



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF OKAKARARA

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

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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 2012, 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, October 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR - GENERAL
ON THE ACCOUNT OF THE TOWN COUNCIL OF OKAKARARA
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2012**

1. INTRODUCTION

The accounts of the Town Council of Okakarara for the year ended 30 June 2012 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 and 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. **Except that the Annual Financial Statements were signed on 20 December 2012, instead of three months after the year-end as required by the Act**, and could not determined when they were prepared. The letter of representation concerning the financial year are dated 15 April 2013. 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 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 misstatements.

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 misstatements in 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\$ 12 027 728 was made by the Town Council for the year ended 30 June 2012. The auditors review, taking into account the slow repayment by consumers, indicates that the provision is understated by N\$ 206 597 (2011: N\$ 310 590).

| | 2012 | 2011 |
|------------------------------|------------|------------|
| | N\$ | N\$ |
| Provision for doubtful debts | 12 027 728 | 10 966 021 |

Also, outstanding debt at 120 days and plus for the respective financial years were as follows:

| Description | 2012 | 2011 |
|-------------------|------|------|
| | % | % |
| 120 days and plus | 92 | 89 |

The magnitude of these under-provisions, highlight serious concerns on the debt collection controls and measures over these assets of the Council. As a result of the above the current valuation of accounts receivables are materially misstated in the annual financial statements.

As reported in prior year, a list of debtors that were handed over to the Magistrate's was provided by the Council, but could not satisfy the auditors of the N\$ 1 883 236 if it was processed in the annual financial statements or any journal entry was processed for the year under review.

Due to the significance of this matter, the Auditor-General cannot express an opinion on bad and doubtful debts.

4.2 Build Together Fund

No proper internal control was exercised on the Build Together Project, in terms of monthly reconciliation that was done. No amortization schedules or any supporting details were provided by the Town Council to verify the loan closing balance as at 30 June 2012.

For the sample selected, no inspection sheet files could be found. Also no approval for advance or progress payments were recorded on the client files for the year under review.

4.3 Submission of annual financial statements

The Accounting Officer of the Town Council failed to submit the annual financial statements in time for the financial year under review to the Office of the Auditor-General for audit purposes. According to the Local Authorities Act, 1992 (Act no. 23 of 1992) annual financial statements need to be submitted within three months after the financial year end as per requirement by Section 87 of the Local Authorities Act.

4.4 Inventory

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

The auditors did not observe the counting of stock on 30 June 2012. There were no alternative practical audit procedures that the auditors could perform to confirm the existence and value of stock on hand at year-end.

4.5 Consumer deposits

No list for consumer deposits for the year under review could be provided to the auditors. The material difference of N\$ 239 090 found on water sales and the closing balance is N\$ 610 which indicates that the consumer deposits maybe inadequate for the year under review.

| | 2012 | 2011 |
|--|-------------|-------------|
| | N\$ | N\$ |
| Debt outstanding | 13 233 886 | 12 662 287 |
| Consumer deposits | 610 | 610 |
| Percentage of deposits against outstanding debts | 0.00% | 0.00% |

4.6 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 a unorganized filing system and poor recordkeeping by the Council.

The water purchases reconciliation revealed a material difference of N\$ 1 446 686, due to lack of invoices for four (4) months or were not recorded on the system during the time of the audit for the year under review.

4.6.1 Unforeseen expenses

As reported in prior years, the auditors detected the unforeseen expenses account is used to record expenditure which were wrongly allocated. At year-end the total amount disclosed as unforeseen expenses amounted to N\$ 902 084.

This lack of proper record keeping is in contravention of Section 86 (1)(9) of the Local Authorities Act, 1992 (No.23 of 1992), which stipulates that "The Accounting Officer of a local authority council shall keep such accounting records as necessary to reflect they transactions and financial state of affairs of the local authority council.

4.7 Fixed assets

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

Numerous assets were sold on the auction but were still recorded as the fixed assets on 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.

No supporting documentation of the TIPEEG capital projects Fund which amounted to N\$ 6 100 595 was availed to the auditors.

Due to the significance of this matter, the Auditor-General cannot express an opinion on fixed assets.

4.8 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 verify VAT payable of N\$ 2 476 442, due to the fact that the supporting documentation could not be provided.

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

Due to the significance of this matter, the Auditor-General cannot express an opinion on VAT.

4.9 Trade and other payables

No creditors' list were provided by the Town Councils, and the auditors search for unrecorded liabilities revealed a material difference of N\$ 129 219.

The Namwater liability of N\$ 2 208 731 is overstated by N\$ 1 736 976. As the statement from the supplier only indicate a total amount due of N\$ 471 754 as at 30 June 2012.

A material difference of N\$ 233 963 was found by the auditors when recalculating the amount due to the Regional Council. The difference could not be explained. As the balance of Regional Council remained constant at N\$ 41 793 since prior year and no payments for the year were found in the Town Council cashbook for the year under review.

A material difference of N\$ 168 379 found on the auditors recalculation of the Provision for Leave Pay was due to the leave cards or schedule not agreeing to the leave days for the year under review.

Due to the significance of this matter, the Auditor-General cannot express an opinion on Accounts payable.

4.10 Payroll

No explanation of a journal entry or any breakdown which amounted to N\$ 494 623 was provided by the Town Council. Unexplained difference of N\$ 18 687 were found on the auditors' reconciliation payroll compared to the earnings reports for the year under review.

4.11 House rental

On the sample selected for testing no breakdown of the direct levies posted on finstel in the house rental ledger accounts could be matched to the list of state levy register provided by the Council for the year under review.

4.12 LA surcharges electricity

The annual financial statements of the Council indicated that the Council received levies from Cenored to an amount of N\$ 110 406 that were deposited in the Council bank account. This amount could not be substantiated by any documentation.

4.15 Sewerage and Sanitation

Most of consumers selected for testing were charged on the wrong tariffs rates for the year under review.

4.16 Bank reconciliation

No bank reconciliation was found at the Town Council during the audit.

The closing balance of the cashbook balance on finstel system amounted to N\$ 13 434 773, while the annual financial statements recorded a negative balance of N\$ (1 026 525), while the actual bank balance as per bank statement was N\$ 250 016 resulting in an unexplained difference of N\$ (776 509) for the year under review.

4.17 Going Concern

The auditors draw attention to the balance sheet as at 30 June 2012 of the Town Council which indicates that as of that date, the current liabilities exceed its current assets. These conditions indicate the existence of material uncertainties which may cast doubt on Councils ability to continue as going concerns unless central Government provides funding for future operations.

5. ACKNOWLEDGEMENT

The assistance and co-operation given by the management and staff of the Town Council during the audit are appreciated.

6. FINANCIAL RESULTS

| | Revenue | Expenditure | Surplus/ (deficit) | Balance |
|---|------------|-------------|-----------------------|---------------|
| | N\$ | N\$ | N\$ | N\$ |
| Accumulated surplus as at 01/07/2011 | | | | 62 485 |
| General Services | | | | |
| Non-profitable | 14 592 930 | 13 152 567 | 1 440 363 | |
| Self-supporting | 962 452 | 516 012 | 446 441 | |
| Trade Accounts | | | | |
| Electricity | 113 496 | - | 113 496 | |
| Water | 2 410 693 | 3 233 571 | (822 877) | |
| | 18 079 572 | 16 902 149 | 1 177 422 | 1 177 422 |
| Surplus for the year | | | | 1 239 907 |
| Adjustments and utilizations (See Note 10, Annexure D.) | | | | (1 145 849) |
| Accumulated surplus 30/06/2012 | | | | 94 059 |

7. CURRENT BANK ACCOUNT

The balance sheet reflected an unfavourable cashbook balance for 2012: N\$ 1 026 525 and for (2011: N\$ 813 164 unfavourable), which is also the reconciled balance. The bank statements reflected a favourable balance for 2012: N\$ 250 016 and favourable for (2011: N\$ 75 881), mainly due to outstanding cheques at year end.

| | 2012 | 2011 |
|--|----------------|---------------|
| | N\$ | N\$ |
| Cash-book balance at 30 June - Balance sheet | (1 026 525) | (813 164) |
| Outstanding cheques | 88 039 | 86 565 |
| Unexplained differences | 1 188 502 | 802 480 |
| Balance as per bank statements | 250 016 | 75 881 |

No bank reconciliation was provided by the Council. Auditors re-performed bank reconciliation revealed a material difference of N\$ 776 509.

8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2012 there was N\$ 8 917 319 (2011: N\$ 7 912 760) invested at financial institutions, as follows:

| | 2012 | 2011 |
|--|------------------|------------------|
| | N\$ | N\$ |
| Investments were allocated to the following Funds: | | |
| Bank | 2 753 582 | 1 749 023 |
| Censored | 6 163 737 | 6 163 737 |
| | 8 917 319 | 7 912 760 |
| Investment interest for 2012: N\$ 275 998 and for (2011: N\$ 17 145) were earned for the year. | | |

| | Investment 2012 | Interest 2012 | Investment 2011 | Interest 2011 |
|------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
| | N\$ | N\$ | N\$ | N\$ |
| Revenue (Censored) | 6 163 737 | - | 6 163 737 | |
| Revenue | 1 629 413 | 275 998 | - | |
| Housing Fund | 206 719 | - | 1 749 023 | 17 145 |
| ** Fixed Property Fund | 917 450 | - | - | |
| | 8 917 319 | 275 998 | 7 912 760 | 17 145 |
| | | | | |

9. FUND ACCOUNTS

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

10. TRADE ACCOUNTS

10.1 The results of operations of electricity were as follows:

| | 2012 | 2011 |
|--------------------------------|----------------|---------------|
| | N\$ | N\$ |
| Sales | 3 090 | 21 197 |
| Cost of Sales (Bulk purchases) | - | - |
| Gross profit | 3 090 | 21 197 |
| Other income | 110 406 | 4 550 |
| Net profit | 113 496 | 25 747 |
| Gross loss % on cost of sales | - | - |
| Net loss % on cost of sales | - | - |

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

10.3 The results of operations of water were as follows:

| | 2012 | 2011 |
|---------------------------------|------------------|---------------|
| | N\$ | N\$ |
| Sales | 2 391 651 | 2 737 712 |
| Cost of Sales (Bulk purchases) | (2 370 000) | (1 936 019) |
| Gross profit | 21 651 | 801 693 |
| Expenses (net) | (844 529) | (779 861) |
| Net (deficit)/surplus | (822 878) | 21 832 |
| Gross profit % on cost of sales | 0.9% | 41.4% |
| Net profit % on cost of sales | (34.72%) | 1.13% |

10.4 The loss could not verify due to the lack of invoices provided for the year under review.

11. SELF-SUPPORTING SERVICES

The net results of self supporting services were as follows:

| | Income 2012 | Expenses 2012 | Surplus/(Loss) 2012 | Surplus/(Loss) 2011 |
|--------------------|------------------------|--------------------------|--------------------------------|--------------------------------|
| | N\$ | N\$ | N\$ | N\$ |
| Natis | 82 743 | 101 205 | (18 461) | (17 341) |
| Cleansing services | 332 869 | 414 807 | (81 938) | (248 207) |
| Sewerage | 546 840 | - | 546 840 | 312 922 |
| | 962 452 | 516 012 | 446 441 | 47 373 |

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

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

13. SUSPENSE ACCOUNTS

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

14. IRREGULARITIES AND LOSSES

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

15. CAPITAL PROJECTS

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

| | Financed by | Total Expenditure 2012 | Total Expenditure 2011 |
|----------------------------|----------------------------|---------------------------------------|---------------------------------------|
| | Revenue account | | |
| | N\$ | N\$ | N\$ |
| Council's general expenses | 26 087 | 26 087 | 126 170 |
| Finance department | 18 155 | 18 155 | 11 867 |
| General administration | 153 527 | 153 527 | 208 892 |
| Sanitation and cleaning | 18 302 | 18 302 | 140 282 |
| Town planning | 6 106 595 | 6 106 595 | 656 579 |
| Water supply | 75 151 | 75 151 | 130 057 |
| | 6 397 817 | 6 397 817 | 1 273 847 |

16. BURSARIES

No bursaries were granted during the years under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

| | 2012 | 2011 |
|------------------------------|------------------|-------------|
| | N\$ | N\$ |
| Contribution from Government | 9 000 000 | - |
| | 9 000 000 | - |

The Ministry of Regional and Local Government, Housing and Rural Development funded the Town Council with a grant of N\$ 1000 000 and N\$ 8 000 000 NPC which will fund the Capital Projects for the year under review.

18. COMPENSATION PAYMENTS

No compensation payments were made during the years under review.

19. VISITS TO FOREIGN COUNTRIES

Foreign visits amounted to N\$ 12 444 for 2012 and N\$ 4 772 for 2011 for the year under review.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims against the Local Authority payments were made during the years under review.

21. GIFTS / DONATIONS BY / TO THE LOCAL AUTHORITY

A donations of N\$ nil for 2012 and N\$ 11 823 for 2011 was made.

22. TRANSFER OF PROPERTY TO / FROM GOVERNMENT

No properties were transferred from the Ministry of Local Government and Housing for the years under review.

23. DEBTORS AND CREDITORS

23.1 Debtors at 30 June were:

| | 2012 | 2011 |
|-------------------------------|------------------|------------------|
| | N\$ | N\$ |
| Services | 13 233 886 | 12 662 287 |
| Less: Provision for bad debts | (12 027 728) | (10 966 021) |
| Sundry debtors | - | 95 178 |
| | 1 206 158 | 1 791 444 |

23.2 Creditors at 30 June were:

| | 2012 | 2011 |
|--------------------------------|------------------|------------------|
| | N\$ | N\$ |
| Trade creditors | 2 437 596 | 2 208 731 |
| Receiver of Revenue - VAT | 2 476 442 | 2 240 594 |
| Regional Council Fees | 41 793 | 41 793 |
| Consumer deposits | 610 | 610 |
| Provision for leave | 560 604 | 392 225 |
| Audit fees | 40 000 | 40 000 |
| Suspense account: Bank account | - | - |
| | - | - |
| | 5 557 045 | 4 923 953 |

24. ASSESSMENT RATES

| | 2012 | 2011 |
|---|-----------|-----------|
| | N\$ | N\$ |
| Net proceeds from assessment rates were | 3 068 882 | 2 446 228 |
| Tariffs per N\$ 1 valuation per annum - Business | | |
| Valuation per annum | | |
| - Land | 0.0250 | 0.022 |
| - Improvements | 0.0850 | 0.083 |
| Tariffs per N\$ 1 valuation per annum - Residential | | |
| Valuation per annum | | |
| - Land | 0.0750 | 0.075 |
| - Improvements | 0.0150 | 0.012 |

Yes, assessment rates income was stated for the year under review.

25. LOANS

25.1 External loans

External loans outstanding at year-end amounted to N\$ 16 876 (2011: N\$ 155 000) but according to the amortization schedules, the outstanding amount is N\$ 2 730 resulting in a difference of N\$ 14 147.

External loans redeemed amounted to N\$ 138 124 for 2012 and N\$ 111 341 for 2011 for the year under review.

25.2 Internal loans

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

25.3 Housing loans

The amount advanced in favour of housing loans under the Build Together programmed are reflected as N\$ 2 846 372 for 2012 and N\$ 2 401 845 for 2011 in the annual statements.

26. SALE OF ERVEN

The income as per financial statements amounted to N\$ 213 160 for 2012 and N\$ 193 804 for 2011 for the year under review. The annual financial statements and the report from the computerized system is due to prior year transactions that were processed in the current year.

27. PROPERTY SOLD ON INSTALLMENT BASIS

No details of houses that were sold on an instalment basis during the years under review could be provided.

28. TARIFF ADJUSTMENTS

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

29. APPROVALS

29.1 Excess on approved budget

Due to lack of internal control and poor recordkeeping, no documents could be provided by the auditors to verify excess on budget.

30. STOCK AND EQUIPMENT

30.1 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 Combie's | | Heavy duty vehicles (Lorries and busses) | |
|--------------------------------|--------------------|---------------|---|----------------|
| | No | N\$ | No | N\$ |
| On hand as at 01/07/2011 | 5 | 195 212 | 10 | 1 227 200 |
| Acquisitions during the year * | - | - | - | - |
| | 5 | 195 212 | 10 | 1 227 200 |
| Less: Depreciation/Correction* | | (125 087) | (6) | (987 200) |
| Less: Withdrawal * | - | - | - | - |
| | - | - | - | - |
| On hand 30/06/2012* | 5 | 70 125 | 4 | 240 000 |

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

31. SPECIAL INVESTIGATIONS

The auditors are not aware of any special investigation concluded on the affairs of the Council.

32. GENERAL

32.1 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 Council override existing controls, a potentially dangerous practice, which Council should vigilantly guard against.

33. FORMAL AND INFORMAL QUERIES

Formal queries are embodied in this report.

Informal queries addressed to the Accounting Officer consist of:

- * Lack of supporting documentation
- * Inadequate inventory control;
- * Control and accounting of housing funds
- * Unorganized filing and recordkeeping system
- * Inadequate consumer deposits
- * Long overdue debtors' accounts and monies long outstanding becoming doubtful;
- * Cash at bank
- * Fixed assets

- * Liabilities
- * Segregation of duties

34. DISCLAIMED AUDIT OPINION

The accounts of the Okakarara Town Council for the financial year ended 30 June 2012, 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 due to the following reasons:.

WINDHOEK, October 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

TOWN COUNCIL OF OKAKARARA

BALANCE SHEET ON 30 JUNE 2012

| | Notes | 2012 N\$ | 2011 N\$ |
|-------------------------------------|-------|-------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 3 | 18 176 235 | 14 304 217 |
| Secured loans | 8 | 2 846 372 | 2 401 846 |
| Investments | 4 | 8 917 319 | 7 912 760 |
| Current assets | | | |
| Accounts receivables | 5 | 1 206 158 | 1 791 444 |
| TOTAL ASSETS | | 31 146 084 | 26 410 267 |
| EQUITY AND LIABILITIES | | | |
| Funds | | | |
| Funds and accounts | 2 | 18 159 358 | 14 260 558 |
| Accumulated funds | 2 | 6 386 279 | 6 368 934 |
| Non-current liabilities | | | |
| Long-term liabilities | 7 | 16 876 | 43 659 |
| Current liabilities | | | |
| Accounts Payables | 6 | 5 557 045 | 4 923 952 |
| Bank overdraft | 9 | 1 026 525 | 813 164 |
| TOTAL EQUITY AND LIABILITIES | | 31 146 084 | 26 410 267 |

TOWN COUNCIL OF OKAKARARA

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

| | <u>Notes</u> | <u>2012</u> | <u>2011</u> |
|--|--------------|----------------------|----------------------|
| | | N\$ | N\$ |
| INCOME | | 17 803 393 | 8 317 002 |
| EXPENDITURE | | <u>(16 902 149)</u> | <u>(9 376 042)</u> |
| NET OPERATING PROFIT / (LOSS) | | 901 244 | (1 059 040) |
| INVESTMENT INTEREST EARNED | | <u>276 178</u> | <u>17 145</u> |
| NET PROFIT / (LOSS) | | 1 177 422 | (1 041 895) |
| ADJUSTMENTS | 10 | (1 145 849) | (218 317) |
| NET PROFIT / (LOSS) for the year | | <u>31 574</u> | <u>(1 260 212)</u> |
| APPROPRIATION ACCOUNT AT BEGINNING OF THE YEAR | | <u>62 485</u> | <u>1 322 697</u> |
| APPROPRIATION ACCOUNT AT END OF YEAR | | <u>94 059</u> | <u>62 485</u> |

TOWN COUNCIL OF OKAKARARA

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

| | Notes | 2012 N\$ | 2011 N\$ |
|---|-------|--------------------|------------------|
| Cash receipts from customers | | 17 803 393 | 8 317 002 |
| Cash paid to suppliers | | (16 829 619) | (9 638 021) |
| <i>Cash generated / (utilised) by operations</i> | 11 | 973 774 | (1 321 019) |
| Investment income | | 276 178 | 17 145 |
| Movements in funds | | 3 884 571 | 2 142 110 |
| - Funds accounts | | (14 229) | 2 455 961 |
| - Capital outlay excluding loans redeemed | | 3 898 801 | (313 851) |
| <i>Net cash flow from operating activities</i> | | 5 134 524 | 838 236 |
| <i>CASH FLOW FROM INVESTING ACTIVITIES</i> | | (5 347 886) | (1 618 695) |
| Net capital expenditure | | (3 872 018) | 313 852 |
| (Increase)/decrease in loans | | (471 309) | (368 987) |
| (Increase) / decrease in investments | | (1 004 559) | (1 563 560) |
| <i>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</i> | | (213 362) | (780 459) |
| Cash and cash equivalents at beginning of year | | (813 164) | (32 705) |
| Cash and cash equivalents at end of year | | (1 026 526) | (813 164) |

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 Fixed property fund

Proceeds from the sale of land that has been developed by the Town Council accumulates in this Fund. Cost incurred on the development of land is charged to this fund.

No sale of erven was recorded in the annual financial statements.

1.5 Housing 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.

1.6 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 (continued)

| | 2012 | 2011 |
|--|-------------------|-------------------|
| | N\$ | N\$ |
| 2. OWN FUNDS | | |
| 2.1 Financing of capital: | | |
| Contribution from: | 18 159 358 | 14 260 558 |
| Revenue contributions | 6 233 922 | 1 358 890 |
| General capital contributions | 11 787 313 | 12 790 327 |
| Loans redeemed | 138 124 | 111 341 |
| 2.2 Funds | 6 386 279 | 6 368 934 |
| Capital Reserve Fund | 917 450 | 917 450 |
| Built Together Fund | 5 374 770 | 5 388 999 |
| Accumulated surplus | 94 059 | 62 485 |
| TOTAL FUNDS | 24 545 637 | 20 629 491 |
| 3. FIXED ASSETS | | |
| Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment. | 18 176 235 | 14 304 217 |
| Financed from: | | |
| Revenue account | 18 176 235 | 14 304 217 |
| | 18 176 235 | 14 304 217 |
| Financed from: | | |
| Revenue contributions | 6 233 922 | 1 358 890 |
| General capital contributions | 11 787 313 | 12 790 327 |
| Loans | 16 876 | 43 659 |
| Loans redeemed | 138 124 | 111 341 |
| | 18 176 235 | 14 304 217 |
| 4. INVESTMENTS | | |
| Commercial banks | 8 917 319 | 7 912 760 |
| | 8 917 319 | 7 912 760 |
| Comprising of: | | |
| Banks | 2 753 582 | 1 749 023 |
| Censored | 6 163 737 | 6 163 737 |
| | 8 917 319 | 7 912 760 |

TOWN COUNCIL OF OKAKARARA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE (continued)

| | 2012 | 2011 |
|--|--------------------|------------------|
| | N\$ | N\$ |
| 5. ACCOUNTS RECEIVABLE | | |
| Consumers | 13 233 886 | 12 662 287 |
| Less: Provision for bad debts | (12 027 728) | (10 966 021) |
| Sundry debtors | - | 95 178 |
| | 1 206 158 | 1 791 444 |
| 6. ACCOUNTS PAYABLES | | |
| Trade payables | 2 437 596 | 2 208 731 |
| Receiver of Revenue - VAT | 2 476 442 | 2 240 594 |
| Consumer deposits | 610 | 610 |
| Provision for leave | 560 604 | 392 225 |
| Regional Council fees | 41 793 | 41 793 |
| Audit fees | 40 000 | 40 000 |
| | 5 557 045 | 4 923 952 |
| 7. LONG-TERM LIABILITIES | | |
| External loans | 16 876 | 43 659 |
| | 16 876 | 43 659 |
| 8. SECURED LOANS | | |
| Loans granted for housing | 2 846 372 | 2 401 846 |
| | 2 846 372 | 2 401 846 |
| 9. CASH AND BANK BALANCES | | |
| Current bank account | (1 026 525) | (813 164) |
| Outstanding cheques transferred to creditors | 88 039 | 86 565 |
| Outstanding deposits | 1 188 502 | 802 480 |
| Cash in transit | - | - |
| | 250 016 | 75 881 |
| 10. ADJUSTMENTS AND UTILIZATIONS | | |
| Adjustments - Income relating to prior year | (1 145 849) | (218 317) |
| Adjustments-Built Together Fund (Housing Fund) | - | - |
| | (1 145 849) | (218 317) |

TOWN COUNCIL OF OKAKARARA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE (continued)

| | <u>2012</u> | <u>2011</u> |
|---|-----------------------------|-------------------------------|
| | N\$ | N\$ |
| 11. CASH UTILISED BY OPERATIONS | | |
| A. Cash utilised/(absorbed) by operations | | |
| Net profit/(loss) before investment interest and adjustments. | 901 244 | (1 059 040) |
| Suspense account | - | - |
| Adjustment on appropriation account | (1 145 849) | (218 317) |
| Adjustments - Build Together Fund (Housing Fund) | - | - |
| Investment income | - | - |
| OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL | <u>(244 605)</u> | <u>(1 277 357)</u> |
| B. Utilized to increase working capital | | |
| Decrease in accounts receivable | 585 286 | 23 911 |
| Increase / (decrease) in accounts payable | 633 093 | (67 573) |
| | <u>1 218 379</u> | <u>(43 662)</u> |
| CASH GENERATED / (UTILISED) BY OPERATIONS | <u>973 774</u> | <u>(1 321 019)</u> |