



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF KALKRAND
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 Kalkrand 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, April 2014

**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 2013**

1. INTRODUCTION

The accounts of the Village Council of Kalkrand 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 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

4.1 Internal control and accounting records

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

4.2 Property, plant and equipment

The fixed assets register is incomplete, not all motor vehicles are on the fixed assets register, eg. Ford Ikon. No physical inspection could be done as the registration details do not reflect on the fixed assets register, therefore fixed assets could not be verified.

4.3 Inventories

No provision for inventories were 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.

4.4 Trade and other payables

Included in trade and other payables is an amount of N\$ 428 768 for deposits not recorded for which the Council could not provide the auditors with a detailed list. According to the Council, this is unknown deposits that they do not know who deposited the money or where to allocate the deposits.

4.5 Other payables - P.A.Y.E. and VAT

Due to the Council not making copies of the VAT and P.A.Y.E. returns, the auditors could not verify that all returns were submitted timeously to the Directorate: Inland Revenue.

4.6 Other payables - VAT

Included in trade and other payables is an amount of N\$ 151 669 (2012: N\$ 592 505) for VAT payable. The auditors were unable to verify the correctness of this amount as no reconciliation could be provided to the auditors for audit purposes.

4.7 Bank and cash

There is a difference of N\$ 68 409 between the bank balance on the bank reconciliation and the balance on the bank statements, which could not be explained by the Council.

4.8 Other receivables - Build Together advances

Included in other receivables is an amount of N\$ 1 453 044 (2012: N\$ 1 453 045) for Build Together advances. There was no movement on this loans, according to the Council there was payment made during the current financial year.

4.9 Capital projects

The income statements reflect an amount of N\$ 2 410 677 as capital projects, compared to the balance on the capital account and the asset register of N\$ 3 416 285. The Council could not explain the difference of N\$ 1 005 608.

4.10 Salaries and wages

Not all salary summaries could be provided to the auditors for auditing purposes. A staff member still receives a salary after being suspended on 9 August 2010, the Council can not give an explanation in this regard.

4.11 Expenses

The auditors could not test the expenses due to a lack of supporting documentation, due to improper filing systems.

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 01/07/2012				(626 352)
General accounts				
- Non-profitable	3 035 270	2 987 078	48 192	
- Self-supporting	190 398	176 234	14 164	
Trade accounts				
- Water	600 020	702 787	(102 767)	
- Electricity	709 899	1 630 645	(920 746)	
Deficit for the year	4 535 587	5 496 744	(961 157)	(961 157)
Adjustments and utilisations (See note 10, Annexure D)				(1 587 509) (176 900)
Accumulated deficit 30/06/2013				(1 764 409)

7. CURRENT BANK ACCOUNT

	2013	2012
	N\$	N\$
Cash-book balance at 30 June	(40 589)	-
Outstanding cheques	310 121	-
Other reconciling items	(2 287)	-
Balance as per bank statement	267 245	-

There is a difference of N\$ 68 409 between the bank balance on the bank reconciliation and the balance on the bank statements, which could not be explained by the Council.

8. INVESTMENTS

On 30 June the investments were as follows:

	2013	2012
	N\$	N\$
Commercial banks	2 067 616	3 408 252

The investments were allocated as follows between the Funds:

	2013	2012
	Investment	Investment
	N\$	N\$
Build Together Fund	23 147	19 944
Fixed Property Fund	2 044 469	2 201 465
Revenue	-	1 017 373
Capital Reserve Fund	-	2 264
Renewal Fund	-	167 206
	2 067 616	3 408 252

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	
	2013	2012	2013	2012
	N\$	N\$	N\$	N\$
Sales	705 760	615 727	596 452	580 782
Cost of sales	(886 282)	(738 805)	(576 538)	(532 273)
Gross profit/(loss)	(180 522)	(123 078)	19 914	48 509
Net (expenditure)/income	(740 224)	(998 299)	(122 681)	(70 571)
Net deficit	(920 746)	(1 121 377)	(102 767)	(22 062)
Gross profit/(loss) percentages on sales	(25.6%)	(20.0%)	3.3%	8.4%
Net profit/(loss) percentage on sales	(130.5%)	(182.1%)	(17.2%)	(3.8%)

10.2 Distribution results were as follows:

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	Expenses	Surplus/	Surplus/
	2013	2013	(deficit)	(deficit)
	N\$	N\$	N\$	N\$
Cleansing services	166 281	176 234	(9 953)	(1 189 917)
Townlands	18 421	-	18 421	18 546
Surplus/(deficit) for the year	184 702	176 234	8 468	(1 171 371)

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

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	Financial by	Total expenditure 2013	Total expenditure 2012
	Revenue account		
	N\$	N\$	N\$
General administration	843 630	843 630	915 821
Streets	194 861	194 861	-
Sewerage	95 084	95 084	1 369 508
Electricity	731 573	731 573	1 001 565
Parks	1 395 507	1 395 507	-
Cleansing services	40 755	40 755	-
Water	114 875	114 875	-
	3 416 285	3 416 285	3 286 894

The income statements reflect an amount of N\$ 1 005 608 less 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

	2013	2012
	N\$	N\$
Contribution	2 573 105	4 176 350

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 transfer of property by the Local Authority to others.

23. TRADE AND OTHER RECEIVABLES/PAYABLES

23.1 Trade and other receivables at 30 June were:

	2013	2012
	N\$	N\$
Services	3 556 075	2 895 525
Build Together Fund	1 453 045	1 453 045
Sundry receivables	17 392	12 965
Provision for bad debts	(3 217 728)	(2 124 899)
Total	1 808 784	2 236 636

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:

	2013	2012
	N\$	N\$
Trade payables	832 238	690 580
Consumer deposits	2 115	2 115
VAT control	151 669	592 505
Interest and redemption	162 660	151 287
Suspence accounts	512 074	243 625
Provisions	40 000	119 127
	1 700 756	1 799 239

24. ASSESSMENT RATES

	2013	2012
	N\$	N\$
Proceeds	87 472	87 472
Tariffs per N\$1 valuation		
- Land	0.0900	-
- Improvements	0.0035	-

25. LOANS

25.1 External loans

	2013	2012
	N\$	N\$
Government of Namibia	83 971	87 711

25.2 Due to the Village Council

There were no loans due to the Council.

25.3 Loans written off

No loans were written off during the year.

26. SALE OF ERVEN

There was no erven sold during the year.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

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

28. TARIFF ADJUSTMENTS

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

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 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.

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

Internal control and accounting records

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

Property, plant and equipment

The fixed assets register is incomplete, not all motor vehicles are on the fixed assets register, eg. Ford Ikon. No physical inspection could be done as the registration details do not reflect on the fixed assets register, therefore fixed assets could not be verified.

Inventories

No provision for inventories were 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.

Trade and payables

Included in trade and other payables is an amount of N\$ 428 768 for deposits not recorded for which the Council could not provide the auditors with a detailed list. According to the Council this is unknown deposits that they do not know who deposited the money or where to allocate the deposits.

Other payables - P.A.Y.E. and VAT

Due to the Council not making copies of the VAT and P.A.Y.E. returns, the auditors could not verify that all returns were submitted timeously to the Directorate: Inland Revenue.

Other payables - VAT

Included in trade and other payables is an amount of N\$ 151 669 (2012: N\$ 592 505) for VAT payable. The auditors were unable to verify the correctness of this amount as no reconciliation could be provided to the auditors for audit purposes.

Bank reconciliations

There is a difference of N\$ 68 409 between the bank balance on the bank reconciliation and the balance on the bank statements, which could not be explained by the Council.

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Salaries and wages

Not all salary summaries could be provided to the auditors for auditing purposes. A staff member still receives a salary after being suspended on 9 August 2010, the Council can not give an explanation in this regard.

Expenses

The auditors could not test the expenses due to a lack of supporting documentation, due to improper filing systems.

WINDHOEK, April 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

VILLAGE COUNCIL OF KALKRAND

BALANCE SHEET AT 30 JUNE

	Notes	2013	2012
		N\$	N\$
ASSETS			
NON-CURRENT ASSETS			
		12 091 645	12 476 032
Property, plant and equipment	2	10 024 029	9 067 780
Investments	3	2 067 616	3 408 252
CURRENT ASSETS			
		1 769 195	1 608 558
Trade and other receivables	4	1 808 784	2 236 636
Cash and cash equivalents	5	(39 589)	(628 078)
TOTAL ASSETS		13 860 840	14 084 590
FUNDS AND LIABILITIES			
FUNDS AND RESERVES			
		12 076 113	12 197 640
Capital outlay	6	9 940 058	8 980 069
Funds and accounts	7	2 136 055	3 217 571
LONG-TERM LIABILITIES			
	8	83 971	87 711
CURRENT LIABILITIES			
Trade and other payables	9	1 700 756	1 799 239
TOTAL FUNDS AND LIABILITIES		13 860 840	14 084 590

VILLAGE COUNCIL OF KALKRAND

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2013 N\$	2012 N\$
INCOME		4 487 370	6 131 603
EXPENDITURE		(5 496 745)	(6 592 204)
NET OPERATING (DEFICIT)/SURPLUS		(1 009 375)	(460 601)
INVESTMENT INCOME EARNED FOR REVENUE ACCOUNTS		48 217	39 561
NET (DEFICIT)/SURPLUS FOR THE YEAR		(961 158)	(421 040)
APPROPRIATION ACCOUNT - Adjustments	10	(176 900)	1 456 384
		(1 138 058)	1 035 344
ACCUMULATED FUNDS - Beginning of year		(626 352)	(1 661 696)
ACCUMULATED FUNDS - End of year		(1 764 410)	(626 352)

VILLAGE COUNCIL OF KALKRAND

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2013</u>	<u>2012</u>
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		4 487 370	6 131 603
Cash paid to suppliers		<u>(5 344 276)</u>	<u>(7 592 761)</u>
Cash (utilised)/generated by operations	11	(856 906)	(1 461 158)
Investment income		48 217	39 561
Movement in Fund accounts			
- Increase/(decrease) in Fund accounts		56 542	78 555
- (Decrease)/increase in Capital outlay		<u>959 989</u>	<u>(1 045 298)</u>
Net cash flow from operating activities		<u>207 842</u>	<u>(2 388 340)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital income/(expenditure)		(956 249)	1 048 740
Decrease in investments		<u>1 340 636</u>	<u>77 504</u>
		<u>384 387</u>	<u>1 126 244</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in long-term liabilities		<u>(3 740)</u>	<u>(3 442)</u>
		(3 740)	(3 442)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		588 489	(1 265 538)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		<u>(628 078)</u>	<u>637 460</u>
CASH AND CASH EQUIVALENTS - END OF YEAR		<u>(39 589)</u>	<u>(628 078)</u>

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)

	<u>2013</u>	<u>2012</u>
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Property development, vehicles, plant and equipment at cost	10 024 029	9 067 780
3. INVESTMENTS		
Commercial banks	2 067 616	3 408 252
	2 067 616	3 408 252
The investments were allocated as follows between the Funds:		
Build Together Fund	23 147	19 944
Fixed Property Fund	2 044 469	2 201 465
Revenue	-	1 017 373
Capital Reserve Fund	-	2 264
Renewal Fund	-	167 206
	2 067 616	3 408 252
4. TRADE AND OTHER RECEIVABLES		
Services	3 556 075	2 895 525
Build Together Fund	1 453 045	1 453 045
Sundry receivables	17 392	12 965
Provision for bad debts	(3 217 728)	(2 124 899)
	1 808 784	2 236 636
5. CASH AND CASH EQUIVALENTS		
Cash on hand	1 000	1 000
Current bank account	(40 589)	(629 078)
	(39 589)	(628 078)
6. CAPITAL OUTLAY		
Loans redeemed	33 586	29 846
Revenue contributions	9 905 998	8 949 275
General Capital contributions	474	948
	9 940 058	8 980 069

VILLAGE COUNCIL OF KALKRAND

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

	2013	2012
	N\$	N\$
7. FUNDS AND ACCOUNTS		
Capital Reserve Fund	2 263	2 263
Renewal Fund	167 206	167 206
Build Together Fund	1 476 191	1 472 989
Fixed Property Fund	2 254 805	2 201 465
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(1 764 410)	(626 352)
	2 136 055	3 217 571
8. LONG-TERM LIABILITIES		
External loans	83 971	87 711
9. TRADE AND OTHER PAYABLES		
Trade payables	832 238	690 580
Consumer deposits	2 115	2 115
VAT control	151 669	592 505
Interest and redemption	162 660	151 287
Suspence accounts	512 074	243 625
Provisions	40 000	119 127
	1 700 756	1 799 239
10. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Prior year adjustments	915 929	1 456 384
Provision for bad debts	(1 092 829)	-
	(176 900)	1 456 384

VILLAGE COUNCIL OF KALKRAND

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

	<u>2013</u>	<u>2012</u>
	N\$	N\$
11. CASH (UTILISED)/GENERATED BY OPERATIONS		
Net operating (deficit)/surplus before transfers	(961 158)	(421 040)
Adjustments for :		
- Adjustments to appropriation account	(176 900)	1 456 384
- Investment income	(48 217)	(39 561)
	<u>(1 186 275)</u>	<u>995 783</u>
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL		
CHANGES IN WORKING CAPITAL		
Change in trade and other receivables	427 852	(2 917 248)
Change in trade and other payables	(98 483)	460 307
	<u>329 369</u>	<u>(2 456 941)</u>
CASH (UTILISED)/GENERATED BY OPERATIONS	<u>(856 906)</u>	<u>(1 461 158)</u>