Cost of sales	(734 582)	(884 335)	(893 221)	(797 436)
Gross (loss)/ profit	266 297	(25 402)	(230 720)	(265 671)
Net expenditure	-	-	-	-
Net (deficit)/surplus	266 297	(25 402)	(230 720)	(265 671)
Gross (loss)/profit percentages on sales	26.6%	(3.0%)	(34.8%)	(50.0%)
Net (loss)/profit percentage on sales	26.6%	(3.0%)	(34.8%)	(50.0%)

The cost of sales of water includes interest charge on the overdue account at Namwater, and is thus overstated.

10.2 Water distribution results, in cubic meters

No statistics were kept by the Village Council to calculate the distribution losses. The Village Council, in future, must record the cubic meters sold and purchase to calculate distribution losses.

11. SELF-SUPPORTING SERVICES

11.1 The result for the year under review is as follows:

	Income	Expenses	Surplus/ (Deficit)	Surplus/ (Deficit)
	2012	2012	2012	2011
	N\$	N\$	N\$	N\$
Housing	41 272	-	41 272	50 660
Sewerage and cleansing services	140 060	-	140 060	179 520
	181 332	-	181 332	230 180

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No fruitless, unauthorised or avoidable expenditure was incurred during the year.

13. SUSPENSE ACCOUNTS

There are no suspense accounts except as reflected in the financial statements.

14. IRREGULARITIES AND LOSSES

No irregularities and losses were incurred by the Village Council.

15. CAPITAL PROJECTS

According to the financial statements of the Council no expense of a capital nature was incurred during the year under review.

16. BURSARIES

No bursaries were granted by the Village Council.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID.

According to financial statements of the Council, contribution from Government amounted to N\$ 1 005 922. The auditors could not verify this due to a lack of documentation.

18. COMPENSATION PAYMENTS

No compensation payments were claimed against the Village Council.

19. VISITS TO FOREIGN COUNTRIES

There were no visits to foreign countries.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the Village Council.

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

There were no such expenses.

22. TRANSFER OF PROPERTY

No property was sold and transferred during the year.

23. TRADE AND OTHER RECEIVABLES/ PAYABLES

23.1 Trade and other receivables at 30 June were:

	2012	2011
	N\$	N\$
Services	1 760 442	1 321 793
Assessment rates	1 384 821	1 323 546
Total	3 145 263	2 645 339

No debtors list or age analysis were available at the time of the audit. It was also noted that the Council did not provide for doubtful debts. It is advised that Council should prepare a debtors list/age analysis and provide for possible bad debts in future.

No list of debtors was available and the auditors thus could not verify the debtor balance to their satisfaction.

23.2 Trade and other payables at 30 June were:

	2012	2011
	N\$	N\$
Trade payables	2 468 580	2 518 159
Deposits	10 490	10 490
Totals	2 479 070	2 528 649

No list of creditors was available and the auditors thus could not verify the creditor balance to their satisfaction.

24. ASSESSMENT RATES

No documentation was available for the year under review.

25. LOANS

25.1 External loans

	2012	2011
	N\$	N\$
GRN	1 257 379	1 257 379

25.2 Due to the Village Council

None.

25.3 Loans written off

No loans were written off.

26. SALE OF ERVEN

Due to non availability of sale of erven register, this information is not available.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

No erven was sold on instalment basis.

28. TARIFF ADJUSTMENTS

Tariff adjustments were duly approved and promulgated in the Government Gazette.

29. APPROVALS

29.1 Excess on approved budget

There was no excess on approved budget.

29.2 Internal loans

There were no internal loans.

29.3 Revenue written off

No revenue was written off.

30. INVENTORY AND EQUIPMENT

No fixed asset register was available at the time of the audit.

30.2 Inventory

No inventory records were available.

31. SPECIAL INVESTIGATIONS

No special investigations were performed.

32. GENERAL

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

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries

Supporting documentation

Some of the supporting documentation to verify the expenses could not be obtained.

Water distribution in units

No statistics were kept by the Village Council to calculate the distribution losses. The Village Council, in future, must record the cubic meters sold and purchased to calculate distribution losses.

Sale of erven

No Sale of Erven Register was kept at the Village Council.

VAT returns

Vat returns submitted to receiver of revenue but not on time.

34. DISCLAIMED AUDIT OPINION

The accounts of the Village Council of Witvlei for the financial year end 30 June 2012, summarised in Annexures A to D, were audited by me in terms of Section 85 of the Local Authority Act, 1992, read with Section 25 (1) (b) of the State Finance Act, 1991.

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

- No internal control system exists;
- No asset register exists;
- No debtors list exist;
- No inventory list exists;
- No list of creditors and age analysis was provided;
- No details of consumer deposits were provided; and
- Salary deductions were incorrect.

WINDHOEK, December 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

VILLAGE COUNCIL OF WITVLEI

BALANCE SHEET AS AT 30 JUNE 2012

	Notes	2012 N\$	2011 N\$
ASSETS			
NON CURRENT ASSETS		7 708 690	5 797 481
Property, plant and equipment	2	5 318 743	5 065 742
Investments	3	2 389 947	731 739
CURRENT ASSETS		3 201 865	2 674 680
Trade and other receivables	4	3 145 263	2 645 339
Bank and cash	5	56 602	29 341
TOTAL ASSETS		10 910 555	8 472 161
FUNDS AND LIABILITIES			
FUNDS AND RESERVES		7 174 106	4 686 133
Capital outlay	6	4 115 867	3 862 866
Funds and accounts	7	3 058 239	823 267
NON-CURRENT LIABILITIES			
Long-term liabilities	8	1 257 379	1 257 379
CURRENT LIABILITIES			
Trade and other payables	9	2 479 070	2 528 649
TOTAL FUNDS AND LIABILITIES		10 910 555	8 472 161

VILLAGE COUNCIL OF WITVLEI

INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	N\$	N\$
INCOME	4 477 055	4 197 379
EXPENDITURE	(4 400 780)	(4 298 725)
NET OPERATING PROFIT	76 275	(101 346)
INVESTMENT INCOME EARNED FOR REVENUE ACCOUNTS	-	-
NET PROFIT FOR THE YEAR	76 275	(101 346)
REVENUE ACCOUNT ADJUSTMENT	266 933	(288 442)
	343 208	(389 788)
PRIOR YEAR adjustment	-	(40 001)
	343 208	(429 789)
REVENUE ACCOUNT - Beginning of year	(605 389)	(175 600)
REVENUE ACCOUNT - End of year	(262 181)	(605 389)

VILLAGE COUNCIL OF WITVLEI

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	<u>Note</u>	<u>2012</u>	<u>2011</u>
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		4 477 055	4 197 379
Cash paid to suppliers		<u>(4 683 350)</u>	<u>(4 292 457)</u>
Cash utilised by operations	10	(206 295)	(95 078)
Movement in Fund accounts			
- Fund accounts		1 891 764	18 693
- Capital outlay		<u>253 001</u>	<u>737 715</u>
Net cash flow from operating activities		<u>1 938 470</u>	<u>661 330</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		(253 001)	(737 715)
Increase in investments		<u>(1 658 208)</u>	<u>73 413</u>
		<u>(1 911 209)</u>	<u>(664 302)</u>
NET MOVEMENT IN CASH AND CASH EQUIVALENTS		27 261	(2 972)
CASH AND CASH EQUIVALENTS			
- BEGINNING OF YEAR		<u>29 341</u>	<u>32 313</u>
CASH AND CASH EQUIVALENTS			
- END OF YEAR	5	<u>56 602</u>	<u>29 341</u>

VILLAGE COUNCIL OF WITVLEI

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. ACCOUNTING POLICIES**1.1 Basis of presentation**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties where appropriate.

1.2 Property, plant and equipment and depreciation

All plant and equipment are initially recorded at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. All other plant and equipment are stated at historical cost or valuation where applicable.

No depreciation is calculated on property, plant and equipment.

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

1.3 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money marked instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current liabilities.

1.4 Internal Funds

The following Funds were created by the Town Council:

1.4.1 Fixed Property Fund

Proceeds from the sale of land, that has been developed by the Town 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.

2. PROPERTY, PLANT AND EQUIPMENT

	2012	2011
	N\$	N\$
Property development, vehicles, plant and equipment	5 318 743	5 065 742
Total	5 318 743	5 065 742

VILLAGE COUNCIL OF WITVLEI

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	<u>2012</u>	<u>2011</u>
	N\$	N\$
3. INVESTMENTS		
The investments were allocated as follows:		
Housing Fund	2 389 947	731 739
Total	<u>2 389 947</u>	<u>731 739</u>
4. TRADE AND OTHER RECEIVABLES		
Services	1 760 442	1 321 793
Assessment rates	1 384 821	1 323 546
	<u>3 145 263</u>	<u>2 645 339</u>
5. CASH AND BANK BALANCES		
Current bank account	16 193	5 821
Witvlei Namwater joint account	39 199	23 514
Petty cash	1 210	6
	<u>56 602</u>	<u>29 341</u>
6. CAPITAL OUTLAY		
Revenue contributions	3 972 857	3 719 856
Loans redeemed	142 990	142 990
General Capital contributions	20	20
	<u>4 115 867</u>	<u>3 862 866</u>
7. FUNDS AND ACCOUNTS		
Housing Fund	2 830 610	987 472
Capital Reserve Fund	8 006	8 006
Fixed Property Fund	481 804	433 178
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(262 181)	(605 389)
	<u>3 058 239</u>	<u>823 267</u>
8. LONG-TERM LIABILITIES		
Government loans	1 257 379	1 257 379
	<u>1 257 379</u>	<u>1 257 379</u>

VILLAGE COUNCIL OF WITVLEI

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	<u>2012</u>	<u>2011</u>
	N\$	N\$
9. TRADE AND OTHER PAYABLES		
Trade payables	2 468 580	2 518 159
Deposits	10 490	10 490
	<u>2 479 070</u>	<u>2 528 649</u>
10. CASH UTILISED BY OPERATIONS		
Net operating loss before transfers	343 208	(429 789)
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL	<u>343 208</u>	<u>(429 789)</u>
CHANGES IN WORKING CAPITAL		
(Increase)/Decrease in trade and other receivables	(499 924)	(246 071)
Increase in trade and other payables	(49 579)	580 782
	<u>(549 503)</u>	<u>334 711</u>
CASH UTILISED BY OPERATIONS	<u>(206 295)</u>	<u>(95 078)</u>