



REPUBLIC OF NAMIBIA



AUDIT REPORT ON THE ACCOUNTS OF THE

TOWN COUNCIL OF ONDANGWA

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 Ondangwa 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, November 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. INTRODUCTION

The accounts of the Town Council of Ondangwa 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, 1992 (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 Municipality on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded off to the nearest Namibia Dollar. Deficits are indicated in brackets.

2. FINANCIAL STATEMENTS

The Town Council's financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 87(1) of the Local Authorities Act, 1992. The audited financial statements are in agreement with the general ledger and are filed in the Office of the Auditor-General. The abridged balance sheet, Annexure A, is a true reflection of the original, signed by the Accounting Officer.

The financial statements also include:

Annexure B: 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. The responsibility includes designing, implementing and maintaining internal controls 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 requirement, plans and performs the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or

error. In making those risk assessments, the auditor considers internal controls 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 or expressing an opinion on the effectiveness of the entity's internal controls. 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 External loans - Reconciliations

A difference of N\$ 444 960 was found on the loan balances. This was due to the fact that reconciliation was not properly done, as well as incorrect cut off procedures were applied.

Also the redemption and interest charges for the year revealed differences of N\$ 14 478 and N\$ 20 981 respectively.

The above differences are mainly attributed to the lack of proper reconciliations being done of long-term loans and resulting into the misstatement of current liabilities at year end.

4.2 External loans – Opening balances

The opening balances of the loans against the financial institutions loan statements reflected a difference of N\$ 357 190.

4.3 Unrecorded liabilities

A search for unrecorded liabilities found an amount of N\$ 88 420 as being omitted from its liabilities at year end.

No provision for the Regional Council levy was made during the year. This resulted into a material understatement of N\$ 626 570.

4.4 VAT Control Account

A review of the VAT control account against the VAT returns revealed a material difference of N\$ 2 263 403. This was due to VAT incorrectly extracted from the Finstel system while inputs on VAT returns were calculated separately on Excel sheets. Disallowed input VAT and penalties on late filling, were not accounted for.

Although the financial statements reflected a receivable amount of N\$ 2 358 699, the recoverability of this balance was in doubt.

4.5 GIPF/NATIS - Roads Authority income

Income was materially understated by an amount of N\$ 198 666. Although payments were received from Roads Authority, as verified to the bank statements, no allocation was done, as the bank reconciliation was not done.

Also, outstanding invoices amounting to N\$ 186 557 were not accounted for as a debtor.

4.6 Insurance expenses

A difference of N\$ 111 880 was found. Also the insurance contracts for the months of July 2011, August 2011 and June 2012 could not be availed during the time of the audit.

4.7 Water purchases expenses

Invoices as from August 2011 to November 2011 with a collective value of N\$ 3 520 228 could not be availed during the time of the audit.

4.8 Assets value and description

Numerous fixed assets were overstated due to the inclusion of VAT when processing overpayments. The overstatement amounted to N\$ 355 077.

As reported in prior years, difficulties with the asset descriptions on the fixed asset register were experienced. Moreover, it was alarming to observe that vehicles were sold on auction but were not removed from the register.

4.9 Investment

The financial statements do not reflect its 2.5% shareholding in Erongo RED as well as capital contributions such as cash and electrical assets made subsequently.

4.10 Investments – Interest overstatement

Reconciliations of interest earned from investments indicated a difference of N\$ 294 263.

No interest income was accounted for under the Revenue account, which was understated by N\$ 1 336 181.

4.11 Recoverability of debtors

As reported in prior years, it was noted that debtors outstanding at 120 days remained at alarming high levels, and with the prospects of recovery slowly fading, serious concerns on the effectiveness of internal control over this significant asset are raised. Currently debt at 120 days outstanding comprised 61% of total debt (2011: 65%).

A review revealed that a further adjustment of N\$ 868 376 should be made on the provision for doubtful debts to be adequate. This negative trend would exert pressure on the Council cash flow position in future and may force it to use investments earmarked for capital projects to finance operational activities.

4.12 Payroll reconciliation

A reconciliation of monthly earnings compared with the annual financial statements reflected a material difference of N\$ 322 814. This difference could not be explained during the time of the audit.

4.13 Reconciliation

As evident in prior year, notice is drawn to the absence of monthly and annual reconciliations of control accounts and the need for the following up of reconciled items when reconciliations have been performed.

The most important control measurement for ensuring the accuracy of the general ledger balance is the monthly reconciliation process. In general, the audit revealed that annual and monthly general ledger reconciliations are neither performed nor reviewed or are performed too late to constitute an effective control. Also of concern are the reconciling items that are not cleared. This internal control measure will only be effective if reconciling items are identified and cleared.

The fact that a number of reconciling items relate to transactions that have not been recorded in the general ledger, but occurred, indicates that the general ledger may contain inaccurate information.

The following reconciliations were affected:

- Bank and cash
- Creditors
- Payroll

4.14 Funds and Reserves

The Council incorrectly allocated a VAT refund of N\$ 3 943 693 to the Appropriation account instead of the VAT control account, thus the VAT control account is overstated and the Revenue account understated by this material amount.

Numerous loans on the Build Together and Housing Funds revealed poor repayment records.

4.15 Budget recommendations and overspending

The Council were advised by the Labour Commission to continue paying the 35% housing subsidy instead of the 30% as recommended by the Ministry. The Council followed the advice of the Labour Commissioner.

4.16 Tender Board regulations

Tender regulations should be viewed as a management control tool for transparency and to avoid possible fraud and corruption. The overriding of controls by Council and Management should be vigilantly precluded against.

4.1.7 Sale of erven

No detailed list on the number of erven sold could be provided for audit purposes.

5. ACKNOWLEDGEMENT

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

6. FINANCIAL RESULTS

The results of the various operations of, and transactions on the Revenue Account for the year were as follows:

2012	Revenue	Expenditure	(Deficit)/ Surplus	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit: 01/07/2011				(9 256 802)
General accounts				
Rates and general	3 759 443	14 807 664	(11 048 221)	
Non-profitable	8 331 338	15 776 044	(7 444 706)	
Self-supporting	18 659 198	4 923 441	13 735 757	
Trade accounts				
Water	18 014 862	11 072 917	6 941 945	
Electricity*	1 462 468	3 680 571	(2 218 103)	
Subtotal	50 227 309	50 260 637	(33 328)	
Deficit for the year				(33 328)
				(9 223 474)
Adjustments and utilization detailed in Note 10 to the financial statements				5 371 086
Accumulated deficit 30/06/2012				(3 852 388)

* See paragraph 10.1

7. CURRENT BANK ACCOUNT

The current bank account reflected a favorable cash-book balance of N\$ 1 487 068 (2011: N\$ 7 100 857). Outstanding cheques and other transactions totaling N\$ 2 997 745 (2011: N\$ 263 221). The bank statement reflecting a favorable balance of N\$ 3 922 584 (2011: N\$ 1 018 705 favorable).

The Council was unable to reconcile its bank account and a difference of N\$ 1 508 were found.

8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2012, an amount of N\$ 32 755 437 (2011: N\$ 20 736 874) was invested at commercial banks and insurance companies.

The investments and interest earned were allocated as follows:

Allocation	2012		2011	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Build Together Fund	4 168 541	178 206	3 753 212	185 491
Capital Development Fund	28 586 896	1 528 557	16 983 662	1 107 792
	32 755 437	*1706 763	20 736 874	*1 293 283

- * The above interest allocated to funds were overstated by an amount of N\$ 294 263. Actual interest earned from financial institutions totaled N\$ 1 412 500.
- * No interest income was accounted for under Revenue account. Therefore interest income were understated by N\$ 1 336 181.

9. FUND ACCOUNTS

The position of the Funds and Reserves is shown in note 2 at Annexure D.

Temporary advances totaling N\$ 6 082 526 (2011: 10 786 836) were transferred from the funds to finance operating costs of the Council.

10. TRADE ACCOUNTS

10.1 The results of operations were as follows:

	Electricity		Water	
	2012	2011	2012	2011
	N\$	N\$	N\$	N\$
Surcharges/sales	1 462 649	1 825 500	17 786 958	8 468 923
Cost of bulk purchases	-	-	(9 291 747)	(6 437 801)
Gross profit	1 462 649	1 825 500	8 495 211	2 031 122
Other expenses (net)	(3 680 571)	(1 570 956)	(1 553 266)	(1 655 169)
NET SURPLUS/(DEFICIT)	(2 218103)	(254 544)	6 941 945	375 953
Gross profit % on sales	100%	100%	47.76%	23.98%
Net profit % on sales	(151.6%)	(13.9%)	39.03%	4.44%

The Council is no longer selling electricity as this function has been taken over by NORED.

10.2 Distribution losses

The auditors could not perform distribution analysis on water due to the incompleteness of information.

11. SELF-SUPPORTING SERVICES

The net results were as follows:

	2012	2011
	N\$	N\$
Civic buildings	1 287 427	(189 667)
Cleansing	566 784	485 903
Sewerage	466 986	858 076
Assessment rates	12 030 392	9 625 753
Net (deficit) surplus	14 351 589	10 780 065

12. FRUITLESS/UNAUTHORISED OR AVOIDABLE EXPENDITURE

No fruitless or unauthorized expenditure was revealed during the year, except for those indicated in this report.

13. SUSPENSE ACCOUNTS

No suspense account was reflected and maintained by the Council.

14. IRREGULARITIES AND LOSSES

No irregularities or losses were detected during the audit.

15. CAPITAL PROJECTS

The following expenditure was incurred during the year under review for capital projects or acquisitions:

Nature of project/acquisitions	Total expenditure 2012	Financed by		
		External loans	Revenue account	Capital account
	N\$	N\$	N\$	N\$
Town administration	1 165 291	1 160 152	5 139	-
Town treasurer	26 232	-	26 232	-
Streets	5 714 981	-	5 714 981	-
Electricity	2 215 942	-	2 215 942	-
Council general expenses	3 843	-	3 843	-
Town engineer	5 013	-	5 013	-
Town planning	11 496 337	-	11 496 337	-
Health services	249 634	-	249 634	-
Cleansing services	312 207	-	-	312 207
Sewerage	583 461	-	583 461	-
	21 772 941	1 160 152	20 300 582	312 207

* A material difference of N\$ 759 314 between the fixed assets register and the contribution to capital outlay breakdown of the Annual Financial Statements were found.

16. BURSARIES

No bursaries were granted during the year.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

TIPEEG funding of N\$ 6 543 930 was received for the year under review.

18. COMPENSATION PAYMENTS

Although land compensation cheques payments were made, the auditors could only verify crop field compensation on the expenses but could not access the system to satisfy completeness thereof. The balance sheet reflected an amount of N\$ 4 338 552 but the auditors could not determine how much the Ministry provided for land compensation for the year under review.

19. VISITS TO FOREIGN COUNTRIES

During the 2012 financial year, one Councilor and employee of the Council visited China and Finland.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims for losses were received during the year.

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

Donations and grants made was N\$ 2 440 and grants received amounted to N\$ 500.

22. TRANSFER OF PROPERTY

A 3ton trailer donated amounted to N\$ 448 552 from the Office of Prime Minister and was appropriately transferred from Government to the Council during the year.

23. DEBTORS/CREDITORS

23.1 Debtors at 30 June were:

	2012	2011
	N\$	N\$
Consumers, combined billing	14 436 733	13 622 003
- Build Together debtors	2 329 522	2 564 061
- VAT	2 358 699	3 673 091
- Sundry debtors	704 515	209 015
	19 829 469	20 068 170
Less: Provision for doubtful debts	(7 989 457)	(7 010 465)
	11 840 012	13 057 705

23.2 Creditors at 30 June were:

	2012	2011
	N\$	N\$
Trade creditors	1 737 242	110 695
Provisions	1 638 207	1 313 898
Consumer deposits	1 290 639	1 150 636
Land compensation	4 338 552	-
	9 004 640	2 575 229

24. ASSESSMENT RATES

Net proceeds from assessment rates were N\$ 12 531 403 (2011: N\$ 10 024 422).

The Council did not provide for the Regional Council levy of N\$ 626 570 which is payable to the Regional Council in terms of Section 77(1) of the Act.

25. LOANS

25.1 External capital loan balances at 30 June 2012 were N\$ 2 679 275 (2011:N\$ 2 871 724). These balances did not correspond with the balances as per financial institutions statements. Finance charges were wrongly capitalized.

All loan assets were capitalized and no loan assets had been disposed off before the loan was completely redeemed. Loan monies were used for the purpose they were obtained for and there were no unspent loan monies of a long-term nature.

25.2 Internal loan balances – there were no internal loans advanced during the year under review.

26. SALE OF ERVEN

Erven were sold for N\$ 2 587 164 (2011: N\$ 3 285 069). The revenue was allocated to the Capital Development Fund. No detailed list on the number of erven sold could be provided.

27. PROPERTY SOLD ON AN INSTALMENT BASIS

The balance of property sold on installments basis could not be provided.

28. TARIFF ADJUSTMENTS

Tariff adjustments were all in accordance with the relevant Government notice.

29. APPROVALS

29.1 Revenue written off

No debts were written off during the year.

29.2 External loans

All external loans made during the year were approved.

30. INVENTORY AND EQUIPMENT

30.1 Inventory

Inventories as disclosed in the financial statements of the Council amounted to N\$ 678 833 (2011: N\$ 746 825).

30.2 Motor Vehicles

	Sedans, LDV's, combi's and trailers		Heavy vehicles (Lorries and busses)	
	Number	Value	Number	Value
On hand 01/07/2011	16	N\$ 1 148 411	16	N\$ 1 960 118
Additions	2	615 152	1	545 000
	18	1 763 563	17	2 505 118
Less: Depreciation	-	312 207	-	-
On hand 30/06/2012	18	1 451 356	17	2 505 118

31. SPECIAL INVESTIGATIONS FACTUAL FINDINGS

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

32. FORMAL AND INFORMAL QUERIES

Formal queries are embodied in this report. The following informal queries were addressed in the report to management of the Council:

- Asset descriptions on the Fixed Asset Register.
- Value Added Taxation.
- Sale of erven
- Allocation on interest income

- Payroll reports
- Incorrect allocations
- Poor debt repayments.

33. GENERAL

The accounting and internal controls were found to be satisfactory except for those pointed out in the management letter to the Council. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does reduce risks partly, it causes the risk that management and Council override existing controls, a potentially dangerous practice, which the Council should vigilantly guard against.

34. QUALIFIED AUDIT OPINION

The accounts of the Town Council of Ondangwa for the financial year ended 30 June 2012, summarized in Annexures A to D, were audited by me in terms of the provisions of Section 85 of the Local Authorities Act, 1992, read with Section 25(1)(b) of the State Finance Act, 1991.

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

- VAT control account misstatement by an amount of over N\$ 2,2 million;
- Non-disclosure of the Erongo-RED investment;
- Interest income is understated by an amount of N\$ 1 336 181;
- Fund accounts interest overstatement by an amount of N\$ 294 263;
- VAT not extracted from the Asset of CAPEX amounted to N\$ 355 077;
- Vat control account was overstated by N\$ 3 943 693;
- No provision was made for the Regional Council levy 5% of N\$ 626 570; and
- Absent of monthly and annual reconciliation of control accounts.

Except for the effect of any adjustments which might have been necessary as referred to above, in my opinion, these financial statements fairly present the financial position of the Council at 30 June 2012, and the results of operations and cash-flows for the year then ended in accordance with generally accepted accounting practice.

WINDHOEK, November 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

BALANCE SHEET AT 30 JUNE

	Notes	2012 N\$	2011 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	4	77 787 233	61 987 831
Investments	5	32 755 437	20 736 874
		110 542 670	82 724 705
Current assets			
Cash and cash equivalents		1 487 528	-
Inventories	6	678 833	746 825
Accounts receivable	7	11 840 012	13 057 706
		14 006 373	13 804 531
Total assets		124 549 043	96 529 236
EQUITY AND LIABILITIES			
Equity			
Funds and reserves	2	112 865 129	83 981 886
Non-current liabilities			
Long-term liabilities	3	1 769 282	1 936 309
Current liabilities			
Accounts payable	8	9 004 639	2 575 229
Short-term portion of long-term loans	3	909 993	935 415
Bank overdraft		-	7 100 397
		9 914 632	10 611 041
TOTAL EQUITY AND LIABILITIES		124 549 043	96 529 236

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	<u>2012</u> N\$	<u>2011</u> N\$
INCOME		50 227 309	28 725 214
EXPENDITURE		<u>(50 260 638)</u>	<u>(28 190 041)</u>
NET OPERATING (LOSS)/PROFIT		(33 329)	535 173
Investment interest on revenue account		<u>-</u>	<u>-</u>
NET (LOSS)/PROFIT for the year		(33 329)	535 173
Adjustments to appropriation account	10	<u>5 437 743</u>	<u>3 733 845</u>
Accumulated Surplus/(deficit) for the year		5 404 414	(4 269 018)
ACCUMULATED (DEFICIT)			
– At the beginning of the year		<u>(9 256 802)</u>	<u>(13 525 821)</u>
– At the end of the year	2	<u>(3 852 388)</u>	<u>(9 256 802)</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	2012	2011
		N\$	N\$
Cash generated (utilized) by operating activities			
Cash receipts from customers		53 124 037	30 905 196
Cash paid to suppliers		(40 004 526)	(30 706 013)
Cash (utilized) by operating activities	11	13 119 511	199 183
Cash available for investment		13 119 511	199 183
Cash effects on investing activities			
Net capital expenditure		(27 817 965)	(15 511 651)
(Increase) in investments		(15 799 402)	(14 878 287)
		(12 018 563)	(633 364)
Cash effects on financing activities			
Increase in capital funds		23 286 379	11 600 949
Net proceeds from statutory funds	9	15 991 851	13 469 827
Net loans raised		7 486 977	(3 277 339)
		(192 449)	1 408 461
Net change in cash and cash equivalents		8 587 925	(3 711 519)
Cash and cash equivalents at the beginning of the year		(7 100 397)	(3 388 881)
Cash and cash equivalents at the end of the year		(1 487 528)	(7 100 397)

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE

1. ACCOUNTING POLICIES

The financial statements set out in Annexure A to D were prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent with those applied in the previous year:

1.1 Property, plant and equipment

Property, plant and equipment are stated at cost or at valuation where assets have been acquired by grant or donation, less depreciation written off over the expected useful lives as determined by the Council from time to time. Property, plant and equipment acquired with loan funds are not depreciated until the loan is repaid unless the expected lifetime of the asset is less than the repayment period of the loan in which case depreciation is calculated on the shortfall.

1.2 Inventory

Inventory is valued using the average cost basis. Obsolete stock is written off.

1.3 Fund accounts**1.3.1 Revenue Account**

All monies received by and accrued to and expenses paid, except for allocations to other Funds, are reflected in this account, and are kept in compliance with Section 86(1)(b) of the Act.

1.3.2 Housing Fund

Housing loans have been paid from this Fund. Sections 30(1)(i) and 57 to 62 of the Act, 1992, refer.

1.3.3 Reserve Funds

The Municipality also maintains the following Funds in terms of the authorization in Section 80(4) of the Act:

- **Capital Reserve Fund**

The purpose is to stabilize the financial position. Income is obtained from the Revenue Account.

- **Fixed Property Fund**

Proceeds on the sale of developed property accumulate in this Fund, which is used to develop properties.

1.3.4 Build Together Fund

The purpose is to provide loans for low cost housing.

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE

	2012	2011
	N\$	N\$
2. FUNDS AND RESERVES		
Build Together Fund	10 462 428	8 842 489
Capital Development Fund	31 147 131	25 280 093
Revenue Account	(3 852 388)	(9 256 802)
Total	37 757 171	24 865 780
CAPITAL OUTLAY		
Contribution from revenue	69 795 668	55 594 470
General capital	1 960 616	1 969 681
Loans redeemed	3 351 674	1 551 956
	75 107 958	59 116 107
TOTAL FUNDS AND RESERVES	112 865 129	83 981 886
3. LONG TERM LIABILITIES		
Loans from the Financial Institutions:		
- Hire purchase agreements	2 679 275	2 871 724
	2 679 275	2 871 724
Less: Current portion of liabilities included under current liabilities	(909 993)	(935 415)
	1 769 282	1 936 309
4. PROPERTY, PLANT AND EQUIPMENT		
Net book value	77 787 233	61 987 831
Financed by:		
Revenue account	69 795 668	55 594 470
General capital	1 960 616	1 969 681
Loan assets	6 030 949	4 423 680
	77 787 233	61 987 831

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE

	2012	2011
	N\$	N\$
5. INVESTMENTS		
Moneys on call at a commercial banks	28 586 896	20 736 874
Insurance companies	4 168 541	-
	32 755 437	20 103 510
6. INVENTORIES		
Consumable goods in store	678 833	746 825
7. ACCOUNTS RECEIVABLE		
Consumer accounts	14 436 733	13 622 003
Inland revenue	2 358 699	3 673 091
Build together advances	2 329 522	2 564 061
Sundry debtors	704 515	209 015
	19 829 469	20 068 170
Less: Provision for doubtful debts	(7 989 457)	(7 010 465)
	11 840 012	13 057 706
8. ACCOUNTS PAYABLE		
Trade creditors	1 737 242	110 695
Provisions	1 638 207	1 313 898
Consumer deposits	1 290 638	1 150 636
Sundry creditors	4 338 552	-
Land compensation	9 004 639	2 575 229
9. TRANSFER TO FUNDS		
The following amounts were transferred to/(from) Funds:		
Build Together Fund	1 619 939	270 550
Capital Development Fund	5 867 038	(3 547 889)
	7 486 977	(3 277 339)

NOTES TO THE FINANCIAL STATEMENTS AT 30 JUNE

	2012	2011
	N\$	N\$
10. ADJUSTMENTS AND UTILISATIONS – REVENUE ACCOUNT		
Previous year adjustments	-	14 712
Audit adjustments	(166 039)	1 153 995
Channel Life	-	(630 494)
Accrued leave adjustment	(324 309)	(279 853)
VAT refund	3 943 698	2 088 576
Unknown income	2 963 385	2 179 982
Provision for bad debts	(978 992)	(793 073)
	5 437 743	3 733 845
11. CASH (UTILIZED)/GENERATED BY OPERATIONS		
Operating surplus before interest and adjustments:	(33 329)	535 173
- Adjustments and utilizations	5 437 743	3 733 845
Working capital changes		
Decrease in inventories	67 992	46 430
Decrease/(increase) in accounts receivable	1 217 694	(4 625 646)
Increase in accounts payable	6 429 410	509 382
Cash generated by in operations	13 119 511	199 183