



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF RUNDU

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

Published by authority

Price (Vat excluded) N\$ 33.57
Report no 99/2013

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 2012, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

WINDHOEK, October 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. INTRODUCTION

The accounts of the Town Council of Rundu for the year ended 30 June 2012 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Local Authorities Act, 1992 (Act 23 of 1992).

The firm 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 and 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, **except that they were only submitted on 14 November 2012 after approval from the Auditor-General.** The letter of representation concerning the financial year are dated 08 April 2012. 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: 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 my 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 judgments made by the Accounting Officer of the Town Council in preparation of the financial statements and 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 irregularities;

- 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

4.1 Balance sheet account

The balance sheet submitted by the Council did not balance to the income and general capital assets schedules. The auditors during the audit a new balance sheet which reconciles to the schedules. This results in a material difference of N\$ 26 287 139. The Council should in future, reconcile their financial statements before submitting them to the Office of the Auditor-General.

4.2 Summarised income and expenditure statement

The auditors recalculated summarised income and expenditure statement submitted by the Council revealed an incorrectly calculated surplus which amounted to N\$ 3 423 067 for the year under review.

4.3 Recoverability of debtors

A provision for doubtful debts of N\$ 61 402 172 (2011: N\$ 47 737 759) was made by the Town Council. According to the auditors' review and considering slow repayment by consumers, they concluded that the provision is underprovided by N\$ 14 991 128 (2011: N\$ 11 261 518).

	2012	2011
	N\$	N\$
Provision for doubtful debts	61 402 172	47 737 760

Also, outstanding debt at 120 days and plus for the respective financial years were as follows:

Description	2012	2011
	%	%
120 days and plus	111	110

The magnitude of these under-provisions, 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.

Due to the significance of this matter, the Auditor-General cannot express an opinion on bad and doubtful debts.

4.4 Build Together Fund

Special funds such as the Build Together programme are administered by the Town Council on behalf of the relevant Ministry and it should be considered significant as weaknesses were identified with regards to administration.

This Fund has its own peculiar specifications with respect to the way in which the Fund are to be managed and utilized as stipulated by the relevant Ministry. The following were irregularities detected by the auditors:

- * During the audit the auditors discovered that the Build Together Fund had no proper control in terms of monthly reconciliations that were computed by the Town Council. A material difference of N\$ 1 406 389 was found between compared to the balance in the annual financial statements and the Finstel report for the year under review.
- * A difference of N\$ 125 688 was found between the balance in the annual financial statements and the Finstel report for the year under review.
- * The Town Council could not provide the auditors with two (2) customer files during the period of the audit. Numerous customer loan balances selected for testing did not agree to the approved loan balances as per agreements in the customer personal files and the payments are not updated and followed up by the Town Council for the year under review.
- * The Revolving Fund of Sauyema was also combined with the Build Together Fund for the year under review.

4.5 Investments

During the audit the auditors discovered that the interest of N\$ 699 253 on the investment account was not accounted for in the cash-book for the year under review.

4.6 Submission of annual financial statements

The Accounting Officer of the Town Council failed to submit the annual financial statements on time for the financial year under review to the Office of the Auditor-General for audit purposes. According to the Local Authorities Act, 1992 (Act no. 23 of 1992), the annual financial statements needs to be submitted within three months after the financial year as per requirement by Section 87 of the Local Authorities Act.

4.7 Inventory

No stock sheets were provided by the Town Council and costing prices were not updated on the Finstel system. No proper stock control system is in place, which may have a negative effect on the long-term operation of the Town Council for the year ended 30 June 2012.

The auditors did not observe the counting of stock on 30 June 2012. Therefore no alternative practical audit procedures that the auditors could perform to confirm the existence and value of stock on hand at year-end.

4.8 Consumer deposits

No list for consumer deposits could be provided to the auditors, which indicates that the consumer deposits maybe inadequate for the year under review.

	2012	2011
	N\$	N\$
Debt outstanding	68 948 591	53 359 698
Consumer deposits	12 830	12 830
Percentage of deposits against outstanding debts	0.02%	0.02%

4.9 Source documents

Numerous important source documents for expenditures incurred by the Town Council could not be found at the time of the audit. This prevented the auditors from performing the required audit procedures to ascertain the accuracy, measurement and existence of expenditure incurred. No insurance contract was provided by the Council and only paid on quotation.

The water purchases reconciliation revealed a difference of N\$ 3 856 660 due to the invoice that was not processed.

4.10 Fixed assets

The Council maintained a current fixed asset register during the year, but was incomplete as some assets were not included and assets that were included should have been excluded. No explanation could be provided by the Council on numerous assets where no depreciation was calculated.

A material difference of N\$ 26 287 140 was observed between the submitted balance sheet and the revised balance sheet at the Town Council, due to typing error.

The fixed asset additions amounting to N\$ 194 649 were omitted from the annual financial statements for the year under review.

Numerous important source documents of the assets additions could not be found at the Town Council.

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

4.11 Value-Added-Tax

The annual financial statements of the Town Council portray a VAT receivable balance from Inland Revenue. A difference of (N\$ 71 548) was found on the auditors reconciliation for the year under review.

A VAT statement of account of 30/06/2012 revealed a debit balance of N\$ 179 444 compared to the annual financial statement balance of N\$ 3 761 505.

A material difference of N\$ 2 481 189 could be the refunds of prior year or subsequent to year-end VAT refunds for the year under review.

The current receivable might not even be a true reflection taken into account, due to the statements from the Inland Revenue.

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

4.12 Trade and other payables

4.12.1 Creditors

Due to lack of breakdown of the accrued creditors provided in the annual financial statements, the auditors selected a sample for testing and based on their work done and evidence obtained, the auditors could not satisfy themselves to the accuracy and completeness of the creditors. The audit further revealed a difference of N\$ 147 063 that was not included in the accrued balances for the year under review.

4.12.2 Provision for Audit fees

The auditors' recalculated provision for audit fees were overstated with N\$ 46 268.

4.12.3 Provision for Leave Pay

The staff leave days accumulated to more than 60 days and no Human Resource policy was provided by the Council to determine how many days should the staff carry forward to next year. Due to that it is a proven fact that fraud risk increases significantly under circumstances when employees are not encourage to take leave appropriately or unwilling to take leave.

While the Council personnel rules states that only leave payouts up to this threshold would be disbursed, the practice of taking leave should be encourage in line with the spirit of the Labour Act, 2007 (Act no. 11 of 2007, Section 23 (5)).

4.12.4 Provision for Regional Council

No provision for Regional Council payments or any other supporting documents were provided by the Town Council and therefore the auditors could not test and satisfy themselves to the closing balance of N\$ 120 422 stated in the annual financial statements, as the balance remained constant since prior year. The auditors' recalculated balance revealed a material difference of N\$ 296 375.

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

4.13 Payroll

Due to lack of explanation a material difference of N\$ 701 311 was found on the auditors' reconciliation payroll compared to the earnings reports.

The overtime is N\$ 146 363, more than the 2% that were approved by the Ministry in the budget.

Numerous employees were paid salaries above or below the approved notches for the year under review.

No employment contracts were found in the personal files of the sample employees selected for testing during the time of audit.

4.14 Bank reconciliations

The bank reconciliation was performed on excel and the auditors could not satisfy themselves to the completeness and accuracy of the bank reconciliation due to the unexplained net difference of N\$ 2 726 721. The differences were posted to the suspense account in the balance sheet for the year under review.

4.15 Recognition of accounts receivables and services income

4.15.1 Surcharges royalties

A material difference of N\$ 538 559 was found on the auditors' reconciliation and could not be explained.

4.15.2 Assessment rates

Erf no: 1079 of Rel Saiedy Properties was not recorded on the system for rates and taxes charges and four (4) customers ownership was not updated in the system for the year under review.

4.15.3 Road Fund repayment

During the audit the auditors detected a difference of N\$ 3 125 019 between the claim from Road Fund Administration and the annual financial statements. No explanation could be provided by the Town Council for the year under review.

The auditors detected a difference of N\$ 1 671 192 between the direct amount transferred and the budgeted amount by the Road Fund Administration for the year under review.

4.15.4 Permission to Occupy

During the audit the auditors detected a difference of N\$ 386 623. No explanation or any supporting evidence could be provided to substantiate the difference for the year under review.

4.15.5 Sale of erven

During the audit the auditors detected a difference of N\$ 15 737 555, due to payments that was processed on the system and no evidence of the journal entries were found of this difference. It could be that the balance reflected in the annual financial statements consists of the old payments and direct payments that were posted to this account for the year under review.

4.15.6 House rental

No customer list for rental houses could be provided by the Town Council and no explanation was given of the transactions of direct levies posted in the ledger for the year under review.

4.15.7 Open market

No customer list or breakdown could be provided by the Town Council and no explanation was given of the sample selected for testing of the receipts posted in the ledger for the year under review.

4.15.8 NATTIS

During the audit the auditors detected a material difference of N\$ 290 205, due to VAT inclusive that was processed in the cash-book for the year under review.

4.15.9 Business Registration Certificate

No customer list or breakdown could be provided by the Town Council and no explanation was given of the sample selected for testing of the receipts posted in the ledger for the year under review.

4.15.10 Water

No meter reading cards of Rundu State Hospital and Pro Engineering was found at the client for the year under review.

4.15 Suspense accounts

4.15.1 Bank fault on Regional Council

As reported in prior years, these are monies transferred from the Build Together account to Okavango Regional Council but no decision or any agreement was taken by both parties either to pay back the monies to the Town Council for the year under review.

An difference of N\$ 35 660 was found between the amount transferred from the bank statement and the annual financial statements for the year under review.

4.15.2 Personnel advances

These are loans that were paid to the staff as salary advances and is noted by the Finance Manager that it would be paid back or received from the staff and it has to be written off and processed under staff.

A sundry debtor of N\$ 190 000 is wrongly allocated in that account instead to the Town Council cheque for the Town Council to pay its accounts for the year under review.

5. ACKNOWLEDGEMENT

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

6. FINANCIAL RESULTS

	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit as at 01/07/2011				(2 141 438)
General services				
Rate and general	8 763 339	12 186 406	(3 423 067)	
Non-profitable	30 974 620	13 802 891	17 171 729	
Self-supporting (note 11)	8 463 824	10 361 245	(1 897 421)	
Trade accounts				
Water	21 040 484	18 719 825	2 320 659	
	69 242 267	55 070 366	14 171 900	14 171 900
Surplus for the year				12 030 462
Adjustments and utilizations (See Note 9, Annexure D.)				(18 127 195)
Accumulated surplus 30/06/2012				6 096 732

7. CURRENT BANK ACCOUNT

The balance sheet reflected a favourable cash-book balance for 2012: N\$ 204 384 (2011: N\$ 904 479 unfavourable), which is also the reconciled balance. The bank statements reflected a favourable balance for 2012: N\$ 181 829 (2011: N\$ 883 880 favourable), mainly due to outstanding cheques at year-end.

	2012	2011
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	204 384	(904 479)
Outstanding cheques – Stated as trade payables	-	-
Balance as per balance sheet	204 384	(904 479)
Debit orders and bank charges on bank statements not in cash-book	2 704 167	83 777
Unexplained net difference and adjustments on the reconciliation	(2 726 721)	1 704 582
Balance as per bank statements	181 829	883 880

8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2012 there was N\$ 18 871 936 (2011: N\$ 1 395 691) invested at financial institutions, as follows:

	2012	2011
	N\$	N\$
Investments were allocated to the following Funds:		
Bank	18 871 936	1 395 691
	18 871 936	1 395 691

Investment interest for 2012: N\$ 1 842 (2011: N\$ 21 987 prior year was calculated) were earned for the year.

	Investment 2012	Interest 2012	Investment 2011
	N\$	N\$	N\$
Housing Fund (Built Together Fund)	20 183	-	1 210 208
Revenue	18 851 753	-	185 483
	18 871 936	-	1 395 691

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:

	2012	2011
	N\$	N\$
Sales	20 172 599	17 664 637
Cost of sales (Bulk purchases)	(15 463 791)	(14 119 417)
Gross profit	4 708 808	3 545 220
Expenses (net)	(2 388 149)	(2 445 437)
Net surplus	2 320 659	1 099 783
Gross profit % on cost of sales	30.5%	25.1%
Net profit % on cost of sales	15.0%	7.8%

10.2 The distribution losses for water could not be determined due to inadequate record keeping.

11. SELF -SUPPORTING SERVICES

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

	Income 2012	Expenses 2012	Surplus/ (Loss) 2012	Surplus/ (Loss) 2011
	N\$	N\$	N\$	N\$
Housing	373 060	205 384	167 676	177 287
Open markets	158 050	1 770 483	(1 612 433)	(1 247 997)
Licenses and vehicle registration	1 791 284	1 269 538	521 746	(227 371)
Cleansing services	3 660 796	5 697 871	(2 037 075)	(3 361 891)
Sewerage	2 480 633	1 417 969	1 062 664	772 173
	8 463 824	10 361 245	(1 897 422)	(3 887 799)

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

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

13. SUSPENSE ACCOUNTS

There were three suspense accounts with a total balance of N\$ 250 208 (2011: N\$ 1 841 434) accounted for in suspense accounts during the year under review.

14. IRREGULARITIES AND LOSSES

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

15. CAPITAL PROJECTS

The following expenditure was incurred during the year for capital projects or acquisitions.

	Financed by	Total Expenditure 2012	Total Expenditure 2011
	Revenue account		
	N\$	N\$	N\$
Protective services	34 463	34 463	24 147
Town engineer	45 764	45 764	122 392
Town planning	492 888	492 888	148 730
Town secretary	24 706	24 706	16 513
Strategic executive finance	207 273	207 273	407 535
Civic buildings	58 767	58 767	483 603
Open markets	-	-	39 105
Mayoral expenses	-	-	28 691
Town clerk	19 924	19 924	13 475
Parks and cemetery	625 966	625 966	243 478
Workshop	112 216	112 216	13 891
Sewerage	-	-	270 018
Community services	-	-	5 000
Refuse removal	999 433	999 433	2 097 761
Streets, storm water and sidewalks	5 960 331	5 960 331	2 262 287
Council's expenses	28 439	28 439	10 979
Water	-	-	42 998
	8 610 170	8 610 170	6 230 604

15.1 The income statements reflect an amount of N\$ 8 610 170. The capital statement reflects an amount of N\$ 8 415 522 for capital expenditure, which N\$ 194 649 less than the contribution from income. The difference could not be explained by the Council.

16. BURSARIES

No bursaries were granted during the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

	2012	2011
	N\$	N\$
Contribution from Government - TIPEEG	20 000 000	-

The Ministry of Regional and Local Government, Housing and Rural Development funded the Town Council with a grant of N\$ 20 000 000 which will fund the construction of services, water, sewage, road and the TIPEEG projects.

18. COMPENSATION PAYMENTS

Employees compensation amounted to N\$ 81 791 (2011: N\$ 65 719) for the year under review.

19. VISITS TO FOREIGN COUNTRIES

Foreign visits breakdown found at the Council for N\$ 36 145 (2011: N\$ nil) for the year under review.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

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

21. GIFTS/DONATIONS BY / TO THE LOCAL AUTHORITY

Donations amounting to N\$ 18 019 (2011: N\$ 13 727) was made to the Council for the year under review.

22. TRANSFER OF PROPERTY TO / FROM GOVERNMENT

No properties were transferred from the Ministry of Regional and Local Government, Housing and Rural Development for the year under review.

23. DEBTORS AND CREDITORS

23.1 Debtors at 30 June were:

	2012	2011
	N\$	N\$
Services, rates and taxes	68 948 591	53 359 698
Other receivables	5 825 550	3 959 096
Suspense accounts	250 208	1 841 434
	75 024 349	59 160 228
Less: Provision for bad debts	(61 402 172)	(47 737 760)
	13 622 178	11 422 468

23.2 Creditors at 30 June were:

	2012	2011
	N\$	N\$
Trade payables	8 503 962	8 013 203
Provisions	6 064 068	2 333 012
Consumer deposits	12 830	12 830
Prepaid received in advance - cashier error	4 835	4 835
	14 585 695	10 363 880

24. ASSESSMENT RATES

	2012	2011
	N\$	N\$
Net proceeds from assessment rates were	5 889 722	6 475 922
Tariffs per N\$ 1 valuation per annum - Business Valuation per annum		
- Land	0.0319	0.0369
- Improvements	0.0050	0.0061
Tariffs per N\$ 1 valuation per annum - Residential Valuation per annum		
- Land	0.0424	0.0303
- Improvements	0.0070	0.0047

Yes, assessment rates income was stated for the year under review.

25 LOANS

25.1 External loans

No external loans were outstanding for the current financial year.

25.2 Internal loans

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

25.3 Housing loans

The amount advanced in favour of housing loans under the Build Together programmed are reflected at N\$ 1 715 849 (2011: N\$ 1 831 384) in the annual statements.

26. SALE OF ERVEN

The income credited to the income statement amounted to N\$ 18 193 405 (2011: N\$ 3 423 213).

27. PROPERTY SOLD ON INSTALMENT BASIS

No details of houses that were sold on an instalment 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 customer 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:

No proper record was kept for the vehicles sold and disposed for the year or to determine fuel consumption during the year under review.

Due to a lack of control the auditors were unable to reconcile the motor vehicles available and sold for the year under review.

31. SPECIAL INVESTIGATIONS

The auditors were 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 the 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:

- * Lack of supporting documentation;
- * Inadequate inventory control;
- * Control and accounting of housing funds;
- * Unorganised filing and recordkeeping system;
- * Inadequate consumer deposits; and
- * Long overdue debtors' accounts and monies long outstanding becoming doubtful.

34. DISCLAIMED AUDIT OPINION

The accounts of the Rundu Town Council for the financial year ended 30 June 2012, 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 due to the following reasons:

- Unexplained difference of N\$ 26 287 139 between submitted balance sheet and the new balancesheet.
- Underprovided doubtful debt amounting N\$ 14 991 128.
- Unexplained difference amounting to N\$ 1 406 389 between the annual financial statement and the Finstel report.

- Interest on investment not disclosed in the financial statement.
- Non submission of inventory sheets
- No list for consumer deposits could be submitted.
- Source documents for expenditure not submitted for audit.
- No insurance contract was provided for audit purpose.
- Incomplete fixed asset register.
- No proper reconciliation on bank accounts, payroll, VAT, Trade and other payables and receivables, purchases and royalties, sale of erven and suspense accounts.
- No provision for leave pay, payable and audit fees, and
- No proper record keeping of revenue such as sale of erven, rentals, business registration, record sales of water, permission to occupy and transfer from the build together account.

WINDHOEK, October 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

TOWN COUNCIL OF RUNDU

BALANCE SHEET ON 30 JUNE 2012

	Notes	2012 N\$	2011 N\$
ASSETS			
Non-current assets		79 861 735	32 889 069
Property, plant and equipment	3	60 989 799	31 493 378
Investments	4	18 871 936	1 395 691
Current assets		17 587 357	14 774 674
Accounts receivables	5	13 622 178	11 422 468
Inventories	7	3 760 795	3 352 206
Cash and cash equivalents	8	204 384	-
TOTAL ASSETS		97 449 092	47 663 743
EQUITY AND LIABILITIES			
Funds		82 863 397	36 395 384
Funds and accounts	2	60 989 799	31 493 378
Accumulated funds	2	21 873 598	4 902 006
Current liabilities		14 585 695	11 268 359
Accounts Payables	6	14 585 695	10 363 880
Bank overdraft		-	904 479
TOTAL EQUITY AND LIABILITIES		97 449 092	47 663 743

TOWN COUNCIL OF RUNDU

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	2012	2011
		N\$	N\$
INCOME		69 240 043	45 119 256
EXPENDITURE		(55 070 366)	(46 812 450)
NET OPERATING PROFIT/(LOSS)		14 169 677	(1 693 194)
INVESTMENT INTEREST EARNED		2 223	23 676
NET PROFIT/(LOSS)	2	14 171 900	(1 669 518)
ADJUSTMENTS	9	(18 127 195)	(3 105 991)
NET PROFIT/(LOSS) for the year		8 238 170	(4 775 510)
APPROPRIATION ACCOUNT AT BEGINNING OF THE YEAR		(2 141 438)	2 634 072
APPROPRIATION ACCOUNT AT END OF YEAR		6 096 732	(2 141 438)

TOWN COUNCIL OF RUNDU

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	2012	2011
		N\$	N\$
Cash receipts from customers	A	69 240 043	45 119 256
Cash paid to suppliers	B	(71 584 046)	(49 353 349)
<i>Cash generated / (utilised) by operations</i>	11	(2 344 003)	(4 234 094)
Investment income		2 223	23 676
Movements in funds		50 423 309	5 867 918
- Funds accounts		20 926 887	297 425
- Capital outlay		29 496 422	5 570 493
<i>Net cash flow from operating activities</i>		48 081 529	1 657 500
<i>CASH FLOW FROM INVESTING ACTIVITIES</i>		(46 972 667)	(2 859 377)
Increase / (decrease) / in net capital expenditure		29 496 422	(5 570 493)
(Increase) / decrease in investments		(17 476 245)	2 711 116
<i>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</i>		1 108 863	(1 201 876)
Cash and cash equivalents at beginning of year		(904 479)	297 397
Cash and cash equivalents at end of year		204 384	(904 479)

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 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 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 Fixed Property Fund

Proceeds from the sale of land that has been developed by the Town Council accumulates in this Fund. Cost incurred on the development of land is charged to this Fund.

No sale of erven was recorded in the annual financial statements.

1.5 Housing Fund

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

1.6 Capital Reserve Fund

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

TOWN COUNCIL OF RUNDU

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

	2012	2011
	N\$	N\$
2. OWN FUNDS		
2.1 Financing of capital:		
Contribution from:	60 989 799	31 493 378
Revenue contributions	36 035 191	17 338 166
General capital contributions	24 954 608	14 155 211
2.2 Funds	21 873 598	4 902 006
Capital Reserve Fund	20 761 132	-
Built Together Fund	7 209 198	7 043 443
Accumulated (deficit) / surplus	(6 096 732)	(2 141 437)
TOTAL FUNDS	82 863 397	36 395 384
3. FIXED ASSETS		
Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment.	60 989 799	31 493 378
Financed from:		
Revenue account	36 035 191	17 338 166
General capital assets	24 954 608	14 155 211
	60 989 799	31 493 377
4. INVESTMENTS		
Commercial banks	18 871 936	1 395 691
	18 871 936	1 395 691
Comprising of:		
Built Together Fund	20 183	1 210 208
Revenue	18 851 753	185 483
	18 871 936	1 395 691
5. ACCOUNTS RECEIVABLE		
Services, rates and taxes	68 948 591	53 359 698
Other receivables	5 825 550	3 959 096
Suspense accounts	250 208	1 841 434
	75 024 349	59 160 228
Less: Provision for bad debts	(61 402 172)	(47 737 760)
	13 622 178	11 422 468

TOWN COUNCIL OF RUNDU

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

	2012	2011
	N\$	N\$
6. ACCOUNTS PAYABLES		
Trade payables	8 503 962	8 013 203
Provisions	6 064 068	2 333 012
Consumer deposits	12 830	12 830
Payments received in advance - cashier error	4 835	4 835
	14 585 695	10 363 880
7. INVENTORIES		
Stores	3 760 795	3 352 206
	3 760 795	3 352 206
8. CASH AND BANK BALANCES		
Current bank account	204 384	(904 479)
	204 384	(904 479)
9. ADJUSTMENTS AND UTILIZATIONS		
Unknown adjustments - incorrectly calculated Surplus	3 423 067	
Prior year expenses	-	(64 503)
Adjustment of previous year debtors	-	(52 737)
Adjustment of provision for bad debts	(15 013 850)	(6 061 021)
Debt recovered	950	-
Expenditure	(10 386 932)	-
Surplus year end	-	1 956 292
Store correction	3 849 570	(559 185)
Unknown - Is due to the Rates and General Surplus/deficit	-	1 675 163
	(18 127 195)	(3 105 991)
10. CASH UTILISED BY OPERATIONS		
A. Cash (absorbed) by operations		
Net profit / (loss) before investment interest and adjustments.	14 171 900	(1 669 518)
Adjustment on appropriation account	(18 127 195)	(3 105 991)
Investment income	(2 223)	(23 676)
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL	(3 957 518)	(4 799 186)

TOWN COUNCIL OF RUNDU

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

	<u>2012</u>	<u>2011</u>
	N\$	N\$
B. Utilized to increase working capital		
(Increase) / decrease in accounts receivable	(2 199 709)	2 242 368
Increase in inventories	(408 589)	(261 223)
Increase / (decrease) in accounts payable	4 221 814	(1 416 053)
	<u>1 613 516</u>	<u>565 092</u>
CASH (UTILISED) BY OPERATIONS	<u>(2 344 003)</u>	<u>(4 234 094)</u>