



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
VILLAGE COUNCIL OF GOCHAS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

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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 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, July 2011**

**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 2010**

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**1. INTRODUCTION**

The accounts of the Village Council of Gochas for the year ended 30 June 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 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 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. 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 the 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 the 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 Inventories

No inventories of consumables are reflected in the financial statements of the Village Council. The auditors were unable to calculate the estimated amount.

##### 4.3 Other payables and receivables

- No provision for severance pay on retirement was recorded on the Balance Sheet.
- The VAT control account differs by N\$ 147 648.

#### 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 1 July 2009				750 151
General accounts				
– Non-profitable	2 073 374	2 385 706	(312 332)	
– Self-supporting	131 922	700 733	(568 811)	
Trade accounts				
– Water	553 925	387 705	166 220	
– Electricity	1 049 200	1 140 037	(90 837)	
	3 808 421	4 614 181	(805 760)	
Deficit for the year				(805 760)
				(55 609)
Adjustments and utilisations (See note 10, Annexure D)				(1 041 068)
Accumulated deficit as at 30 June 2010				<b>(1 096 677)</b>

#### 7. CURRENT BANK ACCOUNTS

	2010	2009
	N\$	N\$
(Negative) cash book balance	(99 415)	(69 039)
Outstanding items	111 114	75 116
Balance per bank statement	<b>11 699</b>	<b>6 077</b>

## 8. INVESTMENTS

	<b>2010</b>	<b>2009</b>
	N\$	N\$
The investments as at 30 June were as follows:		
Commercial banks	<b>2 170 344</b>	<b>1 989 299</b>
The investments were allocated as follows:		
Build Together Fund	1 274 135	-
Build Together Prepaid Fund	17 042	-
Fixed Property Fund	77 597	77 597
Capital Reserve Fund	14 443	13 790
Housing Fund	114 753	769 488
Property, Development and Equipment	117 974	117 974
Revenue	554 400	1 010 450
	<b>2 170 344</b>	<b>1 989 299</b>

## 9. FUND ACCOUNTS

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

## 10. TRADE ACCOUNTS

The results of operations were as follows:

	<b>2010</b>	<b>2009</b>
	N\$	N\$
<b>Electricity:</b>		
Sales	945 426	725 016
Cost of sales	(590 653)	(515 800)
Gross profit / (loss)	354 773	209 216
Net expenses	(445 610)	(50 780)
Profit / (deficit)	<b>(90 837)</b>	<b>158 436</b>
Gross profit % on sales	38%	29%
Net profit % on sales	-	22%
<b>Water:</b>		
Sales	548 913	514 109
Cost of sales	(262 955)	(376 389)
Gross profit	285 958	137 720
Net expenses	(119 738)	(34 520)
Surplus	<b>166 220</b>	<b>103 200</b>
Gross profit % on sales	52%	26%
Net profit % on sales	30%	20%

## 11. SELF-SUPPORTING SERVICES

	<b>2010</b>	<b>2009</b>
	N\$	N\$
The results for the years under review are as follows:		
Cleansing services - (loss)	(555 464)	(100 705)
Cemetery	(13 347)	(63 680)
<b>Total</b>	<b>(568 811)</b>	<b>(164 385)</b>

**12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE**

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

**13. SUSPENSE ACCOUNTS**

There were no uncleared suspense accounts in the general ledger at 30 June 2010.

**14. IRREGULARITIES AND LOSSES**

There were no such expenses.

**15. CAPITAL PROJECTS**

	<b>2010</b>	<b>2009</b>
	N\$	N\$
<b>Expenditure:</b>		
Electricity	576 993	174 298
Water	92 095	55 141
Townlands	99 133	222 320
General administration	94 443	-
Streets and roads	1 103 840	-
Office building and equipment	-	1 431 693
	<b>1 966 504</b>	<b>1 883 452</b>
<b>Financed by:</b>		
General capital	-	1 883 452
Revenue account	1 966 504	-
	<b>1 966 504</b>	<b>1 883 452</b>

**16. BURSARIES**

There were no such expenses.

**17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID**

There were no such expenses.

**18. COMPENSATION PAYMENTS**

A former employee took legal action for the recovery of compensation payments of approximately N\$ 84 000 forthflowing 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 finalised only after the purchase price has been paid in full. Payments to date are reflected as deposits on erven to be sold under trade and other payables in the Balance Sheet.

## 23. TRADE AND OTHER RECEIVABLES

	2010	2009
	N\$	N\$
Housing Fund debtors	791 515	965 552
Services, rates and taxes	1 629 112	1 074 839
Provision for bad debts	(1 279 939)	-
VAT claims	171 206	215 196
	<b>1 311 894</b>	<b>2 255 587</b>

Debtors' days outstanding is calculated to be at least 318 days (2009: 278 days).

## 24. TRADE AND OTHER PAYABLES

	2010	2009
	N\$	N\$
Deposits on erven to be sold	30 102	13 286
Trade payables	523 051	359 769
Consumer deposits	12 492	12 655
Leave provision	166 152	-
	<b>731 797</b>	<b>385 710</b>

## 25. ASSESSMENT RATES

	2010	2009
	N\$	N\$
Proceeds from assessment rates	<b>66 217</b>	<b>12 261</b>

Assessment rates are charged on land only.

## 26. LOANS

### 26.1 External loans

	2010	2009
	N\$	N\$
Balance on loans		
– Capital section	567 998	615 856
– Housing fund	114 753	114 753
Instalments in arrears	1 300 344	1 204 526
	<b>1 983 095</b>	<b>1 935 135</b>

**26.2 Internal loans**

	<b>2010</b>	<b>2009</b>
	N\$	N\$
Balance on loans	<b>2 331</b>	<b>2 983</b>

**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**

	<b>2010</b>	<b>2009</b>
	N\$	N\$
Motor vehicles, tractors and implements		
Balance on hand at beginning of the year	7	6
Acquisitions	1	1
Balance at year-end	<b>8</b>	<b>7</b>



### **31.2 Inventory**

No inventory records are kept for consumables.

Records relating to livestock have been established and are maintained. The value of livestock at year-end was N\$ 134 382 (2009: 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:

- General ledger.
- Appropriation account.
- Loan capital and corresponding advances.
- Accounts receivable.
- VAT administration.
- Fixed assets.
- Income.

### **34. QUALIFIED AUDIT OPINION**

The accounts of the Village Council of Gochas for the financial year 30 June 2010 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.

The audit opinion has been qualified due to the following reasons:

- Internal control was not sufficient to rely upon.
- VAT control account differs with N\$ 147 874.

Except for the effect of any adjustments that might have been necessary as referred to in the preceding paragraphs, in my opinion, the financial statements fairly present the financial position of the Municipality at 30 June 2010 and the results of its operations and cash flows for the year then ended.

**WINDHOEK, July 2011**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## VILLAGE COUNCIL OF GOCHAS

## BALANCE SHEET AS AT 30 JUNE

	Notes	2010 N\$	2009 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	9 400 135	8 025 844
Investments	3	7 229 791	6 036 545
		2 170 344	1 989 299
<b>Current assets</b>			
Trade and other receivables	4	1 449 242	2 364 529
Livestock inventory		1 311 895	2 255 587
Cash and bank balances	5	134 382	106 200
		2 965	2 742
<b>Total assets</b>		<b>10 849 377</b>	<b>10 390 373</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Capital outlay	6	8 035 070	8 000 489
Funds and accounts	7	6 777 437	5 535 680
		1 257 633	2 464 809
<b>Long-term liabilities</b>	8	682 751	730 609
<b>Current liabilities</b>		2 131 556	1 659 275
Bank overdraft	5	99 415	69 039
Trade and other payables	9	731 797	385 710
Current portion of loans	8	1 300 344	1 204 526
<b>Total funds and liabilities</b>		<b>10 849 377</b>	<b>10 390 373</b>

## VILLAGE COUNCIL OF GOCHAS

## INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE

	Notes	2010	2009
		N\$	N\$
<b>Income</b>		3 748 788	3 121 202
Expenditure		(4 614 181)	(2 898 954)
Net operating (loss)/ profit		(865 393)	222 248
Investment income earned for revenue account		59 633	140 749
Net (loss)/ profit for the year		(805 760)	362 997
Adjustments through accumulated funds account	10	(1 041 068)	189 624
		(1 846 828)	552 621
<b>Accumulated funds</b>			
Beginning of the year		750 151	197 530
End of the year	7	<b>(1 096 677)</b>	<b>750 151</b>

## VILLAGE COUNCIL OF GOCHAS

## CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE

	Notes	2010 N\$	2009 N\$
<b>Operating activities</b>			
Cash receipts from customers and authorities		3 412 541	3 088 303
Cash paid to suppliers and service providers		(2 644 366)	(2 571 547)
Cash generated by operations	11	768 175	516 756
Investment income		59 633	140 749
Fund accounts			
Fund accounts	12	639 652	108 650
Capital outlay	13	601 976	45 415
Net cash flow from operating activities		2 069 436	811 570
<b>Investing activities</b>			
Long-term liabilities incurred		47 960	51 002
Net capital expenditure		(1 966 504)	(1 883 452)
Change in investments		(181 045)	1 237 994
		(2 099 589)	(594 456)
<b>Net movement in cash and cash equivalents</b>		(30 153)	217 114
<b>Cash and cash equivalents - Beginning of the year</b>		(66 297)	(283 411)
<b>Cash and cash equivalents - End of the year</b>	5	<b>(96 450)</b>	<b>(66 297)</b>

## VILLAGE COUNCIL OF GOCHAS

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

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**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 FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE  
(continued)

	<b>2010</b>	<b>2009</b>
	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT, AT COST</b>		
Townships, sewerage network and streets	3 078 747	2 321 043
Townlands	312 363	258 262
Plant, equipment, vehicles and office equipment		
– General administration	2 098 302	2 094 180
– Cleansing services	430 294	538 656
– Electricity network	936 004	472 315
– Water reticulation	374 081	352 089
	<b>7 229 791</b>	<b>6 036 545</b>
<b>3. INVESTMENTS</b>		
Commercial banks	<b>2 170 344</b>	<b>1 989 299</b>
The investments were allocated as follows:		
Capital outlay	117 974	117 974
Fixed Property Fund	77 597	77 597
Capital Reserve Fund	14 443	13 790
Build Together Fund	1 274 135	-
Build Together Prepaid Fund	17 042	-
Housing Fund	114 753	769 488
Revenue account	554 400	1 010 450
	<b>2 170 344</b>	<b>1 989 299</b>
<b>4. TRADE AND OTHER RECEIVABLES</b>		
VAT	171 206	215 196
Services, rates and taxes	1 629 112	1 074 839
Provision for bad debts	(1 279 939)	-
Housing Fund debtors	791 516	965 552
	<b>1 311 895</b>	<b>2 255 587</b>
<b>5. CASH AND BANK BALANCES</b>		
Petty cash	2 965	2 742
Bank overdraft	(99 415)	(69 039)
	<b>(96 450)</b>	<b>(66 297)</b>

## VILLAGE COUNCIL OF GOCHAS

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

	<b>2010</b>	<b>2009</b>
	N\$	N\$
<b>6. CAPITAL OUTLAY</b>		
Loans redeemed	594 157	545 647
Revenue contributions	2 375 136	777 348
General capital contributions	3 808 144	4 212 685
	<b>6 777 437</b>	<b>5 535 680</b>
<b>7. FUNDS AND ACCOUNTS</b>		
Fixed Property Fund	77 596	77 596
Capital Reserve Fund	16 774	16 774
Housing Fund	2 103 020	1 620 288
Build together prepaid fund	156 920	-
Revenue account kept in compliance with section 86(1) of the Local Authorities Act, 1992.	(1 096 677)	750 151
	<b>1 257 633</b>	<b>2 464 809</b>
<b>8. LONG-TERM LIABILITIES</b>		
The Government of Namibia		
Capital section	1 868 342	1 820 382
Housing fund	114 753	114 753
	1 983 095	1 935 135
Less: Current portion	1 300 344	1 204 526
	<b>682 751</b>	<b>730 609</b>
<b>9. TRADE AND OTHER PAYABLES</b>		
Leave provision	166 152	-
Deposits on erven sales	30 102	13 286
Trade payables	523 051	359 769
Consumer deposits	12 492	12 655
	<b>731 797</b>	<b>385 710</b>
<b>10. ADJUSTMENTS THROUGH ACCUMULATED FUNDS ACCOUNT</b>		
Provision for bad debts	(1 279 939)	
Provision for leave	(166 152)	-
Prior year adjustments	405 023	-
Adjustments to: VAT	-	152 664
Petty cash	-	360
Livestock revaluation	-	36 600
	<b>(1 041 068)</b>	<b>189 624</b>

## VILLAGE COUNCIL OF GOCHAS

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

	<b>2010</b>	<b>2009</b>
	N\$	N\$
<b>11. CASH GENERATED BY OPERATIONS</b>		
Net operating profit/(loss)	(805 760)	362 997
Additions to fixed assets expensed	1 364 529	-
Loan redemptions expensed	48 510	-
Adjustments to appropriation account	238 871	189 624
Investment income	(59 633)	(140 749)
Operating income before changes in working capital	786 517	411 872
Changes in working capital		
Livestock inventory	(28 182)	(36 600)
Trade and other receivables	(336 247)	32 899
Trade and other payables	346 087	108 585
Cash generated by operations	<b>768 175</b>	<b>516 756</b>
<b>12. FUND ACCOUNTS</b>		
Interest received	77 028	
Insurance premiums recovered	17 190	
Government grant	529 000	
Sundry income	16 773	
Bank charges	(339)	
	<b>639 652</b>	
<b>13. CAPITAL OUTLAY</b>		
Assets donated	601 976	