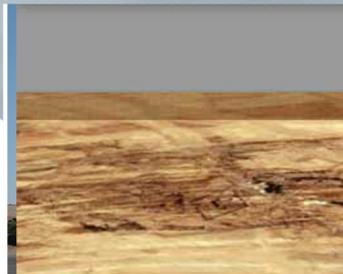




**REPUBLIC OF NAMIBIA**



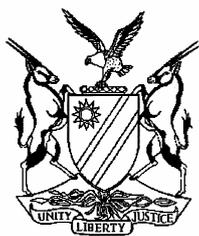
**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**  
**TOWN COUNCIL OF ARANDIS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

Published by authority

Price (Vat excluded) N\$ 31.18  
Report no 763

**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 Arandis for the financial year ended 30 June 2007 in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991, (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

**WINDHOEK, December 2009**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR - GENERAL  
ON THE ACCOUNTS OF THE TOWN COUNCIL OF ARANDIS  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2007**

**1. INTRODUCTION**

The accounts of the Town Council of Arandis for the year ended 30 June 2007 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 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 submitted on 30 June 2008 instead of three months after the 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, 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 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 Recoverability of debtors - Bad and doubtful debts

	<b>2007</b>	<b>2006</b>	<b>2005</b>
	N\$	N\$	N\$
Debt outstanding	7 924 086	7 808 321	7 633 947
<b>Provision for bad debts</b>	<b>7 221 483</b>	<b>6 832 065</b>	<b>5 058 043</b>
Percentage increase in outstanding debts	1%	2%	(44%)
Percentage increase in provision for bad debts	7%	35%	(49%)
Percentage provision vs. debt	91%	87%	66%

During the year under review the amount of debtors outstanding for 120 days plus remain at a alarming high level of 97% of total debt outstanding. The provision for bad debts reflected above is based on 120 days as reflected on the age analysis and this represents 91% of the total debtors. This is considerably high as also stated in prior reports and it does not seem that the Council is improving on the debtors collections. As mentioned in several previous reports the significant amount of irrecoverable debts is a matter of grave concern as the recovery of long outstanding debtors threatens the future cash flows of the Town Council.

The auditors recalculation revealed that the provision for doubtful debts, as at year end was understated by N\$ 110 710. The Council should follow a strict policy of debt collection, and if amounts outstanding appear to be uncollectable, consideration should be given to write off such debts in order to maintain the integrity of the accounting records of the Town Council.

During the year under review debts of N\$ 8 821 (2006: N\$ 1 237 048) were written off by the Council. No Council or ministerial approval could be provided by the Town Council for this action. Council should provide these approvals to the Office of the Auditor-General.

##### 4.2 Receiver of Revenue - VAT

As reported in the previous year, to-date Council did not receive any refunds from the Receiver of Revenue on VAT returns since 2003. The auditors' assessment on the recoverability reveal that an amount of N\$ 845 520 (2006: 858 739) would most probably not be recovered.

Although registered for VAT, management did not complete and submit VAT returns on the cut-off dates. This issue could have serious financial implications for the Council regarding interest and penalties for which no provision has been made.

As a result, the current amount of N\$ 907 088 as stated in the annual financial statements would be a incorrect reflection and valuation of VAT receivable.

#### 4.3 Consumer deposits

Consumer deposits of N\$ 166 865 for the year under review (2006: N\$ 166 070) were recorded in the annual financial statements. The auditors were not satisfied with the adequacy of the consumer deposits as the recorded amount represented only a coverage of 2% of the total debt outstanding.

	<b>2007</b>	<b>2006</b>	<b>2005</b>
	N\$	N\$	N\$
Debt outstanding	7 924 086	7 808 320	7 633 946
<b>Consumer deposits</b>	166 865	166 070	185 154
Percentage of deposits against outstanding debts	2%	2%	2%

It is strongly recommended that the Council should revise the policy and consumer debts to fulfill future commitments of the Council.

#### 4.4 Unrecorded liabilities

No supplier reconciliations were performed by the Town Council. Unrecorded liabilities of N\$ 164 954 were found. This resulted in an understatement of the liabilities and expenses as disclosed in the annual financial statements.

#### 4.5 Inventory and stock control

All purchases of stock items, when incurred, were charged to the Revenue Account. While this practice is financially prudent, it leads to inadequate accounting control over the items of stock held by the Council.

#### 4.6 Build-Together and Housing Fund advances

The financial department is charged with the responsibility of ensuring adequacy and authenticity of securities over advances.

The following areas were of concern:

- \* The auditors could not be provided with deed of sales and loan approval letters;
- \* In most cases tested the CEO did not approve these loans;
- \* The auditors found that copies of ID documents of debtors were not on file;
- \* Copies of mortgage bonds and deed of transfers were not kept on files and could also not be provided when requested;
- \* Debtor details on records differ from debtors details as per individual file.

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

#### **4.7 Non-compliance with recommendations**

Many of the above-mentioned problem areas have already been highlighted in previous audit reports and again highlighted when finalising the audit during February 2009, however none or few of the recommendations have been implemented.

#### **4.8 Operating results and going concern**

The continued operating losses for the past years raise significant doubt on the Council's ability to continue as a going concern. During the year under review the Council made an operating loss of N\$ 5 173 979 (2006: N\$ 1 960 924).

The accumulated loss as at year-end of 2007 is disclosed as N\$ 13 711 538 (2006: 8 537 560) and is an indication that the losses are accumulating annually.

It is worth noting that future commercial insolvency and financial distress are possible.

#### **4.9 Reconciliations**

The absence of proper monthly reconciliations of control accounts is a matter of concern. These accounts should be cleared timeously.

The most important control for ensuring the accuracy of the general ledger is the monthly reconciliation process. The audit revealed that monthly general ledger reconciliations are neither performed nor reviewed or are performed too late to constitute an effective control measure.

Also of concern are the significant numbers of reconciling items that are not cleared. This internal control measure will only be effective if reconciling items are identified and cleared.

The fact that a significant number of reconciling items relate to transactions that have not been recorded in the general ledger, but were recorded in the subsidiary ledgers, indicates that the general ledger contains inaccurate information.

The following reconciliations were affected:

- \* Fixed assets
- \* Accounts payable
- \* Accounts receivable

Due to the significance of this matter, the Auditor-General cannot express an opinion on the ability of the Town Council to properly reconcile balances.

#### **4.10 Improper segregation of duties**

It was observed that a number of accounting positions were vacant during the year.

The timely filling of key positions is essential as it has a serious detrimental impact on the segregation of duties and can result in a breakdown of important internal controls, which are necessary to properly safeguard the assets of the Council.

Duties in the Finance department are not properly segregated amongst the staff. Incompatible functions of initiation, recording, checking and approval are being performed by same individuals. There is no clear cut of duties for some staff members though they have job descriptions, which still need to be revised. A lack of segregation of duties is a serious internal control weakness and should be addressed with immediate effect.

#### **4.11 Creditors reconciliation**

The audit concluded that monthly creditor's reconciliations were not performed. In the absence of such reconciliations, duplicated payments of invoices may occur without being detected.

#### **4.12 Loans advances – Staff debtors**

The auditors noted significant amounts of staff loans which include staff loans to senior management, that are not repaid but keep on escalating. It was also noted that these loans are provided free of interest. This highlights a serious concern. It seems that the Council is not serious to recover these debts.

The total amount of these debts is N\$ 317 456. Some of these debts are owed by financial institutions. It was noted that these financial institutions can be debtors as a result of misappropriation of funds or misallocations. On formal requests, staff did not confirm their loan balances as they claimed that their loan balances were mysteriously inflated which renders the balance to be incorrect. This matter should be taken up with the appropriate authority and dealt with as a matter of urgency.

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

#### **4.13 Suspense accounts**

Accounted for under suspense accounts is an amount of N\$ 504 565 (2006: N\$ 0), related to water reticulation. On enquiry to the substance and existence of the account, the finance manager could not provide the auditors any explanation on the whereabouts of this account.

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

#### **4.14 Valuation roll**

The auditors noted that the last update on the valuation roll was done during 1994 which also contributes to the diminished revenue base of the Council.

#### **4.15 Payroll**

An unexplained difference of N\$ 151 421 existed between the balance as per the payroll schedule and the general ledger.

#### **4.16 Investments**

An investment of N 12 100 at Channel life could not be verified directly with the Channel life. On request the Council was unable to provide the auditors with statements that indicate that the funds are still invested.

#### **4.17 Internal controls over expenses**

During detailed audit tests on expenses, the auditors noted the following internal control discrepancies:

- Supporting documents missing;
- Physical bank returned cheques missing;
- Payments done on quotes and not on original invoices;
- Payments not appropriately approved.

As the above is evident of a total internal control breakdown, the following just underscores that fact:

- Water purchases are overstated with an amount of N\$ 595 062;
- Insurance expenses are overstated by an amount of N\$ 31 427 due to the inclusion of VAT;
- Telecom expenses are overstated by an amount of N\$ 41 373 due to the inclusion of VAT;

## 5. ACKNOWLEDGEMENT

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

## 6. FINANCIAL RESULTS

The results of the various operations of, and transactions on the Revenue Account for the year are as follows:

	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus/ (deficit)</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated deficit as at 01/07/2006				(8 537 560)
<b>General services</b>				
Rate and general	3 829 402	(4 203 130)	(373 728)	
Non-profitable	713 197	(1 227 038)	(513 841)	
Self-supporting	1 368 439	(1 406 677)	(38 238)	
<b>Trade accounts</b>				
Electricity supply	-	(15 457)	(15 457)	
Water supply	2 193 728	(3 425 984)	(1 232 256)	
	8 104 766	(10 278 286)	(2 173 520)	
Deficit for the year				(2 173 520)
Adjustments and utilizations detailed in Note 8 of the financial statements				(3 000 458)
Accumulated deficit as at 30/06/2007				<b>(13 711 538)</b>

## 7. CURRENT BANK ACCOUNT

The cash-book balance reflected a non-favourable balance of N\$ 211 464 (2006: Non-favourable N\$ 346 432), which is also the reconciled balance. The bank statements reflected a non-favourable balance of N\$ 5 825 (2006: N\$ 8 323), mainly due to un-presented cheques and undeposited funds.

## 8. INVESTMENTS AND INTEREST PROCEEDS

On 30 June 2007 there was N\$ 64 905 (2006: N\$ 64 736) invested at financial institutions, as follows:

	<b>2007</b>	<b>2006</b>
	N\$	N\$
Commercial bank	52 805	52 636
Channel Life	12 100	12 100
	<b>64 905</b>	<b>64 736</b>
Investments were allocated to the following Funds:		
Build Together Fund	14 808	64 736
Housing Funds	50 097	-
	<b>64 905</b>	<b>64 736</b>
Investment interest of N\$ 29 960 (2006: N\$ 4 472) was accounted for in the Fund accounts for the year.		

## 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:

	<b>2007</b>	<b>2006</b>
	N\$	N\$
Sales	2 141 733	1 828 609
Cost of bulk purchases	(2 757 533)	(2 697 543)
Gross loss	(615 800)	(868 934)
Expenses (net)	(616 457)	(462 809)
<b>Net Loss</b>	<b>(1 232 257)</b>	<b>(1 331 743)</b>
Gross loss % on bulk purchases	(22.33%)	(32.21%)
Net loss % on bulk purchases	(44.69%)	(49.37%)

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

10.3 The results of operations of electricity were as follows:

	<b>2007</b>	<b>2006</b>
	N\$	N\$
Sales	-	25 544
Cost of bulk purchases	-	(78 475)
Gross profit	-	(52 931)
Expenses (net)	(15 457)	(75 243)
<b>Net Loss</b>	<b>(15 457)</b>	<b>(128 174)</b>
Gross loss % on cost of bulk purchases		(67.45%)
Net loss % on cost of bulk purchases		(163.33%)

10.4 The distribution losses for electricity could not be determined due to inadequate record keeping.

#### 11. SELF-SUPPORTING SERVICES

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

	<b>2007</b>	<b>2006</b>
	N\$	N\$
Cleaning services	(251 850)	(163 734)
Sewerage	213 612	456 196
	<b>(38 238)</b>	<b>292 462</b>

#### 12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

No fruitless, unauthorized or avoidable expenditure was incurred during the year.

#### 13. SUSPENSE ACCOUNTS

Suspense accounts reflect a receivable amount of N\$ 451 444 (2006: N\$ 1 262 688) and a payable amount of N\$ 521 146 (2006: N\$ 98 394) in the annual financial statements. No reconciliations and proper clearing of these accounts were done.

#### 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:

	<b>2007</b>	<b>2006</b>
	<b>Revenue account</b>	<b>Revenue Account</b>
	N\$	N\$
Council general expenses	1 878	20 267
General administration	-	14 544
Treasury department	12 674	-
Parks and gardens	1 043	-
Streets	-	952 623
<b>Total</b>	<b>15 595</b>	<b>987 433</b>

**16. BURSARIES**

No bursaries were granted during the year under review.

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

No Government subsidies or contributions, except for those of capital projects, were received during the year under review.

**18. COMPENSATION PAYMENTS**

No expenditure has been incurred for land compensation during the year under review.

**19. VISITS TO FOREIGN COUNTRIES**

No visits to foreign countries were made during the year under review.

**20. CLAIMS AGAINST THE LOCAL AUTHORITY**

No claims for losses were received during the year.

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

An amount of N\$ 24 514 (2006: N\$ 11 779) was paid as donations 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.

## 23. DEBTORS AND CREDITORS

### 23.1 Debtors at 30 June were:

	2007	2006
	N\$	N\$
Consumers	7 924 086	7 808 321
Provision for bad debts	(7 221 483)	(6 832 065)
	702 603	976 256
Value added taxation	907 089	1 065 310
Other debtors	451 445	1 262 688
	2 061 137	3 304 254

### 23.2 Creditors at 30 June were:

	2007	2006
	N\$	N\$
Trade creditors	8 008 846	5 384 200
Provisions and accrual	2 945 280	2 661 856
Consumer deposits	166 865	166 070
	11 120 991	8 212 126

## 24. ASSESSMENT RATES

Income from assessment rates amounted to N\$ 160 383 (2006: N\$ 129 113). The tariffs for private and business properties was N\$ 0.05 (2006: N\$ 0.044) per dollar per year on site valuations plus N\$ 0.0047 (2006: N\$ 0.0045) per dollar per year on the valuation of improvements is in line with gazetted rates.

## 25. LOANS

### 25.1 External loans

No external loans were entered into during the year under review.

### 25.2 Internal loans

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

### 25.3 Housing loans

The amounts advanced in favour of housing loans under the Build-Together Housing Scheme and Housing Fund are disclosed as N\$ 6 657 951 (2006: N\$ 6 834 037) in the financial statements.

## 26. SALE OF ERVEN AND HOUSES

During the current financial year, cash proceeds to the value of N\$ 149 510 (2006: N\$ 201 520) were received for erven and houses sold and these were allocated to the Housing Fund.

## 27. PROPERTY SOLD ON AN INSTALMENT BASIS

Details of erven and houses that were sold on an instalment basis for the year under review are disclosed in paragraph 25.3.

## 28. TARIFF ADJUSTMENTS

All tariff adjustments were in accordance with the relevant Official Government notice.

## 29. APPROVALS

### 29.1 Excess on approved budget

Although management accounts are discussed and approved by Council on their monthly meetings during the year, the following votes were exceeded:

	2007	2006
	N\$	N\$
Water services	1 074 445	225 418
Streets	-	37 599
Parks and gardens	21 209	-
Electricity services	14 457	164 224
	<b>1 111 111</b>	<b>427 240</b>

Section 84(1) of the Local Authorities Act stipulates that the Council may not apply any of its funds other than as per approved estimate compiled in terms of Section 83 (1). Council should ensure that any excess expenditure is covered by an approval of supplementary estimates as determined in Section 83 (1) (b).

## 30. STOCK AND EQUIPMENT

### 30.1 Stock and equipment

As in prior financial years, no continuous records of inventory on hand were maintained. No, records of vehicles in the various categories could be provided.

No information relating to the total kilometers travelled and fuel consumption of the Council's vehicles were maintained during the financial year under review.

## 31. SPECIAL INVESTIGATIONS

The Council was under investigation by the Anti-Corruption Commission. The Anti-Corruption Commission concluded their investigation and recommended that urgent disciplinary action should be taken against three staff members with regard to missing cheques and supporting documents, fraudulent S&T claim and payment irregularities relating to erven sales.

## **32. GENERAL**

### **32.1 Internal controls**

A material breakdown of accounting and internal controls reigned for the period under review. 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.

### **32.2 Temporary advances**

Temporary advances were made from the Fund accounts to Revenue to the amount of N\$ 4 440 758 (2006: N\$ 3 286 749) to finance operating costs. Funds are as such no longer fully cash backed.

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

Formal queries are embodied in this report.

Informal queries addressed to the Town Clerk consist of:

- \* Inadequate consumer deposits;
- \* Long overdue debtors' accounts and monies long outstanding becoming doubtful;
- \* VAT issue with the Receiver of Revenue;
- \* Suspense account reconciliation;
- \* Inadequate inventory control.

## **34. DISCLAIMED AUDIT OPINION**

The accounts of the Town Council of Arandis for the financial year ended 30 June 2007, summarized in Annexure A to D, were audited by me in terms of Section 85 of the Local Authorities Act, 1992, read with Section 25(1)(b) of the State Finance Act, 1991.

The statements have been prepared on the basis of accounting practices applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Accordingly, these financial statements do not include any adjustments relating to the valuation of assets and the classification of liabilities that might be necessary if the Local Authority is unable to continue as a going concern.

I am unable to express an opinion on the financial statements, the results of operations and the cash flow of the Town Council for the year ended 30 June 2007 due to the following reasons:

- The financial statements of the Council reflects an incorrect VAT receivable amount.
- No supplier reconciliations were performed by the Town Council. The auditors found unrecorded liabilities which resulted in a material understatement of liabilities.
- Documentation was not available for Build-Together and Housing Fund advances.
- Monthly reconciliations are not conducted on control accounts. Therefore the auditors could not ensure the accuracy of the General Ledger.
- The correctness of staff loans could not be confirmed.

- Suspense accounts exist without anybody at the Council knowing what the purpose of these accounts is.
- An unexplained difference exists between the payroll and the general ledger.
- An investment could not be verified. The Council could not provide proof that the funds are still invested.
- Internal control over expenses is poor. Supporting documents are missing. Bank returned cheques are missing. Payments are done on quotations and not on original invoices. Payments are not appropriately approved. Water purchases are overstated. Insurance expenses are overstated. Telephone expenses are overstated.

**WINDHOEK, December 2009**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## THE TOWN COUNCIL OF ARANDIS

## BALANCE SHEET ON 30 JUNE 2007

	Notes	2007 N\$	2006 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	29 968 181	33 812 581
Loans	5	6 657 950	6 834 037
Investments	4	64 905	64 736
<b>Current assets</b>			
Accounts receivable	6	2 061 136	3 304 254
Cash and cash equivalents		540	3 494
<b>TOTAL ASSETS</b>		<b>38 752 712</b>	<b>44 019 102</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Funds</b>			
Financing of capital	2	29 968 181	33 812 581
Funds	2	11 163 614	10 185 522
Accumulated deficit	2	(13 711 538)	(8 537 560)
<b>Current liabilities</b>			
Accounts payable	7	11 120 991	8 212 126
Bank overdraft		211 464	346 433
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>38 752 712</b>	<b>44 019 102</b>

## THE TOWN COUNCIL OF ARANDIS

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
		N\$	N\$
INCOME		8 104 766	7 262 647
EXPENDITURE		(10 278 286)	(9 223 571)
NET OPERATING LOSS		(2 173 520)	(1 960 924)
ADJUSTMENTS		(3 000 458)	(3 348 052)
NET LOSS for the year		(5 173 978)	(5 308 976)
APPROPRIATION ACCOUNT - AT BEGINNING OF THE YEAR		(8 537 560)	(3 228 584)
APPROPRIATION ACCOUNT - AT END OF YEAR		<u>(13 711 538)</u>	<u>(8 537 560)</u>

## THE TOWN COUNCIL OF ARANDIS

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 N\$	2006 N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		8 104 766	7 262 647
Cash paid to suppliers		(9 126 761)	(8 140 485)
	9	(1 021 995)	(8 771 838)
<b>MOVEMENT IN FUND ACCOUNTS</b>			
Increase/(decrease) in Fund accounts		978 092	802 707
Capital outlay (decrease)/increase		(3 844 400)	(2 907 817)
<i>Nett cash flow from operating activities</i>		(3 888 303)	(2 983 002)
Decrease/(increase) in nett capital expenditure		3 844 400	2 907 872
(Increase)/decrease in investments		(169)	320
(Increase)/decrease in loans		176 087	(22 116)
		4 020 318	2 886 076
Net movement in cash and cash equivalents		132 015	(96 926)
<b>CASH AND CASH EQUIVALENTS</b>			
-at the beginning of the year		(342 939)	(246 013)
-at the end of the year		(210 924)	(342 939)

## THE TOWN COUNCIL OF ARANDIS

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2007

**1. ACCOUNTING POLICIES**

The annual financial statements are compiled in accordance with the historical convention modified by the restatement of the financial instruments to fair value, except where otherwise stated.

The principal accounting policies of the Town Council, which are set out below, had been consistent and comply with Namibian Statements of Generally Accepted Accounting Practices. The financial statements have been prepared in accordance with the requirements of the Namibian Local Authorities Act.

**1.1 Fixed assets and depreciation**

Fixed assets are stated at cost or at valuation where assets have been acquired by grant or donation, less depreciation written off over the expected useful lives as determined by the Council from time to time. Fixed assets 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.

**1.2 Inventories**

Inventories are measured at lower cost and net realizable value. The cost of inventories should comprise all cost of purchases, cost of conversion and other cost incurred in bringing the inventories to their present location and condition.

	<u>2007</u>	<u>2006</u>
	N\$	N\$
<b>2. OWN FUNDS</b>		
<b>2.1 Financing of capital:</b>		
Contribution from:	29 968 181	33 812 581
Capital	26 764 486	30 387 543
Revenue	3 203 695	3 425 038
<b>2.2 Funds</b>	(2 547 924)	1 647 962
Housing Funds	10 472 427	9 464 808
Build Together Fund	691 187	720 714
Accumulated deficit	(13 711 538)	(8 537 560)
<b>TOTAL FUNDS</b>	<u><u>27 420 257</u></u>	<u><u>35 460 543</u></u>

## THE TOWN COUNCIL OF ARANDIS

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

	2007	2006
	N\$	N\$
<b>3. FIXED ASSETS</b>		
Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment.	<b>29 968 181</b>	<b>33 812 581</b>
Financed from:		
Capital account	26 764 486	30 387 543
Revenue account	3 203 695	3 425 038
	<b>29 968 181</b>	<b>33 812 581</b>
<b>4. INVESTMENTS</b>		
Commercial banks	52 805	52 636
Fixed deposits and money on call	12 100	12 100
	<b>64 905</b>	<b>64 736</b>
Comprising of:		
Build-together Fund	14 808	64 736
Housing Funds	50 097	-
	<b>64 905</b>	<b>64 736</b>
<b>5. LOANS</b>		
These loans were granted from the Build Together and Housing Funds to residents of Arandis.	6 657 950	6 834 037
	<b>6 657 950</b>	<b>6 834 037</b>
<b>6. ACCOUNTS RECEIVABLE</b>		
Debtors	7 924 086	7 808 321
Less: Provision for doubtful debts	(7 221 483)	(6 832 065)
	702 603	976 256
VAT Control account	907 089	1 065 310
Sundry debtors	451 444	1 262 688
	<b>2 061 136</b>	<b>3 304 254</b>
<b>7. ACCOUNTS PAYABLE</b>		
Trade creditors	8 008 846	5 384 200
Provisions and accruals	2 945 280	2 661 856
Consumer deposits	166 865	166 070
	<b>11 120 991</b>	<b>8 212 126</b>

## THE TOWN COUNCIL OF ARANDIS

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2007 (continued)

	<u>2007</u>	<u>2006</u>
	N\$	N\$
<b>8. ADJUSTMENTS AND UTILIZATIONS</b>		
Previous year expenditure	-	110 571
Stale cheques	195 971	170 706
Debtors adjustments	(2 759 986)	(13 583)
Debts written off	(8 821)	(1 237 049)
Provision for bad debts	(389 419)	(1 774 022)
Creditor adjustments	-	(604 675)
Accounting fees previous year	140 000	-
Salary suspense	(178 203)	-
	<u><b>(3 000 458)</b></u>	<u><b>(3 348 052)</b></u>
<b>9. CASH GENERATED BY OPERATIONS</b>		
Nett operating (loss)/profit before transfers	(2 173 520)	(1 960 924)
-Adjustments to appropriation account	(3 000 458)	(3 348 052)
	<u>(5 173 978)</u>	<u>(5 308 976)</u>
<b>CHANGES IN WORKING CAPITAL</b>		
(Increase)/decrease in trade and other receivables	1 243 118	1 380 796
(Decrease)/increase in trade and other payables	2 908 865	3 050 342
	<u>4 151 983</u>	<u>4 431 138</u>
Cash generated by operations	<u><u>(1 021 995)</u></u>	<u><u>(877 838)</u></u>