



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF OKAKARARA

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Town Council of Okakarara for the financial year ended 30 June 2013, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, May 2014

**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 2013**

1. INTRODUCTION

The accounts of the Town Council of Okakarara for the year ended 30 June 2013 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Local Authorities Act, 1992 (Act 23 of 1992).

The firm BDO Chartered Accountants 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 17 October 2013, instead of three months after the year-end as required by the Act**, and it could not have been determined when they were prepared. The letter of representation concerning the financial year is dated 17 January 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\$ 13 157 278 was made by the Town Council for the year ended 30 June 2013. As per the auditors review, the Council has over-provided for bad debts by N\$ 581 543 (2012: N\$ 206 597 under provision). Council thus adequately provided for doubtful debts but the collection period for debtors is still alarmingly high which impacts negatively on the cash flow and results of the Council.

The Council provided for all debts 120 plus days outstanding as per their policy.

	2013	2012
	N\$	N\$
Provision for doubtful debts	13 157 278	12 027 728

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

Description	2013	2012
	%	%
120 days and plus	92	92

As reported in prior years, a list of debtors that were handed over to the Magistrate 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 2013.

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 2013. 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 consumer deposits closing balance is N\$ 2 185 which indicates that the consumer deposits may be inadequate for the year under review.

	2013	2012
	N\$	N\$
Debt outstanding	14 269 804	13 233 886
Consumer deposits	2 185	610
Percentage of deposits against outstanding debts	0.015%	0.00%

4.6 Source documents (*)

Numerous important source documents for incomes received 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 following revenue items appear to be overstated;
Subsidy from Government N\$ 1 500 000
Sale of erven N\$ 323 966
Property sales N\$ 204 394

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

4.7 Fixed assets (*)

Wrong rates of depreciation were used to calculate the depreciation for the year for some assets.

No supporting documentation of the fixed assets additions amounting to N\$ 7 329 891 was availed to the auditors.

Assets are also not adequately insured which exposes the Council to possible losses.

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 a VAT refund that the Council claims that they are going to receive from the Receiver of Revenue to the amount of N\$ 764 620, due to no supporting documentation provided. The refund has not yet been paid out as at the time of the audit.

Furthermore, the Receiver of Revenue statement reflects an outstanding VAT balance of N\$ 207 479 due to them. This balance relates to returns in respect of the 2008 and prior financial year ends. In respect of import VAT, a tax balance of N\$ 101 999 is due to the Receiver of Revenue as per their statement.

The Council did not declare zero rated and exempt sales on their VAT returns. Furthermore, vatable income was under declared. The estimated VAT amount in respect thereof is N\$ 272 710.

No provision for possible penalties and interest, failure to furnish returns and late submission of returns, were provided for in the financial statements. Substantial balances in respect of penalties and interest on VAT and import VAT is outstanding as per the Receiver of Revenue statements.

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

4.9 Trade and other payables (*)

No listing for the sundry creditors to the amount of N\$ 228 855 could be provided by the Council.

Furthermore, as per the Receiver of Revenue, penalties and interest to the amount of N\$ 294 871 in respect of PAYE is outstanding.

Due to the significance of this matter, the Auditor-General cannot express an opinion on trade and other payables.

4.10 Payroll

An unexplained difference of N\$ 198 677 was found on the auditors' reconciliation of payroll compared to the earnings reports for the year under review. The Council could also not provide the auditors with supporting documentation for the subsistence allowance and foreign visits amounting to N\$ 1 487 355 and N\$ 403 751 respectively.

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

4.11 LA surcharges electricity (*)

The annual financial statements of the Council indicated that the Council received levies from Censored to an amount of N\$ 258 459 that were deposited in the Council bank account. This amount could not be substantiated by any documentation.

4.12 Water, sewerage and sanitation (*)

Most of consumers selected for testing were charged on the wrong tariff rates for the year under review. Furthermore, due to Council being unable to provide information/listings in respect of all the months, water sales income is materially overstated by N\$ 930 435 and sewerage income residential by N\$ 254 455.

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

4.13 Bank reconciliation

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

The closing balance of the cash-book balance on finstel system and the annual financial statements recorded a negative balance of N\$ (1 552 077), while the actual bank balance as per bank statement was N\$ 210 460 resulting in an unexplained difference of N\$ 1 762 537 for the year under review.

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

4.14 Going concern

The auditors draw attention to the balance sheet as at 30 June 2013 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 Council's ability to continue as going concerns unless central Government provides funding for future operations.

4.15 Appropriation account

The Council could not provide supporting documentation in respect of journals passed amounting to a credit of N\$ 1 978 438 and a debit of N\$ 1 459 177.

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

4.16 Fixed Property Fund and Housing Fund

Council could not provide supporting documents for the Fixed Property Fund and Housing Fund to the amount of N\$ 917 450 and N\$ 5 408 495 respectively.

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

4.17 Investments

Included in the investment balance is an amount of N\$ 1 999 717 in respect of Veina Tobias. The Council could not provide any supporting documentation in respect of this amount. The auditors could thus not ascertain the existence, completeness, accuracy and valuation of this investment.

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

(*) Also reported in prior year

5. ACKNOWLEDGEMENT

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

6. FINANCIAL RESULTS

	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus as at 01/07/2012				94 059
General Services				
Non-profitable	18 511 578	11 985 539	6 526 039	
Self-supporting	1 001 822	913 686	88 136	
Trade Accounts				
Electricity	258 459	-	258 459	
Water	2 633 731	6 353 399	(3 719 668)	
	22 405 590	19 252 624	3 152 966	3 152 966
Surplus for the year				3 247 025
Adjustments and utilizations (See Note 10, Annexure D.)				519 261
Accumulated surplus 30/06/2013				3 766 286

7. CURRENT BANK ACCOUNT

The balance sheet reflected an unfavourable cash-book balance for 2013: N\$ 1 552 077 and for (2012: N\$ 1 026 525 unfavourable), which is also the general ledger balance. The bank statements reflected a favourable balance for 2013: N\$ 210 460 and favourable for (2012: N\$ 250 016), mainly due to outstanding cheques at year-end.

	2013	2012
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	(1 552 077)	(1 026 525)
Outstanding cheques	-	88 039
Unexplained differences	1 762 537	1 188 502
Balance as per bank statements	210 460	250 016

No bank reconciliation was provided by the Council. Auditors re-performed bank reconciliation revealed a material difference of N\$ 1 762 537.

8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2013 there was N\$ 8 683 138 (2012: N\$ 8 917 319) invested at financial institutions, as follows:

	2013	2012
	N\$	N\$
Investments were allocated to the following Funds:		
Bank	519 684	2 753 582
Veina Tobias	1 999 717	-
Cenored	6 163 737	6 163 737
	8 683 138	8 917 319
Investment interest for 2013: N\$ 0.00 and for (2012: N\$ 275 998) were earned for the year.		

	Investment 2013	Interest 2013	Investment 2012	Interest 2012
	N\$	N\$	N\$	N\$
Revenue (Censored)	6 163 737	-	6 163 737	-
Revenue (Veiina Tobias)	1 999 717	-	1 629 413	275 998
Housing Fund	448 537	-	206 719	-
Fixed Property Fund	71 147	-	917 450	-
	8 683 138	-	8 917 319	275 998

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:

	2013	2012
	N\$	N\$
Sales	258 459	3 090
Cost of sales (Bulk purchases)	-	-
Gross profit	258 459	3 090
Other income	-	110 406
Net profit	258 459	113 496
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:

	2013	2012
	N\$	N\$
Sales	2 601 440	2 391 651
Cost of sales (Bulk purchases)	(1 807 242)	(2 370 000)
Gross profit	794 198	21 651
Expenses (net)	(4 513 866)	(844 529)
Net (deficit)/surplus	(3 719 668)	(822 878)
Gross profit % on cost of sales	43.95%	0.9%
Net loss % on cost of sales	(205.82%)	(34.72%)

11. SELF-SUPPORTING SERVICES

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

	Income 2013	Expenses 2013	Surplus/(Loss) 2013	Surplus/(Loss) 2012
	N\$	N\$	N\$	N\$
Natis	78 601	75 411	3 190	(18 461)
Cleansing services	372 811	838 275	(465 464)	(81 938)
Sewerage	550 410	-	550 410	546 840
	1 001 822	913 686	88 136	446 441

The Council should put measures in place to make the cleansing services self-supporting.

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 2013	Total expenditure 2012
	Revenue account		
	N\$	N\$	N\$
Council's general expenses	158 260	158 260	26 087
Finance department	17 621	17 621	18 155
Town engineers dept	5 841	5 841	-
Town clerks dept CEO dept	3 474	3 474	-
Streets, stormwater and sidewalks	3 032 718	3 032 718	-
General administration	-	-	153 527
Sanitation and cleaning	-	-	18 302
Town planning	375 335	375 335	6 106 595
Water supply	3 736 643	3 736 643	75 151
	7 329 891	7 329 891	6 397 817

16. BURSARIES

No bursaries were granted during the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

	2013	2012
	N\$	N\$
Contribution from Government	12 100 000	9 000 000
	12 100 000	9 000 000

The Ministry of Regional and Local Government, Housing and Rural Development funded the Town Council with a grant of N\$ 10 000 000 and N\$ 600 000 by National Planning Commission which will fund the Capital Projects for the year under review.

18. COMPENSATION PAYMENTS

No compensation payments were made during the year under review.

19. VISITS TO FOREIGN COUNTRIES

Foreign visits amounted to N\$ 403 751 for 2013 and N\$ 12 444 for 2012 for the year under review.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

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

21. GIFTS / DONATIONS BY / TO THE LOCAL AUTHORITY

A donation was made during the year under review.

22. TRANSFER OF PROPERTY TO / FROM GOVERNMENT

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

23. DEBTORS AND CREDITORS

23.1 Debtors at 30 June were:

	2013	2012
	N\$	N\$
Services	14 269 804	13 233 886
Less: Provision for bad debts	(13 157 278)	(12 027 728)
	1 112 526	1 206 158

23.2 Creditors at 30 June were:

	2013	2012
	N\$	N\$
Trade creditors	508 373	2 437 596
Receiver of Revenue - VAT	1 301 045	2 476 442
Regional Council Fees	-	41 793
Consumer deposits	2 185	610
Provision for leave	890 231	560 604
Audit fees	40 000	40 000
	2 741 834	5 557 045

24. ASSESSMENT RATES

	2013	2012
	N\$	N\$
Net proceeds from assessment rates were	3 520 706	3 068 882
Tariffs per N\$ 1 valuation per annum - Business		
Valuation per annum		
- Land	0.0250	0.0250
- Improvements	0.0850	0.0850
Tariffs per N\$ 1 valuation per annum - Residential		
Valuation per annum		
- Land	0.0750	0.0750
- Improvements	0.0150	0.0150

25. LOANS

25.1 External loans

External loans outstanding at year-end amounted to N\$ nil (2012: N\$ 16 876).

External loans redeemed amounted to N\$ 0.00 for 2013 and N\$ 138 124 for 2012.

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\$ 4 590 478 for 2013 and N\$ 2 846 372 for 2012 in the annual financial statements.

26. SALE OF ERVEN

The income as per financial statements amounted to N\$ 323 396 for 2013 and N\$ 213 160 for 2012 for the year under review.

27. PROPERTY SOLD ON AN INSTALMENT BASIS

No details of houses that were sold on an instalment basis during the year 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, disposed 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 01/07/2012	5	70 125	4	240 000
Acquisitions during the year *	-	-	-	-
Less: Depreciation/Correction*	-	-	-	-
Less: Withdrawal *	-	-	-	-
On hand 30/06/2013*	5	70 125	4	240 000

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
- * Inadequate consumer deposits
- * Funds and accounts
- * Investments
- * VAT
- * Long overdue debtors' accounts and monies long outstanding becoming doubtful;
- * Cash at bank (Bank reconciliation)
- * Various issues on property, plant and equipment
- * Accounts payable
- * Investments

34. DISCLAIMED AUDIT OPINION

The accounts of the Town Council of Okakarara for the financial year ended 30 June 2013, 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:

The inventory value at year end was not accounted for in the financial statements and inventory could not be verified because the auditors did not attend the stock count and alternative procedures could not be performed.

Provision for bad debts amounted to N\$ 13 157 277 which is 92% of total debt. This is quite alarming and there is a recoverability doubt over most of these debts. The valuation could not be ascertained.

The listing of consumer deposits could not be provided. Consumer deposits also appeared insufficient.

The special funds were not properly administered and statements were not prepared indicating as to how the closing balances were determined. The auditors could not test the Funds to the amount of N\$ 6 325 945 because of lack of supporting documents.

Payroll reconciliation reflects an overstatement of N\$ 198 677, payroll as per the annual financial statements could not be reconciled to the reports. Furthermore, the Council could not provide supporting documents to substantiate the subsistence allowance and foreign visits amounting to N\$ 1 487 355 and N\$ 403 751 respectively.

Property, plant and equipment additions for the year to the amount of N\$ 7 329 891 could not be supported. Furthermore, it appears that some of the assets were depreciated using wrong depreciation rates.

The auditors were unable to verify a VAT refund that the Council claims that they are going to receive from the Receiver of Revenue to the amount of N\$ 764 620, due to no supporting documentation provided. Furthermore, the Receiver of Revenue statement reflects an outstanding VAT balance of N\$ 207 479 due to them. This balance relates to returns in respect of the 2008 and prior financial year ends. In respect of import VAT, a tax balance of N\$ 101 999 is due to the Receiver of Revenue as per their statement. Council did not declare zero rated and exempt sales on their VAT returns. Furthermore vatable income was under declared. The estimated VAT amount in respect thereof is N\$ 272 710. Substantial amounts of penalties and interest in respect of VAT and import VAT are outstanding as per the Receiver of Revenue.

Sale of erven N\$ 323 696 – no supporting documentation could be provided

Property sales N\$ 204 394 – no supporting documents could be provided.

Subsidy received from local government was overstated by N\$ 1 500 000

Water sales N\$ 930 435 and sewerage income – residential N\$ 254 455 were overstated. The Council could also not provide auditors with consumption reports for July and August 2012.

LA Surcharges Censored N\$ 258 459 – no supporting documents could be provided

The auditors could also not test sundry creditors to the amount of N\$ 228 855 disclosed in the annual financial statements due to lack of supporting documentation. Furthermore, as per the Receiver of Revenue, penalties and interest to the amount of N\$ 294 871 in respect of PAYE is outstanding.

Secured loans (Build together) amounting to N\$ 4 590 478 could not be tested due to lack of supporting documents. The Council did also not provide auditors with amortization schedules and it appears that there were no proper internal controls exercised on the Build – Together Project in terms of monthly reconciliation.

Appropriation account – The Council could not substantiate or explain the journals relating to prior year processed on the appropriation account to the amount of N\$ 1 459 177 (debit) and N\$ 1 978 438 (credit). The auditors therefore could not ascertain if the appropriation account was fairly stated.

No monthly bank reconciliations are performed by the Council. There was an unreconciled difference to the amount of N\$ 1 762 537 found between the bank balance and the cashbook balance.

The Council could not provide supporting documentation for the Veiina Tobias investment amounting to N\$ 1 999 717. The auditors could thus not ascertain the existence, completeness, accuracy and valuation of this investment.

WINDHOEK, May 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

TOWN COUNCIL OF OKAKARARA

BALANCE SHEET ON 30 JUNE 2013

	Notes	2013 N\$	2012 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	3	23 049 365	18 176 235
Secured loans	8	4 590 478	2 846 372
Investments	4	8 683 138	8 917 319
Current assets			
Accounts receivables	5	1 112 526	1 206 158
TOTAL ASSETS		37 435 507	31 146 084
EQUITY AND LIABILITIES			
Funds			
Funds and accounts	2	23 049 365	18 159 358
Accumulated funds	2	10 092 231	6 386 279
Non-current liabilities			
Long-term liabilities	7	-	16 876
Current liabilities			
Accounts Payables	6	2 741 834	5 557 045
Bank overdraft	9	1 552 077	1 026 525
TOTAL EQUITY AND LIABILITIES		37 435 507	31 146 084

TOWN COUNCIL OF OKAKARARA

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
		N\$	N\$
INCOME		22 405 590	17 803 393
EXPENDITURE		<u>(19 252 624)</u>	<u>(16 902 149)</u>
NET OPERATING PROFIT / (LOSS)		3 152 966	901 244
INVESTMENT INTEREST EARNED		<u>-</u>	<u>276 178</u>
NET PROFIT / (LOSS)		3 152 966	1 177 422
ADJUSTMENTS	10	519 261	(1 145 849)
NET PROFIT / (LOSS) for the year		<u>3 672 227</u>	<u>31 574</u>
APPROPRIATION ACCOUNT AT BEGINNING OF THE YEAR		<u>94 059</u>	<u>62 485</u>
APPROPRIATION ACCOUNT AT END OF YEAR		<u>3 766 286</u>	<u>94 059</u>

TOWN COUNCIL OF OKAKARARA

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	2013 N\$	2012 N\$
Cash receipts from customers		22 405 590	17 803 393
Cash paid to suppliers		(21 454 940)	(16 829 619)
<i>Cash generated / (utilised) by operations</i>	11	950 750	973 774
Investment income		-	276 178
Movements in funds		4 923 731	3 884 571
- Funds accounts		33 725	(14 229)
- Capital outlay excluding loans redeemed		4 890 006	3 898 801
<i>Net cash flow from operating activities</i>		7 874 381	5 134 524
<i>CASH FLOW FROM INVESTING ACTIVITIES</i>		(6 399 931)	(5 347 886)
Net capital expenditure		(4 873 130)	(3 872 018)
(Increase)/decrease in loans		(1 744 106)	(471 309)
(Increase)/decrease in investments		234 181	(1 004 559)
Decrease in long-term liabilities		(16 876)	-
<i>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</i>		(525 551)	(213 362)
Cash and cash equivalents at beginning of year		(1 026 526)	(813 164)
Cash and cash equivalents at end of year		(1 552 077)	(1 026 526)

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)

	2013	2012
	N\$	N\$
2. OWN FUNDS		
2.1 Financing of capital:		
Contribution from:	23 049 365	18 159 358
Revenue contributions	12 265 066	6 233 922
General capital contributions	10 784 299	11 787 313
Loans redeemed	-	138 124
2.2 Funds	10 092 231	6 386 279
Capital Reserve Fund	917 450	917 450
Built Together Fund	5 408 495	5 374 770
Accumulated surplus	3 766 286	94 059
TOTAL FUNDS	33 141 596	24 545 637
3. FIXED ASSETS		
Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment.	23 049 365	18 176 235
Financed from:		
Revenue account	23 049 365	18 176 235
	23 049 365	18 176 235
Financed from:		
Revenue contributions	6 233 922	6 233 922
General capital contributions	11 787 313	11 787 313
Loans	16 876	16 876
Loans redeemed	138 124	138 124
	18 176 235	18 176 235
4. INVESTMENTS		
Commercial banks	8 683 138	8 917 319
	8 683 138	8 917 319
Comprising of:		
Banks	519 684	2 753 582
Veina Tobias	1 999 717	-
Cenored	6 163 737	6 163 737
	8 683 138	8 917 319

TOWN COUNCIL OF OKAKARARA

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

	2013	2012
	N\$	N\$
5. ACCOUNTS RECEIVABLE		
Consumers	14 269 804	13 233 886
Less: Provision for bad debts	(13 157 278)	(12 027 728)
	1 112 526	1 206 158
6. ACCOUNTS PAYABLES		
Trade payables	508 373	2 437 596
Receiver of Revenue - VAT	1 301 045	2 476 442
Consumer deposits	2 185	610
Provision for leave	890 231	560 604
Regional Council fees	-	41 793
Audit fees	40 000	40 000
	2 741 834	5 557 045
7. LONG-TERM LIABILITIES		
External loans	-	16 876
	-	16 876
8. SECURED LOANS		
Loans granted for housing	4 590 478	2 846 372
	4 590 478	2 846 372
9. CASH AND BANK BALANCES		
Current bank account	(1 552 077)	(1 026 525)
Outstanding cheques transferred to creditors	-	88 039
Outstanding deposits	1 762 537	1 188 502
	210 460	250 016
10. ADJUSTMENTS AND UTILIZATIONS		
Adjustments - relating to prior year	519 261	(1 145 849)
	519 261	(1 145 849)

TOWN COUNCIL OF OKAKARARA

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

	<u>2013</u>	<u>2012</u>
	N\$	N\$
11. CASH UTILISED BY OPERATIONS		
A. Cash utilised/(absorbed) by operations		
Net profit/(loss) before investment interest and adjustments.	3 152 966	901 244
Adjustment on appropriation account	519 261	(1 145 849)
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL	<u><u>3 672 327</u></u>	<u><u>(244 605)</u></u>
B. Utilized to increase working capital		
Decrease in accounts receivable	93 632	585 286
(Decrease) / increase in accounts payable	<u>(2 815 211)</u>	<u>633 093</u>
	<u>(2 721 579)</u>	<u>1 218 379</u>
CASH GENERATED / (UTILISED) BY OPERATIONS	<u><u>950 750</u></u>	<u><u>973 774</u></u>