



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

VILLAGE COUNCIL OF GOCHAS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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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 Gochas for the financial year ended 30 June 2009, 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, June 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL
ON THE ACCOUNTS OF THE VILLAGE COUNCIL OF GOCHAS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

1. INTRODUCTION

The accounts of the Village Council of Gochas for the year ended 30 June 2009 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 PKF (Namibia) 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 Namibian 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, **except that they were only submitted during February 2010 and were finalised during May 2010.** 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 originals signed by the Accounting Officer.

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 the financial statements and for ensuring the regularity of the financial transactions. This responsibility includes designing, implementing and maintaining internal controls 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 complies with ethical requirements and plans and performs 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 judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. 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 Internal control and accounting records

The system of internal control was not sufficient for the auditors to rely upon for audit purposes.

4.2 Property, plant and equipment

As reported previously, no depreciation was written off on assets.

4.3 Inventories

As reported previously, no inventories of consumables are reflected in the financial statements of the Village Council. The auditors were unable to calculate the estimated amount.

4.4 Trade receivables

- No provision for bad debts has been made in the financial statements. The auditors calculated that the provision for the 2008/2009 financial year should be at least N\$ 892 134.
- The control account for accounts receivable for services amounts to N\$ 1 074 839 while the listing provided to us adds up to N\$ 1 292 920. This leaves a difference of N\$ 218 081 which could not be explained to us.
- The control account for Housing Fund debtors reflects an amount of N\$ 965 552 while the listing provide by the Council reflects N\$ 793 408. The difference of N\$ 172 144 could not be explained by the Council. It is recommended that Council reconcile the debtors timeously.

4.5 Other payables and receivables

- No provision for leave pay and severance pay on retirement was recorded on the balance sheet.
- The VAT control account differs by N\$ 147 874. This is partly due to a VAT refund for the period 11/2008 been credited to accounts receivable control account instead of to the VAT control account. This also explains part of the difference on the accounts receivable control account.

5. ACKNOWLEDGEMENT

The assistance and co-operation given by the management and staff of the Council 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 as at 01/07/2008				197 530
General accounts				
– Non-profitable	1 893 099	1 691 033	202 066	
– Self-supporting	112 431	213 136	(100 705)	
Trade accounts				
– Water	520 299	417 099	103 200	
– Electricity	*736 122	577 686	158 436	
	3 261 951	2 898 954	362 997	
Surplus for the year				362 997
Adjustments and utilisations (see note 10.2, Annexure D)				560 527
				189 624
Accumulated surplus 30/06/2009				750 151

* The results for electricity for the year are incorrectly reflected, as explained in paragraph 10.1. It has no influence on the overall net result of the Village Council for 2009.

7. CURRENT BANK ACCOUNTS

	2009	2008
	N\$	N\$
(Negative) cash-book balance	(69 039)	(283 793)
Outstanding cheques	75 116	309 469
Balance per bank statement	6 077	25 676

8. INVESTMENTS

	2009	2008
	N\$	N\$
The investments as at 30 June were as follows:		
Commercial banks	1 989 299	3 227 293
The investments were allocated as follows:		
Fixed Property Fund	77 597	71 988
Capital Reserve Fund	13 790	12 170
Housing Fund	769 488	696 114
Property, development and equipment	117 974	2 001 426
Revenue	1 010 450	445 595
	1 989 299	3 227 293

9. FUND ACCOUNTS

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

10. TRADE ACCOUNTS

10.1 The results of operations were as follows:

Electricity	2009	2008
	N\$	N\$
Sales	725 016	607 277
Cost of sales	(515 800)	(640 472)
Gross profit / (loss)	209 216	(33 195)
Net expenses	(50 780)	(101 870)
Profit / (deficit)	158 436	(135 065)
Gross profit/(loss)% on bulk purchases	42,6%	(5.1%)
Net profit/(loss) % on bulk purchases	30,7%	(21.1%)

Cost of sales is incorrectly reflected as an amount of N\$ 204 636 which the Ministry paid to Nampower on behalf of Village Council has been off-set against cost of sales instead of being treated as a subsidy received on the electricity vote. The results should have been reflected as follows:

	2009
	N\$
Sales	725 016
Cost of bulk purchases	(720 436)
Gross profit	4 580
Subsidy received	204 636
Net expenses	209 216
Profit	(50 780)
Gross profit % on bulk purchases	0.6%

Water	2009	2008
	N\$	N\$
Sales	514 109	358 066
Cost of bulk purchases	(376 389)	(316 839)
Gross profit	137 720	41 227
Net expenses	(34 520)	(77 602)
Surplus	103 200	(36 375)
Gross profit % on bulk purchases	30.6%	13.0%
Net profit/(loss) % on bulk purchases	27,4%	(11.5%)

Cost of sales of water includes payments of N\$ 68 320 in respect of 2007/2008 which were not accrued in that year.

11. SELF-SUPPORTING SERVICES

The result for the year under review are as follows:

	2009	2008
	N\$	N\$
Cleansing services - (loss)	(100 705)	(309 494)

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

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

13. SUSPENSE ACCOUNTS

There were no uncleared suspense accounts in the general ledger at 30 June 2009.

14. IRREGULARITIES AND LOSSES

There were no such expenses.

15. CAPITAL PROJECTS

	2009	2008
	N\$	N\$
Expenditure:		
Electricity	174 298	-
Water	55 141	-
Townlands	222 320	34 512
Motor vehicle	-	185 287
Streets and roads	-	83 181
Office building and equipment	1 431 693	57 678
	1 883 452	360 658
Financed by:		
General capital	1 883 452	165 104
Revenue account	-	195 554
	1 883 452	360 658

16. BURSARIES

There were no such expenses.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

Village Council contributed financially to independence celebrations in the region and assisted a local resident who's house burnt down with certain household expenditure.

18. COMPENSATION PAYMENTS

A former employee took legal action for the recovery of compensation payments of approximately N\$ 84 000 forthcoming from termination of his employment. No legal conclusion has been reached to date and no provision has been made in the financial statements for this contingent liability.

19. VISITS TO FOREIGN COUNTRIES

There were no such expenses.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

The only claim against the Local Authority is the item referred to in paragraph 18 above in respect of compensation payments to a former employee.

21. GIFTS AND DONATIONS BY THE LOCAL AUTHORITY

There were no such expenses.

22. TRANSFER OF PROPERTY

There were no transfers of property to or from the Local Authority.

Council made an arrangement for the sale of certain property to local inhabitants, such transactions will be finalized only after the purchase price has been paid in full. Payments, to date, are reflected as deposits on even to be sold under trade and other payables in the balance sheet.

23. TRADE AND OTHER RECEIVABLES

	2009	2008
	N\$	N\$
Housing Fund debtors	965 552	936 907
Services, rates and taxes	1 074 839	1 117 338
VAT	215 196	234 241
	2 255 587	2 288 486

Debtors' days outstanding is calculated to be at least 278 days (2008 - 293 days).

24. TRADE AND OTHER PAYABLES

	2009	2008
	N\$	N\$
Deposits on erven to be sold	13 286	-
Trade payables	359 769	265 224
Consumer deposits	12 655	11 901
	385 710	277 125

25. ASSESSMENT RATES

	2009	2008
	N\$	N\$
Proceeds from assessment rates	12 261	6 095

Assessment rates are charged on land only.

26. LOANS

26.1 External loans

	2009	2008
	N\$	N\$
Balance on loans		
– Capital section	615 856	660 672
– Housing fund	114 753	114 753
Instalments in arrears	1 204 526	1 108 708
	1 935 135	1 884 133

26.2 Internal loans

	2009	2008
	N\$	N\$
Balance on loans	2 983	3 582

26.3 Due to the Village Council

No loans were due to the Village Council. Advances in terms of the housing fund are reflected as debtors.

26.4 Loans written off

No loans were written off during the year under review.

27. SALE OF ERVEN

Council sold properties during the year under review on installment basis, transfer will only take place when fully paid.

28. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

Deposits were made as down payment on future property transactions.

29. TARIFF ADJUSTMENTS

Tariff adjustments were effected during the year.

30. APPROVALS

30.1 Excess on approved budgets

Excess on approved budgets were submitted to higher authority for approval in good time.

30.2 Internal loans

No further internal loans were granted during the year under review.

30.3 Revenue written off

No revenue was written off during the year under review.

31. INVENTORY AND EQUIPMENT

31.1 Motor vehicles

	2009	2008
	N\$	N\$
Motor vehicles, tractors and implements		
Balance on hand at beginning of the year	6	6
Acquisitions	1	1
Written-off in accident	–	(1)
Balance at year-end	7	6

A Mercedes Benz truck for sewerage removal is on a free loan to Karasburg Municipality.

A LDV was received from the Ministry during the year but not accounted for in the financial records. The value of the transaction was N\$ 201 117.

31.2 Inventory

No inventory records are kept for consumables.

Records relating to livestock have been established and are maintained. The value of the livestock at year-end was N\$ 106 200.

32. SPECIAL INVESTIGATIONS

No special investigations were conducted into the Councils activities during the year under review.

33. FORMAL QUERIES

33.1 The formal queries are embodied in this report.

33.2 Informal queries addressed to the chief executive officer was the following:

- Some general ledger accounts were not balanced at year-end.
- Substantial adjustments in appropriation account.
- Loan capital and corresponding advances.
- Recoverability of accounts receivable.
- Incorrect treatment of a VAT refund.
- Incorrect treatment of donated assets.
- Income.
- Corporate governance.

34. DISCLAIMED AUDIT OPINION

The accounts of the Village Council of Gochas for the financial year 30 June 2009 summarised in annexure A, 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 opinion on the financial statements, results of operations and the cash flows of the Council for the year ended 30 June 2009 due to the following reasons:

- Internal control was not sufficient to rely upon.
- No depreciation was written off on assets.
- No provision for bad debts in the accounts of the Council.
- Trade receivables differs with N\$ 218 081.
- Housing Fund debtors closed with an unexplained difference of N\$ 172 144.
- VAT control account differs with N\$ 147 874.

WINDHOEK, June 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

VILLAGE COUNCIL OF GOCHAS

BALANCE SHEET AT 30 JUNE

	Notes	2009 N\$	2008 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	8 025 844	7 380 386
Investments	3	6 036 545	4 153 093
		1 989 299	3 227 293
Current assets			
Trade and other receivables	4	2 364 529	2 358 468
Livestock inventory		2 255 587	2 288 486
Cash and bank balances	5	106 200	69 600
		2 742	382
Total assets		10 390 373	9 738 854
EQUITY AND LIABILITIES			
Capital and reserves			
Capital outlay	6	8 000 489	7 293 803
Funds and accounts	7	5 535 680	5 490 265
		2 464 809	1 803 538
Long-term liabilities			
	8	730 609	775 425
Current liabilities			
Bank overdraft		1 659 275	1 669 626
Trade and other payables	9	69 039	283 793
Current portion of loans	8	385 710	277 125
		1 204 526	1 108 708
Total funds and liabilities		10 390 373	9 738 854

VILLAGE COUNCIL OF GOCHAS

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
		N\$	N\$
Income		3 121 202	1 512 374
Expenditure		<u>(2 898 954)</u>	<u>(2 633 999)</u>
Net operating profit / (loss)		222 248	(1 121 625)
Investment income earned for revenue account		140 749	108 955
Net profit /(loss) for the year		<u>362 997</u>	<u>(1 012 670)</u>
Adjustments	10	<u>189 624</u>	<u>267 938</u>
		552 621	(744 732)
ACCUMMULATED FUNDS			
- Beginning of the year		<u>197 530</u>	<u>942 262</u>
- End of the year	7	<u>750 151</u>	<u>197 530</u>

VILLAGE COUNCIL OF GOCHAS

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
		N\$	N\$
Operating activities			
Cash receipts from customers and authorities		3 088 303	1 569 222
Cash paid to suppliers and service providers		<u>(2 571 547)</u>	<u>(2 632 660)</u>
Cash generated by operations	11	516 756	(1 063 438)
Investment income		140 749	108 955
Movement in fund accounts			
Fund accounts		108 650	113 745
Capital outlay		<u>45 415</u>	<u>2 718 989</u>
Net cash flow from operating activities		<u>811 570</u>	<u>1 878 251</u>
Investing activities			
Long-term liabilities incurred		51 002	53 801
Net capital expenditure		(1 883 452)	(341 526)
Change in investments		<u>1 237 994</u>	<u>(1 861 082)</u>
		<u>(594 456)</u>	<u>(2 148 807)</u>
Net movement in cash and cash equivalents		217 114	(270 556)
Cash and cash equivalents - Beginning of the year		<u>(283 411)</u>	<u>(12 855)</u>
Cash and cash equivalents - End of the year	5	<u><u>(66 297)</u></u>	<u><u>(283 411)</u></u>

VILLAGE COUNCIL OF GOCHAS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

1. ACCOUNTING POLICIES

The annual financial statements have been prepared on the historical cost basis and incorporate the following accounting policies which are consistent with those applied in the previous year.

The financial statements are prepared on a going-concern basis.

1.1 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.

1.2 Investments

Investments are reflected at face value.

1.3 Trade receivables

Accounts receivable are recorded at originated cost less an allowance for bad debts.

1.4 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 Council.

1.5 Trade and other payables

All financial liabilities are recorded at cost.

1.6 Internal Funds

Internal funds were created as follows by Council:

Fixed Property Fund

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

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.

Capital Reserve Fund

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

VILLAGE COUNCIL OF GOCHAS

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

	2009	2008
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Townships, sewerage network and streets	2 321 043	2 321 043
Townlands	258 262	35 942
Plant, equipment, vehicles and office equipment:		
– General administration	2 094 180	662 488
– Cleansing services	538 656	538 655
– Electricity network	472 315	298 017
– Water reticulation	352 089	296 948
	6 036 545	4 153 093
3. INVESTMENTS		
Commercial banks	1 989 299	3 227 293
4. TRADE AND OTHER RECEIVABLES		
VAT	215 196	234 241
Services, rates and taxes	1 074 839	1 117 338
Housing Fund debtors	965 552	936 907
	2 255 587	2 288 486
5. CASH AND BANK BALANCES		
Petty cash	2 742	382
Bank overdraft	(69 039)	(283 793)
	(66 297)	(283 411)
6. CAPITAL OUTLAY		
Loans redeemed	545 647	500 232
Revenue contributions	777 348	777 348
General capital contributions	4 212 685	4 212 685
	5 535 680	5 490 265

VILLAGE COUNCIL OF GOCHAS

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

	2009	2008
	N\$	N\$
7. FUNDS AND ACCOUNTS		
Fixed Property Fund	77 596	71 988
Capital Reserve Fund	16 774	15 751
Housing Fund	1 620 288	1 518 269
Revenue account kept in compliance with section 86(1) of the Local Authorities Act, 1992.	750 151	197 530
	2 464 809	1 803 538
8. LONG-TERM LIABILITIES		
The Government of Namibia		
Capital section	1 820 382	1 769 380
Housing Fund	114 753	114 753
	1 935 135	1 884 133
Less: Current portion	(1 204 526)	(1 108 708)
	730 609	775 425
9. TRADE AND OTHER PAYABLES		
Deposits on erven sales	13 286	-
Trade payables	359 769	265 224
Consumer deposits	12 655	11 901
	385 710	277 125
10. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Prior year adjustments	-	197 828
Overprovision of creditors	-	70 110
Adjustments to: VAT	152 664	-
Petty cash	360	-
Livestock revaluation	36 600	-
	189 624	267 938

VILLAGE COUNCIL OF GOCHAS

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

	2009	2008
	N\$	N\$
11. CASH GENERATED BY OPERATIONS		
Net operating profit /(loss)	362 997	(1 012 670)
Adjustments to appropriation account	189 624	267 938
Investment income	(140 749)	(108 955)
Operating income before changes in working capital	411 872	(853 687)
Changes in working capital		
(Increase)/decrease in livestock inventory	(36 600)	-
(Increase)/decrease - Trade and other receivables	32 899	(211 089)
Increase/(decrease) - Trade and other payables	108 585	1 338
Cash generated by operations	516 756	(1 063 438)