



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

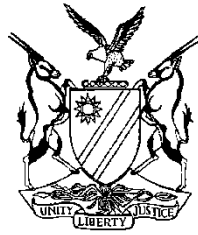
TOWN COUNCIL OF OPUWO

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 Opuwo 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, January 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. INTRODUCTION

The accounts of the Town Council of Opuwo 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 BDO of Windhoek has been appointed in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the Town Council on behalf of the Auditor-General and under his supervision.

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

2. FINANCIAL STATEMENTS

The Town Council's financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 87(1) of the Local Authorities Act, 1992. 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 on Annexure A, is a true reflection of the original. The following annexures are also attached to this report:

Annexure B: Abridged income statement

Annexure C: Cash flow statement

Annexure D: Notes to the financial statements

3. SCOPE OF THE AUDIT

Management's responsibility for the financial statements

The Accounting Officer of the Town Council is responsible for the preparation and fair presentation of these financial statements and for ensuring the regularity of the financial transactions. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements based 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, plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 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 overall presentation of the financial statements.

4. AUDIT OBSERVATIONS AND COMMENTS

Items that were also reported in the previous financial year are indicated by way of an asterisk (*).

4.1 Inventory (*)

No physical stock taking was conducted during the year under review. No inventories for store materials are reflected in the financial statements of the Council. The auditors were unable to calculate the estimated value on hand at 30 June due to poor record keeping at the Town Council.

4.2 Provision for bad debts / Accounts receivable (*)

The Council's basis for provision of bad debts disclosed in the financial statements could not be ascertained due to no debtors trial balance being available to the auditors.

Debt outstanding is considerably high and it does not appear as if the Council is improving on debtors collection. This is a matter of concern as the recovery of long outstanding debtors threatens the future cash flows of the Town Council.

The Council should develop and implement a strict policy of debt collection, and if the amounts outstanding appear to be uncollectible, consideration should be given to write off such debts in order to maintain the integrity of the accounting records of the Town Council.

The Council's effectiveness on bad debt recovery policies should be reviewed and improved on.

	2012	2011
	N\$	N\$
Consumer accounts debt outstanding	5 722 137	6 469 514
Provision for bad debts	(5 381 698)	(4 440 376)
Percentage (decrease) / increase in outstanding debts	(11.6%)	49.9%
Percentage increase / (decrease) in provision for bad debts	21%	17%
Percentage provision vs. Debt	(94%)	(69%)

It should be of concern for the Council that 94% (2011: 69%) of total debt had to be provided for. The recoverability of the debtors is thus doubtful. Furthermore, due to the fact that no detailed age analysis and debtors ledger were available the existence, accuracy and valuation of the debtors could not be ascertained.

Due to the significance of this issue, the Auditor-General cannot express an opinion on provision of bad debts and accounts receivable.

4.3 Consumer deposits (*)

There were no consumer deposits disclosed in the financial statements and also no indication that consumers paid these deposits. In prior and current year the consumer deposits disclosed was N\$ 265 which was not properly divided between the water deposit portion and payment. There was also no sufficient evidence to indicate which consumer paid their water deposits.

Council should ensure that consumer deposits are collected from consumers and be reviewed on an annual basis to ensure the adequacy thereof.

4.4 VAT Payable (*)

According to the financial statements the Council owes the Receiver of Revenue N\$ 2 295 290 (2011: N\$ 1 534 088). The VAT debt increased significantly, this can be attributed to payments that were not made to or refunds that were not received from the Department of Inland Revenue for the year under review.

The Council should submit the returns on time as this may improve their cash flow and prevent them from suffering from unnecessary penalties and interest.

Furthermore, a material difference exists between the VAT reconciled to the VAT returns and the balance as per the financial statements. VAT reconciliations should be performed by the Council on a regular basis to ensure the correctness of financial statement figures.

Due to the unavailability of supporting documentation, the Auditor-General cannot express an opinion on VAT.

4.5 Property , plant and equipment (*)

The fixed assets register was initiated by the Town Council for the year ended 30 June 2012, but was incomplete regarding the dates when the assets were purchased in the year under review.

The VAT of N\$ 81 518 on the fixed asset addition of N\$ 623 471 of a vehicle purchased was included in the annual financial statements and the fixed assets register as part of the cost of the asset.

Fixed assets in current year under review appeared to be under insured which may lead to the Town Council suffering big losses if they were to suffer damage.

4.6 Payroll (*)

As reported in prior years, the auditors discovered a material difference on the payroll reconciliation between the earning reports and the payroll stated in the financial statements.

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

4.7 Build Together Fund (*)

The Build Together Fund is administered by the Town Council on behalf of the Ministry of Regional and Local Government, Housing and Rural Development and it should be considered significant as weaknesses were identified with regards thereof. This weakness was recorded in prior years also and as a result, the auditors could not rely on the opening balances of the Build Together Fund.

Supporting documentation could also not be provided for current year movements.

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

4.8 Income (*)

The Council could not resolve the following audit differences in respect of income accounts:

Sale of erven N\$ 547 487 – no supporting documentation could be provided;
Nored Royalties /Surcharges N\$ 92 921 – no supporting documents could be provided; and
Contribution from Central Government was understated by N\$ 5 621 630 – The financial statements reflected income of N\$ 3 500 000 while correspondence from the Central Government reflected an amount of N\$ 9 121 630.

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

4.9 Expenditure (*)

As reported in prior year, invoices were found that were processed VAT inclusive in the annual financial statements for the year ended 30 June 2012 and thus resulting in an overstatement of the expenditure with a consequent understatement of the surplus for the financial year.

Furthermore in respect of bulk water purchases, a material difference of N\$ 1 713 543 between the financial statement balance and the Namwater invoices could not be explained.

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

4.10 Appropriation account

The Bank reconciliation correction adjustment with a figure of N\$ 2 265 924 was passed by way of a journal without supporting documentation.

It was also noted that a provision was made by way of a journal to the value of N\$ 1 048 795 to adjust the Namwater account balance and no supporting documentation was provided by the Council.

Furthermore, a bad debt provision journal was also passed on the appropriation account and the Council could not provide the auditors with supporting documentation to back up the basis of the provision and for us to ascertain if it was done correctly.

Furthermore, the Town Council's financial statements reflect an accumulated deficit of N\$ 1 063 790 although as per the appropriation account it is actually an accumulated surplus of N\$ 1 063 790. The financial statements thus contains an unreconciled difference of N\$ 2 127 580.

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

4.11 Housing fund loans

The Council could not provide the auditors with a listing of outstanding loan balances. Furthermore no supporting documentation could be provided to the auditors.

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

4.12 Investments (*)

As reported in prior years, no investment policy is in place to guide the Council on the placement of reserve funds.

Interest received on investments was not posted to the income statement and there was no monthly reconciliations done on the investments.

Furthermore, the Council could not provide the auditors with supporting documentation to audit the movement in investments.

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

4.13 Trade creditors, accrued expenses, provisions and consumer advance and deposits (*)

As reported in prior years, no creditors reconciliations related to trade creditors were performed during the year under review. The auditors were unable to perform audit tests on the Namwater creditors for 2012, because no supplier statements could be provided by the Council as proof for the balances outstanding.

A provision of N\$ 400 000 (2011: N\$ 400 000) for accrued leave was made and the Council did not provide the auditors with supporting documentation to support this provision.

Due to the significance of this matter, the Auditor-General cannot express an opinion on the trade creditors, accrued expenses, provisions and consumer advances and deposits.

5. ACKNOWLEDGEMENT

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

6. FINANCIAL RESULTS

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

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit 01/07/2011				(2 631 823)
General accounts				
Non-profitable services	2 158 844	4 144 777	(1 985 933)	
Self-supporting services	1 461 727	1 594 749	(133 022)	
Trade accounts				
Water	8 492 162	5 042 267	3 449 895	
	12 112 733	10 781 794	1 330 939	
Surplus for the year				1 330 939
Adjustments and appropriations (Note 9, Annexure D)				2 364 674
Unreconciled difference				(2 127 580)
Accumulated deficit 30/06/2012				(1 063 790)

For the explanation in respect of the unreconciled differences, refer to paragraph 4.10.

7. CURRENT BANK ACCOUNT

The favourable bank statement balance on the current bank account amounted to N\$ 4 200 149 (2011: N\$ 4 254 250). Cheques not presented for payment amounted to N\$ 533 645 (2011: N\$ 142 555), resulting in a favourable cashbook balance of N\$ 3 666 503 (2011: N\$ 1 596 683).

In respect of the prior year, the outstanding cheques did not represent the difference between the cashbook and bank statement balance. This difference was corrected in this year through the appropriation account.

8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June 2012 were as follows:

Institution	Investments		Interest	
	2012	2011	2012	2011
	N\$	N\$	N\$	N\$
Invested at:				
Commercial banks	13 732 548	4 832 231	-	-
	13 732 548	4 832 231	-	-
Distribution				
Fixed Property Fund	7 794 347	1 462 097	-	-
Housing Fund	1 157 591	751 568	-	-
Revenue Fund	4 780 610	2 618 567	-	-
	13 732 548	4 832 231	-	-

There was interest received on investments in current year. According to the auditors, these amounts were not posted to the income statement. They are only reconciled in the capital statements but the auditors could not trace them to the financial statements nor could they find journals which captured and allocated the interest.

9. FUND ACCOUNTS

The position of the fund and accounts is shown in note 6 at annexure D.

10. TRADE ACCOUNTS

10.1 Operating results

The results for the financial year under review and the previous year were as follows:

	Water	
	2012	2011
	N\$	N\$
Sales	4 506 600	380 375
Cost of sales	(4 306 373)	(3 529 183)
Gross (loss) / profit	200 227	(3 148 808)
Other income/ (expenses)	3 249 668	1 693 400
NET PROFIT/ (LOSS)	3 449 895	(1 455 408)
Gross profit on cost of sales	4.65%	(89.21%)
Net profit percentage on cost of sales	80.1%	(41.24%)

10.2 Distribution losses were as follows:

No distribution results for water were available for the year under review. The Council is urged to re-implement the auxiliary registers which enabled them to provide for water distribution losses for previous years.

11. SELF-SUPPORTING EXTERNAL SERVICES

The net result of these services compared with the previous year, is as follows:

	Income	Expenses	Surplus/ (Deficit)	Surplus/ (Deficit)
	2012	2012	2012	2011
	N\$	N\$	N\$	N\$
Cleansing services	853 856	1 271 753	(417 897)	16 115
Sewerage	607 871	322 996	284 875	283 683
	1 461 727	1 594 749	(133 022)	299 798

The Council should put measures in place to make the cleaning services to be profitable.

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

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

13. SUSPENSE ACCOUNTS

No suspense accounts were disclosed in the annual financial statements for the year under review.

14. IRREGULARITIES AND LOSSES

14.1 No irregularities by employees were reported.

14.2 No losses were reported.

15. CAPITAL PROJECTS

Capital expenditure for the 2012 financial year amounted to N\$ 1 552 161 (2011: N\$ 453 295) and comprises the following:

	Revenue account	Total expenditure 2012	Total expenditure 2011
	N\$	N\$	N\$
Office furniture and equipment (new laptop)			11 539
Toyota Quantum			264 083
Nissan Bakkie			55 000
Road maintenance	360 282	360 282	68 313
Pound construction	-	-	54 360
Hydro Blaster	16 193	16 193	-
Infrastructure Services	552 215	552 215	-
Toyota Tipper	623 471	623 471	-
Total	1 552 161	1 552 161	453 295

The vote accounts reflected capital charges to the amount of N\$ 937 870, the difference is as a result of N\$ 552 215 incorrectly allocated to Administration charges and the remaining difference of N\$ 62 076 relates to the VAT of N\$ 81 518 incorrectly capitalised to fixed assets and an unreconciled difference of N\$ 19 442.

16. STUDY LOANS/BURSARIES

No bursaries or loans were granted during the year.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

A Government contribution of N\$ 3 500 000 (2011: 2 000 000) was received for the year under review.

18. COMPENSATION PAYMENTS

No compensation payments were made by the Council during the year.

19. VISITS TO FOREIGN COUNTRIES

No foreign visits were undertaken during the year under review.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims for losses were received during the year.

21. GIFTS AND DONATIONS BY THE LOCAL AUTHORITY

No gifts/donations by/to the Local Authority were made during the year under review

22. TRANSFER OF PROPERTY TO/FROM THE GOVERNMENT

No property was transferred to/or from the Government.

23. DEBTORS/CREDITORS**23.1 Debtors** on 30 June 2012 comprise the following:

	2012	2011
	N\$	N\$
Services to customers	2 839 951	3 539 495
Namwater debtors	2 882 186	2 930 020
Salary advances	1 523	-
Sundry debtors 511	800	800
Debtors – Build together	5 756 761	5 637 317
	11 481 221	12 107 632
Less: Provision for bad debts	(5 381 698)	(4 440 376)
	6 099 523	7 667 256

23.2 Creditors on 30 June 2012 comprise the following:

	2012	2011
	N\$	N\$
Trade creditors	485 119	1 119
Sundry creditors: Namwater	118 653	118 653
Provision: Namwater	3 938 086	4 986 881
Provision for leave days	400 000	400 000
Namwater	1 389 453	854 620
Water payment	1 226 800	981 384
Customer deposit's	265	266
VAT	2 295 290	1 534 088
	9 853 666	8 877 011

24. ASSESSMENT RATES

Net surplus from assessment rates amounted to N\$ 642 751 (2011: N\$ 646 615).

The gazetted tariffs were as follows:

N\$ 0.001 (2011: N\$ 0.001) per dollar on site values per year and N\$ 0.0126 (2011: N\$0.0126) per dollar on improvements per year.

No payments were made to the Regional Council as required by Section 77(1) of the Local Authorities Act.

25. LOANS

25.1 External loans

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

25.2 Internal loans

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

25.3 Housing loans

Housing loans advanced to buyers under the Build Together Scheme is disclosed as N\$ 5 756 761 (2011: N\$ 5 637 317) in the financial statements.

26. SALE OF ERVEN

No list of erven sales was provided by the Town Council for the year under review.

27. PROPERTY SOLD ON AN INSTALMENT BASIS

No property details of houses that were sold on instalment basis for the year under review could be provided.

28. TARIFF ADJUSTMENTS

Tariff adjustments were applied in accordance with the relevant Official Government Notices.

29. APPROVALS

29.1 Excess on approved budget

There was excess spending noted in current year in certain votes. The Town Clerk's Department overspent on the budget by N\$ 206 872 and the Town Treasure's Department by N\$ 37 271. Furthermore, the Council also overspent on Streets, Sidewalks and Stormwater and Workshop by N\$ 227 605 and N\$ 7 500 respectively.

30. STOCK AND EQUIPMENT

30.1 Motor vehicles

There was no auxiliary register for the year under review. Auditors could only obtain a list of vehicles registered under the Council's name.

30.2 Inventory

No inventory on store materials were recorded or disclosed in the annual financial statements for the financial year although inventories did exist.

31. SPECIAL INVESTIGATIONS

No special investigations were carried out during the year.

32. GENERAL

32.1 Internal controls

There is no sufficient system of internal control at the Town Council for the year under review. Proper segregation of duties is not possible due to the small number of staff employed.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries addressed to the Chief Executive Officer consist of:

- Lack of supporting documentation / Misallocations
- Various issues on Property Plant and Equipment
- VAT / VAT Accounting
- Accounts Payable and Accounts Receivables
- Weaknesses in Internal Controls
- No Stock/Inventory disclosed in Annual Financial Statements
- Debtors recoverability
- Funds and reserves
- Advances and Housing loan debtors
- Investments
- Expenditure

34. DISCLAIMED AUDIT OPINION

The accounts of the Town Council of Opuwo for the financial year ended 30 June 2012, summarized in Annexure 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 statements have been prepared on the basis of accounting practices applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

I am unable to express an opinion on the financial statements of the financial year ended 30 June 2012 due to the following reasons:

- Provision for bad debts of N\$ 5 381 698 could not be tested to determine if it was sufficient and adequate due to a lack of a detailed debtors age analysis and other supporting records. Furthermore, the existence, completeness and accuracy could also not be tested;
- Consumer deposits are insufficient;
- The special funds were not properly administered and statements were not prepared and recalculated indicating as to how the closing balances were determined. Auditors could not test the Funds to the amount of N\$ 8 951 938 due to lack of supporting documents;

- Payroll reconciliation reflects an overstatement of N\$ 555 237;
- VAT (credit) balance of N\$ 2 295 290 could not be tested for completeness, existence accuracy and valuation due to the fact that Council could not provide the supporting documents;
- Sale of erven N\$ 547 487 – no supporting documentation could be provided;
- Nored Royalties /Surcharges N\$ 392 921 – no supporting documents could be provided;
- Contribution from Central Government (understated) N\$ 5 621 630 – The AFS reflected income N\$ 3 500 000 while correspondence from Central Government reflected an amount of N\$ 9 121 630;
- The auditors could not test the investments to the value of N\$ 13 732 548 due to no supporting documents provided by the council;
- The auditors could also not test accounts payables, accrued expenses and provisions disclosed in the annual financial statements due to lack of supporting documentation;
- Expenditure – Bulk water purchases – a material difference of N\$ 1 713 543 between the financial statements and Namwater invoices could not be explained; and
- Appropriation account – adjustments could not be supported and an accumulated deficit has been reflected instead of an accumulated surplus thus resulting in an unknown difference of N\$ 2 127 580 in the financial statements.

WINDHOEK, January 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

TOWN COUNCIL OF OPUWO

BALANCE SHEET AS AT 30 JUNE 2012

ASSETS	Notes	2012	2011
		N\$	N\$
Non-current assets		19 238 184	9 542 193
Property, plant and equipment	2	5 505 636	4 709 962
Investments	3	13 732 548	4 832 231
Current assets		9 766 026	9 263 938
Accounts receivable	4	6 099 523	7 667 255
Cash and cash equivalents	8	3 666 503	1 596 683
TOTAL ASSETS		29 004 210	18 806 131
EQUITY AND LIABILITIES			
Equity		19 150 544	9 929 120
Capital outlay	5	5 505 636	4 709 962
Funds and accounts	6	13 644 908	5 219 158
Current liabilities			
Accounts payable	7	9 853 666	8 877 011
TOTAL EQUITY AND LIABILITIES		29 004 210	18 806 131

TOWN COUNCIL OF OPUWO

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	<u>Note</u>	<u>2012</u>	<u>2011</u>
		N\$	N\$
INCOME		12 112 733	11 510 633
EXPENDITURE		<u>(10 781 794)</u>	<u>(8 657 596)</u>
OPERATING PROFIT FOR THE YEAR		1 330 939	2 853 038
Interest earned		<u>-</u>	<u>-</u>
NET PROFIT FOR THE YEAR		1 330 939	2 853 038
Add : Appropriation and adjustments	9	<u>237 094</u>	<u>3 495 987</u>
RETAINED PROFIT FOR THE YEAR		1 568 033	6 349 025
30 June 2011		<u>(2 631 823)</u>	<u>(8 980 848)</u>
30 June 2012		<u>(1 063 790)</u>	<u>(2 631 823)</u>

TOWN COUNCIL OF OPUWO

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 N\$	2011 N\$
Cash flow from operating activities			
Cash receipts from customers		12 112 733	11 510 633
Cash paid to suppliers		(8 000 313)	(10 596 864)
Cash generated from operations	10	4 112 420	913 769
Investment income		-	-
Net cash flow from operating activities		4 112 420	913 769
Cash flow from investing activities			
Decrease / (Increase) in capital expenditure		(795 674)	1 820 640
(Increase)/ Decrease in investment		(8 900 317)	(30 013)
Net cash flow from investing activities		(9 695 991)	1 790 627
Cash flow from financing activities			
Movement in funds		7 653 391	(1 251 722)
Net cash flow from financing activities		7 653 391	(1 251 722)
Net increase in cash and cash equivalents		2 069 821	1 452 674
Cash and equivalents at the beginning of the year		1 596 682	144 008
Cash and cash equivalents at the end of the year	8	3 666 503	1 596 682

TOWN COUNCIL OF OPUWO

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1. ACCOUNTING POLICIES

The annual financial statements are compiled in accordance with the historical convention method modified by the restatement of the financial instruments to fair value, except where otherwise stated.

The principal accounting policies of the Town Council, which are set out below, has been consistent and comply with Namibian Statements of Generally Accepted Accounting Practices. The financial statements have been prepared in accordance with the requirements of the Namibian Local Authorities Act.

1.1 Property, plant and equipment

Fixed assets are stated at cost or at valuation where assets have been acquired by grant or donation, less depreciation written off over the expected useful lives as determined by the Council from time to time. Fixed assets acquired with loan funds are 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 Inventories

Inventories are measured at lower of cost and net realizable value. The cost of inventories should comprise all cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

	2012	2011
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Consists of:		
Property development, vehicles, plant and equipment	5 505 636	4 709 962
Financed by:		
Revenue account	5 505 636	4 709 962
	5 505 636	4 709 962
3. INVESTMENTS		
Commercial banks and building societies	13 732 548	4 832 231
The investments were allocated as follows:		
Housing Fund	1 157 591	751 568
Fixed Property Fund	7 794 347	1 462 097
Revenue Property Fund	4 780 610	2 618 567
Total	13 732 548	4 832 231

TOWN COUNCIL OF OPUWO

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	N\$	N\$
4. TRADE AND OTHER RECEIVABLES		
Service customers	2 839 951	3 539 495
Namwater debtor	2 882 186	2 930 020
Sundry debtors 511	800	800
Debtor: Build Together	5 756 761	5 637 317
Salary Advances	1 523	-
	11 481 221	12 107 632
<i>Less :</i>		
Provision for doubtful debts	(5 381 698)	(4 440 376)
	6 099 523	7 667 256
5. Capital Outlay		
Revenue contributions	5 505 636	4 709 962
General Capital Contributions	-	-
	5 505 636	4 709 962
6. Funds and accounts		
Fixed Property Fund	7 794 347	1 462 097
Housing Fund	1 157 591	6 388 885
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(1 063 790)	(2 631 823)
	7 888 148	5 219 159
	13 393 784	9 929 121
7. TRADE AND OTHER PAYABLES		
Trade creditors	485 119	1 119
Sundry creditors: Namwater	118 653	118 653
Provision: Namwater	3 938 086	4 986 881
Provision for leave days	400 000	400 000
Namwater	1 389 453	854 620
Water payment	1 226 800	981 384
Customer deposits	265	266
VAT control account	2 295 290	1 534 088
	9 853 666	8 877 011

TOWN COUNCIL OF OPUWO

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	N\$	N\$
8. CASH AND BANK BALANCES		
Current bank account	3 666 503	1 596 683
	3 666 503	1 596 683
9. ADJUSTMENTS AND APPROPRIATIONS		
Previous year adjustments:		
Provision for bad debts	(941 322)	(647 135)
Leave provision	-	(200 000)
Correction to J99 Namwater	1 048 795	(313 893)
Unknown difference	(2 127 580)	
Adjustment	(8 723)	-
Prior year adjustments:		
Namwater	-	4 497 431
Bank reconciliation correction	2 265 924	-
Previous year creditors written back	-	157 399
Cancelled creditor previous	-	2 185
	237 094	3 495 987
10. CASH UTILISED IN OPERATIONS		
Net operating profit (deficit) before transfers	1 330 939	2 853 038
Adjustments (appropriations)	237 094	3 495 987
Investment income	-	-
10.1 Operating income before changes in working capital	1 568 033	6 349 025
Changes in working capital		
Increase / (decrease) in trade and other payables	976 655	(1 993 033)
(Increase) / decrease in trade and other receivables	1 567 732	(3 442 221)
	2 544 387	(5 435 254)
	4 112 420	913 769