



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

VILLAGE COUNCIL OF GIBEON

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

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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 Gibeon for the financial year ended 30 June 2011, 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, November 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL
ON THE ACCOUNT OF THE GIBEON VILLAGE COUNCIL
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2011**

1. INTRODUCTION

The accounts of the Gibeon Village Council for the year ended 30 June 2011 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).

Figures in the report are rounded off to the nearest Namibia Dollar and 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, Annexure A, is a true reflection of the originals.

The following Annexures are also attached to this report:

Annexure A: Balance sheet

Annexure B: Abridged income statement

Annexure C: Cash flow statement

Annexure D: Notes to the financial statements

3. SCOPE OF THE AUDIT

Management's responsibility for the financial statements

The Accounting Officer of the Village Council is responsible for the preparation and fair presentation of these financial statements and for ensuring the regularity of the financial transactions. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly. The said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

4. AUDIT OBSERVATIONS AND COMMENTS

4.1 PRIOR YEAR MATTERS

4.1.1 The following issues arising from the prior year audit report remained unresolved:

4.1.1.1 Stock

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. This leads to inadequate accounting control over the items of stock held by the Council.

Recommendation

It is recommended that the Chief Executive Officer should ensure that a record of stock is kept and maintain.

4.1.1.2 Provision for doubtful debts

Provision for bad debts of N\$ 3 342 312 was made and according to the auditors calculations the account was overprovided by N\$ 709 396, however no explanation could be given on how the amount was derived at.

4.1.1.3 Value Added Tax (VAT)

The VAT Summaries for the 2010/2011 was not provided for audit purposes. As a result VAT amounting to N\$ 408 834 could not be confirmed.

4.1.2.4 Build Together Housing Fund

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 between the Village Council and the beneficiaries. The financial statements of the Council indicate that the housing debtors were N\$ 1 680 065. 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 are therefore concerned about the recoverability of these loans.

4.2 EXPENDITURE

4.2.1 Non- submission of invoices

Payments amounting to N\$ 852 469 of a total tested population N\$ 1 889 973 incurred during the year under review, were not supported by an invoice to confirm that the expenditure was really incurred by the Council. See attached List (annexure A).

Recommendation

It is recommended that the Council should comply with the provisions of section 26(1)(b)(i) and (ii) of the State Finance Act, (Act no. 31 of 1991) which clearly states that the Auditor-General or any competent person employed in the Office of the Auditor-General:

- (i) shall have access to all books, vouchers, other documents, money, stamps, securities, forms having a face or potential value, equipment stores and other movable goods owned or leased by the State or the statutory institution concerned, in the possession or under the control of*

any person and which the Auditor-General deems necessary for an investigation, examination and audit in terms of this Act;

(ii) may request such particulars, accounts and statements as he or she deems necessary for such an investigation, examination and audit.

It is further recommended that all transactions be supported by appropriate documents.

4.2.2 Payroll expenditures

There was a material difference of N\$ 289 047 between the annual financial statements and general ledger which could not be explained. There were no salary reconciliations performed, resulting in a difference of N\$ 48 520.00 between the salary sheet and general ledger.

Recommendation

It is recommended that the Council ensures that salary reconciliations are performed on a monthly basis.

4.2.3 Debtors reconciliations

The auditors found that the Council does not perform debtor's reconciliations.

Recommendation

It is recommended that council performs debtor's reconciliations.

4.3 ACCOUNTS PAYABLE

4.3.1 Leave provision

There is a difference of N\$ 233 548.00 found between the auditor's calculation & the Council's calculation on leave provision for the year ended 30 June 2011. Furthermore auditors were not provided with a creditor's ledger and creditor's age analysis.

Recommendation

The Council is recommended to ensure that leave provision is calculated correctly and that all appropriated documents be submitted for audit purposes upon request.

4.4 FIXED ASSETS

4.4.1 Incomplete fixed asset register

The audit noted that the fixed asset register provided by the Council was incomplete as no serial numbers or dates of acquisition were indicated. Furthermore, the amount disclosed in the fixed asset register financed from Income amounting to N\$ 949 722 does not agree to the balance sheet amount of N\$ 1 509 980, which resulted in a difference of N\$ 560 258. Auditors also noted that there are no clear guidelines on how the Council depreciates its assets as no policy was provided.

Recommendation

The Council is recommended to provide complete and accurate fixed asset register. The Chief Executive Officer should further ensure that there is a policy on depreciation for Councils.

4.4.2 Non- submission of document

The Council did not submit supporting documents amounting to N\$ 6 965 513 for sewerage financed from General Capital and a total of N\$ 344 866 for assets financed from Income.

Recommendation

It is recommended that the Council should comply with the provisions of section 26 (1) (b) (i) and (ii) of the State Finance Act, (Act no. 31 of 1991) which clearly states that the Auditor-General or any competent person employed in the Office of the Auditor-General:

- (i) shall have access to all books, vouchers, other documents, money, stamps, securities, forms having a face or potential value, equipment stores and other movable goods owned or leased by the State or the statutory institution concerned, in the possession or under the control of any person and which the Auditor-General deems necessary for an investigation, examination and audit in terms of this Act;*
- (ii) may request such particulars, accounts and statements as he or she deems necessary for such an investigation, examination and audit.*

4.5 INVESTMENTS

4.5.1 Misallocation of bank accounts

The auditors found that the Council disclosed the balances of the balances of the build together account and the cheque accounts as Investments in the financial statements.

Recommendation

The Council is advised to disclose bank accounts correctly under current assets or liabilities where appropriate in the balance sheet.

6. ACKNOWLEDGEMENT

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

7. FINANCIAL RESULTS

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

2011	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit as at 01/07/2010				(1 998 748)
General accounts				
Rate and general	1 710 394	3 640 139	(1 929 745)	
Self-supporting	405 110	253 761	151 349	
Trade accounts				
Electricity supply	1 571 109	1 220 623	350 486	
Water supply	619 680	1 852 035	(1 232 355)	
Deficit for the year	4 306 293	6 966 558	(2 660 265)	(2 660 264)
				(4 659 013)
				*2 764 930
				(1 894 083)
				Accumulated (deficit) 30/06/2011

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
				1 926 633
				*(3 925 381)
				(1 998 748)
				Accumulated (deficit) 30/06/2010

* 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 sheet of the Council.

8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2011 there were investments invested at commercial banks as follows:

	2011	2010
	N\$	N\$
Housing Fund	59 613	677 711
Revenue	529 448	-
Capital	237 573	4 203 086
	826 635	4 880 797

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:

	2011	2010
	N\$	N\$
Sales	1 148 267	1 867 778
Cost of Sales **	(968 408)	(1 414 025)
Gross (loss) / profit	179 860	453 753
Expenses (net)	(22 230)	(111 051)
Net surplus/(deficit)	157 630	342 702
Gross loss % on cost of sales	18.57%	32.09%
Net loss % on cost of sales	16.28	24.24%

10.2 The results of operations of water were as follows:

	2011	2010
	N\$	N\$
Sales	254 767	2 854 383
Cost of bulk purchases **	(1 555 223)	(1 056 816)
Gross (loss)/profit	(1 300 456)	1 797 567
Expenses (net)	(257 233)	(206 853)
Net (deficit)/surplus	(1 043 223)	1 590 714
Gross (loss)/profit % on bulk purchases	(83.61)%	170.09%
Net (loss)/profit % on bulk purchases	(67.07)%	150.52%

*The Council continues to purchase water while experiencing a vast decrease in water sales for the financial year under review.

11. SELF-SUPPORTING SERVICES

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

	2011	2010
	N\$	N\$
Public health	1 581	(8 477)
Cleansing services	209 506	(70 788)
Cemetery	24 121	(60 509)
Townlands	18 553	(36 609)
Total	253 761	(176 383)

12. TRADE AND OTHER RECEIVABLES/PAYABLES

12.1 Trade and other receivables at 30 June were:

	2011	2010
	N\$	N\$
Service to consumers	680 225	3 654 071
Inland Revenue	408 834	-
Advance to buyers	1 001 364	-
Less: Provision for bad debts	(3 342 312)	(2 200 000)
	(1 251 889)	1 454 071
Build Together debtors	3 884 805	975 068
	2 632 916	2 429 139

12.2 Trade and other payables at 30 June were:

	2011	2010
	N\$	N\$
Trade creditors and provisions	3 904 833	2 191 028
Consumer deposits	2 760	2 760
Receiver of revenue - VAT	-	1 225 829
	3 907 593	3 419 617

13. STOCK AND EQUIPMENT

13.1 Stock and equipment

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

14. QUALIFIED AUDIT OPINION

The accounts of the Village Council for Gibeon for the financial year ended 30 June 2011, 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 year under review.
- * Consumer deposits are inadequate.

- * Numerous source documents related to expenditures and fixed Assets could not be submitted for audit purposes.
- * No creditors reconciliations were performed for the year under review.
- * No provision for leave was made by the Council. According to the auditors, provisions for leave should have been N\$ 150 182.52
- * Provision for bad debts were over provided by N\$ 709 369.
- * Payroll differences of N\$ 289 047 were revealed.
- * The auditors were unable to verify the correctness of VAT payable to the amount of N\$ 408 834.
- * 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\$ 2 764 930 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, November 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR GENERAL**

**VILLAGE COUNCIL OF GIBEON
BALANCE SHEET AS AT 30 JUNE**

	Notes	2011	2010
		N\$	N\$
ASSETS			
Non-current assets		15 794 977	10 353 072
Property, plant and equipment	3	14 968 342	5 472 275
Investments	4	826 635	4 880 797
Current assets		3 104 514	2 429 540
Trade and other receivables	5	2 632 918	2 429 139
Cash and cash equivalent		471 596	401
TOTAL ASSETS		18 899 491	12 782 612
FUNDS AND LIABILITIES			
Funds and reserves	2	14 991 898	9 356 679
Funds and accounts		16 885 981	11 355 427
Accumulated Funds		(1 894 083)	(1 998 748)
Current liabilities		3 907 593	3 425 933
Trade and other payables	6	3 907 593	3 419 617
Bank overdraft		-	6 316
TOTAL EQUITY AND LIABILITIES		18 899 491	12 782 612

VILLAGE COUNCIL OF GIBEON

INCOME STATEMENT FOR THE YEAR ENDED AT 30 JUNE

	Notes	2011	2010
		N\$	N\$
Income	8	4 202 183	7 198 060
Expenditure	10	<u>(6 966 558)</u>	<u>(5 614 861)</u>
Net operating profit / (loss)		(2 764 375)	1 583 199
Investment interest earned	9	<u>104 111</u>	<u>206 066</u>
Net profit / (loss) for the year		(2 660 264)	1 789 265
Adjustments	7	<u>(2 764 930)</u>	<u>(3 925 381)</u>
Net (Loss)/Profit for the year		104 666	2 136 116
Appropriation Account:		-	(3 925 381)
Beginning of the year		<u>(1 998 748)</u>	<u>137 368</u>
End of the year		<u>(1 894 083)</u>	<u>(1 998 748)</u>

**VILLAGE COUNCIL OF GIBEON
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE**

	Note	2011	2010
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		4 202 182	7 198 060
Cash paid to suppliers		7 778 278	(8 996 763)
		<hr/>	<hr/>
Cash generated by operations	8	(3 576 096)	(1 798 703)
Interest received		104 111	206 066
Increase/(decrease) in funds		-	1 099 000
Increase in Capital Outlays		5 530 553	3 999 999
<i>Net Cash flow from operating activities</i>		<hr/>	<hr/>
		2 058 568	3 506 362
CASH FLOW ACTIVITIES FROM INVESTING ACTIVITIES			
Net capital expenditure		(5 635 219)	-
Increase/(decrease) in investments		4 054 162	3 648 008
<i>Net cash from investing activities</i>		<hr/>	<hr/>
		(1 581 057)	3 648 008
<i>Net (decrease)/increase in cash and cash equivalence</i>		471 195	(141 646)
CASH AND CASH EQUIVALENTS			
At the beginning of the year		401	135 731
At end of the year		<hr/>	<hr/>
		471 596	(5 915)

VILLAGE COUNCIL OF GIBEON

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE

1. ACCOUNTING POLICIES**1.1 Introduction**

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.

1.2 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.

1.3 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.

1.4 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

	2011	2010
	N\$	N\$
2. OWN FUNDS		
2.1 Financing of Capital		
Contribution from:	15 205 915	9 675 361
General Capital	13 695 934	8 369 111
Contribution from Revenue	1 509 981	1 306 250
2.2 Funds	(214 017)	(318 682)
Build Together Revolving Fund	1 680 066	1 680 066
Accumulated Surplus	(1 894 083)	(1 998 748)
TOTAL FUNDS	14 991 897	9 356 680
3. FIXED ASSETS		
Financed from:		
General Capital Account	13 458 361	4 166 024
Revenue Account	1 509 981	1 306 251
	14 968 342	5 472 275
4. INVESTMENTS		
Housing Fund	59 613	677 711
Revenue	529 449	-
Property development	237 573	4 203 086
	826 635	4 880 797
5. TRADE AND OTHER RECEIVABLES		
Consumer Debtors	680 226	3 654 071
Housing Fund receivables	3 884 805	975 068
Inland Revenue Vat	408 835	-
Advance to buyers	1 001 364	-
	5 975 230	4 629 139
Less: Provision for bad debts	(3 342 312)	(2 200 000)
	(2 632 918)	2 429 139

VILLAGE COUNCIL OF GIBEON

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE

	2011	2010
	N\$	N\$
6. TRADE AND OTHER PAYABLES		
Trade Creditors and Provisions	26 615	2 191 028
Leave Provision	383 730	-
Nampower	211 242	-
Namwater	3 132 246	-
Audit Accounting	151 000	-
Consumer Deposits	2 760	2 760
Receiver of Revenue	-	1 225 829
	3 907 593	3 419 617
7. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Unknown Adjustments	2 764 930	(3 925 381)
8. INCOME		
Non-profitable services		
General Administration- interest on investment	1 203 065	1 092 528
Rates and Taxes	118 822	-
Cemetery	4 283	4 413
Roads and Street	284 396	987 481
Total non-profitable services	1 610 566	2 084 422
Self-maintaining Services		
Cleansing	254 964	380 282
Sewarage	145 864	-
Total self-mantaining Services	400 828	380 282
Trading Services		
Water Department	619 680	2 859 087
Electricity	1 571 109	1 874 269
Total Trading Services	2 190 789	4 733 356
TOTAL INCOME	4 202 183	7 198 060
9. INVESTMENT INCOME		
Interest on Investments	104 111	209 066

10. EXPENDITURE

Non-profitable services

General Administration	3 269 669	1 494 123
Rates and Taxes	-	
Cemetery	24 121	64 922
Health Services	1 581	8 477
Roads and Streets	370 470	759 720
Townlands	18 553	36 609
Total Non-profitable services	3 684 394	2 363 852

Self Maintaining Services

Cleansing	209 506	451 070
Total Self Maintaining Services	209 506	451 070

Trading Services

Water Department	1 852 035	1 268 373
Electricity	1 220 623	1 531 567
Total Trading Services	3 072 658	2 799 940

TOTAL EXPENDITURE

6 966 558	5 614 861
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