



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

VILLAGE COUNCIL OF KAMANJAB

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

Published by authority

Price (Vat excluded) N\$ 28.78

Report no 10/2014

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 Kamanjab 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 KAMANJAB
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

1. INTRODUCTION

The accounts of the Village Council of Kamanjab 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 OBSERVATIONS AND COMMENTS

4.1 Long-term liabilities

The long-term loans reflect an outstanding balance on the Government loans of N\$ 883 945. The loan repayments in arrear that is reflected under liabilities has a balance on the financial statements of N\$ 1 055 959. No interest has been calculated on these arrear repayments.

4.2 Property, plant and equipment

There is a difference of N\$ 149 455 between the loan assets in the financial statements and those in the fixed assets register.

4.3 Investments

No documentation for the Censored Equity of N\$ 1 398 279 could be provided.

4.4 Inventories

As the auditors were not involved in the inventory count, and no alternative procedures could be performed, the completeness and existence of stock items could not be verified.

4.5 Trade and other receivables - Provision for bad debts

The average collection period of trade receivables, before taking the provision for bad debts into account, is 598 days (2012: 871 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 53 days (2012: 60 days). The Council should attend to the arrears as a matter of urgency.

4.6 Bank reconciliation

The Council could not provide the auditors with a proper bank reconciliation. The Council reported an unexplained difference of N\$ 947 737 between the bank reconciliation and the financial statements.

4.7 Consumer deposits

The consumer deposits is not sufficient to cover one month's service charges.

5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Kamanjab 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 surplus on 01/07/2012				5 940 151
General accounts				
- Non-profitable	5 386 985	3 107 732	2 279 653	
- Self-supporting	996 575	1 382 543	(385 968)	
Trade account				
- Water	1 213 288	779 915	433 373	
Surplus for the year	7 596 848	5 270 190	2 326 658	2 326 658
Adjustments and utilisations				8 266 809
				(5 935 171)
Accumulated surplus on 30/06/2013				2 331 638

7. CURRENT BANK ACCOUNT

	2013	2012
	N\$	N\$
Cash-book balance at 30 June	593 128	33 558
Outstanding cheques - Disclosed as trade payables	-	162 212
Cash-book balance at 30 June - Balance sheet	593 128	195 770
Outstanding deposits	-	(2 728)
Unexplained difference	(235 621)	-
Balance as per bank statement	357 507	193 042

8. INVESTMENTS

The investments as at 30 June were as follows:

Institution	2013	2012
	N\$	N\$
Commercial banks	4 482 221	2 026 819

The investments were allocated as follows:

Allocation	2013	2012
	N\$	N\$
Capital Development Fund	1 949 387	-
Build Together Fund	377 606	321 846
Revenue	2 155 228	1 704 973
	4 482 221	2 026 819

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 trade accounts were as follows:

	Electricity		Water	
	2013	2012	2013	2012
	N\$	N\$	N\$	N\$
Sales	-	-	1 187 371	942 156
Censored surcharges	74 014	-	-	-
Cost of sales	-	-	(752 313)	(617 742)
Gross surplus	74 014	-	435 058	324 414
Other expenses	-	(36 045)	(1 685)	(28 998)
Net (loss)/surplus	74 014	(36 045)	433 373	295 416
Gross surplus percentages on sales			36.6%	34.4%
Gross surplus percentages on cost of sales			57.8%	52.5%
Net surplus percentages on cost of sales			57.6%	47.8%
Net (loss)/surplus percentage on sales			36.5%	31.4%

10.2 Water distribution results, in cubic meters

	Water	
	2013	2012
	Units	Units
Sales	80 327	78 673
Purchases	95 107	92 549
Loss	(14 780)	(13 876)
Percentage loss in units purchased	(15.5%)	(15.0%)

11. SELF-SUPPORTING SERVICES

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

	Income	Expenses	Surplus/ (deficit)	Surplus/ (deficit)
	2013	2013	2013	2012
	N\$	N\$	N\$	N\$
Sewerage	996 575	1 382 543	(385 968)	(1 053 987)
	996 575	1 382 543	(385 968)	(1 053 987)

The Council should introduce measures to make the loss-making services self-supporting.

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

There were no such expenses.

13. SUSPENSE ACCOUNTS

Suspense accounts are cleared on a regular bases.

14. IRREGULARITIES AND LOSSES

There were no such expenses.

15. CAPITAL PROJECTS

The following were spend on capital projects:

Nature of projects/acquisitions	Financial by	Total expenditure 2013	Total expenditure 2012
	Revenue account		
	N\$	N\$	N\$
General Administration	18 338	18 338	1 803 908
Sewerage	-	-	665 003
Water supply	-	-	20 899
Roads and streets	-	-	95 652
	18 338	18 338	2 585 462

16. BURSARIES

There were no such expenses.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID.

	2013	2012
	N\$	N\$
Contribution from Government	2 744 907	-

18. COMPENSATION PAYMENTS

There were no such expenses.

19. VISITS TO FOREIGN COUNTRIES

There were no such expenses.

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

There were no transfers of property to the Local Authority.

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

	2013	2012
	N\$	N\$
Services, rates and taxes	4 607 846	5 502 674
VAT	491 307	5 118 652
Build Together advances	399 802	419 169
Suspense accounts	30 983	2 000
Provision for bad debts	5 529 938 (4 197 125)	11 042 495 (5 122 362)
Total	1 332 813	5 920 133

The average collection period of trade receivables, before taking the provision for bad debts into account, is 598 days (2012: 871 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 53 days (2012: 60 days). The Council should attend to the arrears as a matter of urgency.

23.2 Trade and other payables at 30 June were:

	2013	2012
	N\$	N\$
Consumer deposits	2 126	356
Loan instalments in arrear	1 055 959	1 055 959
Provisions	153 270	140 743
Suspense accounts	128 900	64 421
Trade payables	82 390	37 865
Totals	1 422 645	1 299 344

24. ASSESSMENT RATES

	2013	2012
	N\$	N\$
The proceeds from assessment rates were	182 343	162 167
Tariffs per N\$1 valuation per annum - Site valuation	0.0308	0.0306
Tariffs per N\$1 valuation per annum - Improvements	0.0102	0.0100

25. LOANS

25.1 External loans

	2013	2012
	N\$	N\$
The Government of Namibia	883 945	907 371
Commercial banks	-	25 586
	883 945	932 957

25.2 Due to the Village Council

	2013	2012
	N\$	N\$
Build together advances - Included in trade and other receivables	399 802	419 169

No list of these advances could be provided to the auditors and the auditors were thus unable to verify the completeness and correctness of these advances.

25.3 Loans written off

No loans were written off by the Council.

26. SALE OF ERVEN

An amount of N\$ 1 239 285 (2012: N\$ 238 077) is included in the income statement for sale of erven. No list for the sale of erven could be provided to the auditors.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

None.

28. TARIFF ADJUSTMENTS

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

29. APPROVALS

29.1 Excess on approved budget

All budget excesses were approved.

29.2 Internal loans

There were no internal loans.

29.3 Revenue written off

None.

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicles and values thereof :

	Sedan		LDV's, 4x4's and Combi's		Other	
	Number	Value N\$	Number	Value N\$	Number	Value N\$
Balance - 01/07/2012	1	25 586	5	189 211	7	1 340 645
Additions	-	-	-	-	1	610 000
Sub-total	1	25 586	5	189 211	8	1 950 645
Write off	(1)	-	-	-	-	-
Depreciation	-	(25 586)	-	(63 070)	-	(389 721)
Balance - 30/06/2013	-	-	5	126 141	8	1 560 924

30.2 Inventory

According to the Council, stock comprising of stationery and consumables amounted to N\$ 72 724.

31. SPECIAL INVESTIGATIONS

Due to the lack of internal control, no comment regarding these expenses is presented.

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

Formal queries are embodied in this report. Informal queries were raised with the Town Clerk. Audit differences and other comments are addressed in paragraph 4 of this report.

34. QUALIFIED AUDIT OPINION

The accounts of the Village Council of Kamanjab for the financial year ended 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.

My opinion has been qualified due to the following:

Long-term liabilities

Loan repayments in arrear on Government loans, that is reflected under liabilities, has a balance on the financial statements of N\$ 1 055 959. No interest has been calculated on these arrear repayments.

Property, plant and equipment

There is a difference of N\$ 149 455 between the loan assets on the financial statements and the fixed assets register.

Investments

No documentation for the Censored Equity of N\$ 1 398 279 could be provided.

Bank reconciliation

The Council could not provide the auditors with a proper bank reconciliation.

Except for the effects of any adjustments which might have been necessary as referred to in the preceding paragraph , 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 KAMANJAB

BALANCE SHEET AT 30 JUNE

	Notes	2013 N\$	2012 N\$
ASSETS			
Non-current assets		38 767 431	37 170 214
Property, plant and equipment	2	34 285 210	35 143 395
Investments	3	4 482 221	2 026 819
Current assets		1 998 857	5 953 691
Trade and other receivables	4	1 332 813	5 920 133
Inventories		72 724	-
Bank and cash	5	593 320	33 558
TOTAL ASSETS		40 766 288	43 123 905
FUNDS AND LIABILITIES			
Funds and reserves		38 459 698	40 891 604
Capital outlay	6	31 572 136	34 210 438
Funds and accounts	7	6 887 562	6 681 166
Non-current liabilities			
Long-term liabilities	8	883 945	932 957
Current liabilities			
Trade and other payables	9	1 422 645	1 299 344
TOTAL FUNDS AND LIABILITIES		40 766 288	43 123 905

VILLAGE COUNCIL OF KAMANJAB

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2013	2012
		N\$	N\$
INCOME		7 484 735	2 831 851
EXPENDITURE		(5 270 190)	(5 124 102)
NET OPERATING SURPLUS/(DEFICIT)		2 214 545	(2 292 251)
INTEREST ON INVESTMENTS		112 113	209 745
NET SURPLUS/(DEFICIT) AFTER INTEREST		2 326 658	(2 082 506)
APPROPRIATION ACCOUNT	10	(5 935 171)	(963 211)
		(3 608 513)	(3 045 717)
REVENUE ACCOUNT - Beginning of year		5 940 151	8 985 868
REVENUE ACCOUNT - End of year		2 331 638	5 940 151

VILLAGE COUNCIL OF KAMANJAB

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		7 484 735	-
Cash paid to suppliers		(6 567 464)	-
Cash generated by operations	11	917 271	-
Investment income		112 113	-
Movement in Fund accounts			
- Increase/(decrease) in Fund accounts		3 814 909	-
- (Decrease)/increase in Capital outlay		(2 638 302)	-
Net cash flow from operating activities		2 205 991	-
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital income		858 185	-
Increase in investments		(2 455 402)	-
		(1 597 217)	-
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in long-term liabilities		(49 012)	-
		(49 012)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		559 762	305 006
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		33 558	(271 448)
CASH AND CASH EQUIVALENTS - END OF YEAR	5	593 320	33 558

VILLAGE COUNCIL OF KAMANJAB

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.

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. Assets are depreciated over their estimated useful life's.

1.3 Internal Funds

The following Fund were created by the Town Council:

1.3.1 Build Together 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.

	2013	2012
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Loan assets	1 228 553	1 254 138
Income assets	23 776 813	25 553 891
General capital assets	7 450 715	8 335 366
Capital Development Fund	1 829 129	-
	34 285 210	35 143 395

3. INVESTMENTS

INVESTMENTS

Commercial Banks	3 083 942	2 845 781
Cenored	1 398 279	1 398 279
Unexplained difference	-	(2 217 241)
	4 482 221	2 026 819

VILLAGE COUNCIL OF KAMANJAB

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

INVESTMENTS (continued)

	2013	2012
	N\$	N\$
ALLOCATED AS FOLLOWS		
Capital Development Fund	1 949 387	-
Build Together Fund	377 606	321 846
Revenue	2 155 228	1 704 973
	4 482 221	2 026 819
4. TRADE AND OTHER RECEIVABLES		
Services, rates and taxes	4 607 846	5 502 674
VAT	491 307	5 118 652
Build Together advances	399 802	419 169
Suspense accounts	30 983	2 000
	5 529 938	11 042 495
Provision for bad debts	(4 197 125)	(5 122 362)
	1 332 813	5 920 133
5. CASH AND BANK BALANCES		
Current account	593 128	33 558
Petty cash	192	-
	593 320	33 558
6. CAPITAL OUTLAY		
Loans redeemed	344 608	321 181
Revenue contributions	23 776 813	25 553 891
General Capital contributions	7 450 715	8 335 366
	31 572 136	34 210 438
7. FUNDS AND ACCOUNTS		
Capital Development Fund	3 778 515	-
Build Together Fund	777 409	741 015
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	2 331 638	5 940 151
	6 887 562	6 681 166

VILLAGE COUNCIL OF KAMANJAB

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

	2013	2012
	N\$	N\$
8. LONG-TERM LIABILITIES		
The Government of Namibia	883 945	932 957
	883 945	932 957
9. TRADE AND OTHER PAYABLES		
Consumer deposits	2 126	356
Loan instalments in arrear	1 055 959	1 055 959
Provisions	153 270	140 743
Suspense accounts	128 900	64 421
Trade payables	82 390	37 865
	1 422 645	1 299 344
10. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
B/F adjustments on ledger	-	1 591 833
Opening balance difference	-	(965 167)
Opening stock	55 827	
Prior year debtors adjustments	(450 703)	
Prior year expenditure	-	(17 574)
Prior year income	356	119 738
Provision for bad debts	(624 370)	(1 694 041)
Provision for leave	(12 526)	-
Sundry adjustments	4 456	
Surplus carried wrongly to the appropriation account	-	2 000
VAT receivable written off	(4 908 211)	-
	(5 935 171)	(963 211)

VILLAGE COUNCIL OF KAMANJAB

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

	<u>2013</u>	<u>2012</u>
	N\$	N\$
11. CASH GENERATED/(UTILISED) BY OPERATIONS		
Net operating surplus/(deficit) before transfers	2 214 545	(2 292 251)
Adjustments for:		
- Adjustments to appropriation account	<u>(5 935 171)</u>	<u>(963 211)</u>
OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL	<u>(3 720 626)</u>	<u>(3 255 462)</u>
CHANGES IN WORKING CAPITAL		
Decrease/(increase) in trade and other receivables	4 587 320	1 333 713
Increase in inventories	(72 724)	-
Increase in trade and other payables	<u>123 301</u>	<u>562 078</u>
	<u>4 637 897</u>	<u>1 895 791</u>
CASH GENERATED/(UTILISED) BY OPERATIONS	<u>917 271</u>	<u>(1 359 671)</u>