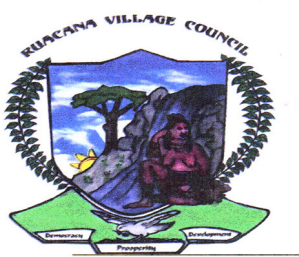
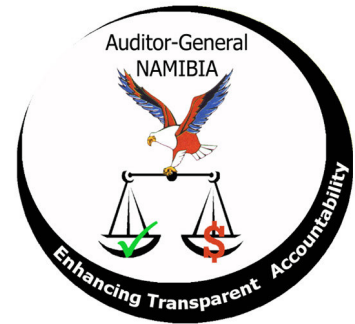




**REPUBLIC OF NAMIBIA**



**AUDIT REPORT ON THE ACCOUNTS OF THE**

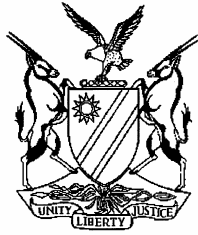
# **VILLAGE COUNCIL OF RUACANA**

**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 Ruacana 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, October 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 2009**

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**1. INTRODUCTION**

The accounts of the Ruacana Village Council 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 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. 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 Municipality 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 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 Trade and other receivables

The average collection period of trade receivables, before taking the provision for bad debts into account, is 500,3 days (2008 - 367,4 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 134,2 days (2008 - 134,4 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\$ 573 202.

#### 5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Village Council of Ruacana 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:

	<b>Revenue</b>	<b>Expenditure</b>	<b>Deficit</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated surplus on 01/07/2008				2 760 201
<b>General accounts</b>				
- Non-profitable	5 657 206	6 001 042	(343 836)	
- Self-supporting	167 262	202 103	(34 841)	
<b>Trade account</b>				
- Water	1 255 620	1 623 176	(367 556)	
Deficit for the year	7 080 088	7 826 321	(746 233)	(746 233)
				2 013 968
Adjustments and utilizations (See note 9, Annexure D)				(557 673)
Accumulated surplus on 30/06/2009				<b>1 456 295</b>

#### 7. CURRENT BANK ACCOUNT

	<b>2009</b>	<b>2008</b>
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	(309 282)	(143 850)
Outstanding cheques	399 729	199 916
Unexplained difference	-	1 443
Balance as per bank statement	<b>90 447</b>	<b>57 509</b>

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

## 8. INVESTMENTS

The investments as at 30 June were as follows:

<b>Institution</b>	<b>2009</b>	<b>2008</b>
	N\$	N\$
Commercial banks	<b>1 344 625</b>	<b>2 945 289</b>

The investments were allocated as follows:

<b>Allocation</b>	<b>2009</b>	<b>2008</b>
	N\$	N\$
Salary Reserve Fund	179 685	165 063
Build Together Fund	249 136	1 377 631
Revenue	915 804	1 402 595
	<b>1 344 625</b>	<b>2 945 289</b>

## 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:

	<b>2009</b>	<b>2008</b>
	N\$	N\$
Sales	1 028 390	931 840
Cost of bulk purchases	(1 001 409)	(879 027)
Gross surplus	26 981	52 813
Other expenses	(394 537)	(48 226)
<b>Net (deficit)/surplus</b>	<b>(367 556)</b>	<b>4 587</b>
Gross surplus percentages on bulk purchases	2.7%	6.0%
Net (deficit)/surplus percentage on bulk purchases	(36.7%)	0.5%

Council should strive to turn the loss into surpluses.

### 10.2 Water distribution results, in cubic meters

	<b>2009</b>	<b>2008</b>
	Units	Units
Sales	117 609	106 862
Purchases	132 470	126 116
<b>Loss</b>	<b>(14 861)</b>	<b>(19 254)</b>
Percentage loss in units	(11.2%)	(15.3%)

**11. SELF-SUPPORTING SERVICES**

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

	<b>Income</b>	<b>Expenses</b>	<b>Deficit</b>	<b>Deficit</b>
	<b>2009</b>	<b>2009</b>	<b>2009</b>	<b>2008</b>
	N\$	N\$	N\$	N\$
	Sewerage	167 262	202 103	(34 841)
	<b>167 262</b>	<b>202 103</b>	<b>(34 841)</b>	<b>(211 695)</b>

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

There were no such expenses.

**13. SUSPENSE ACCOUNTS**

Suspense accounts are cleared on a regular bases.

**14. IRREGULARITIES AND LOSSES**

There were no such expenses.

**15. CAPITAL PROJECTS**

The following has been spent on capital projects:

<b>Nature of projects/acquisitions</b>	<b>Financed by</b>	<b>Total expenditure 2009</b>	<b>Total expenditure 2008</b>
	<b>Revenue account</b>		
	N\$	N\$	N\$
General Administration	15 145	15 145	100 894
Health Services	3 932	3 932	418 470
Town Planning	3 709 705	3 709 705	3 443 479
Sewerage	-	-	179 750
Water supply	363 954	363 954	-
	<b>4 092 736</b>	<b>4 092 736</b>	<b>4 142 593</b>

The income statements reflect an amount of N\$ 4 104 780 as capital projects. Council explained that the difference of N\$ 12 044 is prior year expenditure and is included in the appropriation account, but it appears that purchases of tools and equipment for water services is not reflected in the capital statement.

**16. BURSARIES**

There were no such expenses.

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

	<b>2009</b>	<b>2008</b>
	N\$	N\$
Contribution from Government	<b>2 500 000</b>	<b>3 000 000</b>

**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:**

	<b>2009</b>	<b>2008</b>
	N\$	N\$
Services, rates and taxes	2 751 422	2 251 706
VAT	463 717	360 852
Build Together advances	2 255 338	989 861
Other	-	872 235
	5 470 477	4 474 654
Provision for bad debts	(2 013 232)	(1 427 945)
<b>Total</b>	<b>3 457 245</b>	<b>3 046 709</b>

The average collection period of trade receivables, before taking the provision for bad debts into account, is 500,3 days (2008 - 367,4 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 134,2 days (2008 - 134,4 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\$ 573 202.

**23.2 Trade and other payables at 30 June were:**

	<b>2009</b>	<b>2008</b>
	N\$	N\$
Trade payables	122 617	117 784
Suspense account	224 447	448 828
Provisions	60 000	60 000
Consumer deposits	9 750	7 250
Outstanding cheques	399 729	199 916
<b>Totals</b>	<b>816 543</b>	<b>833 778</b>

Outstanding cheques should not be reflected as creditors.

**24. ASSESSMENT RATES**

	<b>2009</b>	<b>2008</b>
	N\$	N\$
The proceeds from assessment rates were	234 175	246 909
Tariffs per N\$1 valuation per annum - Site valuation	0.0420	0.0420
Tariffs per N\$1 valuation per annum - Improvements	0.0173	0.0173

**25. LOANS**

**25.1 External loans**

There are no external loans.

**25.2 Due to the Village Council**

	<b>2009</b>	<b>2008</b>
	N\$	N\$
Build together advances - Included in trade and other receivables	<b>2 255 338</b>	<b>989 861</b>

**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.

	<b>2009</b>		<b>2008</b>	
	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>
		N\$		N\$
<b>Total</b>	<b>56</b>	<b>774 499</b>	<b>75</b>	<b>400 989</b>

Council should consider to allocate such income to a Fixed Property Fund



**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
Balance - 01/07	-	N\$ -	2	104 800	2	107 391
Additions	-	-	-	-	-	-
Sub-total	-	-	2	104 800	2	107 391
Depreciation	-	-	-	(52 400)	-	(19 913)
Balance - 30/06	-	-	<b>2</b>	<b>52 400</b>	<b>2</b>	<b>87 478</b>

**30.2 Inventory**

Inventories amount to N\$ 64 226. (2008 - N\$ 78 406)

**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 - None

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

The accounts of the Village Council of Ruacana for the financial year ended 30 June 2009, 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 following reasons:

- An underprovision of N\$ 573 202 with regard to bad debts has been made with the result that income and the accumulated surplus is overstated by the said amount.

Except for the above-mentioned issue, in my opinion, the financial statements fairly present the financial position of the Village Council at 30 June 2009 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, October 2009**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## VILLAGE COUNCIL OF RUACANA

## BALANCE SHEET AT 30 JUNE

	Notes	2009 N\$	2008 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	11 089 191	9 771 970
Investments	3	9 744 566	6 826 681
		1 344 625	2 945 289
<b>Current assets</b>			
Trade and other receivables	4	3 612 371	3 181 245
Inventories		3 457 245	3 046 709
Bank and cash	5	64 226	78 406
		90 900	56 130
<b>TOTAL ASSETS</b>		<b>14 701 562</b>	<b>12 953 215</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds and reserves</b>			
Capital outlay	6	13 885 019	12 119 437
Funds and accounts	7	9 744 566	6 826 681
		4 140 453	5 292 756
<b>Current liabilities</b>			
Trade and other payables	8	816 543	833 778
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>14 701 562</b>	<b>12 953 215</b>

## VILLAGE COUNCIL OF RUACANA

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		N\$	N\$
INCOME		6 922 820	6 544 357
EXPENDITURE		<u>(7 826 321)</u>	<u>(5 820 076)</u>
NET OPERATING – (DEFICIT)/SURPLUS		(903 501)	724 281
INTEREST ON INVESTMENTS		<u>157 268</u>	<u>155 206</u>
NET (DEFICIT)/SURPLUS AFTER INTEREST		(746 233)	879 487
APPROPRIATION ACCOUNT	9	<u>(557 673)</u>	<u>(2 104 202)</u>
		(1 303 906)	(1 224 715)
REVENUE ACCOUNT - Beginning of the year		<u>2 760 201</u>	<u>3 984 916</u>
REVENUE ACCOUNT - End of the year		<u><b>1 456 295</b></u>	<u><b>2 760 201</b></u>

## VILLAGE COUNCIL OF RUACANA

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	<b>Note</b>	<b>2009</b>	<b>2008</b>
		N\$	N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		6 922 820	6 544 357
Cash paid to suppliers		(8 797 585)	(8 504 898)
Cash utilised by operations	10	(1 874 765)	(1 960 541)
Interest received		157 268	155 206
Increase in Fund accounts		151 603	2 119 554
Increase in Capital outlay		2 917 885	3 364 075
Net cash flow from operating activities		1 351 991	3 678 294
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net capital expenditure		(2 917 885)	(3 364 075)
Decrease/(increase) in investments		1 600 664	(298 833)
		(1 317 221)	(3 662 908)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>34 770</b>	<b>15 386</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>		<b>56 130</b>	<b>40 744</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>5</b>	<b>90 900</b>	<b>56 130</b>

## 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 life's.

**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, external loans from Government and interest on investments and loans.

	<u>2009</u>	<u>2008</u>
	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
Income assets	8 045 766	4 965 581
General capital assets	1 698 800	1 861 100
	<u><b>9 744 566</b></u>	<u><b>6 826 681</b></u>

**3. INVESTMENTS**

## INVESTMENTS

Commercial banks	<u><b>1 344 625</b></u>	<u><b>2 945 289</b></u>
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## ALLOCATED AS FOLLOWS

Salary Reserve Fund	179 685	165 063
Build Together Fund	249 136	1 377 631
Revenue	915 804	1 402 595
	<u><b>1 344 625</b></u>	<u><b>2 945 289</b></u>

## VILLAGE COUNCIL OF RUACANA

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

	<b>2009</b>	<b>2008</b>
	N\$	N\$
<b>4. TRADE AND OTHER RECEIVABLES</b>		
Services, rates and taxes	2 751 422	2 251 706
VAT	463 717	360 852
Build Together advances	2 255 338	989 861
Other	-	872 235
	<u>5 470 477</u>	<u>4 474 654</u>
Provision for bad debts	(2 013 232)	(1 427 945)
	<b><u>3 457 245</u></b>	<b><u>3 046 709</u></b>
<b>5. CASH AND BANK BALANCES</b>		
Current account	90 447	56 066
Petty cash	453	64
	<b><u>90 900</u></b>	<b><u>56 130</u></b>
<b>6. CAPITAL OUTLAY</b>		
Revenue contributions	8 045 766	4 965 581
General Capital contributions	1 698 800	1 861 100
	<b><u>9 744 566</u></b>	<b><u>6 826 681</u></b>
<b>7. FUNDS AND ACCOUNTS</b>		
Salary Reserve Fund	179 685	165 063
Build Together Fund	2 504 473	2 367 492
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	1 456 295	2 760 201
	<b><u>4 140 453</u></b>	<b><u>5 292 756</u></b>

## VILLAGE COUNCIL OF RUACANA

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

	<b>2009</b>	<b>2008</b>
	N\$	N\$
<b>8. TRADE AND OTHER PAYABLES</b>		
Trade payables	122 617	117 784
Suspense account	224 447	448 828
Provisions	60 000	60 000
Consumer deposits	9 750	7 250
Outstanding cheques	399 729	199 916
	<b>816 543</b>	<b>833 778</b>
<b>9. ADJUSTMENTS TO APPROPRIATION ACCOUNT</b>		
Expenses not accounted for	(5 738)	(2 123 762)
Credit note	-	(6 229)
Correction of opening balance of accumulated surplus	-	(2 799)
Income from old receivables not accounted for	33 352	28 588
Provision for bad debts	(585 287)	-
	<b>(557 673)</b>	<b>(2 104 202)</b>
<b>10. CASH UTILISED BY OPERATIONS</b>		
Net operating profit before transfers	(903 501)	724 281
Adjustments for:		
- Adjustments to appropriation account	(557 673)	(2 104 202)
<b>OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL</b>	<b>(1 461 174)</b>	<b>(1 379 921)</b>
<b>CHANGES IN WORKING CAPITAL</b>		
Increase in trade and other receivables	(410 536)	(1 123 231)
Decrease/(increase) in inventories	14 180	(78 406)
(Decrease)/increase in trade and other payables	(17 235)	621 017
	(413 591)	(580 620)
<b>CASH UTILISED BY OPERATIONS</b>	<b>(1 874 765)</b>	<b>(1 960 541)</b>