



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF AROAB
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

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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 Aroab for the financial year ended 30 June 2015, 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.

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, March 2017

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF AROAB
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

1. Report on the Financial Statements

1.1 INTRODUCTION

The accounts of the Village Council of Aroab for the financial year ended 30 June 2015 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 Chartered Accountants and Auditors of Windhoek has been appointed by the Auditor-General 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).

I certify that I have audited the accompanying financial statements of the Village Council of Aroab for the financial year ended 30 June 2015. These financial statements comprise of the following statements submitted for the year then ended:

Annexure A: Balance sheet;
Annexure B: Income statement;
Annexure C: Cash flow statement; and
Annexure D: Notes to the financial statements.

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 87(1) of the Local Authorities Act, 1992.

The financial statements, notes to the financial statements and general information provided by the Accounting Officer are attached as Annexures A - D.

2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 86 (1) of the Local Authorities Act, 1992 and relevant legislation, and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

3. AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Powers and duties

Section 25(1) (c) of the State Finance Act, 1991, provides that the Auditor-General should satisfy himself that:

- a) All reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;
- b) All reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and
- c) The expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, Section 26(1)(b)(iv) of the State Finance Act, 1991, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinion.

4. ACKNOWLEDGEMENT

The assistance and co-operation by the staffs of the Village Council of Aroab during the audit is appreciated.

5. AUDIT OBSERVATION AND COMMENTS

No material findings were observed during the audit.

6. UNQUALIFIED AUDIT OPINION:

The accounts of the Village Council of Aroab for the financial year ended 30 June 2015 summarised in Annexures A to D, were audited by me in terms of Section 85 of the Local Authorities Act, 1992, Act 23 of 1992 read with Section 25(1) (b) of the State Finance Act, 1991, Act 31 of 1991).

I certify that, in my opinion, the financial statements fairly present the financial position of the Village Council of Aroab at 30 June 2015 and their financial performance and cash flows for the year then ended in accordance with International Standards for Supreme Audit Institutions (ISSAIs) and the State Finance Act.



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, March 2017

4. 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 01/07/2014				4 654 313
General accounts				
- Non-profitable services	5 493 316	6 340 761	(847 445)	
- Self-supporting services	1 433 367	1 063 770	369 597	
Trade accounts				
- Public transport	242 289	208 821	33 468	
- Water	2 121 075	2 318 376	(197 301)	
- Electricity	2 397 197	3 506 815	(1 109 618)	
Deficit for the year	11 687 244	13 438 543	(1 751 299)	(1 751 299)
				2 903 014
Adjustments and utilisations (See note 11 Annexure D)				30 701
Accumulated Surplus on 30/06/2015				2 933 715

5. CURRENT BANK ACCOUNT

	2015	2014
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	993 467	499 177
Outstanding cheques	558 544	675 361
Cash in transit	500	-
Balance as per bank statement	1 552 511	1 174 538

6. INVESTMENTS

The investments as at 30 June were as follows:

Institution	2015	2014
	Investment N\$	Investment N\$
Commercial banks	11 278 511	8 883 733
Distribution		
Build Together Fund	1 144 358	1 152 154
Capital Reserve Fund	7 546 461	3 871 786
Housing Fund	173 953	172 245
Social Housing Fund	18 961	87 060
Revenue	2 394 778	3 600 488
	11 278 511	8 883 733

7. FUND ACCOUNTS

The position of the Funds and accounts at year-end was as shown in note 8 in Annexure D.

8. TRADE ACCOUNT

8.1. The results of electricity and water operations were as follows:

	Electricity		Water	
	2015	2014	2015	2014
	N\$	N\$	N\$	N\$
Sales	1 756 852	1 580 212	897 409	793 857
Cost of bulk purchases	(1 308 062)	(1 017 051)	(662 956)	(762 821)
Maximum demand purchases	(597 274)	(470 174)	-	-
Gross surplus	(148 484)	92 987	234 453	31 036
Government contribution	-	1 500 000	1 200 000	2 250 000
Maximum demand subsidy	597 274	470 174	-	-
Net expenditure - Normal operations	(236 224)	(256 675)	(300 658)	(177 242)
Net surplus before capital expenditure	212 566	1 806 486	1 133 795	2 103 794
Capital expenditure	(1 322 184)	(259 187)	(1 331 096)	(1 844 225)
Net surplus	(1 109 618)	1 547 299	(197 301)	259 569
Gross surplus % on purchases	(7.8%)	6.2%	35.4%	4.1%
Net surplus before capital expenditure % on purchases	(58.2%)	121.5%	(29.8%)	275.8%

8.2. Distribution results were as follows:

Electricity and water distribution losses, in kilo watt hour (Kwh) and cubic metres (m3), were as follows:

	Electricity		Water	
	2015 Kw/h	2014 Kw/h	2015 m3	2014 m3
Sales	1 210 571	1 185 087	62 232	63 301
Purchases	1 349 955	1 317 904	68 389	77 168
Loss	(139 384)	(132 817)	(6 157)	(13 867)
Percentage loss in units	(10.3%)	(10.1%)	(9.0%)	(18.0%)

9. SELF SUPPORTING SERVICES

9.1. The result for the year under review is as follows:

Service	Income	Expenses	Surplus/ (Deficit)	Surplus/ (Deficit)
	2015	2015	2015	2014
	N\$	N\$	N\$	N\$
Townlands	417 865	290 260	127 605	102 496
Housing	72 850	53 992	18 858	38 960
Cleansing services	882 374	700 664	181 710	1 336 917
Brick making	60 278	18 854	41 424	(4 188)
	1 433 367	1 063 770	369 597	1 474 185

10. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

There were no such expenses.

11. SUSPENSE ACCOUNTS

Suspense accounts were cleared on a regular basis during the year under review.

12. IRREGULARITIES AND LOSSES

There were no such expenses.

13. CAPITAL PROJECTS

The following were spent on capital projects:

	Total expenditure 2015	Total expenditure 2014
	N\$	N\$
Cemeteries	-	134 803
Cleansing services	3 432	1 161 402
Electricity	3 684 324	259 186
General administration	7 965	1 179 343
Municipal buildings	576 211	106 412
Parks	180 712	134 431
Roads and street works	288 358	304 261
Social housing	-	300 399
Town lands	-	54 163
Vehicles	23 201	-
Water	1 331 096	1 844 225
	6 095 299	5 478 625

14. STUDY LOANS/BURSARIES

No bursaries were granted during the year.

15. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

	2015	2014
	N\$	N\$
Contribution from Government	2 923 287	9 773 159

16. COMPENSATION PAYMENTS

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

17. VISITS TO FOREIGN COUNTRIES

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

18. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the local authority.

19. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

	2015	2014
	N\$	N\$
Pension grant	54 356	60 918
Mayoral Fund	2 600	-
	56 956	60 918

20. TRANSFER OF PROPERTY

There were no transfers of property from the Local Authority during the year under review.

21. TRADE AND OTHER RECEIVABLES/TRADE AND OTHER PAYABLES

21.1. Trade and other receivables at 30 June were:

	2015	2014
	N\$	N\$
Consumers	3 863 018	3 781 909
Build Together Fund and Housing Fund receivables	2 357 319	2 150 911
VAT	406 482	975 501
	6 626 819	6 908 321
Provision for bad debts	(3 480 669)	(3 274 358)
Total	3 146 150	3 633 963

21.2. Trade and other payables at 30 June were:

	2015	2014
	N\$	N\$
Trade payables	166 891	241 749
Consumer and other deposits	36 973	20 645
Provisions	176 859	188 326
Loan instalments in arrear	867 574	829 273
Retention	274 484	-
Totals	1 522 781	1 279 993

22. ASSESSMENT RATES

	2015	2014
	N\$	N\$
The net proceeds from assessment rates were	381 728	315 047
Tariffs per N\$1 valuation per annum		
Land		
- Residential	0.0298	0.0298
- Business	0.0425	0.0425
Improvements		
- Residential	0.0285	0.0285
- Business	0.0408	0.0408

23. LOANS

23.1. External loans

	2015	2014
	N\$	N\$
Government of Namibia		
- Capital portion	251 680	267 011
- Instalments in arrears	867 574	829 273
Total outstanding	1 119 254	1 096 284

23.2. Internal loans

There were no internal loans.

23.3. Due to the Village Council

	2015	2014
	N\$	N\$
Build Together Fund	2 357 319	2 150 911
Total outstanding	2 357 319	2 150 911

23.4. Loans written off

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

24. SALE OF ERVEN

During the current financial year, cash proceeds to the value of N\$ 870 (2014 - N\$ 2 609) were received for erven sold which were fully allocated to the revenue account.

25. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

Properties sold on instalment basis have been properly recorded.

26. TARIFF ADJUSTMENTS

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

27. APPROVALS

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

28. INVENTORY AND EQUIPMENT

28.1. Motor vehicles and values thereof:

	2015	2014
Balance - 01/07	12	10
Additions	-	2
At end of year	12	12

28.2. Inventory

Livestock - N\$ 1 103 700 (2015 - N\$ 880 450)

Stores - N\$ 28 616 (2015 - N\$ 22 988)

29. SPECIAL INVESTIGATIONS

There were no special investigations.

30. 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.

31. FORMAL AND INFORMAL QUERIES

31.1. Formal queries are embodied in this report.

31.2. Informal queries were discussed with the management of the Village Council.

VILLAGE COUNCIL OF AROAB
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	Note	2015 N\$	2014 N\$
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	2	29 269 304	27 258 082
Investments	3	11 278 511	8 883 733
		5 273 453	5 046 098
CURRENT ASSETS			
Trade and other receivables	4	3 146 150	3 633 963
Inventories	5	1 132 316	911 438
Bank and cash	6	994 987	500 697
		45 821 268	41 187 913
FUNDS AND LIABILITIES			
FUNDS AND RESERVES			
Capital outlay	7	29 017 625	26 991 071
Funds and accounts	8	15 029 182	12 649 838
		251 680	267 011
NON-CURRENT LIABILITIES			
Long-term loans	9	251 680	267 011
		1 522 781	1 279 993
CURRENT LIABILITIES			
Trade and other payables	10	1 522 781	1 279 993
		45 821 268	41 187 913

VILLAGE COUNCIL OF AROAB
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

	Note	2015 N\$	2014 N\$
INCOME		11 673 307	14 419 843
EXPENDITURE		13 438 543	11 450 504
NET OPERATING (DEFICIT)/SURPLUS		(1 765 236)	2 969 339
INTEREST ON INVESTMENTS		13 937	-
NET OPERATING (DEFICIT)/SURPLUS AFTER INTEREST		(1 751 299)	2 969 339
APPROPRIATION ACCOUNT	11	30 701	(119 477)
NET (DEFICIT)/SURPLUS AFTER APPROPRIATIONS		(1 720 598)	2 849 862
REVENUE ACCOUNT - Beginning of year		4 654 313	1 804 451
REVENUE ACCOUNT - End of year		2 933 715	4 654 313

VILLAGE COUNCIL OF AROAB
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE

ANNEXURE C

	Note	2015	2014
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		11 673 307	14 419 843
Cash paid to suppliers		(12 898 119)	(12 130 813)
Cash (utilised)/generated by operations	12	(1 224 812)	2 289 030
Investment income		13 937	-
Increase in Fund accounts		4 099 942	554 342
Increase in Capital outlay		2 026 554	3 159 345
Net cash flow from operating activities		<u>4 915 621</u>	<u>6 002 717</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		(2 011 222)	(3 145 020)
Change in investments		(2 394 778)	(2 793 465)
		<u>(4 406 000)</u>	<u>(5 938 485)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Change in long-term loans		(15 331)	(14 326)
NET CHANGE IN CASH AND CASH EQUIVALENTS		494 290	49 906
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		500 697	450 791
CASH AND CASH EQUIVALENTS - END OF YEAR		<u><u>994 987</u></u>	<u><u>500 697</u></u>

VILLAGE COUNCIL OF AROAB
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. ACCOUNTING POLICIES

1.1 Introduction

The annual financial statements set out in Annexures A to C 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 Internal Funds

Internal Funds were created as follows by Council:

1.3.1 Housing 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.

1.3.2 Capital Development Fund

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

1.3.3 Fixed Property Fund

Proceeds on the sale of property developed by the Village Council accumulate to this Fund. Interest earned on loans for the sale of land as well as interest earned on internal loans and investments accumulate to this Fund, which is used to develop properties.

1.3.4 Leave Reserve Fund

This Reserve Fund provides for payment of leave credit as needed and the policy is that the balance available in the Fund should meet the total leave credits as at 30 June each year.

1.3.5 Build Together Housing Fund

The purpose of this Fund is to provide loans to applicants who want to build or buy houses with the help of the community. The instalments received for the payment of these loans are reinvested in this Fund.

VILLAGE COUNCIL OF AROAB
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE(Continued)

2. PROPERTY, PLANT AND EQUIPMENT

	2015	2014
	N\$	N\$
Income assets	28 775 241	25 733 524
Loan assets	481 802	481 802
General capital assets	12 261	1 042 756
Total	<u>29 269 304</u>	<u>27 258 082</u>

3. INVESTMENTS

INVESTMENTS

Commercial banks	<u>11 278 511</u>	<u>8 883 733</u>
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ALLOCATED AS FOLLOWS

Build Together Fund	1 144 358	1 152 154
Capital Reserve Fund	7 546 461	3 871 786
Housing Fund	173 953	172 245
Social Housing Fund	18 961	87 060
Revenue	2 394 778	3 600 488
	<u>11 278 511</u>	<u>8 883 733</u>

4. TRADE AND OTHER RECEIVABLES

Consumers	3 863 018	3 781 909
Build Together Fund and Housing Fund receivables	2 357 319	2 150 911
VAT	406 482	975 501
	<u>6 626 819</u>	<u>6 908 321</u>
Provision for bad debts	(3 480 669)	(3 274 358)
	<u>3 146 150</u>	<u>3 633 963</u>

5. INVENTORY

Consumables	28 616	22 988
Livestock	1 103 700	888 450
	<u>1 132 316</u>	<u>911 438</u>

VILLAGE COUNCIL OF AROAB
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE(Continued)

6. BANK AND CASH

	2015	2014
	N\$	N\$
Current account	993 467	499 177
Petty cash	1 520	1 520
	<u>994 987</u>	<u>500 697</u>

7. CAPITAL OUTLAY

Loans redeemed	230 122	214 791
Revenue contributions	28 775 241	25 733 524
General capital contributions	12 262	1 042 756
	<u>29 017 625</u>	<u>26 991 071</u>

8. FUNDS, ACCOUNTS AND RESERVES

Build Together Fund	4 086 696	3 859 882
Capital Reserve Fund	7 743 494	3 871 786
Housing Fund	178 115	176 797
Social Housing Fund	87 162	87 060
Revenue account kept in compliance with Section 86(1) of the Local Authority Act, 1992.	2 933 715	4 654 313
	<u>15 029 182</u>	<u>12 649 838</u>

9. LONG-TERM LIABILITIES

Government of Namibia	251 680	267 011
	<u>251 680</u>	<u>267 011</u>

10. TRADE AND OTHER PAYABLES

Trade payables	166 891	241 749
Consumer and other deposits	36 973	20 645
Provisions	176 859	188 326
Loan instalments in arrear	867 574	829 273
Retention	274 484	-
	<u>1 522 781</u>	<u>1 279 993</u>

VILLAGE COUNCIL OF AROAB
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE(Continued)

11. ADJUSTMENTS TO APPROPRIATION ACCOUNT

	2015	2014
	N\$	N\$
Provision for bad debts	(206 311)	(261 471)
Livestock adjustments	215 250	81 550
Provision for leave	11 466	-
Income adjustment	10 296	78 830
Other	-	(18 386)
	<u>30 701</u>	<u>(119 477)</u>

12. CASH (UTILISED)/GENERATED BY OPERATIONS

Net operating (deficit)/surplus before interest and transfers	(1 765 236)	2 969 339
Adjustments for:		
- Adjustments to appropriation account	30 701	(119 477)
Operating (deficit)/surplus before changes in working capital	<u>(1 734 535)</u>	<u>2 849 862</u>
Changes in working capital		
Trade and other receivables	487 813	(596 588)
Inventories	(220 878)	(80 501)
Trade and other payables	242 788	116 257
	<u>509 723</u>	<u>(560 832)</u>
CASH (UTILISED)/GENERATED BY OPERATIONS	<u>(1 224 812)</u>	<u>2 289 030</u>

