



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

VILLAGE COUNCIL OF MALTAHÖHE

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 Maltahöhe 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, July 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. INTRODUCTION

The accounts of the Maltahöhe Village Council 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. 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 system of internal control and proper accounting records at the Village Council on which the auditors could rely upon for audit purposes.

4.2 Books of accounting

No proper accounting records were available for audit purposes. The auditors were thus unable to draw any audit tests to their satisfaction to verify the validity or completeness of income and expenses.

4.3 Trade and other receivables

No age analyses were available for audit purposes.

4.4 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.

4.5 Bank and cash

No bank reconciliations were available for audit purposes.

4.6 VAT and P.A.YE

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

4.7 Income and expenses

Due to a lack in proper accounting records, the auditors could not verify the income and expenses to their satisfaction.

4.8 Inventories

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

4.9 Accumulated funds

An unexplained difference of N\$ 1 677 110 was observed between the current and previous accumulated funds in the income statement.

5. ACKNOWLEDGEMENT

I thank the staff of the Village Council for the assistance and co-operation given to my representatives during the audit.

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 |
|--------------------------------|----------------|--------------------|-------------------------------|----------------|
| Accumulated surplus 01/07/2011 | N\$ | N\$ | N\$ | N\$ 931 406 |
| Deficit for the year | 3 866 390 | (4 206 215) | (339 825) | (339 825) |
| Accumulated surplus 30/06/2012 | | | | 591 581 |

7. CURRENT BANK ACCOUNT

No bank reconciliation was available for audit purposes.

8. INVESTMENTS AND INTEREST PROCEEDS

No investments or reconciliation was available for audit purposes.

9. FUND ACCOUNTS

The balance sheet does not reflect any Fund accounts.

10. TRADE ACCOUNTS

The income statement provided for audit purposes does not provide this information.

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 purchased to calculate distribution losses.

10.3 Electricity distribution results, in kilowatt

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

11. SELF-SUPPORTING SERVICES

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

The income statement provided for audit purposes does not provide this information.

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

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

13. SUSPENSE ACCOUNTS

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

14. IRREGULARITIES AND LOSSES

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

15. CAPITAL PROJECTS

No capital statements were available for audit purposes.

16. BURSARIES

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

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

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

18. COMPENSATION PAYMENTS

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

19. VISITS TO FOREIGN COUNTRIES

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

20. CLAIMS AGAINST THE LOCAL AUTHORITY

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

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

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

22. TRANSFER OF PROPERTY

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

23. TRADE AND OTHER RECEIVABLES/TRADE AND OTHER PAYABLES

23.1 Trade and other receivables at 30 June were:

| | |
|--------------|----------------|
| | 2012 |
| | N\$ |
| Services | 355 047 |
| Total | 355 047 |

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:

23.2 Trade and other payables at 30 June were:

| | |
|---------------------|------------------|
| | 2012 |
| | N\$ |
| Trade payables | 48 361 |
| Namwater | 3 429 796 |
| Nampower | 141 577 |
| Provision for leave | 78 502 |
| Suspense accounts | 74 532 |
| | 3 772 768 |

24. ASSESSMENT RATES

Due to the lack of internal control, no comment regarding this income is presented.

25. LOANS

25.1 External loans

There were no external loans recorded in the balance sheet.

25.2 Due to the Village Council

There were no internal loans recorded in the balance sheet.

25.3 Loans written off

No evidence was provided that loans were written off during the year under review.

26. SALE OF ERVEN

Due to the lack of internal control and the availability of supporting documentation, this information is not available.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

Due to the lack of internal control and the availability of supporting documentation, this information is not available.

28. TARIFF ADJUSTMENTS

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

29. APPROVALS

29.1 Excess on approved budget

Due to the lack of internal control and the availability of supporting documentation, this information is not available.

29.2 Internal loans

There were no internal loans recorded in the balance sheet.

29.3 Revenue written off

Due to the lack of internal control and the availability of supporting documentation, this information is not available.

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 - 01/07/2011 | - | N\$ - | 4 | N\$ 1 125 715 | 3 | N\$ 597 631 |
| Additions | - | - | - | - | 1 | 70 000 |
| Sub-total | - | - | 4 | 1 125 715 | 4 | 667 631 |
| Depreciation | - | - | - | (135 095) | - | (163 408) |
| Balance - 30/06/2012 | - | - | 4 | 990 620 | 4 | 504 223 |

30.2 Inventory

Inventory amounted to N\$ 51 555.

31. SPECIAL INVESTIGATIONS

Due to the lack of internal control and the availability of supporting documentation, this information is not available.

32. GENERAL

There is no system of internal control and very limited accounting records 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 Informal queries have been addressed to the Chief Executive Officer.

34. DISCLAIMED AUDIT OPINION

The accounts of the Village of Maltahöhe for the financial year end 30 June 2012, 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 at the Village Council on which the auditors could rely upon for audit purposes.

Books of accounting

No proper accounting records were available for audit purposes.

Trade and other receivables

No age analyses were available for audit purposes.

Inventories

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

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.

Bank and cash

No bank reconciliations were available for audit purposes.

VAT and P.A.YE

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

Income and expenses

Due to a lack in proper accounting records, the auditors could not verify the income and expenses to their satisfaction.

WINDHOEK, July 2013

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

VILLAGE COUNCIL FOR MALTAHÖHE

BALANCE SHEET AT 30 JUNE

| | <u>Note</u> | <u>2012</u> N\$ |
|----------------------------------|-------------|--------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 2 | 6 118 139 |
| Current assets | | |
| Trade and other receivables | | 448 015 |
| Inventories | 3 | 355 047 |
| Cash and cash equivalents | | 51 555 |
| | | 41 413 |
| | | <hr/> |
| TOTAL ASSETS | | 6 566 154 |
| FUNDS AND LIABILITIES | | |
| Funds and reserves | | |
| Capital outlay | | 2 793 386 |
| Funds and accounts | 4 | 2 201 805 |
| | | 591 581 |
| Current liabilities | | |
| Trade and other payables | 5 | 3 772 768 |
| | | <hr/> |
| TOTAL FUNDS AND LIABILITIES | | 6 566 154 |

VILLAGE COUNCIL FOR MALTAHÖHE

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

| | <u>2012</u> | <u>2011</u> |
|--|-----------------------|---------------------------|
| | N\$ | N\$ |
| INCOME | 3 866 390 | 1 880 209 |
| EXPENDITURE | <u>(4 206 215)</u> | <u>(1 445 481)</u> |
| NET OPERATING LOSS | (339 825) | 434 728 |
| INVESTMENT INCOME EARNED FOR REVENUE ACCOUNTS | <u>-</u> | <u>-</u> |
| NET LOSS FOR THE YEAR | (339 825) | 434 728 |
| ACCUMULATED FUNDS - Beginning of year | <u>931 406</u> | <u>(3 043 244)</u> |
| ACCUMULATED FUNDS - End of year | <u>591 581</u> | <u>(2 608 516)</u> |

MALTAHÖHE VILLAGE COUNCIL

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

| | <u>Note</u> | <u>2012</u> |
|---|-------------|----------------------|
| | | N\$ |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Cash receipts from customers | | 3 866 390 |
| Cash paid to suppliers | | <u>(840 049)</u> |
| Cash generated by operations | 6 | 3 026 341 |
| Movement in Fund accounts | | |
| - Increase in Capital outlay | | <u>2 201 805</u> |
| Net cash flow from operating activities | | <u>5 228 146</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Net capital expenditure | | <u>(6 118 139)</u> |
| | | <u>(6 118 139)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (889 993) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | | <u>931 406</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | | <u><u>41 413</u></u> |

MALTAHÖHE VILLAGE COUNCIL

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 less depreciation. 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.

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.

| | |
|---|-------------------------|
| | <u>2012</u> |
| | N\$ |
| 2. PROPERTY, PLANT AND EQUIPMENT | |
| Total | <u><u>6 118 139</u></u> |
| 3. INVENTORY | |
| Livestock | 33 005 |
| Workshop tools | 18 550 |
| | <u><u>51 555</u></u> |
| 4. FUNDS AND ACCOUNTS | |
| Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992. | <u><u>591 581</u></u> |
| 5. TRADE AND OTHER PAYABLES | |
| Trade payables | 48 361 |
| Namwater | 3 429 796 |
| Nampower | 141 577 |
| Provision for leave | 78 502 |
| Suspense accounts | 74 532 |
| | <u><u>3 772 768</u></u> |

MALTAHÖHE VILLAGE COUNCIL

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

| | <u>2012</u> |
|--|-----------------------------|
| | N\$ |
| 6. CASH GENERATED BY OPERATIONS | |
| Net operating deficit before transfers | <u>(339 825)</u> |
| OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL | <u>(339 825)</u> |
| CHANGES IN WORKING CAPITAL | |
| Change in trade and other receivables | (355 047) |
| Change in inventories | (51 555) |
| Change in trade and other payables | <u>3 772 768</u> |
| | <u>3 366 166</u> |
| CASH GENERATED BY OPERATIONS | <u><u>3 026 341</u></u> |