



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF GOCHAS
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 Gochas 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, February 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. INTRODUCTION

The accounts of the Village Council of Gochas 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 Mostert Landgrebe 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. 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 30 June 2013, Annexure A, is a true reflection of the original.

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 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 comply with ethical requirements and plan and perform 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 Bad and doubtful debts

The average collection period of trade receivables, before taking the provision for bad debts into account, is 272 days (2012: 358 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 12 days (2012: 68 days). Based on an average collection period of 60 days, they are of the opinion that the debtors provision is overstated by N\$ 393 293 (2012: Understated by N\$ 50 723).

4.2 Inventories

The auditors did not observe the counting of inventories on 30 June 2013. There were no alternative practical audit procedures that the auditors could perform to confirm the existence and value of inventories on hand at year-end.

4.3 Value Added Tax and employees tax returns

The auditors could not find significant proof that all returns have timeously been submitted.

4.4 Consumer deposits

Consumer deposits does not cover one months' usage.

4.5 Loans in arrears

External Government loans are, as in previous years, not repaid but the repayments are provided for as arrear loan instalments. The total instalments in arrears amount to N\$ 1 587 418 (2012: N\$ 1 491 727).

No interest on overdue amounts due to Government has been provided for.

4.6 Property, plant and equipment

No proper physical inspection of fixed assets could be done due to a lack of proper identification of fixed assets.

4.7 Housing Fund receivables

No list of Housing Fund receivables the to amount of N\$ 939 638 (2012: N\$ 781 496) was available for audit purposes. The auditors thus could not perform any tests to verify these loans.

5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Gochas Village Council 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 01/07/2012				(6 395 735)
General accounts				
- Non-profitable	3 572 460	3 123 454	449 006	
- Self-supporting	2 264 854	1 758 527	506 327	
Trade accounts				
- Water	746 441	560 189	186 252	
- Electricity	1 673 358	1 663 291	10 067	
Surplus for the year	8 257 113	7 105 461	1 151 652	1 151 652
Adjustments and utilisations (See Note 8, Annexure D)				(5 244 083) 688 433
Accumulated deficit 30/06/2013				(4 555 650)

7. CURRENT BANK ACCOUNT

	2013	2012
	N\$	N\$
Favourable/(unfavourable) cashbook balance on 30 June	714 037	(151 691)
Outstanding deposits	(8 675)	-
Outstanding cheques	189 203	326 943
Bank balance at 30 June	894 565	175 252

8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June the investments were as follows:

	2013	2012
	N\$	N\$
Commercial banks	2 302 365	7 086 236
	2 302 365	7 086 236

The investments were allocated as follows between the Funds:

	2013	2012
	N\$	N\$
Capital Reserve Fund	514 248	5 762 879
Build Together Fund	1 687 283	1 204 608
Capital outlay	100 834	118 749
	2 302 365	7 086 236

9. FUND ACCOUNTS

The position of the Funds and accounts at year-end was as shown in note 8 in Annexure D.

10. TRADE ACCOUNTS

10.1 The results of operations were as follows:

	Electricity		Water	
	2013	2012	2013	2012
	N\$	N\$	N\$	N\$
Sales	1 643 068	1 233 885	735 573	615 182
Cost of sales	(1 261 106)	(969 698)	(504 052)	(440 356)
Gross profit	381 962	264 187	231 521	174 826
Net expenditure	(371 895)	(324 287)	(45 269)	(33 649)
Net surplus/(deficit)	10 067	(60 100)	186 252	141 177
Gross profit percentages on sales	23.2%	21.4%	31.5%	28.4%
Net profit/(loss) percentage on sales	0.6%	(4.9%)	25.3%	22.9%

10.2 Distribution results

No distribution results were available.

11. SELF-SUPPORTING SERVICES

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

	2013	2012
	N\$	N\$
Cleansing services	524 450	(210 693)
Cemetery	(18 122)	(19 951)
Surplus for the year	506 328	(230 644)

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No fruitless, unauthorized or avoidable expenditure was incurred during the year under review.

13. SUSPENSE ACCOUNTS

These accounts are properly maintained, controlled and reconciled on a regular basis.

14. IRREGULARITIES AND LOSSES

No irregularities and losses took place during the year under review.

15. CAPITAL PROJECTS

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

Nature of projects/acquisitions	Financial by	Total expenditure 2013	Total expenditure 2012
	Revenue account		
	N\$	N\$	N\$
Electricity	343 792	343 792	299 469
General administration	234 418	234 418	2 015 689
Streets and roads	433 350	433 350	-
Townlands	197 840	197 840	-
Water	10 593	10 593	-
Parks and recreation	175 215	175 215	-
Cleansing services	8 698 133	8 698 133	-
	10 093 341	10 093 341	2 315 158

The income statements reflect an amount of N\$ 7 878 183 less for additions than the revenue capital statement.

The capital statements reflect an amount of N\$ 100 835 less than the amount disclosed in the balance sheet.

No explanations for the above differences could be provided by the Council.

16. BURSARIES

There were no bursaries granted for the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID RECEIVED FROM GOVERNMENT

	2013	2012
	N\$	N\$
Total	4 440 602	101 200

18. COMPENSATION PAYMENTS

There were no compensation payments.

19. VISITS TO FOREIGN COUNTRIES

There were no visits to foreign countries.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the Local Authority.

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

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

22. TRANSFER OF PROPERTY

There was no transfer of property to or from the Local Authority.

The Council made an arrangement for the sale of certain property to local inhabitants, such transactions will be finalised only after the purchase price has been paid in full. Payments to date are reflected as deposits on erven to be sold under trade and other payables in the balance sheet.

23. TRADE AND OTHER RECEIVABLES/ PAYABLES

23.1 Trade and other receivables at 30 June were

	2013	2012
	N\$	N\$
Trade receivables	2 237 723	2 297 481
Value added tax	1 038 677	638 623
Housing Fund receivables	939 638	781 496
Sundry debtors	-	1 530
Provision for doubtful debts	(2 138 365)	(1 862 203)
Total	2 077 673	1 856 927

23.2 Trade and other payables at 30 June were:

	2013	2012
	N\$	N\$
Trade creditors	171 983	556 981
Deposits on erven sales	65 065	56 404
Provision for staff leave	231 231	231 231
Consumer deposits	14 465	14 433
Total	482 744	859 049

24. ASSESSMENT RATES

	2013	2012
	N\$	N\$
The net proceeds from assessment rates were	133 089	85 355
Residential		
Tariffs per N\$1 valuation per month on site value	0.2400	0.2300
Tariffs per N\$1 valuation per month on improvement value	0.0200	0.0160
Business		
Tariffs per N\$1 valuation per month on site value	0.5900	0.5600
Tariffs per N\$1 valuation per month on improvement value	0.0200	0.0160

25. LOANS

25.1 External loans

The balances due to the Government of Namibia were as follows:

	2013	2012
	N\$	N\$
Capital section	404 119	462 336
Short-term portion stated as current liabilities	1 587 418	1 491 727
	1 991 537	1 954 063

25.2 Internal loan balances

	2013	2012
	N\$	N\$
Balance	-	845

25.3 Loans written off

No loans were written off during the year.

25.4 Loans due to the Village Council

No loans were due to the Village Council. Advances in terms of the housing fund are reflected as debtors.

26. SALE OF ERVEN

The Council sold properties during the year under review on instalment basis, transfer will only take place when fully paid.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

Deposits were made as down payment on future property transactions.

28. TARIFF ADJUSTMENTS

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

29. APPROVALS

All necessary approvals were obtained.

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicles and values thereof:

	Sedan		LDV's, 4x4's and Combi's		Other	
	Number	Value	Number	Value	Number	Value
Balance - 01/07/2012	1	N\$ 49 708	3	296 709	7	1 195 275
Additions	-	-	1	234 418	-	-
Sub-total	1	49 708	4	531 127	7	1 195 275
Depreciation	-	(24 854)	-	(113 871)	-	(323 974)
Balance - 30/06/2013	1	24 854	4	417 256	7	871 301

30.2 Inventory

Inventory records for consumables reflect an amount of N\$ 438 536, as work in progress amounted to N\$ 279 228.

Records relating to livestock have been established and are maintained. The value of livestock at year-end was N\$ 94 500 (2012: N\$ 120 000).

31. SPECIAL INVESTIGATIONS

There were no special investigations carried out during the year.

32. GENERAL

There is 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 were addressed to the Chief Executive Officer.

34. QUALIFIED AUDIT OPINION

The accounts of the Village Council of Gochas for the financial year end 30 June 2013, summarised in Annexures A to D, were audited by me in terms of Section 85 of the Local Authorities Act, 1992, read with Section 25(1)(b) of the State Finance Act, 1991.

A qualified audit opinion is being expressed due to the following reasons:

Bad and doubtful debts

Based on an average collection period of 60 days, the debtors provision is overstated by N\$ 393 293.

Value Added Tax and employees tax returns

The auditors could not find significant proof that all returns have timeously been submitted.

Loans in arrears

External Government loans are, as in previous years, not repaid but the repayments are provided for as arrear loan instalments.

No interest on overdue amounts due to Government has been provided for.

Housing Fund receivables

No list of Housing Fund receivables to the amount of N\$ 939 638 (2012: N\$ 781 496) was available for audit purposes. The auditors thus could not perform any tests to verify these loans.

Except for the effects of any adjustments which might have been necessary as referred to in the preceding paragraphs, in my opinion these financial statements fairly present the financial position of the Village Council at 30 June 2013 and the result of its operations and cash flows for the year then ended.

WINDHOEK, February 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

VILLAGE COUNCIL OF GOCHAS

BALANCE SHEET AT 30 JUNE

	Notes	2013	2012
		N\$	N\$
ASSETS			
Non-current assets		20 252 578	16 974 772
Property, plant and equipment	2	17 950 213	9 888 536
Investments	3	2 302 365	7 086 236
Current assets		3 606 939	2 108 665
Trade and other receivables	4	2 077 673	1 856 927
Inventories	5	812 264	248 773
Cash and bank balances	6	717 002	2 965
TOTAL ASSETS		23 859 517	19 083 437
FUNDS AND LIABILITIES			
Funds and reserves		21 385 236	16 118 634
Capital outlay	7	17 646 929	9 544 104
Funds and accounts	8	3 738 307	6 574 530
Long-term liabilities			
Long-term loans	9	404 119	462 336
Current liabilities		2 070 162	2 502 467
Trade and other payables	10	482 744	859 049
Bank overdraft	6	-	151 691
Short-term portion of long-term loans	9	1 587 418	1 491 727
TOTAL FUNDS AND LIABILITIES		23 859 517	19 083 437

VILLAGE COUNCIL OF GOCHAS

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2013</u>	<u>2012</u>
		N\$	N\$
INCOME		8 225 877	3 034 127
EXPENDITURE		<u>(7 105 461)</u>	<u>(7 430 415)</u>
NET OPERATING SURPLUS/(DEFICIT)		1 120 416	(4 396 288)
INVESTMENT INCOME		<u>31 236</u>	<u>10 169</u>
		1 151 652	(4 386 119)
APPROPRIATION ACCOUNT	11	<u>688 433</u>	<u>(45 720)</u>
		1 840 085	(4 431 839)
ACCUMULATED FUNDS - Beginning of year		<u>(6 395 735)</u>	<u>(1 963 896)</u>
ACCUMULATED FUNDS - End of year		<u>(4 555 650)</u>	<u>(6 395 735)</u>

VILLAGE COUNCIL OF GOCHAS

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2013	2012
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		8 225 877	3 034 127
Cash paid to suppliers		(7 577 570)	(7 794 053)
Cash generated/(utilised) by operations	12	648 307	(4 759 926)
Investment income		31 236	10 169
Movement in Fund accounts			
- (Decrease)/increase in Fund accounts		(4 676 308)	10 106 978
- Increase in capital outlay		8 102 825	902 667
Net cash flow from operating activities		4 106 060	6 259 888
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		(8 061 677)	(846 490)
Decrease/(increase) in investments		4 783 871	(5 508 609)
		(3 277 806)	(6 355 099)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase in long-term liabilities		37 474	41 065
		37 474	41 065
MOVEMENT IN CASH AND CASH EQUIVALENTS		865 728	(54 146)
CASH AND CASH EQUIVALENTS			
- BEGINNING OF YEAR		(148 726)	(94 580)
CASH AND CASH EQUIVALENTS			
- END OF YEAR		717 002	(148 726)

VILLAGE COUNCIL OF GOCHAS

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

1. ACCOUNTING POLICIES**1.1 Introduction**

The annual financial statements set out in Annexures A to D were prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent in all material aspects with those applied in the previous year.

The financial statements are prepared on a going-concern basis.

1.2 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 provision for depreciation is made.

1.3 Investments

Investments are reflected at face value.

1.4 Trade receivables

Trade receivables are recorded at originated cost less an allowance for bad debts.

1.5 Cash and cash equivalents

It consists of cash on hand and the current account with banks, all of which are available for immediate use by the Council.

1.6 Trade and other payables

All financial liabilities are recorded at cost.

1.7 Internal Funds

The following Funds were maintained by the Village Council in terms of Section 58(1) and 80(4) of the Local Authorities Act, Act 23 of 1992:

1.7.1 Fixed Property Fund

Proceeds from the sale of land that has been developed by the Gochas Village Council, accumulated in this fund. Costs incurred on the development of land are charged to this Fund.

1.7.2 Housing Fund

The purpose of this Fund is to provide for housing loans. Income to this Fund is transferred from the general income account, external loans from Government and interest on investments and loans.

1.7.3 Capital Reserve Fund

The purpose of this Fund is to build up a general capital reserve to ensure that the Municipality's financial position is stable. Income to this Fund is transferred from the general income account.

VILLAGE COUNCIL OF GOCHAS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
(continued)**1. ACCOUNTING POLICIES (continued)****1.7.4 Revenue account**

All monies received by and accrued to and expenses paid, except for allocations to other Funds, are reflected in this account, and are kept in compliance with Section 86(1)(b) of the Act.

1.7.5 Build Together Fund

The purpose of this Fund is to provide housing loans to the low income group. Income to this Fund is derived from Government contributions, repayments, interest on investments and loans.

	<u>2013</u>	<u>2012</u>
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
TOTAL	<u>17 950 213</u>	<u>9 888 536</u>
3. INVESTMENTS		
INVESTMENTS		
Commercial banks	<u>2 302 365</u>	<u>7 086 236</u>
ALLOCATED TO FUNDS		
Capital Reserve Fund	514 248	5 762 879
Build Together Fund	1 687 283	1 204 608
Capital outlay	100 834	118 749
	<u>2 302 365</u>	<u>7 086 236</u>
4. TRADE AND OTHER RECEIVABLES		
Trade receivables	2 237 723	2 297 481
Value added tax	1 038 677	638 623
Housing Fund receivables	939 638	781 496
Sundry debtors	-	1 530
Provision for doubtful debts	(2 138 365)	(1 862 203)
	<u>2 077 673</u>	<u>1 856 927</u>
5. INVENTORY		
Livestock	94 500	120 000
Other inventories	438 536	-
Work in progress - Incomplete Build Together projects	279 228	128 773
	<u>812 264</u>	<u>248 773</u>

VILLAGE COUNCIL OF GOCHAS

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

	2013	2012
	N\$	N\$
6. CASH AND BANK BALANCES		
Current bank account	714 037	(151 691)
Petty cash	2 965	2 965
	717 002	(148 726)
7. CAPITAL OUTLAY		
Loans redeemed	743 228	702 080
Revenue contributions	13 688 027	5 124 989
General capital contributions	3 215 674	3 717 035
	17 646 929	9 544 104
8. FUNDS AND ACCOUNTS		
Fixed Property Fund	77 597	77 597
Capital Reserve Fund	4 141 477	9 698 339
Housing Fund	114 753	114 753
Built Together Fund	3 799 924	2 920 416
Built Together Prepaid Fund	160 206	159 160
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(4 555 650)	(6 395 735)
	3 738 307	6 574 530
9. LONG-TERM LIABILITIES		
The Government of Namibia		
Capital section	1 991 537	1 954 063
	1 991 537	1 954 063
Short-term portion stated as current liabilities	(1 587 418)	(1 491 727)
	404 119	462 336
10. TRADE AND OTHER PAYABLES		
Trade creditors	171 983	556 981
Deposits on erven sales	65 065	56 404
Provision for staff leave	231 231	231 231
Consumer deposits	14 465	14 433
	482 744	859 049

VILLAGE COUNCIL OF GOCHAS

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

	2013	2012
	N\$	N\$
11. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Prior year adjustments	576 180	323 817
Provision for bad debts	(276 162)	(369 537)
Inventory adjustment	388 415	-
	688 433	(45 720)
13. CASH GENERATED/(UTILISED) BY OPERATIONS		
NET OPERATING SURPLUS/(DEFICIT) BEFORE INVESTMENT INCOME	1 120 416	(4 396 288)
ADJUSTMENT FOR:		
- Adjustments to appropriation account	688 433	(45 720)
OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL	1 808 849	(4 442 008)
CHANGES IN WORKING CAPITAL		
Increase in trade and other receivables	(220 746)	(445 422)
Increase in inventories	(563 491)	(108 324)
(Decrease)/increase in trade and other payables	(376 305)	235 828
	(1 160 542)	(317 918)
CASH GENERATED/(UTILISED) BY OPERATIONS	648 307	(4 759 926)