



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

VILLAGE COUNCIL OF KOËS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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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 Koës for the financial year ended 30 June 2013, 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 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF KOËS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

1. INTRODUCTION

The accounts of the Village Council of Koës for the year ended 30 June 2013 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Local Authorities Act, 1992 (Act 23 of 1992).

The firm Mostert Landgrebe 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. 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 at Annexure A is a true reflection of the original signed by the Accounting Officer.

The financial statements also include:

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 OBSERVATION AND COMMENTS

4.1 Internal control and accounting records

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

As can be seen in the comments hereafter, certain balance sheet items are clearly not correct and unless the errors/weaknesses identified are rectified in the financial systems and records the annual financial statements cannot be seen as a fair reflection of the financial position of the Council.

4.2 Property, plant and equipment

The fixed assets register is not complete, there is no registration number for the vehicles and the vehicle description is not complete. No purchase date is inserted for new additions made during the current year. The fixed assets is under insured.

The capital statements reflect an amount of N\$ 876 105 less than the balance sheet.

The revenue capital statements reflect an amount of N\$ 1 023 800 more for additions than the income statements.

The Council could not explain these differences.

4.3 Trade and other receivables

The average collection period of trade receivables is 852 days (2012: 523 days). As previously reported, the Council should attend to the arrears as a matter of urgency.

Based on an average of 60 days outstanding, the auditors are of the opinion that the provision for bad debts is understated by approximately N\$ 3 903 632 (2012: N\$ 3 496 108).

4.4 Inventories

The auditors did not observe the counting of the inventories on 30 June 2013. There were no alternative practical audit procedures that they could perform to confirm the existence of the inventories on hand at year-end. No list of inventory was available.

4.5 Arrear external loans

The instalments on external loans from Central Government were not paid. No provision for interest on arrear payments has been made.

4.6 Trade and other payables

No list of trade and other payables were available for audit purposes. The auditors were thus unable to test trade and other payables or unrecorded payables.

4.7 Value Added Tax (VAT)

Included in trade and other payables is an amount of N\$ 469 556 (2012: N\$ 711 281) for VAT payable. No reconciliation of this amount could be provided to the auditors to verify the accuracy, existence and valuation of the amount.

4.8 VAT and P.A.Y.E. returns

Not all VAT and P.A.Y.E. returns were submitted timeously to the Directorate: Inland Revenue. No provision for penalties and interest has been made in the financial statements.

4.9 Consumer deposits

No lists for consumer deposits were available at the Village Council, therefore the auditors were unable to verify these amounts.

Consumer deposits are not sufficient to cover one month's charges.

4.10 Provision for bonuses and severance pay on retirement

No provisions have been raised for the above items. The auditors could not establish the amounts which should have been provided for.

4.11 Build Together advances

No list of Build Together advances amounted to N\$ 3 135 931 (2012: N\$ 2 132 881) was available for audit purposes.

4.12 Bank reconciliation

There is a difference of N\$ 68 579 on the bank reconciliation which could not be explained.

4.12 Income

The sewerage levy per toilet was not charged during the current financial year. The rates according to the Government Gazette was implemented 2 months after the Government Gazette was issued. Therefore, the income is understated.

The list of sale of erven is incomplete, date on which the erf was sold is not included in the list.

The correctness of assessment rates levied and collected could not be verified. No documentation regarding the tariffs or the approval thereof was available at the Village Council.

5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Village Council of Koës 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 deficit on 01/07/2012				(400 740)
General accounts				
- Non-profitable services	1 077 007	5 074 099	(3 997 092)	
- Self-supporting services	622 345	327 167	295 178	
Trade accounts				
- Water	2 224 652	524 181	1 700 471	
- Electricity	1 143 391	1 034 958	108 433	
Deficit for the year	5 067 395	6 960 405	(1 893 010)	(1 893 010)
				(2 293 750)
Adjustments and utilisations				(2 759 306)
Accumulated deficit on 30/06/2013				(5 053 056)

7. CURRENT BANK ACCOUNT

	2013	2012
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	(666 547)	(95 746)
Outstanding cheques	756 621	-
Unknown reconciling items	(68 579)	112 224
Balance as per bank statement	21 495	16 478

There is a difference of N\$ 68 579 on the bank reconciliation which could not be explained.

8. INVESTMENTS

The investments as at 30 June were as follows:

Institution	2013 Investment	2012 Investment
	N\$	N\$
Commercial banks	408 662	939 591
Distribution		
Build Together Fund	408 662	939 591
	408 662	939 591

9. FUND ACCOUNTS

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

10. TRADE ACCOUNT

10.1 The results of water operations were as follows:

	Electricity		Water	
	2013	2012	2013	2012
	N\$	N\$	N\$	N\$
Sales	1 027 903	2 072 878	485 411	-
Cost of sales	(1 046 389)	(829 268)	(646 787)	(615 411)
Gross surplus/deficit	(18 486)	1 243 610	(161 376)	749 086
Other expenses/deficit	(126 919)	(76 159)	(1 861 847)	(703 088)
Net surplus/(deficit)	(145 405)	1 167 451	(2 023 223)	45 998
Gross surplus percentage on sales	(1.8%)	60.0%	(33.2%)	-
Net surplus percentage on sales	10.5%	56.3%	350.3%	-

10.2 Distribution results

No distribution results were available.

11. SELF SUPPORTING SERVICES

11.1 The result for the year under review is as follows:

Service	Income 2013	Expenses 2013	Surplus/ (deficit) 2013	Surplus/ (deficit) 2012
	N\$	N\$	N\$	N\$
Cleansing services	250 911	107 679	143 232	62 889
Townlands	135 641	111 375	24 266	16 472
Sewerage	235 793	108 113	127 680	154 396
	622 345	327 167	295 178	233 757

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

There were no such expenses.

13. SUSPENSE ACCOUNTS

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

14. IRREGULARITIES AND LOSSES

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

15. CAPITAL PROJECTS

The following were spend on capital projects:

	Financial by		Total expenditure 2013	Total expenditure 2012
	Revenue account	General capital		
	N\$	N\$	N\$	N\$
General administration	646 793	400 000	1 046 793	-
Fire brigade	438 000	-	438 000	-
Townlands	65 000	-	65 000	-
Streets	402 474	-	402 474	433 848
Cleansing services	138 000	-	138 000	-
Sewerage	138 000	-	138 000	-
Water	1 421 626	-	1 421 626	592 259
Electricity	235 000	-	235 000	-
	3 484 893	400 000	3 884 893	1 026 107

The capital statements reflect an amount of N\$ 876 105 less than the balance sheet.

The revenue capital statements reflect an amount of N\$ 1 023 800 more for additions than the income statements.

The Council could not explain these differences.

16. STUDY LOANS/BURSARIES

No bursaries were granted during the year.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

	2013	2012
	N\$	N\$
Contribution from Government	2 433 513	2 920 351

18. COMPENSATION PAYMENTS

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

19. VISITS TO FOREIGN COUNTRIES

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

20. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the Local Authority.

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

No gifts and donations were allocated or paid during the year under review.

22. TRANSFER OF PROPERTY

There were no transfers recorded.

23. TRADE AND OTHER RECEIVABLES/PAYABLES

23.1 Trade and other receivables at 30 June were:

	2013	2012
	N\$	N\$
Consumers	4 199 382	3 949 584
Sundry receivables	550	-
	4 199 932	3 949 584
Provision for bad debts	-	(817 985)
Total	4 199 932	3 131 599

23.2 Trade and other payables at 30 June were:

	2013	2012
	N\$	N\$
Trade payables	5 249 526	1 027 826
Consumer and other deposits	8 260	8 021
Provisions	250 001	250 001
VAT	469 557	711 281
Totals	5 977 344	1 997 129

24. ASSESSMENT RATES

	2013	2012
	N\$	N\$
The net proceeds from assessment rates were	101 243	101 165

The correctness of assessment rates levied and collected could not be verified. No documentation regarding the tariffs or the approval thereof was available at the Village Council.

25. LOANS

25.1 External loans

	2013	2012
	N\$	N\$
Government of Namibia		
- Other loans	551 846	551 846
- Housing loans	49 802	49 802
Total outstanding	601 648	601 648

No payments on these loans were made and the repayment schedules were not available for audit purposes.

25.2 Internal loans

There were no internal loans

25.3 Due to the Village Council

	2013	2012
	N\$	N\$
Build Together Fund	3 135 931	2 132 881
Total outstanding	3 135 931	2 132 881

25.4 Loans written off

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

26. SALE OF ERVEN

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

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

Properties sold on instalment basis have been properly recorded.

28. TARIFF ADJUSTMENTS

No approval for tariff adjustments could be provided to the auditors.

29. APPROVALS

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

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicles and values thereof:

The auditors could not obtain satisfactory information regarding the movement of motor vehicles.

30.2 Inventory

Livestock - N\$ 195 000

31. SPECIAL INVESTIGATIONS

There were no special investigations.

32. GENERAL

The accounting and internal controls are not satisfactory, except where indicated otherwise in this report. Proper segregation of duties is not feasible due to the small number of staff employed. While increased management involvement does reduce risks, the risk arises that management and Council override existing controls, a potentially dangerous practice which the Village Council should vigilantly guard against. The integrity of staff in appropriate positions should however be reviewed to ensure that qualified personnel are employed in respective positions.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries was discussed with the Village Council.

34. DISCLAIMED AUDIT OPINION

The accounts of the Village Council of Koës for the financial year ended 30 June 2013, summarised in Annexures A to D, were audited by me in terms of Section 85 of the Local Authority act, 1992, read with Section 251)(b) of the State Finance Act, 1991.

I cannot express an audit opinion due to the following reasons:

Internal control and accounting records

There was not a sufficient system of internal control at the Village Council on which the auditors could rely upon for audit purposes.

Property, plant and equipment

The fixed assets register is not complete, there is no registration number for the vehicles and the vehicle description is not complete. No purchase date is inserted for new additions made during the current year. The fixed assets is under insured.

The capital statements reflect an amount of N\$ 876 105 less than the balance sheet.

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Value Added Tax (VAT)

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VAT and P.A.Y.E. returns

Not all VAT and P.A.Y.E. returns were submit timeously to the Directorate: Inland Revenue. No provision for penalties and interest has been made in the financial statements.

Provision for bonuses and severance pay on retirement

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Build Together advances

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Bank reconciliation

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Income

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WINDHOEK, February 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

VILLAGE COUNCIL OF KOËS

BALANCE SHEET AT 30 JUNE

	Notes	2013 N\$	2012 N\$
ASSETS			
Non-current assets			
		12 590 694	8 184 945
Property, plant and equipment	2	9 046 101	5 112 473
Investments	3	408 662	939 591
Loans receivable	4	3 135 931	2 132 881
Current assets			
		4 394 932	3 320 173
Trade and other receivables	5	4 199 932	3 131 599
Inventories		195 000	188 000
Petty cash	6	-	574
TOTAL ASSETS		16 985 626	11 505 118
FUNDS AND LIABILITIES			
Funds and reserves			
		9 740 087	8 810 595
Capital outlay	7	8 494 255	4 647 986
Funds and accounts	8	1 245 832	4 162 609
Non-current liabilities			
Long-term loans	9	601 648	601 648
Current liabilities			
		6 643 891	2 092 875
Trade and other payables	10	5 977 344	1 997 129
Bank overdraft	6	666 547	95 746
TOTAL FUNDS AND LIABILITIES		16 985 626	11 505 118

VILLAGE COUNCIL OF KOËS

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2013</u>	<u>2012</u>
		N\$	N\$
INCOME		5 067 395	6 113 426
EXPENDITURE		<u>6 960 405</u>	<u>5 237 959</u>
NET OPERATING SURPLUS/(DEFICIT)		(1 893 010)	875 467
INTEREST ON INVESTMENTS		<u>-</u>	<u>5 039</u>
NET OPERATING SURPLUS/(DEFICIT) AFTER INTEREST		(1 893 010)	880 506
APPROPRIATION ACCOUNT	11	<u>(2 759 306)</u>	<u>639 816</u>
NET SURPLUS/(DEFICIT) AFTER APPROPRIATIONS		(4 652 316)	1 520 322
REVENUE ACCOUNT - Beginning of year		<u>(400 740)</u>	<u>(1 921 062)</u>
REVENUE ACCOUNT - End of year		<u>(5 053 056)</u>	<u>(400 740)</u>

VILLAGE COUNCIL OF KOËS

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2013 N\$	2012 N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		5 067 395	5 390 264
Cash paid to suppliers		(6 814 829)	(5 845 835)
Cash generated by operations	12	(1 747 434)	232 597
Investment income		-	5 039
Increase in Fund accounts		1 735 539	133 775
Increase in Capital outlay		3 846 269	1 026 107
Net cash flow from operating activities		3 834 374	1 397 518
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		(3 933 628)	(1 026 106)
Change in investments		530 929	(777 759)
Change in loans receivable		(1 003 050)	71 602
		(4 405 749)	(1 732 263)
CASH FLOW FROM FINANCING ACTIVITIES			
NET CHANGE IN CASH AND CASH EQUIVALENTS			
		(571 375)	(334 745)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		(95 172)	239 573
CASH AND CASH EQUIVALENTS - END OF YEAR		(666 547)	(95 172)

VILLAGE COUNCIL OF KOËS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2012

1. ACCOUNTING POLICIES**1.1 Introduction**

The annual financial statements set out in Annexures A to C were prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent in all material aspects with those applied in the previous year.

1.2 Property, plant and equipment

Property, plant and equipment are stated at cost or valuation where assets have been acquired by grant or by donation. No provision for depreciation is made.

1.3 Internal Funds

Internal Funds were created as follows by Council:

1.3.1 Housing Fund

The purpose of this Fund is to provide for housing loans. Income to this Fund is transferred from the general income account, external loans from Government and interest on investments and loans.

The purpose of this Fund is to provide for housing loans. Income to this Fund is transferred from the general income account, external loans from Government and interest on investments and loans.

1.3.2 Capital Development Fund

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

1.3.3 Fixed Property Fund

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

1.3.4 Leave Reserve Fund

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

1.3.5 Build Together Housing Fund

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

VILLAGE COUNCIL OF KOËS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2012 (continued)

	2013	2012
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Total	9 046 101	5 112 473
3. INVESTMENTS		
INVESTMENTS		
Commercial banks	408 662	939 591
ALLOCATED AS FOLLOWS		
Build Together Fund	408 662	939 591
	408 662	939 591
4. LOANS RECEIVABLE		
Build Together Fund	3 135 931	2 132 881
	3 135 931	2 132 881
5. TRADE AND OTHER RECEIVABLES		
Consumers	4 199 382	3 949 584
Sundry receivables	550	-
	4 199 932	3 949 584
Provision for bad debts	-	(817 985)
	4 199 932	3 131 599
6 BANK AND CASH		
Current account	(666 547)	(95 746)
Petty cash	-	574
	(666 547)	(95 172)

VILLAGE COUNCIL OF KOES

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2012 (continued)

	2013	2012
	N\$	N\$
7. CAPITAL OUTLAY		
Loans redeemed	282 689	282 689
Revenue contributions	7 777 556	4 220 261
General capital contributions	434 010	145 036
	8 494 255	4 647 986
8. FUNDS, ACCOUNTS AND RESERVES		
Build Together Fund	5 808 714	4 127 605
Capital Development Fund	201 177	174 029
Fixed Property Fund	66 605	39 323
Housing Fund	222 392	222 392
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(5 053 056)	(400 740)
	1 245 832	4 162 609
9. LONG-TERM LIABILITIES		
Government of Namibia		
- Other loans	551 846	551 846
- Housing loans	49 802	49 802
	601 648	601 648
10. TRADE AND OTHER PAYABLES		
Trade payables	5 249 526	1 027 826
Consumer and other deposits	8 260	8 021
Provisions	250 001	250 001
Suspense accounts	469 557	711 281
	5 977 344	1 997 129
11. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Prior year adjustments	(2 759 306)	-
Unexplained differences	-	639 816
	(2 759 306)	639 816

VILLAGE COUNCIL OF KOËS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2012 (continued)

	<u>2013</u>	<u>2012</u>
	N\$	N\$
12. CASH GENERATED BY OPERATIONS		
Net operating surplus/(deficit) before interest and transfers	(1 893 010)	875 467
Adjustments for:		
- Adjustments to appropriation account	<u>(2 759 306)</u>	<u>639 816</u>
OPERATING SURPLUS/(DEFICIT) BEFORE CHANGES IN WORKING CAPITAL	<u>(4 652 316)</u>	<u>1 515 283</u>
CHANGES IN WORKING CAPITAL		
Trade and other receivables	(1 068 333)	(1 021 371)
Inventories	(7 000)	(188 000)
Trade and other payables	<u>3 980 215</u>	<u>(73 315)</u>
	<u>2 904 882</u>	<u>(1 282 686)</u>
CASH GENERATED BY OPERATIONS	<u><u>(1 747 434)</u></u>	<u><u>232 597</u></u>