



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

VILLAGE COUNCIL OF KALKRAND

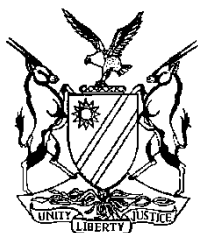
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

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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 Kalkrand 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, May 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. INTRODUCTION

The accounts of the Village Council of Kalkrand 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 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, **except that they were only finalised and signed during February 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 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

Findings indicated with (*) were the same for the three consecutive years.

4.1 Internal control and accounting records*

For the past three consecutive years there were no sufficient system of internal control and no proper accounting records at the Village Council on which the auditors could rely upon for audit purposes.

4.2 Property, plant and equipment*

Depreciation is not calculated correctly.

The auditors could not verify that the assets are adequately insured as no insurance policy could be provided.

4.3 Trade receivables*

The list of trade receivables was available for audit purposes.

The auditors are of the opinion that the provision for bad debts is understated by N\$ 494 695 (2011 overstated - N\$ 1 498 533).

No information regarding the Build Together Fund could be provided. No significant repayments have been made for the Build Together loan advances.

4.4 Inventories*

No provision for inventories was made in the financial statements of the Village Council. The auditors were unable to calculate the estimated amount due to the fact that the Village Council did not prepare any stock lists, nor counted stock at year-end.

4.5 Trade and other payables*

No reconciliations of trade and other payables were available for audit purposes, and the auditors were thus unable to verify the correctness and completeness of trade and other payables.

No records for the provision for leave were available at the Village Council and the auditors were thus unable to evidence reasonableness of the provision.

4.6 Investments

The auditors found that the investments in the annual financial statements is overstated with N\$ 288 883.

4.7 Bank and cash

The bank balance on the balance sheet reflect an unfavourable balance of N\$ 629 078. The bank statements reflect a favourable balance of N\$ 295 258. No bank reconciliations could be provided for audit purposes and the auditors were unable to verify the correctness and completeness of the bank balance as recorded in the balance sheet.

4.8 Salaries and wages

Salaries and wages on the financial statements were overstated by N\$ 373 564.

4.9 VAT and P.A.YE*

No P.A.Y.E. returns were submitted to the Directorate: Inland Revenue. No provision in the financial statements was made for the outstanding PAYE.

Included in trade and other payables is an amount of N\$ 592 505 (2011: N\$: 597 152) for VAT payable. Due

to a lack of supporting documentation, the auditors were unable to verify the accuracy of this amount.

4.10 Refuse and sewerage

The auditors were unable to verify the accuracy and completeness due to a lack of supporting documentation.

4.11 Assessment rates and taxes

The auditors were unable to verify the accuracy and completeness of rates and taxes due to a lack of supporting documentation.

4.12 Minutes of meetings

No minutes of the meetings could be provided.

4.13 Income and expenses

No water and electricity sales could be tested as no meter reading cards could be provided for audit purposes.

Expenses could not be tested to the auditors' satisfaction as no proper supporting documentation could be provided.

5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Kalkrand 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 01/07/2011				(1 661 696)
General accounts				
- Non-profitable	4 846 680	2 952 909	1 893 771	
- Self-supporting	113 966	1 285 337	(1 171 371)	
Trade accounts				
- Water	589 239	611 301	(22 062)	
- Electricity	621 279	1 742 656	(1 121 377)	
Deficit for the year	6 171 164	6 592 203	(421 039)	(421 039)
Adjustments and utilisations (Note 10, Annexure D)				(2 082 735)
				1 456 384
Accumulated deficit 30/06/2012				(626 351)

7. CURRENT BANK ACCOUNT

	2012	2011
	N\$	N\$
Cash-book balance at 30 June	-	636 460
Outstanding cheques	-	111 464
Other reconciling items	-	(65 716)
Balance as per bank statement	-	682 208

No bank reconciliation available.

8. INVESTMENTS

On 30 June the investments were as follows:

	2012	2011
	N\$	N\$
Commercial banks	3 408 252	3 485 756

The investments were allocated as follows between the Funds:

	2012	2011
	Investment	Investment
	N\$	N\$
Build Together Fund	19 944	863 820
Fixed Property Fund	2 201 465	2 125 860
Revenue	1 017 373	326 606
Capital Reserve Fund	2 264	2 264
Renewal Fund	167 206	167 206
	3 408 252	3 485 756

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 operations were as follows:

	Electricity		Water	
	2012	2011	2012	2011
	N\$	N\$	N\$	N\$
Sales	615 727	541 188	580 782	214 627
Cost of sales	(738 805)	(566 943)	(532 273)	(494 049)
Gross profit/(loss)	(123 078)	(25 755)	48 509	(279 422)
Net (expenditure)/income	(998 299)	(20 554)	(70 571)	(27 490)
Net deficit	(1 121 377)	(46 309)	(22 062)	(306 912)
Gross profit/(loss) percentages on sales	(20.0%)	(4.8%)	8.4%	(130.2%)
Net profit/(loss) percentage on sales	(182.1%)	(8.6%)	(3.8%)	(143.0%)

10.2 Distribution results

No statistics for water and electricity distribution in units were kept by the Village Council.

11. SELF-SUPPORTING SERVICES

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

	Income 2012	Expenses 2012	Surplus/ (deficit) 2012	Surplus/ (deficit) 2011
	N\$	N\$	N\$	N\$
Cleansing services	95 420	1 285 337	(1 189 917)	120 159
Townlands	18 546	-	18 546	(12 065)
Surplus/(deficit) for the year	113 966	1 285 337	(1 171 371)	108 094

The Council should introduce measures to reduce the losses on the loss-making services.

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No fruitless, unauthorised or avoidable expenditure was revealed.

13. SUSPENSE ACCOUNTS

Suspense accounts were cleared on a regular basis.

14. IRREGULARITIES AND LOSSES

There were no such items revealed 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	Financed by	Total expenditure 2012	Total expenditure 2011
	Revenue account		
	N\$	N\$	N\$
General administration	915 821	915 821	334 236
Streets	-	-	63 239
Sewerage	1 369 508	1 369 508	4 451 342
Electricity	1 001 565	1 001 565	-
	3 286 894	3 286 894	4 848 817

The income statements reflect an amount of N\$ 57 241 more for additions than the capital statement.

16. BURSARIES

There were no bursaries granted for the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID RECEIVED FROM GOVERNMENT

	2012	2011
	N\$	N\$
Contribution	4 176 350	4 269 222

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 such expenses.

22. TRANSFER OF PROPERTY

22.1 There were no transfers of property to the Local Authority.

22.2 There were no transfers of property by the Local Authority to others.

23. TRADE AND OTHER RECEIVABLES/PAYABLES**23.1 Trade and other receivables at 30 June were:**

	2012	2011
	N\$	N\$
Services	2 895 525	2 360 905
Build Together Fund	1 453 045	606 218
Sundry receivables	12 965	12 965
Provision for bad debts	(2 124 899)	(3 660 700)
Total	2 236 636	(680 612)

No lists for trade receivables were available and the auditors thus could not verify trade receivables to their satisfaction.

23.2 Trade and other payables at 30 June were:

	2012	2011
	N\$	N\$
Trade payables	690 580	249 011
Consumer deposits	2 115	2 115
VAT control	592 505	597 152
Interest and redemption	151 287	139 913
Suspense accounts	243 625	243 625
Provisions	119 127	107 116
	1 799 239	1 338 932

24. ASSESSMENT RATES

	2012	2011
Proceeds	N\$ 87 472	N\$ 87 472
Tariffs per N\$1 valuation		
- Land	-	0.0900
- Improvements	-	0.0000

No Government Gazette available to confirm the rates.

25. LOANS

25.1 External loans

	2012	2011
	N\$	N\$
Government of Namibia	87 711	91 153

25.2 Due to the Village Council

There are no loans due to the Council.

25.3 Loans written off

No loans were written off during the year.

26. SALE OF ERVEN

No list of erven sold was available for audit purposes.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

No property was sold on an instalment basis during the year.

28. TARIFF ADJUSTMENTS

No tariff adjustments were available.

29. APPROVALS

All necessary approvals were obtained.

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicle and values thereof

No asset register was available at the Council.

30.2 Inventory

No inventory records were available.

31. SPECIAL INVESTIGATIONS

There were no special investigations carried out during the year.

32. GENERAL

There is an insufficient 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 the Council should vigilantly guard against.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 There were no informal queries.

34. DISCLAIMED AUDIT OPINION

The accounts of the Village Council of Kalkrand for the financial year ended 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:

Internal control and accounting records

There were no sufficient systems of internal control and no proper accounting records at the Village Council on which the auditors could rely upon for audit purposes.

Property, plant and equipment

Depreciation was not calculated correctly.

Trade receivables

No list of trade receivables was available for audit purposes.

The auditors are of the opinion that the provision for bad debts is understated by N\$ 494 695 (2011: overstated N\$ 1 498 533).

No information regarding the Build Together Fund could be provided for audit purposes.

Trade and other payables

No reconciliations of trade and other payables were available for audit purposes.

No records for the provision for leave were available at the Village Council.

VAT and PAYE

No PAYE returns were submitted to the Directorate: Inland Revenue. The provisions in the financial statements might not be sufficient to cover for arrear amounts, penalties and interest thereon.

Included in trade and other payables is an amount of N\$ 592 505 (2011: N\$ 597 152) for VAT payable. No supporting documentation was available to verify this amount.

Income and expenses

Income and expenses could not be verified due lack of supporting documentation.

Investments

The auditors found that the investments in the annual financial statements is overstated with N\$ 288 883.

Bank and cash

The bank balance on the balance sheet reflect an unfavourable balance of N\$ 629 078. The bank statements reflect a favourable balance of N\$ 295 258. No bank reconciliations could be provided for audit purposes and the auditors was unable to verify the correctness and completeness of the bank balance as recorded in the balance sheet.

WINDHOEK, May 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

VILLAGE COUNCIL OF KALKRAND

BALANCE SHEET AT 30 JUNE

	Notes	2012 N\$	2011 N\$
ASSETS			
Non-current assets		12 476 032	13 602 276
Property, plant and equipment	2	9 067 780	10 116 520
Investments	3	3 408 252	3 485 756
Current assets		1 608 558	(43 152)
Trade and other receivables	4	2 236 636	(680 612)
Cash and cash equivalents	5	(628 078)	637 460
TOTAL ASSETS		14 084 590	13 559 124
FUNDS AND LIABILITIES			
Funds and reserves		12 197 640	12 129 039
Capital outlay	6	8 980 069	10 025 367
Funds and accounts	7	3 217 571	2 103 672
LONG-TERM LIABILITIES	8	87 711	91 153
CURRENT LIABILITIES			
Trade and other payables	9	1 799 239	1 338 932
TOTAL FUNDS AND LIABILITIES		14 084 590	13 559 124

VILLAGE COUNCIL OF KALKRAND

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2012 N\$	2011 N\$
INCOME		6 131 603	5 549 597
EXPENDITURE		<u>(6 592 204)</u>	<u>(4 603 540)</u>
NET OPERATING (DEFICIT)/SURPLUS		(460 601)	946 057
INVESTMENT INCOME EARNED FOR REVENUE ACCOUNTS		39 561	47 097
NET (DEFICIT)/SURPLUS FOR THE YEAR		<u>(421 040)</u>	993 154
APPROPRIATION ACCOUNT - Adjustments	10	1 456 384	<u>(1 241 444)</u>
		1 035 344	(248 290)
ACCUMULATED FUNDS - Beginning of year		<u>(1 661 696)</u>	<u>(1 413 406)</u>
ACCUMULATED FUNDS - End of year		<u>(626 352)</u>	<u>(1 661 696)</u>

VILLAGE COUNCIL OF KALKRAND

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2012 N\$	2011 N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		6 131 603	5 549 597
Cash paid to suppliers		(7 592 761)	(4 705 522)
Cash (utilised)/generated by operations	11	(1 461 158)	844 075
Investment income		39 561	47 097
Movement in Fund accounts			
- Increase/(decrease) in Fund accounts		78 555	(3 079 802)
- (Decrease)/increase in Capital outlay		(1 045 298)	3 918 507
Net cash flow from operating activities		(2 388 340)	1 729 877
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital income/(expenditure)		1 048 740	(3 915 338)
Decrease in investments		77 504	2 727 782
		1 126 244	(1 187 556)
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in long-term liabilities		(3 442)	(3 169)
		(3 442)	(3 169)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1 265 538)	539 152
CASH AND CASH EQUIVALENTS			
- BEGINNING OF YEAR		637 460	98 308
CASH AND CASH EQUIVALENTS - END OF YEAR		(628 078)	637 460

VILLAGE COUNCIL OF KALKRAND

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

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 on 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 Village Council:

1.4.1 Fixed Property Fund

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

1.4.2 Build Together Fund

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

1.4.3 Capital Reserve Fund

This Fund was created to make provision for unforeseen expenditures as approved by the Council.

VILLAGE COUNCIL OF KALKRAND

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

	2012	2011
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Property development, vehicles, plant and equipment at cost	9 067 780	10 116 520
3. INVESTMENTS		
Commercial banks	3 408 252	3 485 756
	3 408 252	3 485 756
The investments were allocated as follows between the Funds:		
Build Together Fund	19 944	863 820
Fixed Property Fund	2 201 465	2 125 860
Revenue	1 017 373	326 606
Capital Reserve Fund	2 264	2 264
Renewal Fund	167 206	167 206
	3 408 252	3 485 756
4. TRADE AND OTHER RECEIVABLES		
Services	2 895 525	2 360 905
Build Together Fund	1 453 045	606 218
Sundry receivables	12 965	12 965
Provision for bad debts	(2 124 899)	(3 660 700)
	2 236 636	(680 612)
5. CASH AND CASH EQUIVALENTS		
Cash on hand	1 000	1 000
Current bank account	(629 078)	636 460
	(628 078)	637 460
6. CAPITAL OUTLAY		
Loans redeemed	29 846	26 404
Revenue contributions	8 949 275	9 997 541
General Capital contributions	948	1 422
	8 980 069	10 025 367

VILLAGE COUNCIL OF KALKRAND

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

	2012	2011
	N\$	N\$
7. FUNDS AND ACCOUNTS		
Capital Reserve Fund	2 263	2 263
Renewal Fund	167 206	167 206
Build Together Fund	1 472 989	1 470 038
Fixed Property Fund	2 201 465	2 125 861
Revenue account kept in compliance with Section 86(1) of the Local Authority Act, 1992.	(626 352)	(1 661 696)
	3 217 571	2 103 672
8. LONG-TERM LIABILITIES		
External loans	87 711	91 153
9. TRADE AND OTHER PAYABLES		
Trade payables	690 580	249 011
Consumer deposits	2 115	2 115
VAT control	592 505	597 152
Interest and redemption	151 287	139 913
Suspence accounts	243 625	243 625
Provisions	119 127	107 116
	1 799 239	1 338 932
10. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Prior year adjustments	-	294 357
Provision for bad debts	-	(1 535 801)
	1 456 384	-
	1 456 384	(1 241 444)

VILLAGE COUNCIL OF KALKRAND

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

	2012	2011
	N\$	N\$
11. CASH (UTILISED)/GENERATED BY OPERATIONS		
Net operating (deficit)/surplus before transfers	(421 040)	993 154
Adjustments for :		
- Adjustments to appropriation account	1 456 384	(1 241 444)
- Investment income	(39 561)	(47 097)
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL	995 783	(295 387)
CHANGES IN WORKING CAPITAL		
Change in trade and other receivables	(2 917 248)	459 792
Change in trade and other payables	460 307	679 670
	(2 456 941)	1 139 462
CASH (UTILISED)/GENERATED BY OPERATIONS	(1 461 158)	844 075