



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**

# **TOWN COUNCIL OF ORANJEMUND**

**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 Oranjemund 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 ACCOUNTS OF THE  
ORANJEMUND TOWN COUNCIL  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013**

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**1. INTRODUCTION**

The accounts of the Oranjemund Town Council 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 Mostert Landgrebe 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. 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 at Annexure A is a true reflection of the original signed by the Accounting Officer.

The financial statements also include:

Annexure B: Abridged income statement

Annexure C: Cash flow statement

Annexure D: Notes to the financial statements

**3. SCOPE OF THE AUDIT**

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly. The said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

#### 4. AUDIT OBSERVATION AND COMMENTS

##### 4.1 Internal control and accounting records

There was not a sufficient system of internal control at the Village Council on which the auditors could rely upon for audit purposes.

##### 4.2 P.A.Y.E. returns

Not all P.A.Y.E. returns were submitted timeously to the Directorate: Inland Revenue. No provision for penalties and interest has been made in the financial statements.

##### 4.3 Property, plant and equipment

The assets purchased according to the income statements reflected an amount of N\$ 828 227 more than the increase in the revenue assets per balance sheet. No asset register or capital expenditure statements were available for audit purposes.

##### 4.4 VAT receivable

VAT receivable was not provided for in the balance sheet, and no reconciliation was available to determine the amount.

#### 5. ACKNOWLEDGEMENT

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

#### 6. FINANCIAL RESULTS

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

<b>2013</b>	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus/ (deficit)</b>	<b>Balance</b>
Accumulated surplus on 01/07/2012	N\$	N\$	N\$	N\$ 21 336
General accounts - Non-profitable services	2 835 203	2 835 203	-	
Result for the year	2 835 203	2 835 203	-	-
				21 336
Accumulated surplus on 30/06/2013				<b>21 336</b>

#### 7. CURRENT BANK ACCOUNT

	<b>2013</b>	<b>2012</b>
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	21 336	21 336
Outstanding cheques	-	-
Balance as per bank statement	<b>21 336</b>	<b>21 336</b>

## 8. INVESTMENTS

The investments as at 30 June were as follows:

<b>Institution</b>	<b>2013 Investment</b>	<b>2012 Investment</b>
	N\$	N\$
Commercial banks	7 386 276	2 303 377
	<b>7 386 276</b>	<b>2 303 377</b>
<b>Distribution</b>		
Housing/Build Together Fund	7 386 276	2 303 377
	<b>7 386 276</b>	<b>2 303 377</b>

## 9. FUND ACCOUNTS

The position of the Funds and accounts at year-end was as shown in note 6 in Annexure D.

## 10. TRADE ACCOUNT

The Council did not trade for the period under review.

## 11. SELF-SUPPORTING SERVICES

The Council did not trade for the period under review.

## 12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

There were no such expenses.

## 13. SUSPENSE ACCOUNTS

Suspense accounts are cleared on a regular basis.

## 14. IRREGULARITIES AND LOSSES

There were no irregularities or losses during the period under review.

## 15. CAPITAL PROJECTS

The following were spend on capital projects:

<b>Nature of projects/acquisitions</b>	<b>Financed by</b>	<b>Total expenditure 2013</b>	<b>Total expenditure 2012</b>
	<b>Revenue account</b>		
	N\$	N\$	N\$
CEO	-	-	333 334
Council - General expenses	834 131	834 131	-
Town planning	733 627	733 627	-
	<b>1 567 758</b>	<b>1 567 758</b>	<b>333 334</b>

The assets purchased according to the income statements reflect an amount of N\$ 828 227 more than the increase in the revenue assets per balance sheet. No asset register or capital expenditure statements were available for audit purposes.

**16. STUDY LOANS/BURSARIES**

No bursaries were granted during the year.

**17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID**

	<b>2013</b>	<b>2012</b>
	N\$	N\$
Contribution from Government	<b>2 835 203</b>	<b>3 000 000</b>

**18. COMPENSATION PAYMENTS**

No compensation payments were made during the year under review.

**19. VISITS TO FOREIGN COUNTRIES**

No amount was incurred on visits to other countries during the year under review.

**20. CLAIMS AGAINST THE LOCAL AUTHORITY**

There were no claims against the Local Authority.

**21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY**

There were no gifts or donations.

**22. TRANSFER OF PROPERTY**

No transfer of property has been made to/from Government for the period under review.

**23. TRADE AND OTHER RECEIVABLES/TRADE AND OTHER PAYABLES**

**23.1** There were no trade and other receivables for the period under review.

**23.2** There were no trade and other payables for the period under review.

**24. ASSESSMENT RATES**

The Council did not trade for the period under review.

**25. LOANS**

**25.1 External loans**

There were no external loans for the period under review.

**25.2 Internal loans**

There were no internal loans for the period under review.

**26. SALE OF ERVEN**

The Council did not trade for the period under review.

**27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS**

No properties were sold on instalment basis during the year under review.

## **28. TARIFF ADJUSTMENTS**

The Council did not trade for the period under review.

## **29. APPROVALS**

The Council did not trade for the period under review.

## **30. INVENTORY AND EQUIPMENT**

### **30.1 Motor vehicles and values thereof:**

No asset register could be provided for audit purposes. This information was not available.

### **30.2 Inventory**

There were no inventory for the period under review.

## **31. SPECIAL INVESTIGATIONS**

There were no special investigations during the period under review.

## **32. GENERAL**

The accounting and internal controls are not satisfactory, except where indicated otherwise in this report. Proper segregation of duties do exist. While increased management involvement does reduce risks, the risk arises that management and Council override existing controls, a potentially dangerous practice which the Town Council should vigilantly guard against. The integrity of staff in appropriate positions should however be reviewed to ensure that qualified personnel are employed in respective positions.

## **33. FORMAL AND INFORMAL QUERIES**

**33.1** Formal queries are embodied in this report.

**33.2** Informal queries were discussed with the Town Council.

## **34. QUALIFIED AUDIT OPINION**

The accounts of the Town Council of Oranjemund for the financial year ended 30 June 2013, summarised in Annexures A to D, were audited by me in terms 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:

### **Internal control and accounting records**

There was not a sufficient system of internal control at the Town Council on which the auditors could rely upon for audit purposes.

### **P.A.Y.E. returns**

Not all P.A.Y.E. returns were submitted timeously to the Directorate: Inland Revenue. No provision for penalties and interest has been made in the financial statements.

### **Property, plant and equipment**

The assets purchased according to the income statements reflect an amount of N\$ 828 227 more than the increase in revenue assets per balance sheet. No asset register or capital expenditure statements were available for audit purposes.

**VAT receivable**

VAT receivable was not provided for in the balance sheet, and no reconciliation was available to determine the amount.

Except for the effects of any adjustments which might have been necessary as referred to in the preceding paragraphs, in my opinion these financial statements fairly present the financial position of the Town Council at 30 June 2013 and the result of its operations and cash flows for the year then ended.

**WINDHOEK, May 2014**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**



## ORANJEMUND TOWN COUNCIL

## BALANCE SHEET AT 30 JUNE

	Notes	2013 N\$	2012 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
		8 459 151	2 636 721
Property, plant and equipment	2	1 072 875	333 344
Investments	3	7 386 276	2 303 377
<b>Current assets</b>			
Bank account	4	21 336	21 336
<b>TOTAL ASSETS</b>		<b>8 480 487</b>	<b>2 658 057</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds and reserves</b>			
		8 480 487	2 658 057
Capital outlay	5	1 072 875	333 344
Funds and accounts	6	7 407 612	2 324 713
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>8 480 487</b>	<b>2 658 057</b>

## ORANJEMUND TOWN COUNCIL

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<b>2013</b>	<b>2012</b>
	N\$	N\$
INCOME	2 835 203	3 000 000
EXPENDITURE	2 835 203	3 000 000
NET OPERATING SURPLUS	-	-
INTEREST RECEIVED	-	21 336
NET SURPLUS AFTER INTEREST	-	21 336
APPROPRIATION ACCOUNT	-	-
NET SURPLUS AFTER APPROPRIATIONS	-	21 336
REVENUE ACCOUNT - Beginning of year	21 336	-
REVENUE ACCOUNT - End of year	<b>21 336</b>	<b>21 336</b>

## ORANJEMUND TOWN COUNCIL

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>2013</u>	<u>2012</u>
	N\$	N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	2 835 203	3 000 000
Cash paid to suppliers	<u>(2 835 203)</u>	<u>(3 000 000)</u>
Interest received	-	21 336
Movement in Fund accounts		
- Fund accounts	5 082 899	2 303 377
- Capital outlay	<u>739 531</u>	<u>333 344</u>
Net cash flow from operating activities	<u>5 822 430</u>	<u>2 658 057</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net capital expenditure	(739 531)	(333 344)
Increase in investments	<u>(5 082 899)</u>	<u>(2 303 377)</u>
	<u>(5 822 430)</u>	<u>(2 636 721)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	-	21 336
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>21 336</u>	-
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><b>21 336</b></u>	<u><b>21 336</b></u>

## ORANJEMUND TOWN COUNCIL

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

**1. ACCOUNTING POLICIES****1.1 Introduction**

The annual financial statements set out in Annexures A to D were prepared on the historical cost basis and incorporate the following principle accounting policies, which are consistent in all material aspects with those applied in the previous year.

**1.2 Property, plant and equipment**

Property, plant and equipment acquired with loan funds are stated at cost and no depreciation is provided thereon until the loan is fully redeemed. All other items of property, plant and equipment are stated at cost or valuation, and except fixed property, the cost or valuation of these items of property, plant and equipment is depreciated on the reducing-balance basis over their expected useful lives.

**1.3 Fund accounts**

The following Fund was maintained:

**1.3.1 Housing Fund**

The purpose of this Fund is to provide for housing loans. Income for the Fund is derived from interest earned on secured housing loans and investments as well as from profits made on the resale of Housing Scheme houses. Interest paid on external housing loans is charged to this Fund.

	<u>2013</u>	<u>2012</u>
	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
Income assets	1 072 875	333 344
Total	<u><b>1 072 875</b></u>	<u><b>333 344</b></u>
<b>3. INVESTMENTS</b>		
INVESTMENTS		
Commercial banks	7 386 276	2 303 377
	<u><b>7 386 276</b></u>	<u><b>2 303 377</b></u>
ALLOCATED AS FOLLOWS		
Build Together Fund	7 386 276	2 303 377
	<u><b>7 386 276</b></u>	<u><b>2 303 377</b></u>

## ORANJEMUND TOWN COUNCIL

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE  
(continued)

	<b>2013</b>	<b>2012</b>
	N\$	N\$
<b>4. BANK AND CASH</b>		
Current account	21 336	21 336
	<b>21 336</b>	<b>21 336</b>
<b>5. CAPITAL OUTLAY</b>		
Revenue contributions	1 072 875	333 344
	<b>1 072 875</b>	<b>333 344</b>
<b>6. FUNDS, ACCOUNTS AND RESERVES</b>		
Build Together Funds	7 386 276	2 303 377
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	21 336	21 336
	<b>7 407 612</b>	<b>2 324 713</b>