



REPUBLIC OF NAMIBIA



AUDIT REPORT ON THE ACCOUNTS OF THE

TOWN COUNCIL OF NKURENKURU

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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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 year ended 30 June 2010, 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 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF NKURENKURU
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

1. INTRODUCTION

The accounts of the Town Council of Nkurenkuru for the year ended 30 June 2010 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. 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 the opinion of the Auditor-General to the National Assembly. The said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm 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 Capital expenditure

During the 2010 financial year the income statements reflect an amount of N\$ 815 778 for capital expenditure from revenue. The capital statement reflect an amount of N\$ 1 091 577 for capital expenditure, which is N\$ 275 799 more than the contribution from income as disclosed in the detailed votes of the Council. The difference could not be explained by the Council.

As reported in my previous report for the 2009 financial year the income statement reflected an amount of N\$ 2 292 328 for capital expenditure from revenue. The capital statement reflected an amount of N\$ 1 775 546 for capital expenditure, which was N\$ 516 782 less than the contribution from income. When conducting the audit for the current year, the difference could still not be explained by the Council.

Council is urged to investigate these differences and adjust the necessary records to reflect the accurate value of assets financed from revenue.

4.2 Trade and other payables

No creditors reconciliation were performed by the Council. However supporting documents were available, thus the creditors balance could be verified by the auditors. Council should start performing creditors reconciliation on a monthly basis as a matter of urgency.

4.3 Build Together advances

No list of build together advances amounting to N\$ 665 116 was available for audit purposes.

4.4 Consumer deposits

There are no consumer deposits held 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:

	Revenue	Expenditure	Surplus/ Deficit	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus on 01/07/2009				5 102 455
General accounts				
- Non-profitable	5 144 550	4 712 365	432 185	
- Self supporting	225 897	575 908	(350 011)	
Trade accounts				
- Electricity	678 178	157 304	520 874	
- Water	374 982	426 159	(51 177)	
Surplus for the year	6 423 607	5 871 736	551 871	551 871
Adjustments and utilizations (See note 7, annexure D)				5 654 326 (201 676)
Accumulated surplus on 30/06/2010				5 452 650

7. CURRENT BANK ACCOUNT

	2010	2009
	N\$	N\$
Cash-book balance at 30 June	(84 812)	(203 833)
Unexplained difference	-	206 979
Outstanding cheques	29 499	-
Deposit not yet received	4 414	-
Balance favourable/(unfavourable) as per bank statement	(50 899)	3 146

8. INVESTMENTS

The investments as at 30 June were as follows:

Institution	2010		2009	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Commercial banks	6 729 117	269 393	5 829 935	356 983

The investments were allocated as follows:

Allocation	2010	2009
	N\$	N\$
Build Together Fund	1 305 269	740 867
Revenue	5 423 848	5 089 068
	6 729 117	5 829 935

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	
	2010	2009
	N\$	N\$
Sales	363 927	189 404
Cost of bulk purchases	(175 266)	(134 736)
Gross surplus	188 661	54 668
Other income/(expenses)	(239 838)	(119 456)
Net (deficit)/surplus	(51 177)	(64 788)
Gross surplus percentages on bulk purchases	107.6%	40.6%
Net surplus percentage on bulk purchases	(29.2%)	(48.1%)
Gross surplus percentages on sales	51.8%	28.9%
Net surplus percentage on sales	(14.1%)	(34.2%)

10.2 Water distribution results, in cubic meters

	Water	
	2010	2009
	Units	Units
Sales	33 144	15 871
Purchases	35 926	17 174
Loss	(2 782)	(1 303)
Percentage loss in units	(7.7%)	(7.6%)

11. SELF SUPPORTING SERVICES

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

Service	Income 2010	Expenses 2010	Surplus/ (deficit) 2010	Surplus/ (deficit) 2009
	N\$	N\$	N\$	N\$
Cleansing services	112 363	324 084	(211 721)	(346 017)
Sewerage	113 535	251 825	(138 290)	114 175
	225 898	575 909	*(350 011)	(231 842)

* Council should investigate why these self-supporting services are not self-supporting. The results of this investigation as well as actions taken to turn the trend around should be reported to the Auditor-General.

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No fruitless, unauthorized or avoidable expenditure was incurred during the year under review.

13. SUSPENSE ACCOUNTS

Suspense accounts are cleared on a regular basis.

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 2010	Total expenditure 2009
	Revenue account		
	N\$	N\$	N\$
CEO	34 794	34 794	391 427
Finance	50 000	50 000	672 831
Technical services	-	-	240 000
Cleansing	120 307	120 307	340 756
Council's general expenses	275 799	275 799	442 948
Fire brigade	-	-	26 950
Parks and recreation	111 024	111 024	34 923
Development control, planning and environment	499 653	499 653	132 530
Water	-	-	9 963
	1 091 577	1 091 577	2 292 328

For the 2010 financial year the income statements reflect an amount of N\$ 815 778 related to capital expenditure financed from revenue. The capital statement, however, reflects an amount of N\$ 1 091 577, which is N\$ 275 799 more than the contribution from income. The difference could not be explained by the Council.

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

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

16. BURSARIES

No bursaries were granted during the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID.

	2010	2009
	N\$	N\$
Contribution from Government	4 000 000	-

18. COMPENSATION PAYMENTS

There were no compensation payments made during the year under review.

19. VISITS TO FOREIGN COUNTRIES

There were no visits undertaken by members of the Council nor staff members to foreign countries.

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

There were no donations made or given to the Council during 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/PAYABLES

23.1 Trade and other receivables at 30 June were:

	2010	2009
	N\$	N\$
Services rendered and assessment rates	355 106	143 107
VAT Provision	207 810	239 881
Build Together advances	665 116	389 317
	1 228 032	772 305
Provision for bad debts	(198 173)	(30 000)
Total	1 029 859	742 305
Analysis of services and general debtors:		
Average monthly levy	64 144	38 748
Debtors	355 106	143 107
Average credit terms in days	168.4	112.3

23.2 Trade and other payables at 30 June were:

	2010	2009
	N\$	N\$
Trade payables	71 205	28 567
Provision for leave pay	180 924	107 201
Totals	252 129	135 768

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

	2010	2009
	N\$	N\$
Build together advances	665 116	389 317

26. SALE OF ERVEN

During the current financial year, cash proceeds to the value of N\$ 374 542 (2009: N\$ 1 068 305) 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
Balance - 01/07/2009	1	N\$ 174 085	4	N\$ 796 110	3	N\$ 301 465
Additions	-	-	-	-	-	-
Sub-total	1	174 085	4	796 110	3	301 465
Depreciation	-	-	-	-	-	-
Balance - 30/06/2010	1	174 085	4	796 110	3	301 465

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. MANAGEMENT LETTER

The following concerns were addressed to the Chief Executive Officer in a letter dated 18 October 2010:

- Trade and other receivables
- Trade and other payables
- Fixed assets – Depreciation
- Consumer deposits
- Build together advances
- Sale of even
- Water distribution losses

34. QUALIFIED AUDIT OPINION

The accounts of the Nkurenkuru Town Council for the financial year ended 30 June 2010, summarised in Annexures A to D, were audited by me in terms of Section 85 of the Local Authority act, 1992, read with Section 25 (1) (b) of the State Finance Act, 1991.

The audit opinion has been qualified due to the following reason:

- During the 2010 financial year the income statements reflect an amount of N\$ 815 778 for capital expenditure from revenue. The capital statement reflect an amount of N\$ 1 091 577 for capital expenditure, which is N\$ 275 799 more than the contribution from income as disclosed in the detailed votes of the Council. The difference could not be explained by the Council.
- No list of Build Together advances amounting to N\$ 665 116 were available for audit purposes therefore the auditors could not verify the correctness of this figure.

Except for the above-mentioned remarks, I certify that, in my opinion, the financial statements fairly present the financial position of the Town Council at 30 June 2010 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, November 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

NKURENKURU TOWN COUNCIL

BALANCE SHEET AT 30 JUNE

	Notes	2010 N\$	2009 N\$
ASSETS			
Non-current assets			
		9 132 224	7 609 960
Property, plant and equipment	2	2 403 107	1 780 025
Investments	3	6 729 117	5 829 935
Current assets			
		946 047	538 473
Trade and other receivables	4	1 029 859	742 305
Bank and cash	5	(83 812)	(203 832)
TOTAL ASSETS		10 078 271	8 148 433
FUNDS AND LIABILITIES			
Funds and reserves			
		9 826 142	8 012 665
Capital outlay	6	2 403 107	1 780 025
Funds and accounts	7	7 423 035	6 232 640
Current liabilities			
Trade and other payables	8	252 129	135 768
TOTAL FUNDS AND LIABILITIES		10 078 271	8 148 433

ANNEXURE B

NKURENKURU TOWN COUNCIL

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2010 N\$	2009 N\$
INCOME		6 154 214	6 242 110
EXPENDITURE		(5 871 736)	(5 513 322)
NET OPERATING SURPLUS		282 478	728 788
INTEREST ON INVESTMENTS		269 393	356 983
NET SURPLUS AFTER INTEREST		551 871	1 085 771
APPROPRIATION ACCOUNT	9	(201 676)	(137 201)
NET SURPLUS AFTER APPROPRIATIONS		350 195	948 570
REVENUE ACCOUNT - Beginning of the year		5 102 455	4 153 885
REVENUE ACCOUNT - End of the year		5 452 650	5 102 455

NKURENKURU TOWN COUNCIL

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	<u>Note</u>	<u>2010</u>	<u>2009</u>
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		6 154 214	6 242 110
Cash paid to suppliers		(6 244 605)	(6 080 030)
Cash (utilised)/generated by operations	10	(90 391)	162 080
Interest received		269 393	356 983
Increase in Fund accounts		840 200	315 617
Increase in Capital outlay		623 082	1 361 011
Net cash flow from operating activities		<u>1 642 284</u>	<u>2 195 691</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		(623 082)	(1 361 011)
(Increase) in investments		(899 182)	(1 522 766)
		<u>(1 522 264)</u>	<u>(2 883 777)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		120 020	(688 086)
- BEGINNING OF THE YEAR		(203 832)	484 254
- END OF THE YEAR		<u>(83 812)</u>	<u>(203 832)</u>

NKURENKURU TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR 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.

1.3 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.

	2010	2009
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Revenue assets	2 403 107	1 780 025
Total	2 403 107	1 780 025
3. INVESTMENTS		
INVESTMENTS		
Commercial banks	6 729 117	5 829 935
	6 729 117	5 829 935
ALLOCATED AS FOLLOWS		
Build Together Fund	1 305 269	740 867
Revenue	5 423 848	5 089 068
	6 729 117	5 829 935

NKURENKURU TOWN COUNCIL

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

	2010	2009
	N\$	N\$
4. TRADE AND OTHER RECEIVABLES		
Services rendered and assessment rates	355 106	143 107
VAT Provision	207 810	239 881
Build Together advances	665 116	389 317
	<u>1 228 032</u>	<u>772 305</u>
Provision for bad debts	(198 173)	(30 000)
	<u>1 029 859</u>	<u>742 305</u>
5. BANK AND CASH		
Current account	(84 812)	(204 832)
Petty cash	1 000	1 000
	<u>(83 812)</u>	<u>(203 832)</u>
6. CAPITAL OUTLAY		
Revenue assets	2 403 107	1 780 025
	<u>2 403 107</u>	<u>1 780 025</u>
7. FUNDS, ACCOUNTS AND RESERVES		
Build Together Fund	1 970 385	1 130 185
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	5 452 650	5 102 455
	<u>7 423 035</u>	<u>6 232 640</u>
8. TRADE AND OTHER PAYABLES		
Trade payables	71 205	28 567
Provision for leave pay	180 924	107 201
	<u>252 129</u>	<u>135 768</u>

NKURENKURU TOWN COUNCIL

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

	2010	2009
	N\$	N\$
9. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Expenditure corrections	(243 724)	(137 201)
Income corrections	42 048	-
	(201 676)	(137 201)
10. CASH (UTILISED)/GENERATED BY OPERATIONS		
Net operating surplus before interest and transfers	282 478	728 788
Adjustments for:		
- Adjustments to appropriation account	(201 676)	(137 201)
OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL	80 802	591 587
CHANGES IN WORKING CAPITAL		
Increase in trade and other receivables	(287 554)	(565 275)
Increase in trade and other payables	116 361	135 768
	(171 193)	(429 507)
CASH (UTILISED)/GENERATED BY OPERATIONS	(90 391)	162 080