



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF EENHANA

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 Town Council of Eenhana 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, April 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. INTRODUCTION

The accounts of the Town Council of Eenhana 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 Town 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 Town 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 Town 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 Consumer deposits

Council could not provide a listing of consumer deposits. The existence, accuracy and completeness of this balance could thus not be ascertained.

Consumer deposits does not cover one months consumption.

4.2 Property, plant and equipment

The items on the fixed asset register are not coded and dated as to when they were purchased. The newest insurance policy was not available to determine if the fixed assets are adequately insured.

4.3 Long-term loans receivable

No list of Build Together advances could be provided by the Council.

4.4 Inventories

The auditors did not observe the counting of the inventories on 30 June 2013. The inventories on the balance sheet is N\$ 567 779, the actual inventory is N\$ 407 444, therefore the inventory on the financial statements is overstated. According to the Council the inventory on Finstel is not working properly and therefore the stock records are being maintained manually.

4.5 Value Added Tax (VAT)

Included in trade and other receivables is an amount of N\$ 5 773 156 (2012: N\$ 3 720 974) for VAT receivable. No reconciliation of this amount could be provided to the auditors to verify the accuracy, existence and valuation of the amount.

4.6 VAT returns

No VAT returns were submit to the Directorate: Inland Revenue. No provision for penalties and interest has been made in the financial statements.

4.7 Additions to fixed assets

The Council could not provide the auditors with supporting documentation of additions to fixed assets amounting to N\$ 11 326 994, and the auditors were thus unable to verify the additions.

4.8 Bank reconciliation

No bank reconciliation was available for audit purposes. There is a difference of N\$ 2 312 533 between the financial statements and the bank statements.

4.9 Investments

The amount of N\$ 457 260 for community centre savings is not correct as this is the balance on the bank statements on 31 May 2013. No bank statement for 30 June 2013 for this account was available.

4.10 Trade and other payables

The provision of accrued creditors on the financial statements is calculated on the invoice amounts excluding VAT, therefore the accrued creditors is understated by the VAT amount. The provision for leave pay is calculated on the total bonus included for the employees and should only be calculated on the basic salary and allowances.

4.11 Water income

The monthly water readings are being done on loose papers and not on the water reading cards, which is then copied to the client list by hand which is then processed on the system. The papers being used for the original water readings is not filed properly and is not in any systematical order which could be used to verify the final readings processed on the system.

5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Town Council of Eenhana 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 01/07/2012				1 345 528
General accounts				
- Non-profitable services	22 062 047	23 822 377	(1 760 330)	
- Self-supporting services	2 963 514	2 691 386	272 128	
Trade accounts				
- Electricity	394 199	275 243	118 956	
- Water	4 679 591	2 582 061	2 097 530	
Surplus for the year	30 099 351	29 371 067	728 284	728 284
Adjustments and utilisations (See note 11, Annexure D)				2 073 812
				154 627
Accumulated surplus on 30/06/2013				2 228 439

7. CURRENT BANK ACCOUNT

	2013	2012
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	2 350 975	3 323 986
Outstanding cheques	-	2 142 919
Unexplained difference	-	(1 624 098)
Balance as per bank statement	2 350 975	3 842 807

No bank reconciliation was available.

8. INVESTMENTS

The investments as at 30 June were as follows:

Institution	2013	2012
	Investment	Investment
	N\$	N\$
Commercial banks	34 291 928	31 790 901
Distribution		
Mayoral Fund	86 978	131 031
Build Together Fund	9 219 741	7 353 074
Capital Development Fund	18 880 423	11 486 492
Revenue	-	6 767 268
Sport Complex Development Fund	44 037	28 633
Trade and Business Expo Fund	6 060 749	6 024 403
	34 291 928	31 790 901

9. FUND ACCOUNTS

The position of the Funds and accounts at year-end was as shown in note 9 in Annexure D.

10. TRADE ACCOUNT

10.1 The results of water operations were as follows:

	Water	
	2013	2012
	N\$	N\$
Sales	4 582 830	2 935 197
Cost of sales	2 551 558	1 944 956
Gross surplus/(loss)	2 031 272	990 241
Other income	66 258	8 988
Net surplus	2 097 530	999 229
Gross surplus percentage on sales	44.3%	33.7%
Net surplus percentage on sales	45.8%	34.0%

10.2 Distribution results were as follows:

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\$
Civic buildings	425 221	1 091 055	(665 834)	18 600
Licenses and vehicle registration	792 059	703 981	88 078	(635 010)
Open market	50 234	37 515	12 719	(17 981)
Cleansing services	759 051	363 072	395 979	61 680
Sewerage	936 949	495 763	441 186	90 151
	2 963 514	2 691 386	272 128	(482 560)

As reported in the previous year, the Council must turn the loss making services into self-supporting services.

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

There were no such expenses.

13. SUSPENSE ACCOUNTS

Suspense accounts were cleared on a regular basis.

14. IRREGULARITIES AND LOSSES

There were no such expenses.

15. CAPITAL PROJECTS

The following were spend on capital projects:

Nature of projects/acquisitions	Financed by	Total expenditure 2013	Total expenditure 2012
	Revenue account		
	N\$	N\$	N\$
Councils general expenses	476 616	476 616	401 986
Town planning and development	735	735	4 666 940
Streets and storm water	1 439 524	1 439 524	854 889
Cleaning services	126 978	126 978	126 978
Open market stalls	472 120	472 120	472 119
Town treasurer	1 469	1 469	15 170
Water services	4 940 374	4 940 374	-
Health	267 128	267 128	804
Town clerk	14 381	14 381	-
Town administration	735	735	-
Town engineer	12 039	12 039	-
Stores and procurement	735	735	-
Workshop	618 387	618 387	-
Local economic development and tourism	38 566	38 566	-
Sewerage	2 051 140	2 051 140	-
Electricity services	3 282 458	3 282 458	-
	13 743 385	13 743 385	6 538 886

16. STUDY LOANS/BURSARIES

There were no study loans or bursaries paid for the period under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID.

	2013	2012
	N\$	N\$
Contribution from Government	12 808 000	2 428 133

18. COMPENSATION PAYMENTS

No compensation payments was made during the year under review.

19. VISITS TO FOREIGN COUNTRIES

No information could be provided by the Council.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the Local Authority.

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

An amount of N\$ 5 069 (2012: N\$ 1 000) was paid as donations for the year under review.

22. TRANSFER OF PROPERTY

No property was transferred to or from Government.

23. TRADE AND OTHER RECEIVABLES/TRADE AND OTHER PAYABLES**23.1 Trade and other receivables at 30 June were:**

	2013	2012
	N\$	N\$
Consumers	5 279 903	4 812 931
VAT receivable	5 773 156	3 720 974
Suspense accounts	184 357	326 170
Provision for bad debts	11 237 416 (4 157 290)	8 860 075 (4 038 674)
Total	7 080 126	4 821 401

23.2 Trade and other payables at 30 June were:

	2013	2012
	N\$	N\$
Trade payables	486 392	443 537
Consumer and other deposits	342 473	236 822
Provisions	1 035 573	1 008 897
Totals	1 864 438	1 689 256

24. ASSESSMENT RATES

	2013	2012
	N\$	N\$
The net proceeds from assessment rates were	4 521 324	4 162 035
Tariffs per N\$1 valuation per month on site value	0.0300	0.0300
Tariffs per N\$1 valuation per month on improvement value	0.0026	0.0260

25. LOANS

25.1 External and internal loans

There were no external or internal loans.

25.2 Housing loans due to the Council

	2013	2012
	N\$	N\$
Interest rated between 9% and 12%	8 066 897	7 458 348

26. SALE OF ERVEN

The proceeds of erven and plots sold were N\$ 2 863 037 (2012: N\$ 2 741 350) and were allocated to the Revenue account.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

No properties were sold on instalment basis during the year under review.

28. TARIFF ADJUSTMENTS

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

29. APPROVALS

All overspending were approved by the Council.

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 - 01/07/2012	2	107 282	4	4	7	161 769
Additions	-	-	2	720 908	1	612 000
Sub-total	2	107 282	6	720 913	8	773 769
Depreciation	-	(57 216)	-	(72 091)	-	(133 570)
Balance - 30/06/2013	2	50 066	6	648 822	8	640 199

30.2 Inventory

According to the Council, stock comprising of stationery and consumables amounted to N\$ 567 779 (2012: N\$ 567 779). The inventory is not correct as it is being done on a manual system for which the auditors received no information regarding the closing value on 30 June 2013.

31. SPECIAL INVESTIGATIONS

There were no special investigations during the year under review.

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 Town 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 Town Council.

34. QUALIFIED AUDIT OPINION

The accounts of the Town Council of Eenhana 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 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:

Property, plant and equipment

The items on the fixed asset register are not coded and dated as to when they were purchased. The newest insurance policy was not available to determine if the fixed assets are adequately insured.

Long-term loans receivable

No list of Build Together advances could be provided by the Council.

Inventories

The auditors did not observe the counting of the inventories on 30 June 2013. The inventories on the balance sheet is N\$ 567 779, the actual inventory is N\$ 407 444, therefore the inventory on the financial statements is overstated. According to the Council the inventory on Finstel is not working properly and therefore the stock records are being maintained manually.

Value Added Tax (VAT)

Included in trade and other receivables is an amount of N\$5 773 156 (2012: N\$ 3 720 974) for VAT receivable. No reconciliation of this amount could be provided to the auditors to verify the accuracy, existence and valuation of the amount.

VAT returns

No VAT returns were submit to the Directorate: Inland Revenue. No provision for penalties and interest has been made in the financial statements.

Additions to fixed assets

The Council could not provide the auditors with supporting documentation of additions to fixed assets amounting to N\$ 11 326 994, and the auditors were thus unable to verify the additions.

Bank reconciliation

No bank reconciliation was available for audit purposes. There is a difference of N\$ 2 312 533 between the financial statements and the bank statements.

Investments

The amount of N\$ 457 260 for community centre savings is not correct as this is the balance on the bank statements on 31 May 2013. No bank statement for 30 June 2013 for this account was available.

Trade and other payables

The provision of accrued creditors on the financial statements is calculated on the invoice amounts excluding VAT, therefore the accrued creditors is understated by the VAT amount. The provision for leave pay is calculated on the total revenue bonus included for the employees and should only be calculated on the basic salary and allowances.

Water income

The monthly water readings being are done on loose papers and not on the water reading cards, which is then copied to the client list by hand which is then processed on the system. The papers being used for the original water readings is not filed properly and is not in any systematical order which could be used to verify the final readings processed on the system.

Except for the above-mentioned remarks of the matters referred to in the preceding paragraphs, I certify that, in my opinion, the financial statements fairly present the financial position of the Town Council at 30 June 2013 and the results of its operations and cash flow for the year then ended in the manner required by the Local Authorities Act, 1992, and the State Finance Act, 1991.

WINDHOEK, April 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

TOWN COUNCIL OF EENHANA

BALANCE SHEET AT 30 JUNE

	Notes	2013	2012
		N\$	N\$
ASSETS			
Non-current assets		84 101 226	71 428 087
Property, plant and equipment	2	41 742 401	32 178 838
Investments	3	34 291 928	31 790 901
Long-term loans receivable	4	8 066 897	7 458 348
Current assets		9 998 880	8 713 166
Inventory	5	567 779	567 779
Trade and other receivables	6	7 080 126	4 821 401
Bank account	7	2 350 975	3 323 986
TOTAL ASSETS		94 100 106	80 141 253
FUNDS AND LIABILITIES			
Funds and reserves		92 235 668	78 451 997
Capital outlay	8	41 742 402	32 178 838
Funds and accounts	9	50 493 266	46 273 159
Current liabilities			
Trade and other payables	10	1 864 438	1 689 256
TOTAL FUNDS AND LIABILITIES		94 100 106	80 141 253

TOWN COUNCIL OF EENHANA

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2013</u>	<u>2012</u>
		N\$	N\$
INCOME		30 092 491	15 537 545
EXPENDITURE		<u>29 371 067</u>	<u>20 276 859</u>
NET OPERATING (DEFICIT)/SURPLUS		721 424	(4 739 314)
INTEREST ON INVESTMENTS		<u>6 860</u>	<u>1 862</u>
NET OPERATING (DEFICIT)/SURPLUS AFTER INTEREST		728 284	(4 737 452)
APPROPRIATION ACCOUNT	11	<u>154 627</u>	<u>(322 965)</u>
NET (DEFICIT)/SURPLUS AFTER APPROPRIATIONS		882 911	(5 060 417)
REVENUE ACCOUNT - Beginning of year		<u>1 345 528</u>	<u>6 405 945</u>
REVENUE ACCOUNT - End of year		<u>2 228 439</u>	<u>1 345 528</u>

TOWN COUNCIL OF EENHANA

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2013</u> N\$	<u>2012</u> N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		30 092 491	15 537 545
Cash paid to suppliers		<u>(31 299 983)</u>	<u>(18 965 444)</u>
Cash (utilised)/generated by operations	12	(1 207 492)	(3 427 899)
Investment income		6 860	1 862
Increase in Fund accounts		3 337 196	28 913 648
Increase in Capital outlay		<u>9 563 564</u>	<u>2 859 582</u>
Net cash flow from operating activities		<u>11 700 128</u>	<u>28 347 193</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		(9 563 563)	(2 859 581)
Increase in investments		(2 501 027)	(21 823 961)
Increase in advances		<u>(608 549)</u>	<u>(1 395 784)</u>
		<u>(12 673 139)</u>	<u>(26 079 326)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		(973 011)	2 267 867
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		<u>3 323 986</u>	<u>1 056 119</u>
CASH AND CASH EQUIVALENTS - END OF YEAR		<u>2 350 975</u>	<u>3 323 986</u>

TOWN COUNCIL OF EENHANA

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 D 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 Investments

Investments are reflected at face value.

1.4 Trade receivables

Accounts receivable are recorded at originated cost less an allowance for bad debts.

1.5 Cash and cash equivalents

It consists of cash on hand and the current account with banks, all of which are available for immediate use by the Council.

1.6 Trade and other payables

All financial liabilities are recorded at cost.

2. PROPERTY, PLANT AND EQUIPMENT

	2013	2012
	N\$	N\$
Revenue	36 924 657	26 310 981
General capital	4 817 744	5 867 857
Total	41 742 401	32 178 838

TOWN COUNCIL OF EENHANA

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

	<u>2013</u>	<u>2012</u>
	N\$	N\$
3. INVESTMENTS		
INVESTMENTS		
Commercial banks	34 291 928	31 790 901
ALLOCATED AS FOLLOWS		
Mayoral Fund	86 978	131 031
Build Together Fund	9 219 741	7 353 074
Capital Development Fund	18 880 423	11 486 492
Revenue	-	6 767 268
Sport Complex Development Fund	44 037	28 633
Trade and Business Expo Fund	6 060 749	6 024 403
	34 291 928	31 790 901
4. LONG-TERM LOANS RECEIVABLE		
Build Together advances to buyers	8 066 897	7 458 348
5. INVENTORY		
Consumable stores	567 779	567 779
6. TRADE AND OTHER RECEIVABLES		
Consumers	5 279 903	4 812 931
VAT receivable	5 773 156	3 720 974
Suspence accounts	184 357	326 170
	11 237 416	8 860 075
Provision for bad debts	(4 157 290)	(4 038 674)
	7 080 126	4 821 401
7. BANK AND CASH		
Current account	2 350 975	3 323 986
8. CAPITAL OUTLAY		
Revenue contributions	36 924 657	26 310 981
General capital contributions	4 817 745	5 867 857
	41 742 402	32 178 838

TOWN COUNCIL OF EENHANA

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

	<u>2013</u>	<u>2012</u>
	N\$	N\$
9. FUNDS, ACCOUNTS AND RESERVES		
Mayoral Fund	158 785	131 031
Build Together Fund	17 554 319	14 811 421
Capital Development Fund	24 012 165	23 932 142
Sport Complex Development Fund	189 070	28 634
Trade and Business Expo Fund	6 350 488	6 024 403
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	2 228 439	1 345 528
	<u>50 493 266</u>	<u>46 273 159</u>
10. TRADE AND OTHER PAYABLES		
Trade payables	486 392	443 537
Consumer and other deposits	342 473	236 822
Provisions	1 035 573	1 008 897
	<u>1 864 438</u>	<u>1 689 256</u>
11. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Adjustment for accrued leave	268 836	(9 970)
Adjustment for salary control	4 407	-
Audit adjustments	-	(2 046 077)
Bank reconciliation corrections	-	830 379
Correction of opening balances	-	513 252
Provision for bad debts	(118 616)	-
Previous year transactions	-	344 650
Stale cheques reversed	-	44 801
	<u>154 627</u>	<u>(322 965)</u>

TOWN COUNCIL OF EENHANA

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

	<u>2013</u>	<u>2012</u>
	N\$	N\$
12. CASH (UTILISED)/GENERATED BY OPERATIONS		
Net operating (deficit)/surplus before interest and transfers	721 424	(4 739 314)
Adjustments for:		
- Adjustments to appropriation account	<u>154 627</u>	<u>(322 965)</u>
OPERATING (DEFICIT)/INCOME BEFORE CHANGES IN WORKING CAPITAL	<u>876 051</u>	<u>(5 062 279)</u>
CHANGES IN WORKING CAPITAL		
Increase in inventories	-	(59 095)
Decrease/(increase) in trade and other receivables	(2 258 725)	3 069 245
Increase/(decrease) in trade and other payables	<u>175 182</u>	<u>(1 375 770)</u>
	(2 083 543)	1 634 380
CASH (UTILISED)/GENERATED BY OPERATIONS	<u>(1 207 492)</u>	<u>(3 427 899)</u>