



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF ORANJEMUND

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Published by authority

Price (Vat excluded) N\$ 24.95
Report no: 120/2014

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 2014, 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, December 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF ORANJEMUND
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

1. INTRODUCTION

The accounts of the Town Council of Oranjemund for the year ended 30 June 2014 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 the opinion of the Auditor-General 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 VAT returns

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

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:

	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus on 01/07/2013				21 336
General accounts				
- Non-profitable services	7 955 722	7 411 041	544 681	
	7 955 722	7 411 041	544 681	544 681
Surplus for the year				566 017
Adjustments and utilisations (See Note 10, Annexure D)				65 038
Accumulated surplus on 30/06/2014				631 055

7. CURRENT BANK ACCOUNT

	2014	2013
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	32 928	21 336
Outstanding cheques	-	-
Balance as per bank statement	32 928	21 336

8. INVESTMENTS

The investments as at 30 June were as follows:

	2014	2013
Institution	Investment	Investment
	N\$	N\$
Commercial banks	9 654 696	7 386 276
Distribution		
Housing/Build Together Fund	9 278 276	7 386 276
Revenue	376 420	-
	9 654 696	7 386 276

9. FUND ACCOUNTS

The position of the Funds and accounts at year-end was as shown in Note 7 in Annexure D.

10. TRADE ACCOUNT

10.1 The Council did not trade for the period under review.

11. SELF-SUPPORTING SERVICES

11.1 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 spent on capital projects:

Nature of projects/acquisitions	Financed by Revenue account	Total expenditure 2014	Total expenditure 2013
	N\$	N\$	N\$
Council - General expenses	255 830	255 830	834 131
Town planning	-	-	733 627
Town finance and admin	662 694	662 694	-
Vehicles	2 501 525	2 501 525	-
Roads and streets	718 386	718 386	-
Technical and infrastructure	1 071 695	1 071 695	-
	5 210 130	5 210 130	1 567 758

16. STUDY LOANS/BURSARIES

No bursaries were granted during the year.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

	2014	2013
	N\$	N\$
Contribution from Government	6 976 812	2 835 203

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

Description	2014	2013
	N\$	N\$
Transfer to Diamond Festival account	212 200	-
Spice	8 321	-
Namdeb	3 180	-
Ella Décor	590	-
Total	224 291	-

22. TRANSFER OF PROPERTY

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

23. TRADE AND OTHER RECEIVABLES/PAYABLES**23.1 Trade and other receivables at 30 June were:**

	2014	2013
	N\$	N\$
VAT control account	394 579	-
	394 579	-

23.2 Trade and other payables at 30 June were:

	2014	2013
	N\$	N\$
Accrued payables	117 455	-
Provisions	56 638	-
	174 093	-

24. ASSESSMENT RATES

The Council did not trade for the period under review.

25. LOANS**25.1 External loans**

There were no external loans on 30 June 2014.

25.2 Internal loans

There were no internal loans on 30 June 2014.

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 vehicle and values thereof were:

	Sedan		LDV's, 4x4's and Combi's		Heavy vehicles	
	Number	Value	Number	Value	Number	Value
Balance - 01/07/13	-	N\$ -	-	N\$ -	-	-
Additions	1	255 910	2	501 017	1	2 497 571
Depreciation	1	255 910	2	501 017	1	2 497 571
	-	(51 182)	-	(100 203)	-	(249 757)
Balance - 30/06/14	1	204 728	2	400 814	1	2 247 814

30.2 Inventory

There were no inventory on 30 June 2014.

31. SPECIAL INVESTIGATIONS

There were no special investigations during the period under review.

32. GENERAL

The accounting and internal controls are 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. AUDIT OPINION

The accounts of the Town Council of Oranjemund for the financial year ended 30 June 2014, 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.

In my opinion, the financial statements fairly present the financial position of the Town Council at 30 June 2014 and the results of its operations and cash flow for the year then ended.

TOWN COUNCIL OF ORANJEMUND

BALANCE SHEET AT 30 JUNE

	Notes	2014 N\$	2013 N\$
ASSETS			
NON-CURRENT ASSETS			
		15 260 634	8 459 151
Property, plant and equipment	2	5 605 938	1 072 875
Investments	3	9 654 696	7 386 276
CURRENT ASSETS			
		428 728	21 336
Trade and other receivables	4	394 579	-
Bank account	5	34 149	21 336
TOTAL ASSETS		15 689 362	8 480 487
FUNDS AND LIABILITIES			
FUNDS AND RESERVES			
		15 515 269	8 480 487
Capital outlay	6	5 605 938	1 072 875
Funds and accounts	7	9 909 331	7 407 612
CURRENT LIABILITIES			
Trade and other payables	8	174 093	-
TOTAL FUNDS AND LIABILITIES		15 689 362	8 480 487

TOWN COUNCIL OF ORANJEMUND

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2014	2013
		N\$	N\$
INCOME		7 828 233	2 835 203
EXPENDITURE		7 684 163	2 835 203
NET OPERATING SURPLUS		144 070	-
INTEREST RECEIVED		400 611	-
NET SURPLUS AFTER INTEREST		544 681	-
APPROPRIATION ACCOUNT	9	65 038	-
NET SURPLUS AFTER APPROPRIATIONS		609 719	-
REVENUE ACCOUNT - Beginning of the year		21 336	21 336
REVENUE ACCOUNT - End of the year		631 055	21 336

TOWN COUNCIL OF ORANJEMUND

CASH FLOW STATEMENT FOR THE YEAR ENDED

	Note	2014	2013
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		7 828 233	2 835 203
Cash paid to suppliers		(7 839 611)	(2 835 203)
Cash utilised by operations	10	(11 378)	-
Interest received		400 611	-
Movement in Fund accounts			
- Fund accounts		1 892 000	5 082 899
- Capital outlay		4 533 063	739 531
Net cash flow from operating activities		6 814 296	5 822 430
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		(4 533 063)	(739 531)
Increase in investments		(2 268 420)	(5 082 899)
		(6 801 483)	(5 822 430)
NET INCREASE IN CASH AND CASH EQUIVALENTS		12 813	-
CASH AND CASH EQUIVALENTS			
- BEGINNING OF YEAR		21 336	21 336
CASH AND CASH EQUIVALENTS - END OF YEAR		34 149	21 336

TOWN COUNCIL OF ORANJEMUND

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 principal 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 Funds were 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>2014</u>	<u>2013</u>
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Income assets	5 605 938	1 072 875
Total	<u>5 605 938</u>	<u>1 072 875</u>
3. INVESTMENTS		
INVESTMENTS		
Commercial banks	9 654 696	7 386 276
	<u>9 654 696</u>	<u>7 386 276</u>
ALLOCATED AS FOLLOWS		
Capital Development Fund	9 278 276	7 386 276
Revenue	376 420	-
	<u>9 654 696</u>	<u>7 386 276</u>

TOWN COUNCIL OF ORANJEMUND

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

	2014	2013
	N\$	N\$
4. TRADE AND OTHER RECEIVABLES		
VAT control account	394 579	-
5. BANK AND CASH		
Current account	32 928	21 336
Petty cash	1 221	-
	34 149	21 336
6. CAPITAL OUTLAY		
Revenue contributions	5 605 938	1 072 875
	5 605 938	1 072 875
7. FUNDS, ACCOUNTS AND RESERVES		
Capital Development Fund	9 278 276	7 386 276
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	631 055	21 336
	9 909 331	7 407 612
8. TRADE AND OTHER PAYABLES		
Accrued payables	117 455	-
Provisions	56 638	-
	174 093	-
9. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Correction of petty cash	3 360	-
Correction of VAT	118 316	-
Personnel provision	(56 638)	-
	65 038	-

TOWN COUNCIL OF ORANJEMUND

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

	<u>2014</u>	<u>2013</u>
	N\$	N\$
10. CASH UTILISED BY OPERATIONS		
NET PERATING SURPLUS BEFORE INTEREST	144 070	-
ADJUSTMENT FOR:		
Appropriations	<u>65 038</u>	-
OPERATING RESULT BEFORE CHANGES IN WORKING CAPITAL	<u>209 108</u>	-
CHANGES IN WORKING CAPITAL		
Trade and other receivables	(394 579)	-
Trade and other payables	<u>174 093</u>	-
	<u>(220 486)</u>	-
CASH UTILISED BY OPERATIONS	<u>(11 378)</u>	-