



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
TOWN COUNCIL OF NKURENKURU  
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2008 AND 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 Town Council of Nkurenkuru for the financial years ended 30 June 2008 and 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, March 2010**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
NKURENKURU TOWN COUNCIL  
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2008 AND 2009**

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**1. INTRODUCTION**

The accounts of the Town Council of Nkurenkuru for the years ended 30 June 2008 and 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 Town 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 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 Municipality 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 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 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 Recoverability of debtors – Bad and doubtful debts**

The average collection period of trade receivables, before taking the provision for bad debts into account, is 112.3 days for 2009 and 119.0 days for 2008. The average collection period of trade receivables, after taking the provision for bad debts into account, are 88.8 days for 2009 and 119.0 days for 2008. Council should attend to the arrears as a matter of urgency. Taking afore-mentioned into account, the auditors are of the opinion that the provision for bad debts are understated.

##### **4.2 Capital expenditure**

During the 2009 financial year the income statements reflect an amount of N\$ 2 292 328 for capital expenditure from revenue. The capital statement reflect an amount of N\$ 1 775 546 for capital expenditure, which is N\$ 516 782 less than the contribution from income. The difference could not be explained by the Council.

During the 2008 financial year the income statements reflect an amount of N\$ 337 083 for capital expenditure from revenue. The capital statement reflect an amount of N\$ 419 014 for capital expenditure, which is N\$ 81 931 more than the contribution from income. The difference could not be explained by the Council.

Council must investigate these differences and adjust the necessary records to reflect the assets from revenue.

##### **4.3 Property, plant and equipment**

Only the motor vehicle is insured, it is however recommended that the Nkurenkuru Town Council should insure all their assets. The council does not have proper fixed asset register. It is therefore recommended that a proper fixed asset register be compiled. The auditors were thus unable to verify the value of assets to their satisfaction.

##### **4.4 Bank reconciliations**

No bank reconciliations were available at the Town Council, and the auditors was thus unable to verify the correctness of the bank balance as stated in the balance sheet.

##### **4.5 Trade and other payables**

No creditors reconciliation are performed by the Council and no supporting documents were available, thus the creditors balance could not be verified by the auditors. Council should start performing creditors reconciliation as well do proper filling to avoid the necessary documents to get lost as the matter of urgency.

##### **4.6 Consumer deposits**

There are no consumer deposits at the Council.

## 5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Nkurenkuru Town 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:

	<b>Revenue</b>	<b>Expenditure</b>	<b>Deficit</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated surplus on 01/07/2008				4 153 885
<b>General accounts</b>				
- Non-profitable	5 522 794	4 559 742	963 052	
- Self supporting	438 719	670 561	(231 842)	
<b>Trade accounts</b>				
- Electricity	419 349	-	419 349	
- Water	218 231	283 019	(64 788)	
Surplus for the year	6 599 093	5 513 322	1 085 771	1 085 771
Adjustments and utilizations (See note 10, annexure D)				5 239 656 (137 201)
Accumulated surplus on 30/06/2009				<b>5 102 455</b>

	<b>Revenue</b>	<b>Expenditure</b>	<b>Deficit</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated surplus on 01/07/2007				-
<b>General accounts</b>				
- Non-profitable	4 907 891	1 648 909	3 258 982	
- Self supporting	709 303	67 870	641 433	
<b>Trade accounts</b>				
- Electricity	74 607	-	74 607	
- Water	275 927	97 064	178 863	
Surplus for the year	5 967 728	1 813 843	4 153 885	4 153 885
Accumulated surplus on 30/06/2008				<b>4 153 885</b>

## 7. CURRENT BANK ACCOUNT

	<b>2009</b>	<b>2008</b>
	N\$	N\$
Cash-book balance at 30 June	(203 833)	484 254
Balance as per bank statement	3 146	239 505
Unexplained difference	<b>(206 979)</b>	<b>244 749</b>

No bank reconciliations were available at the Town Council, and the auditors were thus unable to verify the correctness of the bank balance as stated in the balance sheet.

## 8. INVESTMENTS

The investments as at 30 June were as follows:

Institution	2009		2008	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Commercial banks	5 829 935	356 983	4 307 169	181 593

The investments were allocated as follows:

Allocation	2009	2008
Build Together Fund	740 867	814 569
Revenue	5 089 068	3 492 600
	<b>5 829 935</b>	<b>4 307 169</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:

	Water	
	2009 N\$	2008 N\$
Sales	189 404	114 046
Cost of bulk purchases	(134 736)	(75 980)
Gross surplus	54 668	8 066
Other income/(expenses)	(119 456)	140 797
<b>Net (deficit)/surplus</b>	<b>(64 788)</b>	<b>178 863</b>
Gross surplus percentages on purchases	40.6%	50.1%
Net surplus percentage on purchases	(48.1%)	235.4%
Gross surplus percentages on sales	28.9%	33.4%
Net surplus percentage on sales	(34.2%)	156.8%

### 10.2 Water distribution results, in cubic meters

	Water	
	2009 Units	2008 Units
Sales	15 871	10 745
Purchases	17 174	12 159
<b>Loss</b>	<b>(1 303)</b>	<b>(1 414)</b>
Percentage loss in units	(7.6%)	(11.6%)

## 11. SELF SUPPORTING SERVICES

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

Service	Income 2009	Expenses 2009	Surplus/ (deficit) 2009	Surplus/ (deficit) 2008
	N\$	N\$	N\$	N\$
Cleansing services	182 954	528 971	(346 017)	431 174
Sewerage	255 765	141 590	114 175	210 259
	<b>438 719</b>	<b>670 561</b>	<b>(231 842)</b>	<b>641 433</b>

## 12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No such expenditure was revealed during the year under review.

## 14. IRREGULARITIES AND LOSSES

No irregularities and losses took place during the year under review.

## 15. CAPITAL PROJECTS

The following were spend on capital projects:

Nature of projects/acquisitions	Financed by	Total expenditure 2009	Total expenditure 2008
	Revenue account		
	N\$	N\$	N\$
CEO	391 427	391 427	21 746
Finance	672 831	672 831	143 049
Technical services	240 000	240 000	162 325
Cleansing	340 756	340 756	9 963
Council's general expenses	442 948	442 948	-
Fire brigade	26 950	26 950	-
Parks and recreation	34 923	34 923	-
Development control	132 530	132 530	-
Water	9 963	9 963	-
	<b>2 292 328</b>	<b>2 292 328</b>	<b>337 083</b>

During the 2009 financial year the income statements reflect an amount of N\$ 2 292 328 for capital expenditure from revenue. The capital statement reflect an amount of N\$ 1 775 546 for capital expenditure, which is N\$ 516 782 less than the contribution from income. The difference could not be explained by the Council.

During the 2008 financial year the income statements reflect an amount of N\$ 337 083 for capital expenditure from revenue. The capital statement reflect an amount of N\$ 419 014 for capital expenditure, which is N\$ 81 931 more than the contribution from income. The difference could not be explained by the Council.

Council must investigate these differences and adjust the necessary records to reflect the assets from revenue.

**16. BURSARIES**

No bursaries were granted during the year under review.

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

No contributions, grants or financial aid were granted during the year under review.

**18. COMPENSATION PAYMENTS**

There were no compensation payments.

**19. VISITS TO FOREIGN COUNTRIES**

No visits to foreign countries were undertaken.

**20. CLAIMS AGAINST THE LOCAL AUTHORITY**

There were no claims against the local authority during the year under review.

**21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY**

An amount of N\$ 2 000 (2008: NIL) was paid as donations for the year under review.

**22. TRANSFER OF PROPERTY**

No properties were transferred to/from the Government during the year under review.

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

	<b>2009</b>	<b>2008</b>
	N\$	N\$
Services rendered and assessment rates	143 107	65 679
VAT Provision	239 881	111 351
Build Together advances	389 317	-
	772 305	177 030
Provision for bad debts	(30 000)	-
<b>Total</b>	<b>742 305</b>	<b>177 030</b>
<b>Analysis of services and general debtors:</b>		
Average monthly levy	38 748	16 784
Debtors	143 107	65 679
Average credit terms in days	112.3	119.0



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

	<b>2009</b>	<b>2008</b>
	N\$	N\$
Trade payables	28 567	-
Provision for leave pay	107 201	-
<b>Totals</b>	<b>135 768</b>	<b>-</b>

**24. ASSESSMENT RATES**

There were no assessment rates.

**25. LOANS**

**25.1 External loans**

There are no external loans.

**25.2 Internal loans**

There are no internal loans.

**25.3 Due to the Town Council**

	<b>2009</b>	<b>2008</b>
	N\$	N\$
Build Together advances	389 317	-

**26. SALE OF ERVEN**

During the current financial year, cash proceeds to the value of N\$1 068 305 (2008: Nil) were received for erven sold which were fully allocated to the revenue account.

**27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS**

No erven were sold on an instalment basis for the year under review. The Council's policy is to sell all erven on a cash basis.

**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.

### 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
Additions – 2007/08	-	N\$ -	2	N\$ 277 095	-	-
Balance - 01/07/2008	-	-	2	277 095	-	-
Additions	1	174 085	2	519 015	3	301 465
Sub-total	1	174 085	4	796 110	3	301 465
Depreciation	-	-	-	-	-	-
Balance - 30/06/2009	<b>1</b>	<b>174 085</b>	<b>4</b>	<b>796 110</b>	<b>3</b>	<b>301 465</b>

#### 30.2 Inventory

There were no inventories.

### 31. SPECIAL INVESTIGATIONS

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

### 32. GENERAL

The accounting and internal controls applied by the Council are satisfactory.

### 33. FORMAL AND INFORMAL QUERIES

#### 33.1 Formal queries are embodied in this report.

#### 33.2 Informal queries

There were no informal queries.

### 34. DISCLAIMED AUDIT OPINION

The accounts of the Nkurenkuru Town Council for the financial years ended 30 June 2008 and 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.

#### Capital expenditure

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During the 2008 financial year the income statements reflect an amount of N\$ 337 083 for capital expenditure from revenue. The capital statement reflect an amount of N\$ 419 014 for capital expenditure, which is N\$ 81 931 more than the contribution from income. The difference could not be explained by the Council.

**Property, plant and equipment**

Only the motor vehicle is insured. The Council does not have a proper fixed asset register. The auditors were thus unable to verify the value of the assets to their satisfaction.

**Bank reconciliations**

No bank reconciliations were available at the Town Council, and the auditors were thus unable to verify the correctness of the bank balance as stated in the balance sheet.

**Trade and other payables**

No creditors reconciliation are performed by the Council and no supporting documents were available, thus the creditors balance could not be verified by the auditors. Council should start performing creditors reconciliation as well do proper filing to avoid the necessary documents to get lost as the matter of urgency.

Due to the significance of the matters referred to in the preceding paragraphs, I am unable to form an opinion as to whether these financial statements fairly present the financial position of the Town Council on 30 June 2008 and 30 June 2009, the results of its operations, cash flow for the year then ended in the manner required by the Local Authorities Act, 1992, and the State Finance Act, 1991.

WINDHOEK, March 2010

**JUNIAS ETUNA KANDJEKE**  
**AUDITOR- GENERAL**

## TOWN COUNCIL OF NKURENKURU

## BALANCE SHEETS AT 30 JUNE AT 30 JUNE

	Notes	2009 N\$	2008 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
		7 609 960	4 726 183
Property, plant and equipment	2	1 780 025	419 014
Investments	3	5 829 935	4 307 169
<b>Current assets</b>			
		538 473	661 284
Trade and other receivables	4	742 305	177 030
Bank and cash	5	(203 832)	484 254
<b>TOTAL ASSETS</b>		<b>8 148 433</b>	<b>5 387 467</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds and reserves</b>			
		8 012 665	5 387 467
Capital outlay	6	1 780 025	419 014
Funds and accounts	7	6 232 640	4 968 453
<b>Current liabilities</b>			
		135 768	-
Trade and other payables	8	135 768	-
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>8 148 433</b>	<b>5 387 467</b>

## TOWN COUNCIL OF NKURENKURU

## INCOME STATEMENT FOR THE YEARS ENDED 30 JUNE

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		N\$	N\$
INCOME		6 242 110	5 786 135
EXPENDITURE		<u>(5 513 322)</u>	<u>(1 813 843)</u>
NET OPERATING SURPLUS		728 788	3 972 292
INTEREST ON INVESTMENTS		<u>356 983</u>	<u>181 593</u>
NET SURPLUS AFTER INTEREST		1 085 771	4 153 885
APPROPRIATION ACCOUNT	9	<u>(137 201)</u>	<u>-</u>
NET SURPLUS AFTER APPROPRIATIONS		948 570	4 153 885
REVENUE ACCOUNT - Beginning of the year		<u>4 153 885</u>	<u>-</u>
REVENUE ACCOUNT - End of the year		<u><b>5 102 455</b></u>	<u><b>4 153 885</b></u>

## TOWN COUNCIL OF NKURENKURU

## CASH FLOW STATEMENT FOR THE YEARS ENDED 30 JUNE

	Note	2009 N\$	2008 N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		6 242 110	5 786 135
Cash paid to suppliers		(6 080 030)	(1 990 873)
Cash generated by operations	10	162 080	3 795 262
Interest received		356 983	181 593
Increase in Fund accounts		315 617	814 568
Increase in Capital outlay		1 361 011	419 014
Net cash flow from operating activities		2 195 691	5 210 437
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net capital expenditure		(1 361 011)	(419 014)
Increase in investments		(1 522 766)	(4 307 169)
		(2 883 777)	(4 726 183)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		(688 086)	484 254
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR</b>		484 254	-
<b>CASH AND CASH EQUIVALENTS - END OF THE YEAR</b>		<b>(203 832)</b>	<b>484 254</b>

## TOWN COUNCIL OF NKURENKURU

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

**1. ACCOUNTING POLICIES****1.1 Introduction**

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

The principal accounting policies of the Town Council, which are set out below, had 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 (Act 23 of 1992), as amended.

**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.

Fixed assets 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 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 the depreciation is calculated on the shortfall.

	<b>2009</b>	<b>2008</b>
	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
Revenue assets	1 780 025	419 014
Total	<b>1 780 025</b>	<b>419 014</b>
<b>3. INVESTMENTS</b>		
INVESTMENTS		
Commercial banks	5 829 935	4 307 169
	<b>5 829 935</b>	<b>4 307 169</b>
ALLOCATED AS FOLLOWS		
Build Together Fund	740 867	814 569
Revenue	5 089 068	3 492 600
	<b>5 829 935</b>	<b>4 307 169</b>

## TOWN COUNCIL OF NKURENKURU

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

	<b>2009</b>	<b>2008</b>
	N\$	N\$
<b>4. TRADE AND OTHER RECEIVABLES</b>		
Services rendered and assessment rates	143 107	65 679
VAT provision	239 881	111 351
Build Together advances	389 317	-
	<u>772 305</u>	<u>177 030</u>
Provision for bad debts	(30 000)	-
	<b><u>742 305</u></b>	<b><u>177 030</u></b>
<b>5. BANK AND CASH</b>		
Current account	(204 832)	484 254
Petty cash	1 000	-
	<b><u>(203 832)</u></b>	<b><u>484 254</u></b>
<b>6. CAPITAL OUTLAY</b>		
Revenue assets	<u>1 780 025</u>	<u>419 014</u>
	<b><u>1 780 025</u></b>	<b><u>419 014</u></b>
<b>7. FUNDS, ACCOUNTS AND RESERVES</b>		
Build Together Fund	1 130 185	814 568
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	<u>5 102 455</u>	<u>4 153 885</u>
	<b><u>6 232 640</u></b>	<b><u>4 968 453</u></b>
<b>8. TRADE AND OTHER PAYABLES</b>		
Trade payables	28 567	-
Provision for leave pay	<u>107 201</u>	<u>-</u>
	<b><u>135 768</u></b>	<b><u>-</u></b>



## TOWN COUNCIL OF NKURENKURU

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

	<b>2009</b>	<b>2008</b>
	N\$	N\$
<b>9. ADJUSTMENTS TO APPROPRIATION ACCOUNT</b>		
Expenditure corrections	(137 201)	-
	<b>(137 201)</b>	<b>-</b>
<b>10. CASH GENERATED BY OPERATIONS</b>		
Net operating surplus/(deficit) before interest and transfers	728 788	3 972 292
Adjustments for:		
- Adjustments to appropriation account	(137 201)	-
<b>OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL</b>	<b>591 587</b>	<b>3 972 292</b>
<b>CHANGES IN WORKING CAPITAL</b>		
Increase in trade and other receivables	(565 275)	(177 030)
Increase in trade and other payables	135 768	-
	(429 507)	(177 030)
<b>CASH GENERATED BY OPERATIONS</b>	<b>162 080</b>	<b>3 795 262</b>