



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

VILLAGE COUNCIL OF GIBEON

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2008, 2009 AND 2010

Published by authority

Price (Vat excluded) N\$ 28.92

Report no 1041

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 Gibeon for the financial years ended 30 June 2008, 2009 and 2010, 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 2012

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL
ON THE ACCOUNT OF THE Gibeon Village Council
FOR THE FINANCIAL YEARS ENDED
30 JUNE 2008, 2009 and 2010**

1. INTRODUCTION

The accounts of the Village Council of Gibeon for the years ended 30 June 2008, 2009 and 2010 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 EDB & Associates 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.

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, **but were only signed on 29 September 2010. It is therefore reported that the financial statements for the 2008 and 2009 financial years were not submitted according to the Act which stipulates that the financial statements must be submitted within three months after year-end.** The audited financial statements are in agreement with the general ledger and are filed in the Office of the Auditor-General. The abridged balance sheets, Annexure A, are a true reflection of the originals.

The following Annexures are also attached to this report:

Annexure B: Abridged income statements

Annexure C: Cash flow statements

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 Recoverability of debtors - 2008, 2009 and 2010

In the years under review, the Council's debts outstanding decreased by (1.0%) for 2010, increased by 0.2% for 2009 and for 2008 increased by 147.5%. The total debt outstanding is significant in value.

	2010	2009	2008	2007
	N\$	N\$	N\$	N\$
Debt outstanding	3 654 071	3 692 650	3 683 851	1 488 617
Provision for bad debts	2 200 000	2 200 000	2 200 000	-
Percentage (decrease)/increase in outstanding debts	(1.0%)	0.2%	147.5%	(5.0%)
Percentage (decrease)/increase in provision for bad debts	0%	0%	0%	0%
Percentage provision vs. debt	60%	60%	60%	0%

The outstanding debts for 120 days and more were 2010: 80%, 2009: 92% and for 2008: 83% (2007: 85%) from the total debt outstanding.

This is considerably high and as stated in the prior year, it does not appear as if the Council is improving on debtors collections. The significant amount of irrecoverable debt is a matter of grave concern as the recovery of long outstanding debtors threatens the future cash flows of the Village Council.

The Council should follow a strict policy of debt collection, and if the amounts outstanding appear to be uncollectible, consideration should be given to write off such debts in order to maintain the integrity of the accounting records of the Village Council.

Due to the significance of this matter, the Auditor-General cannot express an opinion on bad and doubtful debts.

4.2 Stock control - 2008, 2009 and 2010

As reported in prior financial years, no physical stock taking was conducted. No stock was recorded in the balance sheet, which means that stock is expensed to different votes at date of purchase.

Whilst this practice is financially prudent, it leads to inadequate accounting control over the items of stock held by the Council. It is recommended that measures should be implemented to keep accurate records of stock on hand.

Due to the significant of this matter, no opinion is expressed on stock.

4.3 Consumer deposits - 2008, 2009 and 2010

The Village Council's financial statements are disclosing consumer deposits of N\$ 2 760 since 2003. When reviewed and compared to total debt outstanding it appears to be inadequate to compensate for future default for one month's consumption.

	2010	2009	2008	2007
	N\$	N\$	N\$	N\$
Debt outstanding	3 654 071	3 692 650	3 683 851	1 488 617
Consumer deposits	2 760	2 760	2 760	2 760
Percentage of deposits against outstanding debts	0.08%	0.07%	0.07%	0.19%

It is advised that the Village Council should determine the correct level of consumer deposits to be made and implement necessary steps for collection of such and only use it for the purpose intended.

Due to the significant of this matter, no opinion is expressed on consumer deposits.

4.4 Source documents - 2008, 2009 and 2010

Numerous important source documents related to expenditures incurred by the Village Council could not be found at the time of the audit. This was mainly attributable to an unorganised filing system and poor recordkeeping by the Council,

This lack of proper record keeping is in contravention of Section 86 of the Local Authorities Act, 1992.

The Council's expenditure were recorded VAT inclusive in the annual financial statements. This resulted in an overstatement of the expenditure and understatement of the surplus for the financial year.

4.5 Trade creditors, accrued expenses, provisions and consumers advance and deposits - 2008, 2009 and 2010

No creditors reconciliations were performed during the years under review and the auditors were unable to perform their audit tests on Namwater and Nampower creditors for 2009 and 2010, because no supplier statements could be made available by the Council to verify the outstanding balances.

The auditors noted that no provision for leave days was provided for by the Council.

According to the calculations of the auditors the provision for leave pay should have been N\$ 137 255: 2010; N\$ 66 103: 2009 and N\$ 61 173 for 2008 (2007: N\$ 43 178) respectively.

Due to the significance of this matter, the Auditor-General cannot express an opinion on Accounts payables.

4.6 Provision for bad debts - 2008, 2009 and 2010

Although provision for bad debts of N\$ 2 200 000 were made since 2008, the auditors were of the opinion it was underprovided by N\$ 721 128 for 2010 and N\$ 3 245 957 for 2009 and overprovided by N\$ 342 970 for 2008 (2007: underprovided by N\$ 1 468 707).

As also recommended in paragraph 4.1, the Council should follow a strict policy of debt collection, and if amounts outstanding appear to be uncollectible, consideration should be given to write off such debts in order to maintain the integrity of the accounting records of the Village Council.

4.7 Fixed assets - 2008, 2009 and 2010

As reported in prior years, no fixed assets register was maintained by the Village Council for the years under review. As a result, no physically verification of assets, especially with respect to assets taken over from the Ministry of Regional and Local Government, Housing and Rural Development could be conducted.

Numerous important source documents for additions of fixed assets by the Village Council could not be found at the time of the audit. This was mainly attributable to an unorganised filing system and poor recordkeeping by the Council.

Without proper internal control mechanisms in place proper recording and safekeeping of assets, financial as well as physical loss is bound to be suffered by the Village Council.

It is therefore recommended that a complete fixed asset register be implemented at the Village Council, to limit the possibility that assets can be misappropriated. Council should also enquire about the whereabouts of assets taken over from the Ministry Regional and Local Government, Housing and Rural Development and properly account for them as soon as possible.

Due to the significance of this matter, the Auditor-General cannot express an opinion on fixed assets.

4.8 Payroll - 2008, 2009 and 2010

During the audit a material difference of N\$ 354 699 for 2010 and N\$ 347 166 for 2008 were revealed on the payroll reconciliations and no supporting documentation or explanation could be submitted to substantiate these differences. No payroll reconciliation for 2009 could be prepared, because no finstel earnings report or any other supporting documents could be made available by the Council to perform the audit tests.

It is imperative that the Council should ensure that payroll information is kept and safeguarded at all costs. Payroll information is considered to be sensitive in nature and the inability to provide such records could lead to staff conflicts, and possible legal encounters. It is therefore recommended that the Council should implemented necessary measures to ensure that payroll information is kept secure.

Due to the significance of this matter, the Auditor-General cannot express an opinion on payroll.

4.9 Value-Added-Tax - 2008, 2009 and 2010

As reported in prior years, the annual financial statements of the Village Council portray a VAT debt payable to Inland Revenue to the amounts of N\$ 1 225 829: 2010; N\$ 939 849: 2009 and N\$ 72 175 for 2008. The auditors were unable to reconcile the payables, due to the fact that no VAT returns were available for the years ended 30 June 2008, 2009 and 2010.

Due to the significance of this matter, the Auditor-General cannot express an opinion on VAT.

4.10 Build Together Housing Fund - 2008, 2009 and 2010

The Build Together application lists were provided by the Council and the loan amounts were provided as per application list and the houses were built and handed over to the owners. However, no contracts were provided or signed by between the Village Council and the beneficiary. Furthermore, the applications were not properly approved and signed-off by the Village Secretary and no loans repayments schedules were not available.

The financial statements of the Council indicate that the housing debtors were N\$ 975 068: 2010; N\$ 90 698: 2009 and N\$ 33 297 for 2008. The correctness of these balances could not be confirmed because monthly reconciliations were not carried out. The auditors also noted that none of the beneficiaries started to re-pay the loan amounts and were therefore concerned about the recoverability of these loans.

Internal control measures are lacking to administer the Fund with the necessary integrity. The Council should therefore make suitable efforts to implement necessary controls to ensure and maintain the integrity of the Fund.

Due to the significance of this matter, no opinion is expressed on the Build Together Housing Fund for the years under review.

4.11 Services income - Accuracy of charges levied on water, sewerage, sanitation and electricity - 2008, 2009 and 2010

The audit detected that numerous customers selected for testing were charged on the 2006/07 financial years' rates for the year ended 30 June 2008.

The Council were not able to provide the auditors with the meter reading books or any supporting documents to perform audit tests on the sample selected for the years under review and no Government gazette was available at the Council to verify the correctness of the rates recorded on the Finstel system for the years ended 30 June 2009 and 2010.

Road Fund Administration

A difference of N\$ 41 700 was found between financial statements and the bank deposits.

Due to the significance of this matter, the Auditor-General cannot express an opinion on services income.

4.12 General - 2008, 2009 and 2010

There was not a sufficient system of internal control at the Village Council for the years under review. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does reduce risks, it causes the risk that management and the Council override existing controls, a potential dangerous practice, which the Council should vigilantly guard against.

Incorrect recording and improper filing of minutes of Council meetings for the years under review occurred and the auditors had difficulty to ascertain the completeness of the minutes since certain minutes were not found or signed.

The auditors noted that figures and balances and transactions on the Finstel trial balance did not agree with those stated in the annual financial statements for the years ended 2008, 2009 and 2010.

4.13 Non-compliance with recommendations

Many of the above-mentioned problem areas have already been highlighted in previous audit reports and were again highlighted when finalising the audit. However, none or only a few of the recommendations have been implemented.

4.14 Unknown adjustments

Unknown adjustments of N\$ (3 925 381): 2010; N\$ (3 274 237): 2009 and N\$ 236 569 for 2008 were made to balance the specific years accumulated surplus to the amount disclosed in the balance sheets.

4.15 Capital expenditure

The capital statement of the Council for 2010 does not disclose capital expenditure to the amount of N\$ 43 871 although they are disclosed as such in the income and expenditure votes.

5. ACKNOWLEDGEMENT

The assistance and co-operation given by the management and staff of the Village Council during the audit are appreciated.

6. FINANCIAL RESULTS

The results of the various operations of and transactions on the Revenue account for the year are as follows:

2010	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus as at 01/07/2009				137 368
General accounts				
Rate and general	2 286 075	2 253 843	32 232	
Self-supporting	384 695	561 078	(176 383)	
Trade accounts				
Electricity supply	1 874 269	1 531 567	342 702	
Water supply	2 859 087	1 268 373	1 590 714	
Surplus for the year	7 404 126	5 614 861	1 789 265	1 789 265
Adjustments and utilizations (See note 7Annexure D)				1 926 633 *(3 925 381)
Accumulated (deficit) 30/06/2010				(1 998 748)

2009	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus as at 01/07/2008				996 215
General accounts				
Rate and general	1 558 173	729 274	828 899	
Self-supporting	388 321	548 521	(160 200)	
Trade accounts				
Electricity Supply	1 828 458	976 127	852 331	
Water Supply	2 221 376	1 327 016	894 360	
Surplus for the year	5 996 328	3 580 938	2 415 390	2 415 390
Adjustments and utilizations (See note 7Annexure D)				3 411 605 *(3 274 237)
Accumulated surplus 30/06/2009				137 368

2008	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus as at 01/07/2007				170 184
General accounts				
Rate and general	1 301 531	840 580	460 951	
Self-supporting	290 176	270 492	19 684	
Trade accounts				
Electricity Supply	651 644	574 325	77 318	
Water Supply	484 445	452 937	31 509	
Deficit for the year	2 727 796	2 138 334	589 462	589 462
Adjustments and utilizations (See note 7Annexure D)				759 646
				*236 569
Accumulated surplus 30/06/2008				996 215

* It was noted that the Council's financial statements as submitted to the Auditor-General do not have appropriation accounts to make previous year adjustments. These unknown adjustments were made to balance a specific year's accumulated surplus with the amount as disclosed in the balance sheets of the Council.

7. CURRENT BANK ACCOUNT

The balance sheet reflected an unfavourable cash-book balance for 2010: N\$ 6 316, 2009: a favourable N\$ 134 707 and for 2008 a favourable N\$ 81 010 (2007: unfavourable N\$ 108), which is also the reconciled balance. The bank statements reflected a favourable balance for 2010: N\$ 8 881 2009: N\$ 74 710 and for 2008: N\$ 126 353, mainly due to outstanding cheques at year-end.

As reported in prior years and explained by the external consultant and the acting Chief Executive Officer, the bank made a mistake to processed a cheque of N\$ 92 291 instead of N\$ 9 921. The external consultant and the Human Resource Manager followed up the matter at the bank to be rectify the mistake but no positive feedback was provided by the bank. This resulted that the Council's bank reconciliation had a difference of N\$ 83 630 because of the bank error that is not yet rectified by the bank for the years ended 30 June 2008, 2009 and 2010.

8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2008, 2009 and 2010 there were investments invested at commercial banks as follows:

	2010	2009	2008	2007
	N\$	N\$	N\$	N\$
Housing Fund	677 711	490 368	490 368	72 277
Revenue	-	539 335	464 714	75 782
Capital	4 203 086	203 086	-	-
	4 880 797	1 232 789	955 082	148 059

A difference of N\$ 989 was found for the 2010 and 2009 financial years. The difference for 2008 was N\$ 1 629.

9. FUND ACCOUNTS

The position of the Fund accounts at the end of the year is shown in Note 2 of Annexure D.

10. TRADE ACCOUNTS

10.1 The results of operations of electricity were as follows:

	2010	2009	2008	2007
	N\$	N\$	N\$	N\$
Sales	1 867 778	1 822 358	645 400	618 089
Cost of Sales **	(1 414 025)	(746 494)	(481 275)	(665 231)
Gross (loss) / profit	453 753	1 075 864	164 125	(47 142)
Expenses (net)	(111 051)	(223 533)	(86 807)	(197 239)
Net surplus/(deficit)	342 702	852 333	77 318	(244 381)
Gross loss % on cost of sales	32.09%	144.12%	34.10%	(7.09%)
Net loss % on cost of sales	24.24%	114.18%	16.07%	(36.74%)

** Amount as per our computed electricity purchases testing shows a difference for 30 June 2010: N\$ 1 310 644, for 2009: N\$ 642 715 and for 2008: N\$ 481 275. The differences found on electricity purchases are due to invoices that were not found at the Council.

10.2 The distribution losses for electricity could not be determined due to inadequate record keeping.

10.3 The results of operations of water were as follows:

	2010	2009	2008	2007
	N\$	N\$	N\$	N\$
Sales	2 854 383	2 217 483	481 846	341 291
Cost of bulk purchases **	(1 056 816)	(1 134 194)	(375 457)	(919 571)
Gross (loss)/profit	1 797 567	1 083 289	106 389	(578 280)
Expenses (net)	(206 853)	(188 929)	(74 880)	(106 240)
Net (deficit)/surplus	1 590 714	894 360	31 509	(684 520)
Gross (loss)/profit % on bulk purchases	170.09%	95.51%	28.34%	(62.89%)
Net (loss)/profit % on bulk purchases	150.52%	78.85%	8.39%	(74.44%)

Amount as per our computed Water purchased tested, showed a difference for 30 June 2010: N\$ 750 416, for 2009: N\$ 975 870 and for 2008: N\$ 266 347. These differences could not be explained by the Council.

10.4 The distribution losses for water could not be determined due to inadequate record keeping.

11. SELF-SUPPORTING SERVICES

The net results of self-supporting services were as follows:

	2010	2009	2008	2007
	N\$	N\$	N\$	N\$
Public health	(8 477)	(6 031)	(7 622)	(5 699)
Cleansing services	(70 788)	(68 684)	101 904	(80 639)
Cemetery	(60 509)	(45 780)	(43 226)	(37 261)
Townlands	(36 609)	(39 705)	(31 372)	(39 369)
Total	(176 383)	(160 200)	19 684	(162 968)

The net results for self-supporting services indicate a negative trend for the years under review. The Council should implement measures to make the self-supporting services self-supportive again.

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No fruitless, unauthorized and avoidable expenditure was revealed during the audit.

13. SUSPENSE ACCOUNTS

No money was accounted for in suspense accounts during the years under review.

14. IRREGULARITIES AND LOSSES

No irregularities and losses were revealed by the audit for the years under review.

15. CAPITAL PROJECTS

The following expenditure was incurred during the years for capital projects or acquisitions and were financed from revenue except for N\$ 4 166 024 related to water supply during 2009 which were financed from General Capital.

	2010	2009	2008	2007
	N\$	N\$	N\$	N\$
Office equipment	-	-	-	-
Electricity network	-	149 435	-	-
Water network	-	63 323	-	-
Computer system/ equipment	11 750	-	-	-
Office upgrade	11 799	-	-	247 869
Prepaid water meters	-	-	-	21 662
Street lighting	-	-	-	150 000
Feasibility study	20 322	-	-	-
Water supply	-	4 166 024	-	-
Total	*43 871	4 378 782	-	419 531

** The capital statement of the Council do not disclose these expenditure although they are captured in the votes as contribution to capital outlay.

16. BURSARIES

No bursaries were granted during the years under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

No contributions or grants were made and no financial aid was given during the years under review.

18. COMPENSATION PAYMENTS

No compensation payments were made during the years under review.

19. VISITS TO FOREIGN COUNTRIES

No such visits were identified during the years under review.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No such claims were identified during the years under review.

21. GIFTS / DONATIONS BY / TO THE LOCAL AUTHORITY

There were no gifts or donations made or received by the Council during the years under review.

22. TRANSFER OF PROPERTY TO/FROM GOVERNMENT

No properties were transferred from the Ministry of Regional and Local Government, Housing and Rural Development for the years under review.

23. DEBTORS AND CREDITORS**23.1 Debtors at 30 June were:**

	2010	2009	2008	2007
	N\$	N\$	N\$	N\$
Service to consumers	3 654 071	3 692 650	3 683 851	1 488 617
Less: Provision for bad debts	(2 200 000)	(2 200 000)	(2 200 000)	-
	1 454 071	1 492 650	1 483 851	1 488 617
Build Together debtors	975 068	90 698	90 698	33 297
	2 429 139	1 583 348	1 574 549	1 521 914

23.2 Creditors at 30 June were:

	2010	2009	2008	2007
	N\$	N\$	N\$	N\$
Trade creditors and provisions	2 191 028	1 087 738	958 638	1 207 665
Consumer deposits	2 760	2 760	2 760	2 760
Receiver of revenue - VAT	1 225 829	939 849	72 175	181 730
	3 419 617	2 030 347	1 033 53	1 392 155

24. ASSESSMENT RATES

No assessment rates were charged and therefore no transactions of such nature were accounted for in the books of the Council during the years under review. It is again recommended that the Council should charge assessment rates as prescribed in Section 73 of the Local Authorities Act.

25. LOANS**25.1 External loans**

No external loans were entered into during the years under review.

25.2 Internal loans

No internal loans were advanced during the years under review.

25.3 Housing loans

The financial statements of the Council indicate that the housing debtors were N\$ 975 068: 2010; N\$ 90 698: 2009 and N\$ 33 297 for 2008. The correctness of these balances could not be verified because monthly reconciliations were not conducted by the Council. The auditors also noted that

none of the beneficiaries started to re-pay the loan amounts, therefore they were concerned about the recoverability of these loans.

26. SALE OF ERVEN

During the financial years under review no erven were sold.

27. PROPERTY SOLD ON INSTALLMENT BASIS

No details of houses that were sold on an instalment basis during the years under review could be provided.

28. TARIFF ADJUSTMENTS

All tariff adjustments were in accordance with the relevant official Government Gazette, although some customer rates were not appropriately adjusted.

29. APPROVALS

29.1 Excess on approved budget

The approved budgets were not exceeded.

30. STOCK AND EQUIPMENT

30.1 Motor vehicles

The asset registers for the financial years 2009/10; 2008/09 and 2008/07 could not be submitted. Therefore it was not possible to determine the value of all vehicles on hand and nor their value. Council is urged to update the asset register as and when are acquired.

30.2 Stock and equipment

As reported in prior years, no stock was accounted for nor disclosed in the financial statements of the Council.

31. SPECIAL INVESTIGATIONS

No special investigations were carried out during the year.

32. GENERAL

32.1 Internal controls

The accounting and internal controls were found to be inadequate. Proper segregation of duties is not feasible due to the small number of staff employed. While increased management involvement reduces risks, the risk arises that management and Council could override existing controls.

33. FORMAL AND INFORMAL QUERIES

Formal queries are embodied in this report.

Informal queries addressed to the Town Clerk consist of:

- * Inadequate inventory control
- * Debtors
- * Processing of data – Finstel
- * Fixed asset register
- * Bank reconciliation
- * Creditors
- * Filing

34. DISCLAIMED AUDIT OPINION

The accounts of the Village Council for Gibeon for the financial years ended 30 June 2008, 2009 and 2010, summarized in Annexure A to D, were audited by me in terms of provisions of Section 85 of the Local Authorities Act, 1992 read with Section 25(1) of the State Finance Act, 1991.

The statements have been prepared on the basis of accounting practices applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

I am unable to give an audit opinion due to the following:

- * No stock was disclosed in the balance sheets for the years under review.
- * Consumer deposits are inadequate.
- * Numerous source documents related to expenditures could not be submitted for audit purposes.
- * No creditors reconciliations were performed for the years under review.
- * No provision for leave was made by the Council. According to the auditors, provisions for leave should have been N\$ 137 255: 2010; N\$ 66 103: 2009 and N\$ 61 173 for 2008.
- * Provision for bad debts were under provided by N\$ 721 128: 2010 and N\$ 3 245 957 for 2009 and over-provided by N\$ 342 970 for 2008.
- * No fixed asset register were maintained.
- * Payroll differences of N\$ 354 699: 2010 and N\$ 347 166 for 2008 were revealed.
- * The auditors were unable to verify the correctness of VAT payable to the amounts of N\$ 1 225 829: 2010; N\$ 939 849: 2009 and N\$ 72 175 for 2008.
- * The correctness of Build Together debtors of N\$ 975 068: 2010; N\$ 90 698: 2009 and N\$ 33 297 for 2008 could not be confirmed.
- * A difference of N\$ 41 700 related to revenue received from the Road Fund Administration was revealed between the financial statements and the bank deposits.
- * Unknown adjustments of N\$ (3 925 381): 2010; N\$ (3 274 237): 2009 and N\$ 236 569 for 2008 were made to balance the accounts of the Council.
- * Capital expenditure to the amount of N\$ 43 871 for the 2010 financial year are not disclosed in the capital statements of the Council.

WINDHOEK, February 2012

**JUNIAS ETUNA KANDJEKE
AUDITOR GENERAL**

VILLAGE COUNCIL OF GIBEON

BALANCE SHEETS ON 30 JUNE

	Notes	2010 N\$	2009 N\$	2008 N\$	2007 N\$
ASSETS					
Non-current assets		10 353 072	6 705 064	2 048 575	1 241 552
Property, plant and equipment	3	5 472 275	5 472 275	1 093 493	1 093 493
Investments	4	4 880 797	1 232 789	955 082	148 059
Current assets		2 429 540	1 719 079	1 655 772	1 523 062
Accounts receivables	5	2 429 139	1 583 348	1 574 549	1 521 914
Cash and cash equivalents		401	135 731	81 223	1 148
TOTAL ASSETS		12 782 612	8 424 143	3 704 347	2 764 614
EQUITY AND LIABILITIES					
Funds		9 356 679	6 393 796	2 670 774	1 372 351
Funds and accounts	2	11 355 427	6 256 428	1 674 559	1 202 167
Accumulated funds	2	(1 998 748)	137 368	996 215	170 184
Current liabilities		3 425 933	2 030 347	1 033 573	1 392 263
Accounts payables	6	3 419 617	2 030 347	1 033 573	1 392 155
Bank overdraft		6 316	-	-	108
TOTAL EQUITY AND LIABILITIES		12 782 612	8 424 143	3 704 347	2 764 614

VILLAGE COUNCIL OF GIBEON

INCOME STATEMENTS FOR THE YEARS ENDED 30 JUNE

	<u>Notes</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
		N\$	N\$	N\$	N\$
INCOME		7 198 060	5 940 143	2 704 106	2 572 477
EXPENDITURE		<u>(5 614 861)</u>	<u>(3 580 938)</u>	<u>(2 138 334)</u>	<u>(3 253 866)</u>
NET OPERATING (LOSS)/PROFIT		1 583 199	2 359 205	565 772	(681 389)
INVESTMENT INTEREST EARNED		<u>206 066</u>	<u>56 185</u>	<u>23 690</u>	<u>1 978</u>
NET (LOSS) / INCOME		1 789 265	2 415 390	589 462	(679 411)
ADJUSTMENTS	9	<u>(3 925 381)</u>	<u>(3 274 237)</u>	<u>236 569</u>	<u>919</u>
NET (LOSS)/PROFIT for the year		(2 136 116)	(858 847)	826 031	(678 492)
APPROPRIATION ACCOUNT					
AT THE BEGINNING OF THE YEAR		<u>137 368</u>	<u>996 215</u>	<u>170 184</u>	<u>848 676</u>
APPROPRIATION ACCOUNT AT THE END OF THE YEAR		<u>(1 998 748)</u>	<u>137 368</u>	<u>996 215</u>	<u>170 184</u>

VILLAGE COUNCIL OF GIBEON

CASH FLOW STATEMENTS FOR THE YEARS ENDED 30 JUNE

	Note	2010 N\$	2009 N\$	2008 N\$	2007 N\$
CASH FLOW FROM OPERATING ACTIVITIES					
Cash receipt form customers		7 1698 060	5 940 143	2 704 106	2 572 477
Cash paid to suppliers		(8 996 763)	(5 867 200)	(2 312 982)	(2 516 794)
<i>Cash generated /(utilised) by operating activities</i>	8	(1 798 703)	72 943	391 124	55 683
Interest received		206 066	56 185	23 690	1 978
Increase/(decrease) in Funds		1 099 000	-	472 392	(762)
Increase in capital outlay		3 999 999	4 581 869	-	419 531
<i>Nett cash flow from operating activities</i>		3 506 362	4 710 997	887 206	476 430
CASH FLOW ACTIVITIES FROM INVESTING ACTIVITIES					
Net capital expenditure		-	(4 378 782)	-	(419 531)
(Increase)/decrease in investments		(3 648 008)	(277 707)	(807 023)	(73 115)
<i>Nett cash flow from investing activities</i>		(3 648 008)	(4 656 489)	(807 023)	(492 646)
Nett (decrease)/increase in cash and cash equivalents		(141 646)	54 508	80 183	(16 216)
CASH AND CASH EQUIVALENTS					
- At the beginning of the years		135 731	81 223	1 040	17 256
- At end of the year		(5 915)	135 731	81 223	1 040

VILLAGE COUNCIL OF GIBEON

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE

1. ACCOUNTING POLICIES

The annual financial statements were compiled in accordance with the historical convention modified by the restatement of the financial instruments to fair value, except where otherwise stated.

The principal accounting policies of the Village Council, which are set out below, had been consistent and comply with Namibian Statements of Generally Accepted Accounting Practices. The financial statements have been prepared in accordance with the requirements of the Namibian Local Authorities Act.

1.1 Fixed assets and depreciation

Fixed assets are stated at cost or at valuation where assets have been acquired by grant or donation, less depreciation written off over the expected useful lives as determined by the Council from time to time. Fixed assets acquired with loan funds are not depreciated until the loan is repaid, unless the expected lifetime of the asset is less than the repayment period of the loan in which case depreciation is calculated on the shortfall.

1.2 Inventories

Inventories are measured at lower cost and net realizable value. The cost of inventories should comprise all cost of purchases, cost of conversion and other cost incurred in bringing the inventories to their present location and condition.

1.3 Internal Funds**Fixed Property Fund**

Proceeds from the sale of land developed by the Village Council as well as interest earned on internal loans and investments accumulate in this Fund. Costs incurred on the development of land are charged to this account.

Revenue account

This account is regulated by Section 86(1)b) of the Local Authorities Act, 1992. All monies received, accrued to and expenses paid by the Local Authority, except for allocations to other Funds created, are reflected in this account.

Build Together 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 GIBEON

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE

	2010	2009	2008	2007
	N\$	N\$	N\$	N\$
2. OWN FUNDS				
2.1 Financing of capital:				
Contribution from:	9 675 361	5 675 362	1 093 493	1 093 493
General capital	8 369 111	4 369 111	-	-
Contribution from Revenue	1 306 251	1 306 251	1 093 493	1 093 493
2.2 Funds	(318 682)	718 434	1 577 281	278 858
Fixed Property Fund	-	-	-	3 100
Housing Fund	1 680 066	581 066	581 066	105 574
Accumulated surplus	(1 998 748)	137 368	996 215	170 184
TOTAL FUNDS	11 525 611	6 393 796	2 670 774	1 372 351
3. FIXED ASSETS				
Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment.	5 472 275	5 472 275	1 093 493	1 093 493
Financed from:				
General Capital account	4 166 024	4 166 024	-	-
Revenue account	1 306 251	1 306 251	1 093 493	1 093 493
** Total property, plant and equipment	-	-	-	-
	5 472 275	5 472 275	1 093 493	1 093 493
** Split as per annual financial statements, and the annual financial statements of 30 June 2008 and 2009 was not split as per Capital and Revenue account.				
4. INVESTMENTS				
Housing Fund	677 711	490 368	490 368	72 277
Revenue	-	539 335	464 714	75 782
Property development and equipment	4 203 086	203 086	-	-
	4 880 797	1 232 789	955 082	148 059
5. TRADE AND OTHER RECEIVABLES				
Consumers debtors	3 654 071	3 692 650	3 683 851	1 488 617
Housing Fund receivables	975 068	90 698	90 698	33 297
	4 629 139	3 783 348	3 774 549	1 521 914
Less: Provision for doubtful debts	(2 200 000)	(2 200 000)	(2 200 000)	-
	2 429 139	1 583 348	1 574 549	1 521 914

VILLAGE COUNCIL OF GIBEON

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE

	2010	2009	2008	2007
	N\$	N\$	N\$	N\$
6. TRADE AND OTHER PAYABLES				
Trade creditors and provisions	2 191 028	1 087 738	958 638	1 207 665
Consumer deposits	2 760	2 760	2 760	2 760
Receiver of Revenue - VAT	1 225 829	939 849	72 175	181 730
	3 419 617	2 030 347	1 033 573	1 392 155
7. ADJUSTMENTS TO APPROPRIATION ACCOUNT				
Unknown adjustments	(3 925 381)	(3 274 237)	236 569	919
	(3 925 381)	(3 274 237)	236 569	919
8. CASH GENERATED/ (UTILISED) BY OPERATIONS				
Reconciliation of net operating profit to cash utilized in operations:				
Net operating surplus before adjustments:	1 583 199	2 359 205	565 772	(681 389)
Adjusted for:				
- Appropriation account	(3 925 381)	(3 274 237)	236 569	919
Operating surplus/(deficit) before changes in working capital	(2 342 182)	(915 032)	802 341	(680 470)
<i>Changes in working capital:</i>				
Decrease/(increase) in accounts receivable	(845 791)	(8 799)	(52 635)	77 539
Increase/(decrease) in trade and other payables	1 389 270	996 774	(358 582)	658 614
	543 479	987 975	(411 217)	736 153
Cash generated/(utilised) by operations	(1 798 703)	72 943	391 124	55 683