



REPUBLIC OF NAMIBIA



AUDIT REPORT ON THE ACCOUNTS OF THE

TOWN COUNCIL OF REHOBOTH

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

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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 Rehoboth for the financial year ended 30 June 2008, 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 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE TOWN COUNCIL OF REHOBOTH
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2008**

1. INTRODUCTION

The above accounts of the Town Council of Rehoboth for the year ended 30 June 2008 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 Spencer Steward 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 Namibian 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, **except that they were only signed by the Accounting officer on 12 October 2009 instead of three months after year end as required by the Act.** 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

The Accounting Officer of the Town Council is responsible for the preparation of the financial statements and for ensuring the regularity of the financial transactions. 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 audit as carried out by the said firm, included:

- (a) Examination on a test basis of the evidence relevant to the amounts, disclosure and regularity of financial transactions included in the financial statements;
- (b) assessment of the significant estimates and judgements made by the Accounting Officer of the Town Council in the preparation of the financial statements and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed; and
- (c) evaluation of the overall adequacy of the presentation of information in the financial statements.

The audit was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence to give reasonable assurance that:

- The financial statements are free from material misstatement, whether caused by error, fraud or other irregularity;
- in all material respects, the expenditure and income have been applied to the purposes intended; and
- the financial transactions conform to the authorities which govern them.

4. AUDIT OBSERVATIONS AND COMMENTS

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

4.1 Value Added Tax (*)

Included in current assets is an amount equal to N\$ 678 877 (2007: N\$1 623 674) in respect of value added tax receivable. VAT returns for the year under review could not be provided to the auditors and therefore no audit tests were performed to verify the fair presentation of this account.

Council should regularly reconcile the VAT control account so as to show a true reflection in the financial statements.

4.2 Bad debts provision(*)

Audit tests revealed that the provision for bad debts may be understated by N\$ 21 955 468 (2007: N\$ 10 472 297). This indicates that the closing balance of debtors was clearly misstated as there is a material difference.

Council should urgently revise their credit policy to ensure that debts are collected on time and regularly.

4.3 Creditors (*)

There is a material difference of N\$ 9 649 132 in accrued creditors as revealed by audit tests and no creditors reconciliation was performed for the year under review.

Council should perform regular reconciliations of the creditors accounts to ensure that the account is fairly stated.

4.4 Stock Control (*)

No physical stock count was conducted during the year under review. Stock is expensed to the different votes as it is purchased. Therefore no stock was reported in the financial statements.

Council should implement measures to keep accurate records of stock on hand so as to maintain adequate accounting control over stock items.

4.5 Improper segregation of duties (*)

Duties in the finance department are not properly segregated among the staff. Incompatible functions of initiation, recording, checking and approval are being performed by the same individuals. There are no clear-cut duties for some staff members although they have job descriptions which still need to be revised. The town treasurer is overwhelmed by clerical duties as oppose to only strategic issues.

Currently there is no proper departmental structure at the Town Council. The accountant responsible for creditors also performs the payroll function whilst there is a human resources officer employed.

Council should ensure proper segregation of duties within the various departments. The Town Treasurer, for example, should be relieved of clerical duties and the payroll function should be handled by the human resources section. There is a need for a clear organizational structure with well delineated lines of reporting and responsibility.

4.6 Leave and bonus provision and suspense debtors (*)

No listing could be provided to the auditors and due to the limitation of scope, the accuracy, existence, completeness and valuation of these accounts could not be verified.

4.7 Cash and bank (*)

No bank reconciliation of the current account could be provided to the auditors as no reconciliation was performed for the year under review. Due to the limitation of scope, the accuracy, existence and completeness of this account could not be ascertained.

4.8 Water purchases (*)

The water purchases as per the Namwater statements/invoices amounted to N\$ 6 880 927. The financial statements of the council reflects an amount of N\$ 10 066 276, thus resulting in a difference of N\$ 3 185 349. This difference could not be explained.

4.9 Internal funds (*)

Council could not provide the auditors with a breakdown of the movement on the Build Together and Low Cost Housing Funds.

Due to limitation of scope, the accuracy, existence and completeness of these accounts could not be ascertained.

4.10 Going concern (*)

The ability of the Town Council to continue as a going concern is dependant on a number of factors. The most significant of these are the continuation of profitable operations and the recovery of long outstanding debtors and the maintenance of existing levels of finance by major creditors.

4.11 Electricity division (*)

The electricity division 's financial statements of 2006/2007 was not audited thus the auditors qualify the opening balances of electricity department.

The electricity department could not provide the auditors with the distribution units (prepaid electricity), and therefore they could not verify the income from prepaid electricity.

4.12 Subsidy income

An amount of N\$ 2 500 000 relating to subsidy for street maintenance could not be supported by proper documentation.

4.13 Ervens sold on auction expenses

The Council could not provide supporting documentation for expenses relating to ervens sold on auction amounting to N\$ 787 914.

4.14 Fixed Assets

The Council could not provide the auditors with neither the description nor the supporting documentation of the additions to loan assets amounting to N\$ 833 724, thus they could not physically verify these assets.

The additions to loan assets could also not be agreed to the external loan advances made during the year.

The Council could also not provide the auditors with the Council minutes approving or authorising the purchase of assets in respect of the sample tested. The auditors also observed that the Council was making payments, related to fixed assets, to suppliers without creditors reconciliations being done prior to payments.

4.15 Payroll

The Council could not explain monthly salary fluctuations, assurance could thus not be obtained regarding the completeness and validity of the payroll expense. The auditors also identified an unexplained difference between the payroll summary and the general ledger.

4.16 Loans Granted

No listing or loan register is in place for loans granted out of the Old Housing Fund and Build Together Funds. Neither is any breakdown for the movement during the year available. This represents a scope limitation and no audit tests could be performed.

4.17 Sundry debtors

No listing could be provided for erven sales advances to the amount of N\$ 2 325 139, a bank recon suspense account of N\$ 661 516 and a debtors suspense account of N\$1 227 965. Due to the limitation of scope, the accuracy, existence, completeness and valuation of these accounts could not be verified.

4.18 Receipts and cash register reports

Council could not provide the auditors with the cash register reports and receipts books for the year under review to perform audit tests there on. Thus again presenting a scope limitation.

4.19 Cash count

At the time of the audit, a surprise cash count was conducted. A shortage existed and a further investigation revealed that irregularities occurred and Council was busy conducting an internal investigation.

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 surplus 01/07/2007				*7 549 836
General accounts				
Rates and general	4 657 655	10 606 498	(5 948 844)	
Non-profitable services	4 321 668	5 786 806	(1 465 138)	
Self-supporting services	9 014 276	3 816 769	5 197 507	
Trade accounts				
Water	12 992 787	11 311 435	1 681 352	
Electricity (See paragraph 4.11)	17 191 624	17 168 245	23 379	
	48 178 010	48 689 753	(511 743)	
Deficit for the year				(511 743)
Adjustments and appropriations (Note 8, Annexure D)				(6 505 025)
Accumulated surplus 30/06/2008				533 068

* The opening balance of N\$ 7 549 836 does not agree with the closing balance of N\$ 5 586 946 of the previous report because the accumulated surplus of N\$ 1 962 890 related to the electricity department was added on.

7. CURRENT BANK ACCOUNT

The unfavourable cash book balance on the current bank account amounted to N\$ 3 354 417 (2007: N\$ 505 179). The bank statement reflected a favourable balance of N\$ 194 113. No bank reconciliations of this account were performed for the year under review (Also refer to paragraph 4.7). Due to the aforementioned no additional information relating to the bank account could be provided.

8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June 2008 and the interest thereon were as follows:

Institution	2008		2007	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Invested at:				
Commercial banks	2 935 597	367 456	6 652 553	-
	2 935 597	367 456	6 652 553	504 560
Distribution				
Old Housing Fund	299 269	*-	1 230 876	75 930
Build Together Housing Fund	2 594 470	*-	5 144 818	428 630
Electricity department	41 858	*-	276 858	-
	2 935 597	-	6 652 553	504 560

* The allocation to the funds of interest received could not be obtained from the Council.

9. FUND ACCOUNTS

The position of internal Funds and Reserves is shown in note 5 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:

	Electricity		Water	
	2008	2007	2008	2007
	N\$	N\$	N\$	N\$
Sales	15 645 146	14 142 044	9 969 422	8 814 569
Cost of bulk purchases	(11 641 972)	(10 180 344)	(10 066 276)	(8 783 014)
Gross profit	4 003 174	3 961 700	(96 854)	31 555
Other income/ (expenses)	(3 979 795)	(3 389 248)	1 778 206	945 006
NET PROFIT	23 379	572 452	1 681 352	976 561
Gross profit/(loss) on bulk purchases	34%	39%	(1%)	0.3%
Net profit percentage on bulk purchases	0.20%	5.6%	17%	11%

The net profit of water increased from N\$ 976 561 to N\$ 1 681 352 which could be commended on. However, electricity's results worsened from N\$ 572 452 to N\$ 23 378 in the current year.

Electricity services were transferred back from Reho Electricity (Pty) Ltd to Council, where it is currently operated as ring fenced in view of the future establishment of a RED in the southern region of the country. Separate financial statements were prepared for this unit for the previous two and the current year. These have been included in Council's financial statements for the current year. Also refer to paragraph 4.11.

10.2 Distribution losses were as follows:

Water and electricity distribution losses, in cubic metres (m³) and kilowatts, were as follows:

	Water		Electricity	
	2008	2007	2008	2007
	m ³	m ³	Units	Units
Sold	-	1 018 629	-	-
Bought	-	1 334 708	-	-
Distribution loss	-	(316 079)	-	-
Loss as percentage of units bought	-	23.7%	-	-

No information could be obtained regarding current year sales units or statistics.

11. SELF-SUPPORTING EXTERNAL SERVICES

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

	Revenue	Expenditure	Surplus/ (Deficit)	Surplus/ (Deficit)
	2008	2008	2008	2007
	N\$	N\$	N\$	N\$
Sanitation	97 619	470 590	(372 971)	(159 930)
Sewerage	3 187 669	792 905	2 394 764	549 662
Commonage and Pound	311 958	41 188	270 770	294 699
Properties	5 417 030	2 512 086	2 904 944	1 605 216
	9 014 276	3 816 769	5 197 507	2 289 647

The above table shows that the self-supporting services indicate an overall net profit for the year under review. There is a good improvement (net profit has doubled), compared to the net profit in the prior year.

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No such expenditure was revealed.

13. SUSPENSE ACCOUNTS

The suspense accounts balances amount to N\$ 1 377 682 (2007: N\$ 1 120 084) 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 2008 financial year amounted to N\$ 4 434 380 (2007: N\$ 3 245 304) and comprises the following:

	Financed by			Total 2007
	Total 2008	External/ Internal loans	Revenue	
	N\$	N\$	N\$	
Protective services	-	-	-	9 344
Comonage & pound	-	-	-	14 751
Head office administration	298 064	296 090	1 974	5 922
Town Treasurer	461 133	285 094	176 039	84 418
Sewerage: Tools and equipment	56 490	-	56 490	493 143
Water : Upgrading reticulation	287 749	-	287 749	307 132
Council general expenses	11 968	-	11 968	-
Chief Executive Officer	14 417	-	14 417	-
Properties	1 234	-	1 234	299 936
Parks	19 131	-	19 131	5 120
Streets and stormwater	1 843 172	252 541	1 590 631	2 018 635
Cemetery	4 500	-	4 500	7 172
Electricity department	1 436 523	-	1 436 523	1 439 180
	4 434 381	833 725	3 600 656	4 684 753

The additions were confirmed to the fixed asset register of the Council. It was found that the additions financed by revenue agree to the related capital statement but not in all cases to the respective expenditure votes. Council is urged to see to it that capital expenditure is disclosed correctly in the financial statements of the Council.

16. STUDY LOANS/BURSARIES

No bursaries or loans were granted during the year.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

No contributions, grants and financial aid were made during the year.

18. COMPENSATION PAYMENTS

No compensation payments were made during the year.

19. VISITS TO FOREIGN COUNTRIES

No visits to foreign countries were undertaken.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims for losses were received during the year.

21. GIFTS AND DONATIONS BY THE LOCAL AUTHORITY

The Council could not provide us with the details nor with the supporting documentation for donations amounting to N\$ 4 131.

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 2008 comprise the following:

	2008	2007
	N\$	N\$
Consumers	37 515 770	27 855 821
Service loans	17 132 850	19 035 023
Sundry debtors	307 882	344 668
Erven sales advances	2 325 139	109 280
Sewerage project	84 659	84 659
Bank recon	661 516	-
Inland Revenue	678 876	1 623 673
Advances/Receipts	6 693	-
Old Housing Fund – Advances	2 713 432	2 936 356
Build Together Fund – Advances	6 735 468	3 683 137
Incomplete projects	4 080 327	2 219 270
Consumer prepayments	(656 207)	(557 777)
Debtors – Suspense account	(1 403 323)	(1 308 844)
Reho Electricity – Suspense account	25 641	188 760
	70 208 723	56 214 026
Less: Provision for bad debts	(28 757 440)	(21 949 873)
	41 451 283	34 264 153

The provision for bad and doubtful debts is understated by a calculated amount of N\$ 21 955 468 (2007: N\$ 10 472 297).

A closer investigation revealed the following:

The consumer debt collection period increased during the year under review from 249 days to 280 days. The increase in the collection period is a matter of concern as this can influence the cash flow of the Town Council. It is strongly recommended that the Town Council implement strong measures and policies to decrease the outstanding debtors in future.

23.2 Creditors on 30 June 2008 comprise the following:

	2008	2007
	N\$	N\$
GRN Funds Social Housing	-	1 037 363
Provisions(other)	33 015	500 323
Accrued creditors	10 700 249	5 336 750
Provision for audit fees	251 000	216 000
Provision for consultant fees	25 540	75 220
Provision for regional council levies	375 710	375 392
Provision for leave pay	2 452 097	2 490 783
	13 837 611	10 031 831

24. ASSESSMENT RATES

Proceeds from assessment rates amounted to N\$ 3 792 361 (2007: N\$ 2 836 113), of which an amount of N\$ Nil (2007: N\$ 162 000) was paid to the Regional Council.

The gazetted tariffs were as follows:

N\$ 0.034 (2007: N\$ 00.034) per dollar on site values per year and N\$ 0.0036 (2007: N\$0.0036) per dollar on improvements per year.

25. LOANS

25.1 External loan balances, excluding the Housing Fund, due by the Council totalled N\$ 1 413 096 at 30 June 2008 (2007: N\$ 1 206 450). The Council could not provide the auditors with the loan schedule or listing, thus they verified the balance against the Wesbank confirmation which revealed a difference of N\$ 290 946.

26. SALE OF ERVEN

The proceeds of erven and plots sold were:

	2008	2007
	N\$	N\$
Ervens sold on auction – details unavailable (2007 : 3)	-	148 000
Property sold (quantity unavailable)	5 069 361	3 164 883

27. PROPERTY SOLD ON AN INSTALMENT BASIS

Ervens sold on an instalment basis amounted to N\$ 5 069 361. The proceeds were allocated to Revenue.

28. TARIFF ADJUSTMENTS

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

29. APPROVALS

There was no over expenditure recorded during the year.

30. STOCK AND EQUIPMENT

30.1 Motor vehicles

	Sedan vehicles		LDV and kombi's		Heavy vehicles (Lorries and busses)	
	Number	Value	Number	Value	Number	Value
On hand 01/07/2007	2	N\$ 191 150	20	N\$ 362 463	31	N\$ 1
Acquisitions	3	397 825	-	-	-	-
Depreciation		-		-		-
On hand 30/06/2008	5	588 975	20	362 463	31	1

No proper records were obtained on fuel consumption during the year under review and therefore fuel consumption per litre could not be accurately calculated.

30.2 Inventory

No inventory control was maintained during the year. Inventory should be controlled on a perpetual system the costing should be in terms of Generally Accepted Accounting Practice.

31. SPECIAL INVESTIGATIONS

No special investigations were carried out during the year.

32. GENERAL

The accounting and internal controls applied by the Council are not satisfactory. Proper segregation of duties is hindered by 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:

- Bad and doubtful debts
- Stock control
- Value Added Taxation
- Bank reconciliations
- Loans granted
- Leave pay provisions
- Sundry debtors and accrued creditors
- Lack of supporting documentation
- Insurance
- Distribution statistics
- Loans schedule
- Fixed assets
- Weakness in internal controls

34. DISCLAIMED AUDIT OPINION

The accounts of the Town Council for the financial year ended 30 June 2008, 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.

I am unable to express an opinion on the financial statements, results of operations and the cash flows of the Council for the year ended 30 June 2008 due to the following reasons:

- VAT - The VAT control account is not reconciled on a regular basis.
- Accounts receivables - The internal controls regarding receivables are inadequate and the provision for bad debts is understated by N\$ 21 955 468.
- Creditors - No supporting documentation for accrued creditors and a material difference of N\$ 9 649 132 occurred on items tested.
- Stock control - No physical stock count was conducted during the year.
- Improper segregation of duties was evident during the audit.
- Leave and bonus provision - No listing was available for verification.
- Cash and bank - No bank reconciliation of the current account was performed.
- Water purchases - There was a material difference of N\$ 3 185 349 between the ledger balance and Namwater statements.
- Internal funds - No details could be provided regarding movements that occurred during the year.
- Going concern - The going concern of the Council is dependant on a number of factors, the main one being improvement debt collection.
- Electricity division - Opening balances of electricity department was not audited.
- Sundry income - No supporting documentation /proof of receipt of subsidy could be provided by the Council.
- Ervens sold on auction expenses - No supporting documentation related to expenses of N\$ 787 914 could be provided.
- Fixed assets - Additions to loan assets amounting to N\$ 833 724 couldn't be verified and no Council approval could be obtained to support the validity of the expenditures.
- Payroll - Monthly fluctuations could not be supported or explained.
- Loans granted - No loan register is in place, neither a breakdown to support the movement for the year.
- Sundry debtors - No listing or supporting documentation could be provided to support erven sales advances, bank recon suspense account and debtors suspense account.
- Receipts and cash register reports - No documents could be provided by the Council.
- Cash count - A surprise cash count revealed irregularities at the Council.

WINDHOEK, May 2010

**JUNIAS ETUNAKANDJEKE
AUDITOR-GENERAL**

TOWN COUNCIL OF REHOBOTH

ANNEXURE A

BALANCE SHEET AS AT 30 JUNE 2008

	Notes	2008	2007
ASSETS		N\$	N\$
Non-current assets		39 309 734	41 712 972
Property, plant and equipment	2	36 374 137	35 060 419
Investments	3	2 935 597	6 652 553
Current assets		41 451 283	34 348 884
Accounts receivable	4	41 451 283	34 264 153
Bank		-	84 731
TOTAL ASSETS		80 761 017	76 061 856
EQUITY AND LIABILITIES			
Equity		61 700 366	64 438 153
Funds and accounts	5	61 700 366	64 438 153
Non-current liabilities			
Interest bearing borrowings	6	1 868 624	1 591 872
Current liabilities		17 192 027	10 031 831
Accounts payable	7	13 837 611	10 031 831
Bank overdraft		3 354 416	-
TOTAL EQUITY AND LIABILITIES		80 761 017	76 061 856

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	<u>Note</u>	<u>2008</u>	<u>2007</u>
		N\$	N\$
INCOME		48 167 828	40 047 771
EXPENDITURE		<u>(48 689 753)</u>	<u>(42 804 638)</u>
OPERATING LOSS FOR THE YEAR		(521 925)	(2 756 867)
Interest earned		<u>10 182</u>	<u>39 722</u>
NET LOSS FOR THE YEAR		(511 743)	(2 717 145)
Add : Appropriation and adjustments	8	<u>(6 505 025)</u>	<u>(2 040 724)</u>
RETAINED LOSS FOR THE YEAR		(7 016 768)	(4 757 869)
30 June 2007		<u>7 549 836</u>	<u>12 307 705</u>
30 June 2008		<u>533 068</u>	<u>7 549 836</u>

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008	2007
		N\$	N\$
Cash flow from operating activities			
Cash receipts from customers	9.1	(7 026 950)	(4 797 591)
Cash paid to suppliers	9.2	(3 381 350)	653 893
Cash generated from operations		(10 408 300)	(4 143 698)
Investment income		10 182	39 722
Net cash flow from operating activities		(10 398 118)	(4 103 976)
Cash flow from investing activities			
Decrease / (Increase) in property, plant and equipment		(1 313 718)	(1 699 321)
Decrease/(Increase) in investment		3 716 956	(1 416 189)
Nett cash flow from investing activities		2 403 238	(3 115 510)
Cash flow from financing activities			
Increase/(decrease) in Funds		4 278 981	7 950 366
Increase/(decrease) in long-term liabilities		276 752	(303 863)
Net cash flow from financing activities		4 555 733	7 646 503
Net increase/(decrease) in cash and cash equivalents		(3 439 147)	427 017
Cash and cash equivalents at the beginning of the year		84 731	(342 286)
Cash and cash equivalents at the end of the year		(3 354 416)	84 731

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

1. ACCOUNTING POLICIES**1.1 Introduction**

The annual financial statements set out in Annexure A, B and C are prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent with those applied in the prior year.

1.2 Property, plant and equipment

Property, plant and equipment are stated at cost or at valuation where assets have been acquired by grant or by donations, 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.

1.3 Fund Accounts

The following Funds were created by the Town Council in terms of Sections 58(1) and 80(4) of the Local Authorities Act (Act 23 of 1992).

1.3.1 Housing Funds – Old Housing Fund

The purpose of this Fund is to provide for housing loans to the low income group of inhabitants. Income for this Fund is derived from interest earned on secured housing loans and investments.

1.3.2 Build Together Fund

The purpose of the Fund is to provide loans to applicants who want to build houses with the help of the community. The instalments received for the payment of these loans are reinvested in this Fund.

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

	2008	2007
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Consists of :		
Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment	36 374 137	35 060 419
Financed by :		
External loans	1 413 096	1 206 450
Loans redeemed	2 617 209	1 990 131
Revenue account	32 343 832	31 863 838
	36 374 137	35 060 419
3. INVESTMENTS		
Fixed deposits and money on call	2 935 597	6 652 553
4. TRADE AND OTHER RECEIVABLES		
Consumers	37 515 770	27 855 821
Loan debtors	17 132 850	19 035 023
Sundry debtors	307 882	344 668
Erven sales - Advances	2 325 139	109 280
Bank recon	661 516	-
Inland Revenue	678 876	1 623 673
Advances/Receipts	6 693	-
Sewerage project	84 659	84 659
Old Housing Fund - Advances	2 713 432	2 936 356
Build Together Fund - Advances	6 735 468	3 683 137
Incomplete projects	4 080 327	2 219 270
Suspense account - Reho Electricity	25 641	188 760
	72 268 253	58 080 647
Less :		
Payments received in advance	(656 207)	(557 777)
Suspense account - Debtors	(1 403 323)	(1 308 844)
Provision for doubtful debts	(28 757 440)	(21 949 873)
	41 451 283	34 264 153

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

	2008	2007
	N\$	N\$
5. FUNDS AND ACCOUNTS		
5.1 Financing of capital		
Loans redeemed from revenue	2 617 209	1 990 131
Revenue contributions	32 343 832	31 863 838
	34 961 041	33 853 969
Accumulated Funds	533 068	7 549 836
5.2 Internal Funds		
Old Housing Fund	11 964 210	11 530 421
Build Together Fund	14 242 047	11 503 927
	26 206 257	23 034 348
	61 700 366	64 438 153
6. LONG TERM LIABILITIES		
External loans: Wesbank	1 413 096	1 206 450
Consumer deposits	455 528	385 422
	1 868 624	1 591 872
7. TRADE AND OTHER PAYABLES		
Accrued creditors	10 700 249	5 336 750
GRN Funds: Social housing	-	1 037 363
Provision for audit fees	251 000	216 000
Provision for consultants fees	25 540	75 220
Provision for regional council levies	375 710	375 392
Provision for leave	2 452 097	2 490 783
Other	33 015	500 323
	13 837 611	10 031 831

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

	2008	2007
	N\$	N\$
8. ADJUSTMENTS AND APPROPRIATIONS		
Unknown deposits	222	-
Stale deposits/cheques	1 906	-
Debtor adjustment	5 405	(12 537)
Debtors book	-	791 022
Corrections: old book year	310 588	68 085
Adjustment: provision for consultancy fees	53 710	288 963
Adjustment on loans	-	-
Bad debts recovered	-	641
Provision for bad debts	(6 807 567)	(2 918 566)
Audit adjustments	(69 289)	(247 182)
Subsidy: pensioners	-	(11 150)
	(6 505 025)	(2 040 724)
9. CASH UTILISED IN OPERATIONS		
Net operating loss before transfers	(511 743)	(2 717 145)
Adjustments (appropriations)	(6 505 025)	(2 040 724)
Investment income	(10 182)	(39 722)
9.1 Operating income before changes in working capital	(7 026 950)	(4 797 591)
Changes in working capital		
Increase/(decrease) in trade and other payables	3 805 780	4 869 607
(Increase)/decrease in trade and other receivables	(7 187 130)	(4 215 714)
	(3 381 350)	653 893