



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

VILLAGE COUNCIL OF TSES

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 h erewith my report on the accounts of the Village Council of Tses 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, November 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. INTRODUCTION

The accounts of the Village Council of Tses 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).

Figures in the report are rounded off to the nearest Namibia Dollar. Negative figures are shown 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, **except that the statements were only signed on 03 March 2014 and not submitted within the three month period 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 following annexures are also attached to this report:

- 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 complies 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 auditors' 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 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as overall presentation of the financial statements.

4. AUDIT OBSERVATIONS AND COMMENTS

Items that were also reported in the previous financial year are indicated by way of an asterisk (*). Management comments received did not address the issues in the report hence the comments are not included in this report.

4.1 Revenue

The auditors were unable to verify the completeness, accuracy and existence of revenue relating to water and electricity sales to the amount of N\$ 480 196 due to the non-submission of supporting documents.

Recommendation

It is recommended that the Council safeguard all supporting evidence and provide it for audit purposes.

4.2 Inventories (*)

Although inventories did exist at year end the Council did not reflect the value of inventories in the annual financial statements. The auditors were unable to determine the value on hand as at 30 June due to poor record keeping at the Village Council.

Recommendation

It is once again recommended that the Council should develop and implement a system to control and account for the stock of the Council. Furthermore the Council should conduct stock counts at year end to ensure accurate figures are presented in the annual financial statements.

4.3 Trade debtors

The auditors observed with concern that the closing balances as per the debtors trial balance differed with the balances reflected on the individual debtors' accounts as a result no reliance could be placed on the credibility of these amounts.

Recommendation

The Council is recommended to reconcile the debtors' trial balance and the individual debtors' accounts as a matter of urgency and ensure that these accounts are in agreement. Furthermore, the Council is encouraged to put measures in place to prevent the recurrence of this finding.

4.4 Housing fund debtors (*)

The auditors were not provided with the housing fund debtors loan register for the year under review, hence the auditors could not ascertain themselves with the accuracy, completeness and disclosure of the figures presented in the financial statements. Furthermore, an amount of N\$ 1 798 016 reflected in the annual financial statements for housing loans could not be confirmed in the general ledger.

Recommendation

It is recommended that the Council safeguard all supporting documents and provide it for audit purposes. Furthermore, the Council should do reconciliations between the annual financial statements and the general ledger to ensure the accuracy and completeness of figures presented in the financial statements.

4.5 Provision for bad debts (*)

The Council provided an amount of N\$ 1 475 836 for bad debts. Debtors outstanding for 120 or more days amounted to N\$ 2 489 786 resulting in an under provision of N\$ 1 013 950. The auditors observed that the provision for bad debts reflected in the financial statements remained unchanged from the prior financial year even though substantial movement was observed in the accounts receivable balance.

Recommendation

The Council is recommended to review its calculation for the provision of bad debts annually, and ensure that all debts outstanding for 120 or more days are considered in determining the value of provision for bad debts. The Council is also recommended to get a debtor policy in place.

4.6 Electricity purchases (*)

The auditors observed a material difference of N\$ 214 471 between the Nampower invoices and the general ledger values for the year under review.

Recommendation

The Council is recommended to regularly reconcile the supplier accounts and to ensure that figures presented in the annual financial statements are accurate.

4.7 Value Added Tax (*)

The auditors observed that input VAT was misstated by N\$ 159 670. It was also observed with concern that VAT returns were not submitted on time and the Council did not provide for penalties and interest on the late submission of VAT returns.

Recommendation

The Council is recommended to ensure that monthly VAT reconciliations are performed to ensure accuracy of figures presented in the financial statements. The Council should also ensure that all VAT returns are submitted on time to avoid penalties and interest for late submission.

4.8 Fixed assets register (*)

The Council did not maintain a fixed asset register for the year under review resulting in the auditors not being able to confirm the accuracy of depreciation charged and its consistency with Councils policies. Furthermore the auditors could also not ascertain the completeness of the additions as reflected in the annual financial statements. As a result the auditors are unable to give assurance to the fairness of the figure of N\$ 10 955 032 as reflected in the financial statements.

Recommendation

The Council is recommended to develop a fixed asset register. The Council should also ensure that this register is maintained annually to contain all relevant information and provide it for audit purposes.

4.9 Property , plant and equipment - Insurance

It was observed with concern that the Councils assets were significantly under insured, considering replacement costs and the lack of a business continuity plan or disaster recovery plan this could cast significant doubt on the Councils ability to continue with limited interruption in providing services in the event of a disaster.

Recommendation

The Council is recommended to revisit the valuations of their critical assets to ensure business continuity and see whether they are adequately covered. Furthermore, the Council is encouraged in coming up with a disaster recovery plan.

4.10 Capital expenditure

A capital expense totalling N\$ 322 392 relating to the electricity vote could not be verified due to a lack of supporting documents.

Recommendation

It is once again recommended that the Council safeguard all supporting documents and provide it for audit purposes.

4.11 Payroll

At the time of the audit for the sample selected it was observed with concern that personnel files were not updated with information such as appointment letters, approved salary adjustment letters. Furthermore no controls existed regarding the approval of leave.

Recommendation

The Council is recommended to update all salary files as a matter of urgency and ensure that all relevant supporting evidence is filed for audit purposes. The Council should also take corrective action regarding the treatment of leave.

4.12 Trade and other payables (*)

The Council could not provide the auditors with a detailed list of payables as well as the list of consumer deposits thus, the auditors could not ascertain the existence, completeness and accuracy of the balances as reflected in the financial statements.

Recommendation

It is recommended that the Council safeguard all supporting documents and provide it for audit purposes.

4.13 Appropriation account (*)

A difference of N\$ 136 788 was observed between the general ledger balance and the amount reflected in the annual financial statements.

Recommendation

It is recommended that the Council do reconciliations between the financial statement and the general ledger balances to ensure completeness and accuracy of figures presented in the annual financial statements.

4.14 Suspense accounts (*)

The Council's general ledger reflected debit and credit closing balances which could not be combined to supporting documents which amounted to N\$ 2 000 and N\$ 110 970 respectively.

These balances were not reflected in the Council's financial statements.

Recommendation

It is recommended that the Council do reconciliations between the financial statement and the general ledger balances to ensure completeness and accuracy of figures presented in the annual financial statements. Furthermore it is recommended that suspense accounts be cleared on a monthly basis.

4.15 Investments (*)

An investment amounting to N\$ 569 827 appear to be held in the name of the Ministry of Regional and Local Government and Housing on behalf of the Council but could not be confirmed due to lack of supporting records.

Recommendation

The Council is recommended to provide the relevant supporting documents to substantiate the existence of the investment held in the name of the Ministry.

4.16 Analytical reviews – Financial statements vs trial balance

The following differences were observed between the trial balance and the annual financial statements:

Details	Balance AFS	Balance TB	Difference
	N\$	N\$	N\$
Revenue Investments	1 709 714	2 222 465	(512 751)
Suspense provisional balance TRF	-	110 970	110 970

Recommendation

It is recommended that the Council do reconciliations between the financial statements and the trial balance balance to ensure completeness and accuracy of figures presented in the annual financial statements.

4.17 Losses on sale of water and electricity (*)

The Council continues to incur significant losses on the sale of water and electricity. (See paragraph 6)

Recommendation

The Council is recommended to implement corrective measures as a matter of urgency to ensure these accounts are turned in profitable services.

5. ACKNOWLEDGEMENT

The assistance and co-operation given by the staff of the Village Council during the audit is highly appreciated.

6. FINANCIAL RESULTS

The results of the various operations and transactions on the Revenue Account for the year are as follows:

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
Accumulated deficit 01/07/2012	N\$	N\$	N\$	N\$ (690 084)
General accounts				
Non-profitable services	4 506 613	(2 602 308)	1 904 305	
Self-supporting services	248 248	(492 469)	(244 221)	
Trade accounts				
Water	710 522	(805 611)	(95 089)	
Electricity	621 663	(1 274 106)	(652 443)	
	6 087 046	(5 174 494)	912 552	
Surplus for the year				912 552
Adjustments and appropriations (Note 9, Annexure D)				56 323
Accumulated Surplus 30/06/2013				278 791

7. CURRENT BANK ACCOUNT

The unfavourable bank statement balance on the current bank account amounted to N\$ 100 887 for the year under review (2012: N\$ 337 792). There were no cheques that were not presented for payment or outstanding deposits.

8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June were as follows:

Institution	Investments		Interest	
	2013	2012	2013	2012
	N\$	N\$	N\$	N\$
Invested at:				
Financial institutions	1 402 895	342 520	37 179	26 805
Insurance companies/ Unknown	569 827	569 827	-	-
	1 972 722	912 347	37 179	26 805

Section 80(3) of the Act reads as follows:

“(3) A Local Authority Council may invest any unexpended portion of its funds with a bank registered in terms of the Banks Act, 1965 (Act 23 of 1965), a building society as defined in Section 1 of the Building Society Act, 1986 (Act 2 of 1986), and the Post Office Savings Bank controlled and managed by the Namibian Post Limited established by Section 2 of the Posts and Telecommunications Companies Establishment Act, 1992, or such other financial institution as may be approved by the Minister.”

* The auditors requested proof of approval by the Minister as per Section 80(3) of the Act, of all investments held at insurance companies. The Council could not provide such a letter. No supporting documentation could be provided for the investment.

The investments and interest earned were allocated as follows:

	Investment	Interest	Investment	Interest
	2013	2013	2012	2012
	N\$	N\$	N\$	N\$
Revenue	1 952 032	37 179	907 571	26 805
Housing Fund	20 690	-	4 776	-
	1 972 722	37 179	912 347	26 805

9. FUND ACCOUNTS

The position of internal Funds and Reserves is shown in note 7 at annexure D.

10. TRADE ACCOUNTS

10.1 Operating results

The results for the financial year under review and the previous year were as follows:

	Water		Electricity	
	2013	2010	2013	2012
	N\$	N\$	N\$	N\$
Sales	704 074	123 517	599 144	205 537
Cost of sales	776 502	(935 163)	(610 805)	(559 851)
Gross profit / (Loss)	(72 428)	(811 646)	(11 661)	(354 314)
Other income/ (expenses)	6 449	(1 347)	22 520	254 578
Net (deficit)	(65 979)	(812 993)	10 859	(99 736)
Gross profit on cost of sales	(9%)	(87%)	(2%)	(63%)
Net profit percentage on cost of sales	(8%)	(87%)	2%	(18%)

The Council should implement measures to turn these trade accounts into profitable services.

10.2 Distribution losses

The Council could not provide the auditors with statistics to enable them to calculate the distribution losses for the year under review. This is seen in a very serious light specifically when looking at the financial losses that the Council suffered.

11. SELF-SUPPORTING EXTERNAL SERVICES

The net result of these services, compared with the previous year, is as follows:

	Income	Expenses	Surplus/ (deficit)	Surplus/ (deficit)
	2013	2013	2013	2012
	N\$	N\$	N\$	
Cleansing services	33 455	(474 944)	(441 489)	(385 288)
Sewerage	128 178	-	128 178	79 880
Townlands	20 492	(1 647)	18 845	8 958
	182 125	(476 591)	(294 466)	(296 450)

The causes for these losses should be investigated and measures should be implemented to turn these services into self-supporting services.

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No unauthorized or avoidable expenditure was identified during the year under review.

13. SUSPENSE ACCOUNTS

The following suspense accounts were disclosed in the annual financial statements for the year under review

	2013	2012
	N\$	N\$
Suspense Debtors/ Receivable	-	413 170
Suspense Creditors/ Payable	-	(514 410)

14. IRREGULARITIES AND LOSSES

14.1 No irregularities by employees were reported for the year under review.

14.2 No losses due to theft, fire or accidents were reported during the year under review.

15. CAPITAL PROJECTS

Capital expenditure for the 2013 financial year amounted to N\$ 1 110 788 (2012: N\$ 2 675 250) and comprises the following:

	Revenue account 2013	Total expenditure 2013	Total expenditure 2012
	N\$	N\$	N\$
Council – General expenses	179 759	179 759	2 124 250
Electricity supply	596 639	596 639	-
Parks and recreation	-	-	-
Water supply	-	-	-
Streets and road works	334 390	334 390	-
Fire Brigade	-	-	551 000
	1 110 788	1 110 788	2 675 250

16. STUDY LOANS/BURSARIES

No bursaries or study loans were granted during the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID RECEIVED FROM GOVERNMENT

	2012	2012
	N\$	N\$
Contribution from the Ministry of Regional and Local Government, Housing and Rural Development	3 982 852	3 294 878
Total	3 982 852	3 294 878

18. COMPENSATION PAYMENTS

No compensation payments were made by the Council during the year under review.

19. VISITS TO FOREIGN COUNTRIES

A Foreign trip totalling N\$ 65 327 were made to Germany regarding the Tses Glass Project. The trip was authorized by the Minister and all costs were paid by the German companies.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims for losses were made/ received during the year under review.

21. GIFTS AND DONATIONS BY THE LOCAL AUTHORITY

No gifts or donations were made by the Village Council during the year under review.

22. TRANSFER OF PROPERTY TO/FROM THE GOVERNMENT

No property was transferred to/or from the Government for the year under review.

23. DEBTORS/CREDITORS

23.1 Debtors on 30 June comprised of the following:

	2013	2012
	N\$	N\$
Services, rates and taxes	2 437 548	1 902 619
Suspense account	2 000	413 170
VAT	577 784	822 311
Housing fund debtors	1 798 017	1 730 865
Provision for bad debts	(1 475 836)	(1 475 836)
	3 339 513	3 393 129

A list of Housing debtors were not made available to the auditors.
(Also refer to paragraph 4.4)

23.2 Creditors on 30 June comprised of the following:

	2013	2012
	N\$	N\$
Trade Payables	2 643 327	2 931 200
Consumer deposits	572	2 463
Provision for leave	263 448	-
Suspense account	-	514 410
	2 907 347	3 448 073

24. ASSESSMENT RATES

Net surplus from assessment rates amounted to N\$ 65 243 for the financial year (2012: N\$ 4 421).

The gazetted tariffs were as follows:

For the year under review assessment rates were N\$ 0.23557 (2012: N\$ 0.23557) per dollar per year on site values per year and N\$ 0.00571 (2012: N\$ 0.00571) per dollar per year on improvements per year.

25. LOANS

25.1 External loans

No external loans were advanced or received during the year under review.

25.2 Internal loans

No internal loans were advanced or received during the year under review.

25.3 Housing loans

Housing loans advanced to buyers under the Build Together Scheme is disclosed in the financial statements as N\$ 1 798 017 for the year under review (2012: N\$ 1 730 865). No list of these loans could be made available to the auditors and therefore could not be verified for correctness.

26. SALE OF ERVEN

Erven sales amounted to N\$ 20 492 for the year under review (2012: N\$ 42 514).

27. PROPERTY SOLD ON AN INSTALMENT BASIS

No property was sold on instalment basis for the year under review.

28. TARIFF ADJUSTMENTS

Tariff adjustments were applied in accordance with the relevant Official Government Notices for the year under review.

29. APPROVALS

All necessary approvals were obtained for the year under review.

30. STOCK AND EQUIPMENT

30.1 Motor vehicles

The reconciliation of the number of motor vehicles, distance travelled and fuel consumed for the year under review could not be availed by the Council for auditing purposes.

30.2 Inventory

No inventory on store materials were recorded or disclosed in the annual financial statements for the year under review although inventories did exist.

31. SPECIAL INVESTIGATIONS

No special investigations were carried out during the year under review.

32. GENERAL

32.1 Internal control environment

There was no sufficient system of internal control at the Village Council for the year under review which the auditors could rely upon. There is no evidence of management monitoring key aspects of the business operations and assessing internal controls to detect or prevent fraud. Segregation of duties is not possible due

to the small number of staff employed, but increased risk awareness and regular review of internal controls by management could significantly reduce risks the Council might be exposed to.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries were addressed to the Village Secretary (CEO) by way of a management letter.

34. DISCLAIMED AUDIT OPINION

The accounts of the Village Council of Tses for the financial year ended 30 June 2013, summarized in Annexure A to D, were audited by me in terms of the provisions 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 due to the following reasons:

- Revenue relating to water and electricity sales totalling N\$ 480 196 could not be verified due to a lack of supporting documentation;
- No inventories were disclosed in the financial statements for the year under review;
- Closing balances' of individual debtor accounts differed significantly with the balances reflected in the debtors' trial balance;
- The auditors were not provided with the housing debtors' loan register for the year under review,
- An amount of N\$ 1 798 017 reflected in the financial statements for housing debtors could not be confirmed in the general ledger;
- The Council under provided by N\$ 1 013 950 for provision for doubtful debts;
- Provision for doubtful debts remained unchanged from the prior year without justification;
- A difference of N\$ 214 471 was observed between the Nampower invoices and the general ledger values for electricity bulk purchases;
- Input VAT was misstated by N\$ 159 670;
- The Council did not maintain a fixed assets register for the year under review;
- Capital expenditures totalling N\$ 322 392 could not be verified due to a lack of supporting documents;
- Trade payables and consumer deposits could not be verified due to a lack of supporting documents;
- The appropriation account was misstated by N\$ 136 788;
- Uncleared suspense account balances of N\$ 2 000 (debit) and N\$ 110 970 (credit) not reflected in the financial statements;
- An investment totalling N\$ 569 827 could not be verified due to a lack of supporting documents; and
- A difference of N\$ 512 751 relating to revenue investments was observed between the financial statements and the trial balance

WINDHOEK, November 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

VILLAGE COUNCIL OF TSES

BALANCE SHEET AS AT 30 JUNE

	Notes	2013 N\$	2012 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	12 927 754	10 756 590
Investments	3	10 955 032	9 844 243
		1 972 722	912 347
Current assets			
Suspense account	4	3 375 327	3 730 920
Cash and cash equivalents	5	2 000	413 170
Livestock		-	337 792
Accounts receivable	6	35 814	-
		3 337 513	2 979 958
TOTAL ASSETS		16 303 081	14 487 510
EQUITY AND LIABILITIES			
Equity			
Capital outlay	7.1	13 294 847	11 039 439
Fund accounts and reserves	7.2	10 955 032	9 844 243
		2 339 815	1 195 196
Current liabilities			
Accounts payable	8	3 008 234	3 448 071
Bank overdraft	5	2 907 347	3 448 071
		100 887	-
TOTAL EQUITY AND LIABILITIES		16 303 081	14 487 510

VILLAGE COUNCIL OF TSES

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2013</u>	<u>2012</u>
		N\$	N\$
INCOME		6 049 867	5 137 795
EXPENDITURE		<u>(5 174 494)</u>	<u>(5 929 815)</u>
OPERATING PROFIT/(LOSS) FOR THE YEAR		875 373	(792 020)
Interest on investment		37 179	24 523
NET PROFIT/(LOSS) FOR THE YEAR		<u>912 552</u>	<u>(776 497)</u>
Add : Appropriation and adjustments	9	<u>56 323</u>	<u>393 183</u>
ACCUMMULATED LOSS FOR THE YEAR		968 875	(374 314)
30 June 2011		<u>(690 084)</u>	<u>(315 770)</u>
30 June 2012		<u>278 791</u>	<u>(690 084)</u>

VILLAGE COUNCIL OF TSES

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2013 N\$	2012 N\$
Cash flow from operating activities			
Cash receipts from customers		6 049 867	5 137 795
Cash paid to suppliers		(5 641 094)	(5 855 440)
Cash generated from operations	10	408 773	(717 645)
Investment income		37 179	24 523
Movement in Fund accounts			
Movement in Capital outlay		1 110 789	1 565 619
Movement in funds		175 744	528 333
Net cash flow from operating activities		1 286 533	1 400 830
Cash flow from investing activities			
Net Capital expenditure		(1 110 789)	(1 565 619)
(Increase)/Decrease in investment		(1 060 375)	471 466
Net cash flow from investing activities		(2 171 164)	(1 094 153)
Net increase in cash and cash equivalents		(438 679)	306 677
Cash and cash equivalents at the beginning of the year		337 792	31 115
Cash and cash equivalents at the end of the year	5	(100 887)	337 792

VILLAGE COUNCIL OF TSES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

1. ACCOUNTING POLICIES

The annual financial statements are compiled in accordance with the historical convention method modified by the restatement of the financial instruments to fair value, except where otherwise stated.

The principal accounting policies of the Village Council, which are set out below, has been consistent and comply with Namibian Statements of Generally Accepted Accounting Practices. The financial statements have been prepared in accordance with the requirements of the Namibian Local Authorities Act, 1992.

1.1 Property, plant and equipment

Property, plant and equipment are stated at cost or at valuation where assets have been acquired by grant or donation, less depreciation written off over the expected useful lives as determined by the Council from time to time. Fixed assets acquired with loan funds are not depreciated until the loan is repaid, unless the expected lifetime of the asset is less than the repayment period of the loan, in which case depreciation is calculated on the shortfall.

1.2 Inventories

Inventories are measured at lower of cost and net realizable value. The cost of inventories should comprise all cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

	<u>2013</u>	<u>2012</u>
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Consists of :		
Property development, vehicles, plant and equipment	<u>10 955 032</u>	<u>9 844 243</u>
Financed by :		
Revenue account	8 395 950	7 265 639
General capital	<u>2 559 082</u>	<u>2 578 604</u>
	<u>10 955 032</u>	<u>9 844 243</u>
3. INVESTMENTS		
Commercial banks and building societies	<u>1 972 722</u>	<u>912 347</u>
The investments were allocated as follows:		
Financial institutions	1 402 895	342 520
Insurance companies	<u>569 827</u>	<u>569 827</u>
Total	<u>1 972 722</u>	<u>912 347</u>

VILLAGE COUNCIL OF TSES

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

	2013	2012
	N\$	N\$
4. SUSPENSE ACCOUNT		
Debtors	2 000	413 170
	2 000	413 170
5. CASH AND CASH BALANCES		
Current bank account (overdraft)	(100 887)	337 792
	(100 887)	337 792
6. ACCOUNTS RECEIVABLE		
Services	2 437 548	1 902 619
Housing loans	583 106	515 954
Incomplete projects	1 214 911	1 214 911
Provision for bad debts	(1 475 836)	(1 475 836)
Value Added Tax	577 784	822 310
	3 337 513	2 979 958
7 FUNDS AND ACCOUNTS		
7.1 Capital outlay		
General capital contributions	8 395 950	2 578 604
Revenue contributions	2 559 082	7 265 639
	10 955 032	9 844 243
7.2 Funds, accounts and reserves		
Housing Fund	2 061 024	1 885 280
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992	278 791	(690 084)
	2 339 815	1 195 196

VILLAGE COUNCIL OF TSES

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

	2013	2012
	N\$	N\$
8. ACCOUNTS PAYABLES		
Trade payables	2 643 327	2 931 200
Suspense	-	514 410
Provision for leave	263 448	-
Consumer deposits	572	2 461
	2 907 347	3 448 071
9. ADJUSTMENTS AND APPROPRIATIONS		
Leave provision	-	243 448
Unknown	56 323	-
Provision for bad debts	-	677 327
Revenue	-	(1 313 958)
	56 323	(393 183)
10. CASH UTILISED IN OPERATIONS		
Net operating profit (deficit) before transfers	912 552	(767 497)
Adjustments (appropriations)	56 323	393 183
Investment income	(37 179)	(24 523)
Operating income before changes in working capital	931 696	(398 837)
Changes in working capital		
Increase/(decrease) in trade and other payables	(540 724)	175 328
(Increase)/decrease in inventories	(35 814)	-
(Increase)/decrease in trade and other receivables and suspense account	53 615	(494 135)
	(522 923)	(318 808)
	408 773	(717 645)