



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF OKAKARARA

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

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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 Okakarara for the financial year ended 30 June 2011, 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, July 2012

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL
ON THE ACCOUNTS OF THE TOWN COUNCIL OF OKAKARARA
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2011**

1. INTRODUCTION

The accounts of the Town Council of Okakarara for the year ended 30 June 2011 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, (Act 23 of 1992).

The firm EDB & Associates 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.

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, **except that they were only submitted on 14 December 2011, instead of three months after the year-end 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, Annexure A, is a true reflection of the originals.

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 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 OBSERVATIONS AND COMMENTS

4.1 Recoverability of debtors

A provision for bad and doubtful debts of N\$ 10 966 021 was made by the Town Council for the year ended 30 June 2011. The auditors review, taking into account the slow repayment by consumers, indicates that the provision is understated by N\$ 310 590 (2010: N\$ 283 082).

Furthermore, outstanding debt for 120 days and more were 89% for 2011 (88%: 2010) of the total consumer debts.

The magnitude of these under-provisions, highlight serious concerns on the debt collection measures of the Council. As a result of the above the current valuation of accounts receivables are materially misstated.

A list of debtors that were handed over to the Magistrate's Office was provided by the Council, but could not satisfy the auditors of the N\$ 1 883 236. When finalizing this report, it was not clear if any steps were taken against the debtors.

4.2 Build Together Fund

The Build Together Programme are administered by the Town Council on behalf of the relevant Ministry and it should be considered significant if weaknesses were identified with regards to administration of these funds.

This Fund has its own peculiar specifications with respect to the way in which the Fund are to be managed and utilized as stipulated by the line Ministry. The following shortcomings were identified by the auditors:

- * During the audit the auditors discovered that there was no proper control exercised in terms of monthly reconciliations of the Fund. No amortizations schedules or any supporting details were provided by the Town Council's to verify the closing balances of the loans owed to the Council as at 30 June 2011 because no records were processed by finstel system.
- * Numerous supporting documents, for example pay slips, approval for advances sheets, any progress payment or the reference numbers were not recorded on the customer personal files. Most of the houses were not yet built and therefore no repayments have been made yet by most of the clients.

4.3 Inventory

No stock value is recorded in the annual financial statements since the prior year, although the auditors observed that there is stock at the Town Council's premises. No proper stock control system is in place, which have a negative effect on the operations of the Town Council.

4.4 Consumer deposits

No list for consumer deposits could be provided to the auditors.

According to the calculations of the auditors, the consumer deposits of N\$ 610 is inadequate by approximately N\$ 227 173.

4.5 Source documents

Numerous important source documents for expenditures incurred by the Town Council could not be found, at the time of the audit. This was mainly attributable to an unorganized filing system and poor recordkeeping by the Council.

The water purchases reconciliation revealed that it might be overstated by N\$ 1 426 061, which are due to the fact that invoices for eight (8) months were not recorded on the system during the time of the audit.

4.5.1 Unforeseen expenses

As reported in prior year, the auditors detected that the unforeseen expenses account is used to record expenditure which were wrongly allocated. No journal entries were recorded on the system to correct these entries. At year-end the total amount disclosed as unforeseen expenses amounted to N\$ 603 975.

4.6 Fixed assets

The Council maintained a current fixed asset register during the year, but was incomplete as some assets were not included and assets that were included should have been excluded. No explanation could be provided by the Council on numerous assets where no depreciation was calculated.

Numerous assets were sold on the auction but were still recorded as the fixed assets on the fixed asset register and no profit and loss on disposal was calculated. No log books were found in the Town Councils vehicles and the Mercedes Truck, Tata Truck and Toyota Tipper were still registered under the name of the Ministry and were not road worthy.

4.7 Value-Added-Tax

As reported in prior years, the Council has engaged tax consultants to complete and submit VAT returns on behalf of the Council. The auditors were unable to conduct any audit work on VAT payable of N\$ 2 240 594 as disclosed in the financial system, due to the fact that all the documentation were at the consultant during the time of the audit.

No provision for possible penalties and interest, for failure to furnish returns, were provided for in the financial statements.

4.8 Trade and other payables

According to the financial statements of the Council, there were no trade creditors at year-end. However, the auditors' search for unrecorded liabilities revealed an amount of N\$ 28 292.

The Namwater liability of N\$ 2 208 730 is overstated by N\$ 1 241 458 according to the auditors. The reason for this error is that the current balance was added together with the closing balance. The statements from the supplier only indicate a total amount due of N\$ 68 150 as at 25 June 2011.

A material difference of N\$ 106 561 was found by the auditors when recalculating the amount due to the Regional Council. The difference could not be explained. Although an amount of N\$ 15 750 was paid, this transaction could not be traced to the Town Council's statements.

The balance related to the Provision for Leave Pay remained unchanged since prior year. A movement of N\$ 98 676 was detected during the audit but could not be explained.

4.9 House rental

Direct levies to an amount of N\$ 114 360 related to house rental that were posted on the computerized system but could not be allocated to an individual name that appears on the “state levy register” that was provided by the Council.

4.10 Electricity surcharges

The annual financial statements of the Council indicate that the Council received levies from Cenored to an amount of N\$ 21 197. This amount could not be substantiated by any documentation.

The ledger account related to surcharges on the computerized system of the Council indicates that an amount of N\$ 51 357 was received but it is also clear that an amount of N\$ 34 129 were receipts of the previous financial year that were wrongly allocated to the year under review.

4.11 Road Fund Administration (RFA)

During the audit the auditors detected that the subsidy received from RFA is overstated by N\$ 59 603. According to them it was due to lack of claim invoices or any supporting documents that could not be provided by the Council. They could also not trace any documentation that could be used as proof that the amount refunded to the Council was actually correct.

An amount of N\$ 327 397 was paid directly to a construction company and is not accounted for in the Council’s books.

A claim of N\$ 613 000 was supposed to be posted as subsidies outstanding in the accounts receivable, as these monies were only receive after year-end.

4.12 NATIS income

The audit revealed that NATIS income is understated by N\$ 49 008 mainly due to invoices not processed or wrongly recorded on the system. Therefore accounts receivable is understated by the said amount.

4.13 Bank reconciliation

During the audit a material difference was found on the bank reconciliation. According to the bank reconciliation of the computerized system of the Council, the bank balance at year-end should have been N\$ (726 599) while the actual balance as per bank statement was N\$ 75 881 resulting in a difference of N\$ 802 480.

It was also noted that the National Housing Enterprize made a direct deposit of N\$ 19 627 into the wrong account. This amount was never transferred to the operation account.

5. FINANCIAL RESULTS

	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus as at 01/07/2010				1 322 697
General Services				
Non-profitable	4 905 804	6 042 651	(1 136 847	
Self-supporting	645 482	598 109	47 373	
Trade Accounts				
Electricity	25 747	-	25 747	
Water	2 757 114	2 735 282	21 832	
	8 334 147	9 376 042	(1 041 895)	(1 041 895)
Surplus for the year				280 802
Adjustments and utilizations (See Note 10, Annexure D)				(218 317)
Accumulated surplus 30/06/2011				62 485

6. CURRENT BANK ACCOUNT

The balance sheet reflected an unfavourable cash-book balance for 2011: N\$ 813 164 (2010: N\$ 32 705 favourable), which is also the reconciled balance. The bank statements reflected a favourable balance for 2011: N\$ 75 881 (2010: N\$ 254 174 - favourable), mainly due to outstanding cheques at year end.

	2011	2010
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	(813 164)	(32 705)
Outstanding cheques	86 565	301 465
Unexplained differences	802 480	-
Cash in transit	-	(14 586)
Balance as per bank statements	75 881	254 174

According to the computerized system used by the Council, the bank statement balance at year-end should have been N\$ (726 599) while the bank statement discloses an amount of N\$ 75 881 resulting in a difference of N\$ 802 480. According to the auditors the main reason for this is that a bank reconciliation is only done at year-end and not at the end of each month as required by acceptable accounting procedures.

A direct deposit made by the National Housing Enterprise to the amount of N\$ 19 627 was deposited in a wrong account and never transferred to the operational account.

7. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2011 there was N\$ 1 749 023 and N\$ 6 163 737 respectively (2010: N\$ 185 463 and N\$ 6 163 737) invested at financial institutions, as follows:

	2011	2010
	N\$	N\$
Investments were allocated to the following Funds:		
Bank	1 749 023	185 463
Cenored	6 163 737	6 163 737
	7 912 760	6 349 200

	Investment	Interest	Investment	Interest
	2011	2011	2010	2010
	N\$	N\$	N\$	N\$
Revenue (Cenored)	6 163 737	-	6 163 737	-
Housing Fund	1 749 023	17 145	33 607	-
Fixed Property Fund	-	-	151 855	9 073
	7 912 760	17 145	6 349 200	9 073

8. FUND ACCOUNTS

The position of the Fund accounts at the end of the year is shown in Note 2 of Annexure D.

9. TRADE ACCOUNTS

9.1 The results of operations of electricity were as follows:

	2011	2010
	N\$	N\$
Royalties – Cenored	21 197	4 355
Cost of sales (Bulk purchases)	-	-
Gross profit	21 197	4 355
Other income	4 550	-
Net profit	25 747	4 355
Gross loss % on cost of sales	N/A	N/A
Net loss % on cost of sales	N/A	N/A

9.2 The distribution losses for electricity could not be determined due to inadequate record keeping.

9.3 The results of operations of water were as follows:

	2011	2010
	N\$	N\$
Sales	2 737 712	2 097 419
Cost of sales (Bulk purchases)	(1 936 019)	(1 582 542)
Gross profit	801 693	514 877
Expenses (net)	(779 861)	(530 014)
Net surplus/(deficit)	21 832	(15 137)
Gross profit % on cost of sales	41.4%	32.5%
Net profit % on cost of sales	1.13%	(0.96%)

9.4 The distribution losses for water could yet again not be determined due to inadequate record keeping. The Council is urged to implement such auxiliary registers which will assist the Council to detect water leakages at an early stage.

10. SELF-SUPPORTING SERVICES

The net results of self-supporting services were as follows:

	Income 2011	Expenses 2011	Surplus/(Loss) 2011	Surplus/(Loss) 2010
	N\$	N\$	N\$	N\$
Natis	56 335	73 676	(17 341)	(31 266)
Cleansing services	276 225	524 433	(248 208)	453 762
Sewerage	312 922	-	312 922	280 431
	645 482	598 109	47 373	702 927

11. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No fruitless, unauthorized and avoidable expenditure was revealed during the audit.

12. SUSPENSE ACCOUNTS

No money was accounted for in suspense accounts during the year under review.

13. IRREGULARITIES AND LOSSES

No irregularities and losses were revealed by the audit for the years under review.

14. CAPITAL PROJECTS

The following expenditure was incurred during the year for capital projects or acquisitions.

	Financed by	Total Expenditure 2011	Total Expenditure 2010
	Revenue account		
	N\$	N\$	N\$
Council's general expenses	126 170	126 170	30 126
Finance department	11 867	11 867	20 157
General administration	208 892	208 892	186 578
Sanitation and cleaning	140 282	140 282	44 786
Town planning	656 579	656 579	-
Water supply	130 057	130 057	-
	**1 273 847	1 273 846	281 647

** The income statements reflect an amount of N\$ 1 273 847. The capital statement reflects an amount of N\$ 828 079 for capital expenditure, which is N\$ 445 768 less than the contribution from income as reflected in the votes. The difference could not be explained by the Council.

15. BURSARIES

No bursaries were granted during the year under review.

16. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

No contributions or grants were made nor were any financial aid provided during the year under review.

17. COMPENSATION PAYMENTS

No compensation payments were made during the year under review.

18. VISITS TO FOREIGN COUNTRIES

Expenditure related to foreign visits amounted to N\$ 4 772 (N\$ nil: 2010) for the year under review.

19. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims were paid by the Local Authority during the year under review.

20. GIFTS/DONATIONS BY / TO THE LOCAL AUTHORITY

A donation of N\$ 11 823 (N\$ 3 500: 2010) was made during the year under review.

21. TRANSFER OF PROPERTY TO / FROM GOVERNMENT

No properties were transferred from or to the Ministry of Regional and Local Government, Housing and Rural Development during the year under review.

22. DEBTORS AND CREDITORS

22.1 Debtors at 30 June were:

	2011	2010
	N\$	N\$
Services	12 662 287	12 374 168
Less: Provision for bad debts	(10 966 021)	(10 560 001)
Sundry debtors	95 178	1 188
	1 791 444	1 815 355

22.2 Creditors at 30 June were:

	2011	2010
	N\$	N\$
Trade creditors - Namwater	2 208 730	1 900 559
Receiver of Revenue - VAT	2 240 594	1 981 123
Regional Council Fees	41 793	41 794
Consumer deposits	610	8 573
Provision for leave	392 225	392 225
Audit fees	40 000	40 000
Suspense account: Bank account	-	627 250
	-	-
	4 923 952	4 991 524

23. ASSESSMENT RATES

	2011	2010
	N\$	N\$
Net proceeds from assessment rates were	2 446 228	1 710 479
Tariffs per N\$ 1 valuation per annum - Business Valuation per annum		
- Land	0.022	0.022
- Improvements	0.083	0.083
Tariffs per N\$ 1 valuation per annum - Residential Valuation per annum		
- Land	0.075	0.075
- Improvements	0.012	0.012

24. LOANS

24.1 External loans

According to the balance sheet, external loans outstanding at year-end amounted to N\$ 43 659 (2012: N\$ 155 000) but according to the amortization schedules, the outstanding amount is N\$ 33 574 resulting in a difference of N\$ 10 085. The Council is urged to investigate the difference and make the necessary rectifications during the next financial year.

External loans redeemed to date amounted to N\$ 111 341 (N\$ nil: 2010).

24.2 Internal loans

No internal loans were advanced during the year under review.

24.3 Housing loans

The amount advanced by the Council for housing loans under the Build Together programme are reflected at N\$ 2 401 845 (N\$ 2 032 858: 2010) in the annual statements.

25. SALE OF ERVEN

The income as per financial statements amounted to N\$ 193 804 (N\$ 354 165: 2010) for the year under review and was allocated to revenue. A difference of N\$ 17 826 found between annual financial statements and the report from the computerized system is due to prior year transactions that were processed in the current year.

26. PROPERTY SOLD ON INSTALMENT BASIS

No details of houses sold on an instalment basis could be provided.

27. TARIFF ADJUSTMENTS

All tariff adjustments were in accordance with the relevant Official Government Gazette, although some customer rates were not appropriately adjusted.

28. APPROVALS

28.1 Excess on approved budget

Due to lack of internal control and poor recordkeeping, no documents in this regard could be provided to the auditors.

29. STOCK AND EQUIPMENT

29.1 Motor vehicles and values thereof:

No proper record was kept for the vehicles sold and disposal for the year and to determine fuel consumption during the year under review.

	LDV's and Combi's		Heavy duty vehicles (Lorries and busses)	
	No	N\$	No	N\$
On hand as at 01/07/2010	5	204 000	15	1 449 000
Acquisitions during the year*	-	-	-	-
	5	204 000	15	1 449 000
Less: Depreciation/ Corrections	-	(8 788)	(5)	(221 800)
Less: Withdrawal*	-	-	-	-
	-	-	-	-
On hand 30/06/2011*	5	*195 212	10	*1 227 200

* These values as well as the guarantee are in agreement with the fixed asset register as provided by the Council.

30. SPECIAL INVESTIGATIONS

The auditors are not aware of any special investigation concluded on the affairs of the Council. During the time the auditors conducted the audit, the Financial Manager was suspended due to the internal irregularities and the Council was still busy investigating the case.

31. GENERAL

31.1 Internal controls

The accounting and internal controls were found to be inadequate. Proper segregation of duties is not feasible due to the small number of staff employed. While increased management involvement reduces risks, the risk arises that management and the Council override existing controls, a potentially dangerous practice, which the Council should vigilantly guard against.

32. FORMAL AND INFORMAL QUERIES

Formal queries are embodied in this report.

Informal queries addressed to the Town Clerk consisted of the following main headings:

- * Special Funds and capital outlay
- * Statutory matters
 - Annual financial statements
 - Minutes of meetings
- * Liabilities
- * Fixed assets
- * Inventories
- * Accounts receivable
- * Payroll
- * Cash at bank
- * Revenue/income services
- * Expenditure
- * General
 - Registration of duties
 - Annual financial statements against computerized system
 - Reconciliations

33. **DISCLAIMED AUDIT OPINION**

The accounts of the Town Council of Okakarara for the financial year ended 30 June 2011, summarized in Annexure A to D, were audited by me in terms of provisions of Section 85 of the Local Authorities Act, 1992 read with Section 25(1) of the State Finance Act, 1991.

I am unable to express an opinion on the financial statements due to the following reasons:

- * The audit revealed that the provision for bad and doubtful debt is underprovided by N\$ 310 590.
- * No list for consumer deposits for the year under review could be provided to the auditors. The auditors were however of the opinion that the consumer debtors is understated by approximately N\$ 227 173.
- * The water purchases might be overstated by N\$ 1 426 061, due to lack of invoices for eight (8) months or were not recorded.
- * Numerous assets were sold on auction but were still recorded as fixed assets on the asset register and no profit and loss on disposal was calculated on these assets. No log books were found in the Town Councils vehicles and the Mercedes Truck, Tata Truck and Toyota Tipper were still registered under the name of the Ministry.
- * As reported in prior years, the Council has engaged tax consultants to complete and submit VAT returns on their behalf. The auditors were unable to conduct any audit on VAT payable to the amount of N\$ 2 240 594 as disclosed in the annual financial statements because all relevant documentation were at the consultant during the time of the audit.
- * No provision for possible penalties and interest, for failure to furnish returns, were provided for in the financial statements.
- * According to the financial statements provided by the Town Councils, there were no trade creditors but the auditors search for unrecorded liabilities revealed an amount of N\$ 28 292.
- * The Namwater liability is overstated by N\$ 1 241 458 according to the auditors.
- * The audit revealed that the amount payable to the Regional Council is understated by N\$ 106 561. An expenditure to the amount of N\$ 15 750 was paid to the Regional Council but could not be traced in the accounts of the Local Authority.
- * The balance of the provision for leave remained unchanged since the prior year but a movement of N\$ 98 676 could not be explained by the Council.
- * Direct house rental levies to the amount of N\$ 114 360 were posted on the computerized system of the Council but could not be allocated to a specific debtors account.
- * The financial statement of the Council indicates that the Council received surcharge levies to the amount of N\$ 21 197. The detailed ledger however, disclose an amount of N\$ 51 357 but it is also clear that N\$ 34 129 of the afore-mentioned amount is related to the previous financial year. The auditors could therefore not conclude on the actual amount received related to royalties from CENORED for the year under review.
- * An amount of N\$ 327 397 was paid directly in the construction company and were not accounted for in the accounts of the Council.
- * A claim of N\$ 613 000 was supposed to be posted as subsidies outstanding, as these monies were only receive after year-end for the year under review. Therefore debtors is understated by the said amount.

- * During the audit a difference of N\$ 49 008 was detected due to lack of invoices not processed on the system or they might have been wrongly recorded in the system for the year under review. (NATIS)
- * The income statements reflect an amount of N\$ 1 273 847. The capital statement reflects an amount of N\$ 828 079 for capital expenditure, which is N\$ 445 767 less than the contribution from income as reflected the votes.

WINDHOEK, July 2012

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

TOWN COUNCIL OF OKAKARARA

BALANCE SHEET ON 30 JUNE 2011

	Notes	2011 N\$	2010 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	3	24 618 823	23 000 128
Secured loans	8	14 304 217	14 618 069
Investments	4	2 401 846	2 032 859
		7 912 760	6 349 200
Current assets			
Accounts receivables	5	1 791 444	1 815 355
		1 791 444	1 815 355
TOTAL ASSETS		26 410 267	24 815 483
EQUITY AND LIABILITIES			
Funds			
Capital outlay	2	20 629 492	19 636 254
Accumulated funds	2	14 260 558	14 463 069
		6 368 934	5 173 185
Non-current liabilities			
Long-term liabilities	7	43 659	155 000
Current liabilities			
Accounts payables	6	5 737 116	5 024 230
Bank overdraft	9	4 923 952	4 991 525
		813 164	32 705
TOTAL EQUITY AND LIABILITIES		26 410 267	24 815 483

TOWN COUNCIL OF OKAKARARA

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	2011	2010
		N\$	N\$
INCOME		8 317 002	6 426 959
EXPENDITURE		(9 376 042)	(6 585 653)
NET OPERATING (LOSS)		(1 059 040)	(158 694)
INVESTMENT INTEREST EARNED		17 145	9 073
NET (LOSS)	2	(1 041 895)	(149 622)
ADJUSTMENTS	10	(218 317)	(4 164 558)
NET (LOSS) for the year		(1 260 212)	(4 314 180)
APPROPRIATION ACCOUNT - AT BEGINNING OF THE YEAR		1 322 697	5 636 877
APPROPRIATION ACCOUNT - AT END OF YEAR		62 485	1 322 697

TOWN COUNCIL OF OKAKARARA

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	2011 N\$	2010 N\$
Cash receipts from customers		8 317 002	6 426 959
Cash paid to suppliers		(9 638 021)	(6 883 321)
<i>Cash (utilised) / generated by operations</i>	11	(1 321 019)	(456 363)
Investment income		17 145	9 073
Movements in funds		2 142 110	(791 216)
- Funds accounts		2 455 961	227 307
- Capital outlay excluding loans redeemed		(313 851)	(1 018 523)
<i>Net cash flow from operating activities</i>		838 236	(1 238 506)
<i>CASH FLOW FROM INVESTING ACTIVITIES</i>		(1 618 695)	1 073 204
Net flow in capital expenditure		313 852	1 018 523
(Increase)/decrease in loans		(368 987)	530 863
(Increase) / decrease in investments		(1 563 560)	(476 182)
<i>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</i>		(780 459)	(165 301)
Cash and cash equivalents at the beginning of year		(32 705)	132 596
Cash and cash equivalents at the end of year		(813 164)	(32 705)

TOWN COUNCIL OF OKAKARARA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE

1 ACCOUNTING POLICIES**1.1 Basis of presentation**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties where appropriate.

1.2 Property, plant and equipment and depreciation

All plant and equipment are initially recorded at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. All other plant and equipment are stated at historical cost or valuation where applicable.

No depreciation is calculated on property, plant and equipment.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimation recoverable amount, the assets or cash generating units are written down to their recoverable.

1.3 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current liabilities.

1.4 Housing Fund/Build Together Fund

The purpose of this Fund is to provide for housing loans. Income to this Fund is transferred from the general income statement account, external loans from Government and interest on investments and loans.

1.5 Capital Reserve Fund

This Fund was created to make provision for unforeseen expenditures as approved by the Council.

TOWN COUNCIL OF OKAKARARA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE

	2011	2010
	N\$	N\$
2. OWN FUNDS		
2.1 Capital outlay:		
Contribution from:	14 260 558	14 463 069
Revenue contributions	1 358 890	669 729
General capital contributions	12 790 327	13 793 340
Loans redeemed	111 341	-
	14 260 558	14 463 069
2.2 Funds	6 368 934	5 173 185
Fixed Property Fund	917 450	917 450
Housing Fund	5 388 999	2 933 038
Accumulated surplus	62 485	1 322 697
TOTAL FUNDS	20 629 492	19 636 254
3. FIXED ASSETS		
Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment.		
Financed from:		
Revenue account	14 304 217	14 618 069
	14 304 217	14 618 069
Financed from:		
Revenue contributions	1 358 890	669 729
General capital contributions	12 790 327	13 793 340
Loans	43 659	155 000
Loans redeemed	111 341	-
	14 304 217	14 618 069
4. INVESTMENTS		
Commercial banks	7 912 760	6 349 200
	7 912 760	6 349 200
Comprising of:		
Housing Fund	1 749 023	185 463
Cenored	6 163 737	6 163 737
	7 912 760	6 349 200

TOWN COUNCIL OF OKAKARARA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE

	2011	2010
	N\$	N\$
5. ACCOUNTS RECEIVABLE		
Consumers	12 662 287	12 374 168
Less: Provision for bad debts	(10 966 021)	(10 560 001)
Sundry debtors	95 178	1 188
	1 791 444	1 815 355
6. ACCOUNTS PAYABLES		
Trade payables	2 208 731	1 900 560
Suspense account: Bank account	-	627 250
Receiver of Revenue - VAT	2 240 594	1 981 123
Consumer deposits	610	8 573
Provision for leave	392 225	392 225
Regional Council fees	41 793	41 793
Audit fees	40 000	40 000
	4 923 952	4 991 525
7. LONG-TERM LIABILITIES		
External loans	43 659	155 000
	43 659	155 000
8. SECURED LOANS		
Loans granted for housing	2 401 846	2 032 859
	2 401 846	2 032 859
9. CASH AND BANK BALANCES		
Current bank account	(813 164)	(32 705)
Unexplained difference	802 480	301 465
Outstanding cheques	86 565	-
Cash in transit	-	(14 586)
Bank balance as per bank statements	75 881	254 174
10. ADJUSTMENTS AND UTILIZATIONS		
Adjustment related to prior year	(218 317)	(4 164 558)
	(218 317)	(4 164 558)

TOWN COUNCIL OF OKAKARARA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE

	2011	2010
	N\$	N\$
11. CASH UTILISED BY OPERATIONS		
Net (loss) before investment interest and adjustments.	(1 059 040)	(158 694)
Suspense account	-	633 851
Adjustment on appropriation account	(218 317)	(4 164 558)
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL	(1 277 357)	(3 689 402)
Utilized to increase working capital		
Decrease in accounts receivable	23 911	2 999 191
(Increase) / decrease in accounts payable	(67 573)	233 848
	(43 662)	3 233 039
CASH (UTILISED) / GENERATED BY OPERATIONS	(1 321 019)	(456 363)