



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

VILLAGE COUNCIL OF STAMPRIET

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 Stampriet 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, August 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. INTRODUCTION

The accounts of the Village Council of Stampriet 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 the financial statements were only submitted on 18 February 2013 instead of within three months after 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

4.1 Internal control and accounting records

There was no sufficient system of internal control at the Village Council on which the auditors could rely upon for audit purposes.

4.2 Distribution losses

The Council did not keep statistics to be able to calculate the distribution losses on water. The gross profit as set out in paragraph 10.1 hereafter varies considerably from year to year and the Council is urged to take immediate steps to ensure proper statistics on distribution losses for purposes of managing such.

4.3 Property, plant and equipment

No assets register was available at the Village Council, and no verification of assets for existence, carrying value or completeness could be performed by the auditors.

The expenditure on fixed assets as per income statement differs considerably from additions per capital statement and reliable figures in this regard are not available. Additions to fixed assets could therefore not be tested.

4.4 Trade and other receivables - Provision for bad debts

The average collection period of trade receivables is 600 days (2011: 471 days). As previously reported, the Council should attend to the arrears as a matter of urgency.

4.5 VAT and P.A.Y.E. returns

Not all VAT and P.A.Y.E. returns were submitted timeously to the Directorate: Inland Revenue. No provision for penalties and interest has been made in the financial statements.

4.6 Inventories

Inventories are not recorded in the general ledger of the Village Council and consequently not reflected in the financial statements.

4.7 Arrear external loans

The instalments on external loans from Central Government were not paid since 2001/2002 to date. No provision for interest on arrear payments has been made.

4.8 Consumer deposits

No lists for consumer deposits were available at the Village Council, therefore the auditors were unable to verify these amounts.

Consumer deposits are not sufficient to cover one month's charges.

4.9 Salaries

No proper salary registers were maintained at the Village Council and the auditors were thus unable to verify the correctness of salaries.

4.10 Trade and other payables

No trade and other payables, other than Namwater were provided for in the balance sheet of the Council. No creditors reconciliations are performed by the Council, thus the creditors balance and unrecorded liabilities could not be verified by the auditors.

4.11 Income

The system does not make use of consumer numbers, but rather consumer names, which make it difficult to identify the correct account.

4.12 Minutes of meetings

Minutes of meetings are not properly filed, and mostly not signed.

4.13 Filing system

Filing in general is very disorganised. Not all supporting documentation be provided for audit purposes.

4.14 Build Together advances

No supporting documentation for build together advances of N\$ 671 941 (2011: N\$ 671 941) was available for audit purposes.

4.15 VAT

No provision for VAT has been raised in the financial statements, and no supporting documentation was available for audit purposes.

4.16 Bank reconciliation

No bank reconciliation could be provided for audit purposes.

4.17 Trade and other receivables - Age analyses

No age analyses for trade receivables amounting to N\$ 1 974 432 was available for audit purposes.

4.18 Investments

No supporting documentation for investments amounting to N\$ 2 631 062 could be supplied for audit purposes.

5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Village Council of Stampriet 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 01/07/2011				744 390
General accounts				
- Non-profitable services	2 694 352	6 270 854	(3 576 502)	
- Self-supporting services	310 189	786 789	(476 600)	
Trade account				
- Water	697 809	510 639	187 170	
Deficit for the year	3 702 350	7 568 282	(3 865 932)	(3 865 932)
Adjustments and utilisations				3 325 183
Accumulated surplus on 30/06/2012				203 641

7. CURRENT BANK ACCOUNT

	2012	2011
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	(1 068 915)	(60 030)
Outstanding cheques	-	105 162
Unknown reconciling items	1 081 644	-
Balance as per bank statement	12 729	45 132

No bank reconciliation could be provided for audit purposes.

8. INVESTMENTS

The investments as at 30 June were as follows:

Institution	2012	2011
	N\$	N\$
Commercial banks	3 729 715	2 948 209
Distribution		
Revenue	2 057 169	1 846 769
Housing Fund	1 283 471	899 139
Fixed Property Fund	72 127	72 127
Capital Reserve Fund	305 121	118 347
Renewal Fund	11 827	11 827
	3 729 715	2 948 209

9. FUND ACCOUNTS

The position of the Funds and accounts at year-end was as shown in note 7 in Annexure D.

10. TRADE ACCOUNT

10.1 The results of water operations were as follows:

	Water	
	2012	2011
	N\$	N\$
Sales	672 668	475 260
Cost of sales	(457 308)	(272 289)
Gross surplus	215 360	202 971
Other expenses	(28 190)	(106 719)
Net surplus	187 170	96 252
Gross surplus percentage on sales	32.0%	42.7%
Net surplus percentage on sales	27.8%	20.3%

10.2 Distribution results were as follows:

No distribution results were available as Cenored supply the electricity, and the water is pumped from municipal boreholes.

11. SELF SUPPORTING SERVICES

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

Service	Income 2012	Expenses 2012	Surplus/ (deficit) 2012	Surplus/ (deficit) 2011
	N\$	N\$	N\$	N\$
Cleansing services	299 906	779 584	(479 678)	194 328
Townlands	10 283	7 205	3 078	(20 542)
	310 189	786 789	(476 600)	173 786

As reported in the previous year, the Council must turn the loss making services into self supporting services.

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

There were no such expenses.

13. SUSPENSE ACCOUNTS

Suspense accounts are cleared on a regular basis during the years under review.

14. IRREGULARITIES AND LOSSES

There were no such expenses.

15. CAPITAL PROJECTS

Financing of assets

The expenditure on fixed assets per income statements supplied differs considerably from additions per capital statement and reliable figures in this regard are not available.

16. STUDY LOANS/BURSARIES

No bursaries were granted during the year.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID.

	2012 N\$	2011 N\$
Contribution from Government	2 248 453	1 640 000

18. COMPENSATION PAYMENTS

No compensation payments were claimed from the Village Council during the years under review.

19. VISITS TO FOREIGN COUNTRIES

The Council did not pay for any visits to foreign countries during the years under review.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the local authority.

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

No gifts and donations were allocated or paid during the years under review.

22. TRANSFER OF PROPERTY

Certain erven were sold in terms of the Build Together scheme.

No register was kept and supporting documentation was not available to determine the value thereof.

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

	2012 N\$	2011 N\$
Consumers	1 974 432	1 468 600
Cash not banked	671 941	671 941
Sundry receivables	530	-
	2 646 903	2 140 541
Provision for bad debts	(1 875 948)	(1 327 558)
Total	770 955	812 983

23.2 Trade and other payables at 30 June were:

	2012 N\$	2011 N\$
Trade payables	70 553	129 887
Consumer deposits	388 097	5 434
Government loans instalments in arrear	159 569	149 239
Government subsidy received in advance	-	475 000
Provision for leave pay	189 029	-
Totals	807 248	759 560

24. ASSESSMENT RATES

	2012	2011
	N\$	N\$
The net proceeds from assessment rates were	147 002	147 203
Tariffs per N\$1 valuation per month on site value		
- Soetdoornlaagte	0.1900	0.1900
- Town	0.3450	0.3450
- Business and others	0.3800	0.3800
Tariffs per N\$1 valuation per month on improvement value		
- All residential	0.0075	0.0075
- All others	0.0105	0.0105

These rates are not charged as gazetted.

25. LOANS

25.1 External loans

	2012	2011
	N\$	N\$
External loans - Government	68 714	73 470

25.2 Internal loans

There were no internal loans.

25.3 Loans written off

No loans were written off.

26. SALE OF ERVEN

Due to unavailability of supporting documentation, as also reported in previous reports, this information is not available. The Council should take urgent steps to rectify this issue. The non-disclosure of sale of erven also attributed to the fact that the financial statements may be incorrect.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

No properties were sold on instalment basis during the years under review.

28. TARIFF ADJUSTMENTS

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

29. APPROVALS

All overspending were approved by the Council.

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicles and values thereof

The auditors could not obtain satisfactory information regarding the movement of motor vehicles.

30.2 Inventory

No inventories are disclosed in the Council's financial statements.

31. SPECIAL INVESTIGATIONS

There were no special investigations.

32. GENERAL

The accounting and internal controls are not satisfactory, except where indicated otherwise in this report. Proper segregation of duties is not feasible due to the small number of staff employed. While increased management involvement does reduce risks, the risk arises that management and Council override existing controls, a potentially dangerous practice which the Village Council should vigilantly guard against. The integrity of staff in appropriate positions should however be reviewed to ensure that qualified personnel are employed in respective positions.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries were discussed with the Village Council.

34. DISCLAIMED AUDIT OPINION

The accounts of the Stampriet Village Council 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 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 was not a sufficient system of internal control at the Village Council on which the auditors could rely upon for audit purposes.

Property, plant and equipment

No assets register was available at the Village Council, and no verification of assets for existence, carrying value or completeness could be performed by the auditors.

The expenditure on fixed assets per income statement differs considerably from additions per capital statement and reliable figures in this regard are not available. Additions to fixed assets could therefore not be tested.

VAT and P.A.Y.E. returns

Not all VAT and P.A.Y.E. returns were submitted timeously to the Directorate: Inland Revenue. No provision for penalties and interest has been made in the financial statements.

Arrear external loans

The instalments on external loans from Central Government were not paid since 2001/2002 to date. No provision for interest on arrear payments has been made.

No proper salary registers were maintained at the Village Council and the auditors were thus unable to verify the correctness of salaries.

Trade and other payables

No trade and other payables, other than Namwater were provided for in the balance sheet of the Council. No creditors reconciliations are performed by the Council, thus the creditors balance and unrecorded liabilities could not be verified by the auditors.

Income

The system does not make use of consumer numbers, but rather consumer names, which make it difficult to identify the correct account.

Build Together advances

No supporting documentation for build together advances of N\$ 671 941 was available for audit purposes.

VAT

No provision for VAT has been raised in the financial statements, and no supporting documentation were available for audit purposes.

Bank reconciliation

No bank reconciliation could be provided for audit purposes.

Trade and other receivables - Age analyses

No age analyses for trade receivables amounting to N\$ 1 974 432 was available for audit purposes.

Investments

No supporting documentation for investments amounting to N\$ 2 631 062 could be supplied for audit purposes.

WINDHOEK, August 2013

JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL

VILLAGE COUNCIL OF STAMPRIET

BALANCE SHEET AT 30 JUNE

	Notes	2012 N\$	2011 N\$
ASSETS			
Non-current assets			
		13 158 832	8 079 106
Property, plant and equipment	2	9 429 117	5 130 897
Investments	3	3 729 715	2 948 209
Current assets			
		772 955	776 562
Trade and other receivables	4	770 955	812 983
Petty cash	5	2 000	(36 421)
TOTAL ASSETS		13 931 787	8 855 668
FUNDS AND LIABILITIES			
Funds and reserves			
		11 986 910	7 962 608
Capital outlay	6	9 360 403	5 057 427
Funds and accounts	7	2 626 507	2 905 181
Non-current liabilities			
Long-term loans	8	68 714	73 470
Current liabilities			
		1 876 163	819 590
Trade and other payables	9	807 248	759 560
Bank overdraft	5	1 068 915	60 030
TOTAL FUNDS AND LIABILITIES		13 931 787	8 855 668

VILLAGE COUNCIL OF STAMPRIET

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2012</u>	<u>2011</u>
		N\$	N\$
INCOME		3 702 350	3 245 549
EXPENDITURE		<u>7 568 282</u>	<u>2 725 359</u>
NET OPERATING SURPLUS		(3 865 932)	520 190
INTEREST ON INVESTMENTS		<u>-</u>	<u>49 424</u>
NET OPERATING SURPLUS AFTER INTEREST		(3 865 932)	569 614
APPROPRIATION ACCOUNT	10	<u>3 325 183</u>	<u>(752 253)</u>
NET DEFICIT AFTER APPROPRIATIONS		(540 749)	(182 639)
REVENUE ACCOUNT - Beginning of year		<u>744 390</u>	<u>927 029</u>
REVENUE ACCOUNT - End of year		<u>203 641</u>	<u>744 390</u>

VILLAGE COUNCIL OF STAMPRIET

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2012</u>	<u>2011</u>
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		3 702 350	3 245 549
Cash paid to suppliers		<u>(4 153 383)</u>	<u>(1 948 252)</u>
Cash (utilised)/generated by operations	11	(451 033)	1 297 297
Investment income		-	49 424
Increase in Fund accounts		262 075	45 112
Increase/(decrease) in Capital outlay		<u>4 302 976</u>	<u>(18 676)</u>
Net cash flow from operating activities		<u>4 114 018</u>	<u>1 373 157</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		(4 298 220)	-
Increase in investments		(781 506)	(1 270 953)
Sale of plant and equipment		<u>-</u>	<u>22 466</u>
		<u>(5 079 726)</u>	<u>(1 248 487)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Decrease in long-term liabilities		<u>(4 756)</u>	<u>(3 790)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(970 464)	120 880
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		<u>(96 451)</u>	<u>(217 331)</u>
CASH AND CASH EQUIVALENTS - END OF YEAR		<u>(1 066 915)</u>	<u>(96 451)</u>

VILLAGE COUNCIL OF STAMPRIET

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. No provision for depreciation is made.

1.3 Investments

Investments are reflected at face value.

1.4 Trade receivables

Accounts receivable 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

Internal Funds were created as follows by Council:

1.7.1 Fixed Property Fund

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

1.7.2 Capital Reserve Fund

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

1.7.3 Renewal Fund

The purpose of this Fund is to provide for future replacement of assets and for additional depreciation on assets which have permanently declined in value. Income for this account is derived from general revenue contributions as well as interest on investments.

VILLAGE COUNCIL OF STAMPRIET

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

	2012	2011
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Townships, sewerage network and streets	2 014 302	997 717
Townlands	23 328	23 328
Plant, equipment, vehicles and office equipment		
– General administration	3 961 712	680 077
– Cleansing services	436 804	436 804
– Cemetery	1 500	1 500
– Water reticulation	2 991 471	2 991 471
Total	9 429 117	5 130 897
3. INVESTMENTS		
INVESTMENTS		
Commercial banks	3 729 715	2 948 209
ALLOCATED AS FOLLOWS		
Revenue	2 057 169	1 846 769
Housing Fund	1 283 471	899 139
Fixed Property Fund	72 127	72 127
Capital Reserve Fund	305 121	118 347
Renewal Fund	11 827	11 827
	3 729 715	2 948 209
4. TRADE AND OTHER RECEIVABLES		
Consumers	1 974 432	1 468 600
Housing Fund	671 941	671 941
Sundry receivables	530	-
	2 646 903	2 140 541
Provision for bad debts	(1 875 948)	(1 327 558)
	770 955	812 983
5. BANK AND CASH		
Current account	(1 068 915)	(60 030)
Petty cash	2 000	(36 421)
	(1 066 915)	(96 451)

VILLAGE COUNCIL OF STAMPRIET

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

	2012	2011
	N\$	N\$
6. CAPITAL OUTLAY		
Loans redeemed	263 844	259 087
Revenue contributions	5 677 040	1 378 821
General capital contributions	3 419 519	3 419 519
	9 360 403	5 057 427
7. FUNDS, ACCOUNTS AND RESERVES		
Fixed Property Fund	72 127	72 127
Capital Reserve Fund	305 121	118 347
Housing Fund	2 033 791	1 958 490
Renewal Fund	11 827	11 827
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	203 641	744 390
	2 626 507	2 905 181
8. LONG-TERM LIABILITIES		
External loans - Government	68 714	73 470
9. TRADE AND OTHER PAYABLES		
Trade payables	70 553	129 887
Consumer and other deposits	388 097	5 434
Government loans instalments in arrear	159 569	149 239
Government subsidy received in advance	-	475 000
Provision for leave	189 029	-
	807 248	759 560
10. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Correction of investment opening balance	3 159 542	-
Correction of opening balances	(800)	-
Direct deposit recorded in general ledger, but not received in bank	-	(204 619)
Prior year VAT control balance adjusted	-	(574 752)
Provision for bad debts	(548 390)	-
Provision for leave	(159 030)	-
Stale cheques reversed	-	37 289
Sundry adjustments	-	(10 171)
VAT written back	873 861	-
	3 325 183	(752 253)

VILLAGE COUNCIL OF STAMPRIET

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

	<u>2012</u>	<u>2011</u>
	N\$	N\$
11. CASH (UTILISED)/GENERATED BY OPERATIONS		
Net operating surplus before interest and transfers	(3 865 932)	520 190
Adjustments for:		
- Adjustments to appropriation account	3 325 183	(752 253)
OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL	<u>(540 749)</u>	<u>(232 063)</u>
CHANGES IN WORKING CAPITAL		
Decrease in trade and other receivables	42 028	1 016 585
Increase in trade and other payables	47 688	512 775
	<u>89 716</u>	<u>1 529 360</u>
CASH (UTILISED)/GENERATED BY OPERATIONS	<u>(451 033)</u>	<u>1 297 297</u>