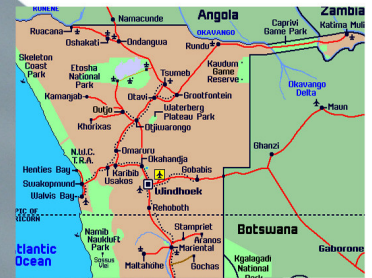
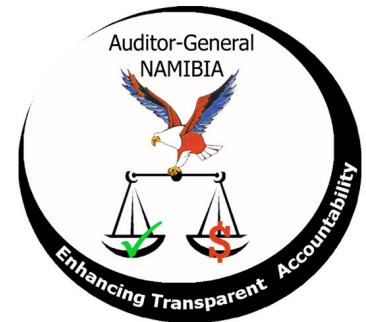




REPUBLIC OF NAMIBIA



AUDIT REPORT ON THE ACCOUNTS OF THE

VILLAGE COUNCIL OF RUACANA

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

Published by authority

Price (Vat excluded) N\$ 27.49
Report no 727

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 Ruacana for the financial year ended 30 June 2008, 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 2009

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF RUACANA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

1. INTRODUCTION

The accounts of the Village Council of Ruacana for the year ended 30 June 2008 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 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 on 28 November 2008 instead of three months after the year-end as required by the Act.** 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 the 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 the opinion of the Auditor-General 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 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 Distribution losses

The percentage distribution losses of 15.3% for water is unacceptable high. Council must implement measures to reduce these losses.

4.2 Trade and other receivables

The average collection period of trade receivables, before taking the provision for bad debts into account, is 367,4 days (2007 - 382,7 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 134,4 days (2007 - 215,4 days). Council should attend to the arrears as a matter of urgency. Due to these statistics, the auditors are of the opinion that the provision for bad debts is understated by N\$ 508 341 based on outstanding amounts for 90 days and longer.

5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Village 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 on 01/07/2007				3 984 916
General accounts				
- Non-profitable	5 407 052	4 320 457	1 086 595	
- Self-supporting	153 889	365 584	(211 695)	
Trade account				
- Water	1 138 622	1 134 035	4 587	
Surplus for the year	6 699 563	5 820 076	879 487	879 487
Adjustments and utilizations (Note 9)				4 864 403
				(2 104 202)
Accumulated surplus on 30/06/2008				2 760 201

7. CURRENT BANK ACCOUNT

	2008	2007
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	(143 850)	40 744
Outstanding cheques	199 916	162 613
Unexplained difference	1 443	-
Balance as per bank statement	57 509	203 357

Outstanding cheques are stated as trade payables. (Refer to paragraph 23.2)

8. INVESTMENTS

The investments as at 30 June were as follows:

Institution	2008	2007
	N\$	N\$
Commercial banks	2 945 289	2 646 456

The investments were allocated as follows:

Allocation	2008	2007
	N\$	N\$
Salary Reserve Fund	165 063	55 957
Build Together Fund	*1 377 631	45 104
Revenue	1 402 595	2 545 395
	2 945 289	2 646 456

* N\$ 39 662 is reflected as outstanding debtors in the balance sheet drawn up by the Council.

9. FUND ACCOUNTS

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

10. TRADE ACCOUNT

10.1 The results of water operations were as follows:

	2008	2007
	N\$	N\$
Sales	931 840	945 576
Cost of bulk purchases	(879 027)	(820 218)
Gross surplus	52 813	125 358
Other (expenses)/income	(48 226)	231 451
Net surplus	4 587	356 809
Gross surplus percentage on bulk purchases	6.0%	15.3%
Net surplus percentage on bulk purchases	0.5%	43.5%

10.2 Water distribution results, in cubic meters

	2008	2007
	Units	Units
Sales	106 862	86 965
Purchases	126 116	112 148
Loss	(19 254)	(25 183)
Percentage loss in units	(15.3%)	(22.5%)

11. SELF-SUPPORTING SERVICES

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

	Income	Expenses	Deficit	Surplus
	2008	2008	2008	2007
	N\$	N\$	N\$	N\$
Cleansing	-	-	-	84 765
Sewerage	153 889	365 584	(211 695)	144 832
	153 889	365 584	(211 695)	229 597

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No such expenses were revealed by the audit.

13. SUSPENSE ACCOUNTS

Suspense accounts are cleared on a regular basis.

14. IRREGULARITIES AND LOSSES

No irregularities or losses were revealed by the audit.

15. CAPITAL PROJECTS

The following amounts were spent on capital projects:

Nature of projects/ acquisitions	Financed by		Total expenditure 2007/2008	Total expenditure 2006/2007
	Revenue account	General capital		
	N\$	N\$	N\$	N\$
General Administration: Furniture and equipment	100 894	-	100 894	265 362
Health Services: Infrastructure and trailer	418 470	-	418 470	732 949
Technical Services: Roads	-	-	-	141 134
Town Planning: Infrastructure	3 443 479	-	3 443 479	364 807
Sewerage: Operational equipment	179 750	-	179 750	-
	4 142 593	-	4 142 593	1 504 252

The income statements reflect an amount of N\$ 2 462 869 as capital projects. Council explained that the difference of N\$ 1 679 724 is prior year expenditure and is included in the appropriation account.

16. BURSARIES

There were no such expenses.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

	2008	2007
	N\$	N\$
Contribution from Government	3 000 000	4 000 000

18. COMPENSATION PAYMENTS

There were no such expenses.

19. VISITS TO FOREIGN COUNTRIES

There were no such expenses.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the local authority.

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

There were no such expenses.

22. TRANSFER OF PROPERTY

22.1 There were no transfers of property to the Local Authority.

22.2 There was no transfer of property by the Local Authority to others.

23. TRADE AND OTHER RECEIVABLES/ PAYABLES

23.1 Trade and other receivables at 30 June were:

	2008	2007
	N\$	N\$
Services, rates and taxes	2 251 706	2 210 128
VAT	360 852	367 411
Build Together advances	989 861	311 940
Other	872 235	-
	4 474 654	2 889 479
Provision for bad debts	(1 427 945)	(966 001)
Total	3 046 709	1 923 478

The average collection period of trade receivables, before taking the provision for bad debts into account, is 367,4 days (2007 - 382,7 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 134,4 days (2007 - 215,4 days). Council should attend to the arrears as a matter of urgency. Due to these statistics, the auditors are of the opinion that the provision for bad debts is understated by N\$ 508 341 based on outstanding amounts of 90 days and longer.

23.2 Trade and other payables at 30 June were:

	2008	2007
	N\$	N\$
Trade payables	117 784	156 369
Suspense account	448 828	24 642
Provisions	60 000	30 000
Consumer deposits	7 250	1 750
Outstanding cheques	199 916	-
Totals	833 778	212 761

24. ASSESSMENT RATES

	2008	2007
	N\$	N\$
The proceeds from assessment rates were	246 909	246 907
Tariffs per N\$1 valuation per annum - Residential properties	-	0.0095
Tariffs per N\$1 valuation per annum - Business/Institutional properties	-	0.0350
Tariffs per N\$1 valuation per annum - Site valuation	0.0420	-
Tariffs per N\$1 valuation per annum - Improvements	0.0173	-

25. LOANS**25.1 External loans**

There are no external loans.

25.2 Due to the Village Council

	2008	2007
	N\$	N\$
Build together advances - Included in trade and other receivables	989 861	311 940

25.3 Loans written off

No loans were written off by the Council.

26. SALE OF ERVEN

The following erven were sold during the year. The proceeds were allocated to revenue.

	2008		2007	
	Number	Amount	Number	Amount
		N\$		N\$
Total	75	400 989	-	-

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

None

28. TARIFF ADJUSTMENTS

Tariff adjustments were duly approved and promulgated in the Government Gazette.

29. APPROVALS

29.1 Excess on approved budget

All budget excesses were approved.

29.2 Internal loans

There were no internal loans.

29.3 Revenue written off

None

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicles and values thereof :

	Sedan		LDV's, 4x4's and Combi's		Other	
	Number	Value	Number	Value	Number	Value
		N\$		N\$		N\$
Balance - 01/07/2007	-	-	2	157 200	2	127 304
Additions	-	-	-	-	-	-
Sub-total	-	-	2	157 200	2	127 304
Depreciation	-	-	-	(52 400)	-	(19 913)
Balance - 30/06/2008	-	-	2	104 800	2	107 391

30.2 Inventory

Inventories amount to N\$ 78 406. (2007 - Nil)

31. SPECIAL INVESTIGATIONS

All special investigations were completed and reported upon.

32. GENERAL

There is a sufficient system of internal control at the Village Council. 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 Council override existing controls, a potentially dangerous practice, which Council should vigilantly guard against.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in paragraph 4 of this report.

33.2 Informal queries

33.2.1 The income statements reflect an amount of N\$ 2 462 869 as capital projects. Council explained that the difference of N\$ 1 679 724 is prior year expenditure and is included in the appropriation account.

34. QUALIFIED AUDIT OPINION

The accounts of the Village Council of Ruacana for the financial year ended 30 June 2008, summarised in Annexures A to D, 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 under provision of bad debts to the amount of N\$ 508 341.

Except for the above-mentioned issue, in my opinion, the financial statements fairly present the financial position of the Village Council at 30 June 2008 and the results of its operations and cash flows for the year then ended in the manner required by the Local Authorities Act, 1992, and the State Finance Act, 1991

WINDHOEK, July 2008

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

VILLAGE COUNCIL OF RUACANA

BALANCE SHEET AT 30 JUNE

	Notes	2008 N\$	2007 N\$
ASSETS			
Non-current assets			
		9 771 970	6 109 062
Property, plant and equipment	2	6 826 681	3 462 606
Investments	3	2 945 289	2 646 456
Current assets			
		3 181 245	1 964 222
Trade and other receivables	4	3 046 709	1 923 478
Inventories		78 406	-
Bank and cash	5	56 130	40 744
TOTAL ASSETS		12 953 215	8 073 284
FUNDS AND LIABILITIES			
Funds and reserves			
		12 119 437	7 860 523
Capital outlay	6	6 826 681	3 462 606
Funds and accounts	7	5 292 756	4 397 917
Current liabilities			
Trade and other payables	8	833 778	212 761
TOTAL FUNDS AND LIABILITIES		12 953 215	8 073 284

VILLAGE COUNCIL OF RUACANA

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2008</u> N\$	<u>2007</u> N\$
INCOME		6 544 357	6 269 012
EXPENDITURE		<u>(5 820 076)</u>	<u>(4 817 007)</u>
NET OPERATING SURPLUS		724 281	1 452 005
INTEREST ON INVESTMENTS		<u>155 206</u>	<u>-</u>
NET SURPLUS AFTER INTEREST		879 487	1 452 005
APPROPRIATION ACCOUNT	9	<u>(2 104 202)</u>	<u>367 561</u>
		(1 224 715)	1 819 566
REVENUE ACCOUNT - Beginning of year		<u>3 984 916</u>	<u>2 165 350</u>
REVENUE ACCOUNT - End of year		<u>2 760 201</u>	<u>3 984 916</u>

VILLAGE COUNCIL OF RUACANA

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		6 544 357	6 269 012
Cash paid to suppliers		(8 504 898)	(5 851 458)
Cash generated by operations	10	(1 960 541)	417 554
Interest received		155 206	-
Increase in Fund accounts		2 119 554	407 308
Increase in Capital outlay		3 364 075	1 141 051
Net cash flow from operating activities		3 678 294	1 965 913
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		(3 364 075)	(1 141 051)
Increase in investments		(298 833)	(1 088 752)
		(3 662 908)	(2 229 803)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		15 386	(263 890)
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR		40 744	304 634
CASH AND CASH EQUIVALENTS - END OF THE YEAR	5	56 130	40 744

VILLAGE COUNCIL OF RUACANA

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

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. Assets are depreciated over their estimated useful lives.

1.3 Internal Funds

The following Funds were created by the Town Council:

1.3.1 Salary Reserve Fund

The purpose of this Fund is to provide for accrued leave of the Council's staff.

1.3.2 Build Together Fund

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

2. PROPERTY, PLANT AND EQUIPMENT

	2008	2007
	N\$	N\$
Income assets	4 965 581	1 439 206
General capital assets	1 861 100	2 023 400
	6 826 681	3 462 606

VILLAGE COUNCIL OF RUACANA

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

	2008	2007
	N\$	N\$
3. INVESTMENTS		
INVESTMENTS		
Commercial banks	2 945 289	2 646 456
ALLOCATED AS FOLLOWS		
Salary Reserve Fund	165 063	55 957
Build Together Fund	1 377 631	45 104
Revenue	1 402 595	2 545 395
	2 945 289	2 646 456
4. TRADE AND OTHER RECEIVABLES		
Services, rates and taxes	2 251 706	2 210 128
VAT	360 852	367 411
Build Together advances	989 861	311 940
Other	872 235	-
	4 474 654	2 889 479
Provision for bad debts	(1 427 945)	(966 001)
	3 046 709	1 923 478
5. CASH AND BANK BALANCES		
Current account	56 066	40 744
Petty cash	64	-
	56 130	40 744
6. CAPITAL OUTLAY		
Revenue contributions	4 965 581	1 439 206
General Capital contributions	1 861 100	2 023 400
	6 826 681	3 462 606

VILLAGE COUNCIL OF RUACANA

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

	2008	2007
	N\$	N\$
7. FUNDS AND ACCOUNTS		
Salary Reserve Fund	165 063	55 957
Build Together Fund	2 367 492	357 044
Revenue account kept in compliance with Section 86(1) of the Local Authority Act, 1992.	2 760 201	3 984 916
	5 292 756	4 397 917
8. TRADE AND OTHER PAYABLES		
Trade payables	117 784	156 369
Suspense account	448 828	24 642
Provisions	60 000	30 000
Consumer deposits	7 250	1 750
Outstanding cheques	199 916	-
	833 778	212 761
9. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Expenses not accounted for	(2 123 762)	-
Credit note	(6 229)	-
Correction of opening balance of accumulated surplus	(2 799)	-
Income from old receivables not accounted for	28 588	1 386 060
Provision for bad debts	-	(966 001)
Provision for leave	-	(49 994)
Sundry expenses	-	(2 504)
	(2 104 202)	367 561

VILLAGE COUNCIL OF RUACANA

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

	<u>2008</u>	<u>2007</u>
	N\$	N\$
10. CASH (UTILISED)/GENERATED BY OPERATIONS		
Net operating profit before transfers	724 281	1 452 005
Adjustments for:		
- Adjustments to appropriation account	<u>(2 104 202)</u>	<u>367 561</u>
OPERATING (DEFICIT)/SURPLUS BEFORE CHANGES IN WORKING CAPITAL	<u>(1 379 921)</u>	<u>1 819 566</u>
CHANGES IN WORKING CAPITAL		
Increase in trade and other receivables	(1 123 231)	(1 614 773)
Increase in inventories	(78 406)	-
Increase in trade and other payables	<u>621 017</u>	<u>212 761</u>
	<u>(580 620)</u>	<u>(1 402 012)</u>
CASH (UTILISED)/GENERATED BY OPERATIONS	<u>(1 960 541)</u>	<u>417 554</u>