



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF RUNDU
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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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 Rundu for the financial year ended 30 June 2010, 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, October 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR - GENERAL
ON THE ACCOUNT OF THE RUNDU TOWN COUNCIL
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2010**

1. INTRODUCTION

The accounts of the Town Council of Rundu for the year ended 30 June 2010 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, (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 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 statements were signed on 29 November 2010.** The letter of representation concerning the financial year are dated 01 August 2011. 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 originals.

The following Annexures are also attached to this report:

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 Municipality 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 OBSERVATIONS AND COMMENTS

4.1 Appropriation account

According to the balance sheet submitted by the Council, the accumulated deficit amounts to (N\$2 634 072) but according to the appropriation account provided by the computerized system the deficit is (N\$ 2 639 719). This results in a difference of N\$ 5 647. Council should in future, reconcile their financial statements with the computerized system before submitting them to the Auditor-General. The difference is now included in the adjustments and utilizations. (See paragraph 6 and note 10 of Annexure D.).

4.2 Recoverability of debtors - 2010

A provision for doubtful debts of N\$ 42 115 820 (2009: N\$ 37 257 525) was made by the Town Council. The auditors' own calculations which took into consideration the slow rate of repayment by consumers concluded that the provision is understated by N\$ 6 421 556.

Outstanding debt for 120 days and more amounting to N\$ 48 537 376 for the financial year which are 103% of the total debt of N\$ 47 193 913. This is again an indication that the financial statements and the computerized system were not reconciled.

The magnitude of this underprovision, highlight serious concerns on the debt collection controls and measures over these assets of the Council. As a result of the above the current valuation of accounts receivables are materially misstated in the annual financial statements.

4.3 Build Together Fund

The Build Together programme is administered by the Town Council on behalf of the Ministry of Regional and Local Government, Housing and Rural Development. It should be considered significant if weaknesses are identified in this regard.

This Fund has its own peculiar specifications with respect to the way in which it should be managed. The manner of utilizing and controlling monies available in the Fund is also stipulated by the Ministry. The following weaknesses were detected by the auditors:

- * During the audit it was discovered that no proper controls were exercised, related to monthly reconciliations as computed by the Town Council. An immaterial difference of N\$ 2 760 was found by comparing to the balance in the annual financial statement and the Finstel report for the year under review.
- * The auditors requested ten (10) files of beneficiaries from the Council. The Council could only provide four (4) or 40% of these files. The auditors found the following shortcomings on the files that were submitted:
 - (i) Loan balances on some files do not agree with the original approved loan tables.
 - (ii) Beneficiaries are not up to date with their installments and the Council is not following up this issue to resolve the problem.
 - (iii) The Revolving Fund balance was included in the Build Together Fund balance for the year under review.

4.3.1 Investments

During the audit the auditors discovered that interest totaling to N\$ 140 837 for money invested was not accounted for in the cash book for the year under review.

4.4 Inventory - 2010

A material difference of N\$ 470 935 was found when comparing to the financial statements with store's auxiliary records. No explanation or any evident supporting documents could be provided to substantiate the difference.

No stock sheets were provided by the Town Council and cost prices were not updated on the finstel system. No proper stock control system was in place during the audit which may have a negative effect on the long-term operation of the Town Council. The Council is urged to rectify this situation as a matter of urgency.

The auditors did not observe the counting of stock on 30 June 2010, as they were not appointed at that time.

4.5 Consumer deposits

The balance statement remained constant since prior year. No list for consumer deposits could be provided to the auditors, which indicates that the consumer deposits maybe inadequate for the year under review.

	2010	2009
	N\$	N\$
Debt outstanding	47 193 913	40 502 588
Consumer deposits	12 251	12 251
Percentage of deposits against outstanding debts	0.03%	0.03%

4.6 Source documents

Several important source documents related to expenditures and additions to fixed assets, incurred by the Town Council, could not be provided, at the time of the audit. This prevented the auditors from performing the required audit procedures to ascertain the accuracy, measurement and existence of these account areas.

The water purchases reconciliation revealed a material difference of N\$ 844 332 that could not be explained.

4.7 Fixed assets

Council's current fixed asset register was maintained during the year, but a material difference of N\$ 1 647 380 was found. This error is due to the fact that depreciation was calculated on land and buildings. No policy was provided which allows the Council to depreciate land and buildings.

The fixed assets amounted to N\$ 418 260, which are additions of the prior year, are still disclosed as additions in the current year's fixed assets register.

4.8 Value Added Tax

The annual financial statements of the Council disclose an amount of N\$ 2 878 042 as VAT receivable which are totally misstated according to the auditors. The auditors re-calculated the amount receivable and concluded that the Receiver of Revenue only owes the Council an amount of N\$ 296 481. Therefore accounts receivable is overstated by an amount of N\$ 2 581 561.

The Council is urged to reconcile their VAT account with the accounts of the Receiver of Revenue.

4.9 Trade and other payables

4.9.1 Creditors

No creditors' listing or any other supporting documents could be provided by the Town Councils. Therefore the auditors could not test and satisfy themselves that the closing balance of N\$ 912 047 as disclosed in the annual financial statements for the year under review are correct.

4.9.2 Provision for audit fees

The provision for audit fees are disclosed in the financial statements as N\$ 109 999 but the auditors are of the opinion that it is overstated by N\$ 54 019.

4.9.3 Provision for Leave Pay

No listing for leave pay or any other supporting documents were provided by the Town Council. Due to afore-mentioned the auditors could not test and satisfy themselves that the balance of N\$ 1 238 403 as disclosed in the financial statements are correct.

4.9.4 Provision for Regional Council

No provision for regional council payments or any other supporting documents were provided by the Town Council, therefore the auditors could not test and satisfy themselves to the closing balance of N\$ 120 422 are correct.

4.10 Payroll

An unexplained difference of N\$ 245 869 were found by the auditors when reconciling the payroll with the earnings reports.

4.11 Bank reconciliations

By re-performing the bank reconciliation for June 2010, the audit revealed a material difference of N\$ 740 778. The Council is urged to ensure that bank reconciliations are conducted on a monthly basis. It must be stressed that bank reconciliations is one of the most important mechanisms on which the Council should rely on to ensure that their bank accounts are controlled.

4.12 Recognition of accounts receivables and services income

4.12.1 Surcharges royalties

A material difference of N\$ 1 247 606 was detected during the audit related to royalties receivable from Nored. According to the financial statements N\$ 1 915 866 was received. The auditors however could only confirm an amount of N\$ 668 260. This difference could be attributed to the fact that documentation for 7 (seven) months could not be obtained by the auditors.

4.12.2 Assessment rates

Twenty two even were selected for testing. The audit revealed that on 12 (twelve) of them no rates and taxes was charged to the customer accounts. It was also noted that the tariffs was not updated on the finstel system.

4.12.3 Permission to Occupy

During the audit a difference of N\$ 506 743 was found. No explanation could be provided nor could any supporting evidence be provided to substantiate the difference.

4.12.4 Sale of erven

During the audit the auditors detected a difference of N\$ 1 101 719. No clear explanation for this difference could be provided by the Council. Council is urged to investigate this difference and reconcile the manual records with the Finstel system.

4.12.5 House rental

No listing related to the rental of houses could be provided by the Town Council. No explanation could be provided related to direct levies posted in the ledger.

4.13 Suspense accounts

4.13.1 Bank fault on Regional Council

A total amount of N\$ 17 000 was transferred from the Council's bank account to the Okavango Regional Council. The Town Council enquired at its banking institution to clarify the two payments in a letter dated 17 July 2008. A reminder was sent to the bank on 16 September 2008. When conducting the audit no reply from the bank could be provided. The Council is urged to clarify this matter either with the bank or with the Regional Council.

4.13.2 Expense Project NAM 343

According to the financial statements the Council received an amount of N\$ 3 294 630 related to the project and is disclosed as a provision. The total amount expended is disclosed under suspense account as N\$ 2 928 955 resulting in a difference of N\$ 365 675. As this is donated money and the expenses are of a capital nature, the Council should capitalize these transactions during the next financial year.

5. ACKNOWLEDGEMENT

The assistance and co-operation given by the management and staff of the Town Council during the audit are appreciated. The efforts made by management to implement the previous years' recommendations are also appreciated.

6. FINANCIAL RESULTS

2010	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit as at 01/07/2009				(2 543 949)
General services				
Rate and general	8 173 952	3 534 496	4 639 456	
Non-profitable	12 421 832	8 172 146	4 249 686	
Self-supporting	5 789 222	7 208 324	(1 419 102)	
Trade accounts				
Water	17 014 412	15 222 791	1 791 621	
	43 399 418	34 137 757	9 261 661	9 261 661
Surplus for the year (Adjustments and utilizations detailed in Note 7 of the financial statements.)				6 717 712 (4 083 640)
Accumulated surplus 30/06/2010				2 634 072

7. CURRENT BANK ACCOUNT

The balance sheet reflected a unfavourable cashbook balance for 2010: N\$ 289 282 and for (2009: N\$ 183 920 unfavourable), which is also the reconciled balance. The bank statements reflected a favourable balance for 2010: N\$ 2 476 958 and favourable for (2009: N\$ 686 748), mainly due to outstanding cheques at year end.

	2010	2009
	N\$	N\$
Cash-book balance at 30 June - Balance sheet of Council	(289 282)	(183 920)
Outstanding cheques - Stated as trade payables	586 679	579 631
Balance as per balance sheet of this period	297 397	395 711
Debit orders and bank charges on bank statements not in cash-book	(46 505)	(43 475)
Unexplained net difference and adjustments on the reconciliation	2 226 065	334 512
Balance as per bank statements	2 476 957	686 748

8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2010 there was N\$ 4 106 807 and for (2009: N\$ 3 239 718) invested at financial institutions, as follows:

	2010	2009
	N\$	N\$
Investments were allocated to the following Funds:		
Bank	4 106 807	3 239 718
	4 106 807	3 239 718

Investment interest earned for 2010 was N\$ 30 615 (2009: N\$ 19 974) and was allocated to Revenue.

	Investment	Interest	Investment
	2010	2010	2009
Housing Fund (Built Together Fund)	4 106 807	*-	3 239 718

* See paragraph 4.3.1.

9. FUND ACCOUNTS

The position of the Fund accounts at the end of the year is shown in Note 2 of Annexure D.

10. TRADE ACCOUNTS

10.1 The results of operations of water were as follows:

	2010	2009
	N\$	N\$
Sales	16 676 037	15 321 194
Cost of Sales (Bulk purchases)	(12 003 094)	(10 643 287)
Gross (loss) / profit	4 672 943	4 677 907
Expenses (net)	(2 881 322)	(1 388 816)
Net surplus	1 791 621	3 289 091
Gross profit % on cost of sales	38.9%	43.9%
Net profit % on cost of sales	14.9%	30.9%

10.2 Distribution results of water

According to the records of the Council they purchases 2 708 874 m³ of water and only billed 1 769 962 m³ which calculates to a distribution loss of 938 912 m³ or 34.66% of water purchased. Council is urged to investigate the reason for this unacceptable loss and rectify the situation.

11. SELF-SUPPORTING SERVICES

The net results of self-supporting services were as follows:

	Income 2010	Expenses 2010	Surplus/ (Loss) 2010	Surplus/ (Loss) 2009
	N\$	N\$	N\$	N\$
Housing	420 940	395 977	24 963	172 313
Open markets	196 678	1 210 632	(1 013 954)	(818 672)
Licenses and vehicle registrations	836 883	801 309	35 574	73 809
Cleansing services	2 365 878	3 527 306	(1 161 428)	(358 626)
Sewerage	1 968 843	1 273 100	695 743	974 817
	5 789 222	7 208 324	(1 419 102)	43 641

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No fruitless, unauthorized and avoidable expenditure was revealed during the audit.

13. SUSPENSE ACCOUNTS

There were numerous suspense accounts with a total balance of N\$ 3 573 300 disclosed in the financial statements of the council at year-end. Findings related to the suspense accounts were taken up with the council in the management letter.

14. IRREGULARITIES AND LOSSES

No irregularities and losses were revealed by the audit for the years under review.

15. CAPITAL PROJECTS

The following capital expenditure was incurred during the year and were all financed by revenue

Vote	Nature	Amount	Total expenditure 2009
		N\$	N\$
Streets, stormwater and sidewalks	Tarring project	1 524 506	-
	Wooden bridge	7 602	-
Civic buildings	Upgrading of store office	48 044	505 018
	Vehicle	212 570	14 310
Town planning	Computer system	8 717	-
	Survey – Trade fair ground	782 019	-
Open markets	Computer	7 670	-
	Furniture	4 067	21 240
Strategic executive finance	Printers	5360	-
	Air conditioning	91 691	-
Town engineer	Electricity expansion	34 383	11 558
	Laptop	8 521	-
Council's expenses	Vehicles	169 789	-
	Vehicle	283 300	-

(continued)

	Nature	Amount	Total expenditure 2009
		N\$	N\$
Mayor expenses	Air conditioning	5 905	1 011
	Furniture	23 756	-
	Mayor's chain	164 380	-
	Refrigerator	1 782	-
Town clerk	Camera	1 565	28 469
	Computer	14 720	-
	Furniture	2 880	-
Community service	Furniture	1 410	132 436
Refuse removal/Environmental health	Electrical saw	10 937	7 818
Water	Metering system	3 822	-
	Pre-paid reticulation	63 767	-
	Computer	8 335	1 739
Town secretary	Air conditioning	5 445	-
		-	3 443 629
Protective services		-	6 204
Workshop		-	
Total		3 496 943	4 173 432

The income statement reflects an amount of N\$ 3 496 943. The capital statement reflects an amount of N\$ 4 005 318 for capital expenditure, which are N\$ 508 375. The difference could not be explained by the Council.

16. BURSARIES

No bursaries were granted during the years under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

The audit did not reveal that any contributions or grants were made and financial aid was given during the years under review.

18. COMPENSATION PAYMENTS

Employees compensation amounted to N\$ 43 221 for the year under review.

19. VISITS TO FOREIGN COUNTRIES

Foreign visits amounted to N\$ 83 968 for the year under review.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims against the Local Authority payments were made during the years under review.

21. GIFTS / DONATIONS BY / TO THE LOCAL AUTHORITY

A donations of N\$ 18 014 for the year under review.

22. TRANSFER OF PROPERTY TO / FROM GOVERNMENT

No properties were transferred from the Ministry of Local Government and Housing for the years under review.

23. DEBTORS AND CREDITORS

23.1 Debtors at 30 June were:

	2010	2009
	N\$	N\$
Services, rates and taxes	47 193 913	40 502 588
Other receivables – VAT and Housing debtors	5 013 443	3 219 181
Suspense accounts	3 573 300	70 697
	55 780 656	43 792 466
Less: Provision for bad debts	(42 115 820)	(37 257 525)
	13 664 836	6 534 941

23.2 Creditors at 30 June were:

	2010	2009
	N\$	N\$
Trade payables	*6 092 181	*7 427 756
Provisions	2 380 872	1 157 688
Consumer deposits	12 250	12 250
Income project nam 343	3 294 630	-
	11 779 933	8 597 694

* Included in trade payables is an amount of N\$ 586 680 and for (2009: N\$ 579 631) that represents outstanding cheques on the bank reconciliation.

24. ASSESSMENT RATES

	2010	2009
	N\$	N\$
Net proceeds from assessment rates were	6 540 057	1 278 905
Tariffs per N\$ 1 valuation per annum - Business Valuation per annum		
- Land	0.0369	0.022
- Improvements	0.0061	0.083
Tariffs per N\$ 1 valuation per annum - Residential Valuation per annum		
- Land	0.0303	0.075
- Improvements	0.0047	0.012

Assessment rates income was stated for the year under review.

25. LOANS

25.1 External loans

According to the financial statements of the Council no external loans were outstanding at year-end (2009: N\$ 2 921).

25.2 Internal loans

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

25.3 Housing loans

The amount advanced for housing loans under the Build Together programme are reflected at N\$ 1 929 485 for 2010 and N\$ 2 019 493 for 2009 in the annual statements.

26 SALE OF ERVEN

The income credited to the income statement amounted to N\$ 5 332 150 for 2010 (N\$ 1 921 737).

27 PROPERTY SOLD ON INSTALLMENT BASIS

No details related to houses that were sold on an installment basis during the year under review could be provided.

28 TARIFF ADJUSTMENTS

All tariff adjustments were in accordance with the relevant Official Government Gazette, although some customers rates were not appropriately adjusted.

29 APPROVALS

29.1 Excess on approved budget

All budget excesses were approved.

30 STOCK AND EQUIPMENT

30.1 Motor vehicles and values thereof:

Due to a lack of records the auditors were not able to determine the number of vehicles owned by the council nor their value or classification.

According to the financial statements of the Council vehicles to the value of N\$ 665 659 were purchased during the year under review.

Council is urged to update their fixed asset register with the required information and they should also open an auxiliary register to determine the distances travelled by the vehicles and calculate their fuel consumption on a monthly basis.

31. SPECIAL INVESTIGATIONS

The auditors are not aware of any special investigation concluded on the affairs of the Council.

32. GENERAL

32.1 Internal controls

The accounting and internal controls were found to be inadequate. Proper segregation of duties is not feasible due to the small number of staff employed. While increased management involvement reduces risks, the risk arises that management and Council override existing controls, a potentially dangerous practice, which Council should vigilantly guard against.

33. FORMAL AND INFORMAL QUERIES

Formal queries are embodied in this report.

Informal queries addressed to the Town Clerk consist of:

- * Special funds and capital outlay
- * Statutory matter – Annual financial statements
- * Liabilities
- * Fixed assets
- * Inventories
- * Accounts receivable
- * Payroll
- * Cash at bank
- * Revenue services
- * Expenditure
- * General
 - Segregation of duties
 - Financial statements against computerized system
 - Reconciliations

34. DISCLAIMED AUDIT OPINION

The accounts of the Rundu Town Council for the financial year ended 30 June 2010, summarized in Annexure A to D, were audited by me in terms of provisions of Section 85 of the Local Authorities Act, 1992 read with Section 25(1) of the State Finance Act, 1991.

I am unable to express an opinion on the financial statements due to the following reasons:

- * The accumulated deficit according to the appropriation account within the financial statements and the deficit according to the computerized system differs with N\$ 5 647.
- * Provision for bad debts is understated by N\$ 6 421 556.
- * The figures disclosed in the financial statements related to the Build Together Fund could not be verified to my satisfaction because only 40% of the files requested could be provided by the Council. Furthermore loan balances on individual files does not agree with the original approved tables. Beneficiaries are not up to date with their monthly instalments. The Revolving Fund balance was included in the Build Together Fund.
- * A material difference of N\$ 470 935 was detected when comparing the value of inventories as per financial statements and those of the auxiliary records kept at the stores.
- * Consumer deposits are inadequate.
- * Source documents related to additions to fixed assets could not be provided by the Council.
- * Water purchases revealed a difference of N\$ 844 332.
- * A material misstatement of N\$ 1 647 3802 was found in the fixed asset register because depreciation was calculated on land and buildings for the year under review.
- * VAT receivable is overstated by N\$ 2 581 561.
- * The Council could not provide a list of creditors therefore the auditors could not confirm the amount of N\$ 912 047 as disclosed in the financial statements of the Council.
- * Due to a lack of information the auditors could not confirm the corrections of the provision for leave amounting to N\$ 1 238 403.
- * The bank reconciliation revealed a difference of N\$ 740 778. Included in the reconciliation is an amount of N\$ 2 226 065 related to a net unexplained differences and adjustments.
- * The correctness of the provision payable to the Regional Council of N\$ 120 422 could not be confirmed due to a lack of information.
- * A difference of N\$ 245 869 was detected when reconciling the payroll with the earnings report.
- * Royalties receivable from Nored is overstated by N\$ 1 247 606.
- * The audit revealed that on 54% of files selected to test if assessment rates are charge correctly, no assessment rates were charge.

- * A difference of N\$ 506 743 related to permission to occupy was found.
- * A difference of N\$ 1 101 719 was observed by the auditors related to sale of even.
- * House rental could not be confirmed due to a lack of information.
- * Expenses from donated money of N\$ 2 928 955 was wrongly disclosed under suspense account instead of capital expenditure.

WINDHOEK, October 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

TOWN COUNCIL OF RUNDU

BALANCE SHEET ON 30 JUNE 2010

	Notes	2010	2009
		N\$	N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	25 922 885	25 482 497
Investments	3	4 106 807	3 239 718
Current assets			
Accounts receivables	4	13 664 836	6 534 941
Inventories		3 090 983	2 328 579
Cash and cash equivalents		297 397	395 711
TOTAL ASSETS		47 082 908	37 981 446
EQUITY AND LIABILITIES			
Funds			
Capital outlay	5.1	25 922 885	25 479 576
Funds and accounts	5.2	9 380 090	3 901 255
Non-current liabilities			
Long-term liabilities		-	2 921
Current liabilities			
Accounts payables	6	11 779 933	8 597 694
TOTAL EQUITY AND LIABILITIES		47 082 908	37 981 446

TOWN COUNCIL OF RUNDU

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	2010	2009
		N\$	N\$
INCOME		43 367 906	36 163 469
EXPENDITURE		<u>(34 137 757)</u>	<u>(29 118 360)</u>
NET OPERATING PROFIT		9 230 149	7 045 109
INVESTMENT INTEREST EARNED		<u>31 512</u>	<u>20 179</u>
NET PROFIT		9 261 661	7 065 288
ADJUSTMENTS	8	(4 083 640)	(6 266 407)
NET PROFIT for the year		<u>5 178 021</u>	<u>798 881</u>
APPROPRIATION ACCOUNT			
- AT BEGINNING OF THE YEAR		<u>(2 543 949)</u>	<u>(3 342 830)</u>
- AT END OF YEAR		<u>2 634 072</u>	<u>(2 543 949)</u>

TOWN COUNCIL OF RUNDU

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	2010	2009
		N\$	N\$
Cash receipts from customers		43 367 906	36 163 469
Cash paid to suppliers		(42 931 457)	(37 171 773)
<i>Cash generated/(utilised) by operations</i>	11	436 449	(1 008 304)
Investment income		31 512	20 179
Movements in funds		744 123	2 014 648
- Funds accounts		300 814	332 656
- Capital outlay		443 309	1 681 992
<i>Net cash flow from operating activities</i>		1 212 084	1 026 523
<i>CASH FLOW FROM INVESTING ACTIVITIES</i>		(1 307 477)	(757 585)
(Decrease) / increase in net capital expenditure		(440 388)	(1 577 301)
(Increase) / decrease in investments		(867 089)	819 716
<i>CASH FLOW FROM FINANCING ACTIVITIES</i>		(2 921)	(104 691)
Increase/(decrease) in long-term loans		(2 921)	(104 691)
<i>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</i>		(98 314)	164 247
Cash and cash equivalents at beginning of year		395 711	231 464
Cash and cash equivalents at end of year		297 397	395 711

TOWN COUNCIL OF RUNDU

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE

1. ACCOUNTING POLICIES**1.1 Basis of presentation**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties where appropriate.

1.2 Property, plant and equipment and depreciation

All property, plant and equipment are initially recorded at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. All other plant and equipment are stated at historical cost or valuation where applicable.

No depreciation is calculated on property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimation recoverable amount, the assets or cash generating units are written down to their recoverable.

1.3 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current liabilities.

1.4 Internal Funds

The following internal Funds were created by the Town Council:

1.4.1 Build Together Fund

The purpose of this Fund is to provide for housing loans. Income to this Fund is transferred from the general income account, external loans from Government and interest on investments and loans.

1.4.2 Capital Reserve Fund

This Fund was created to make provision for unforeseen expenditures as approved by the Council.

1.4.3 Revenue Fund

All monies received by and accrued to and expenses paid are reflected in this account and are kept in compliance with section 86(1)(b) of the Local Authorities Act of 1992.

TOWN COUNCIL OF RUNDU

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE (continued)

	2010	2009
	N\$	N\$
2. FIXED ASSETS		
Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment.	25 922 885	25 482 497
Financed from:		
Loan assets	-	508 856
Revenue account	10 137 734	7 514 163
General capital assets	15 785 151	17 459 478
	25 922 885	25 482 497
3. INVESTMENTS		
Commercial banks	4 106 807	3 239 718
	4 106 807	3 239 718
Comprising of:		
Build Together Fund	4 106 807	3 239 718
	4 106 807	3 239 718
4. ACCOUNTS RECEIVABLE		
Services, rates and taxes	47 193 913	40 502 588
Other receivables	5 013 443	3 219 181
Suspense accounts	3 573 300	70 697
	55 780 656	43 792 466
Less: Provision for bad debts	(42 115 820)	(37 257 525)
	13 664 836	6 534 941
5. OWN FUNDS		
5.1 Financing of capital:		
Contribution from:	25 922 885	25 479 576
Loans redeemed	-	505 935
Revenue contributions	10 137 733	7 514 163
General capital contributions	15 785 152	17 459 478
5.2 Funds	9 380 090	3 901 255
Build Together Fund	6 746 018	6 445 204
Accumulated surplus / (deficit)	2 634 072	(2 543 949)
TOTAL FUNDS	35 302 975	29 380 831

TOWN COUNCIL OF RUNDU

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE (continued)

	2010	2009
	N\$	N\$
6. ACCOUNTS PAYABLES		
Trade payables	6 092 181	7 427 756
Provisions	2 380 872	1 157 688
Consumer deposits	12 250	12 250
Income project nam 343	3 294 630	-
	11 779 933	8 597 694
7 CASH UTILISED BY OPERATIONS		
Net profit before investment interest and adjustments.	9 261 661	7 065 288
Adjustments for:		
Appropriation account	(4 083 640)	(6 266 407)
Investment income	(31 512)	(20 179)
	5 146 509	778 702
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL		
CHANGES IN WORKING CAPITAL		
(Increase) / decrease in accounts receivable	(7 129 895)	2 329 097
(Increase) in inventories	(762 404)	(846 868)
Increase / (decrease) in accounts payable	3 182 239	(3 269 235)
	(4 710 060)	(1 787 006)
CASH GENERATED / (UTILISED) BY OPERATIONS	436 449	(1 008 304)
8. ADJUSTMENTS AND UTILIZATIONS		
Correction of audit costs	(113 717)	-
Previous year expenses	(51 266)	-
Adjustment of previous year debtors	(74 112)	(1 000 565)
Stale cheques written back	29 557	-
Adjustment of provision for bad debts	(4 858 295)	(7 266 972)
Debt recovered	989 840	-
Correction of opening balance	-	51 011
Previous year correction of journals	-	(424 014)
Unknown difference between the Council's accumulated deficit per appropriation account and the Council's balance sheet	(5 647)	2 374 133
	(4 083 640)	6 266 407