



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**

# **TOWN COUNCIL OF ARANDIS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

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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 Arandis for the financial year ended 30 June 2011, 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, January 2013**

**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 2011**

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**1. INTRODUCTION**

The accounts of the Town Council of Arandis for the year ended 30 June 2011 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Local Authorities Act, 1992 (Act 23 of 1992).

The firm BDO 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, except that the statements were not submitted within the three month period as allowed by the Act. The audited financial statements are in agreement with the general ledger, and are filed in the Office of the Auditor-General. The abridged balance sheet on Annexure A is a true reflection of the original. The following annexures are also attached to this report:

Annexure B: Abridged income statement

Annexure C: Cash flow statement

Annexure D: Notes to the financial statements

**3. SCOPE OF THE AUDIT**

***Management's responsibility for the financial statements***

The Accounting Officer of the Town Council is responsible for the preparation 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 based 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 firm comply with ethical requirements, 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 auditors' judgement, 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 overall presentation of the financial statements.

#### 4. AUDIT OBSERVATIONS AND COMMENTS

##### 4.1 Recoverability of debtors - Bad and doubtful debts

	<b>2011</b>	<b>2010</b>
	N\$	N\$
Debt outstanding	11 693 613	11 408 403
<b>Provision for bad debts</b>	<b>9 836 739</b>	<b>9 836 739</b>
Percentage increase in outstanding debts	2%	11%
Percentage increase in provision for bad debts	-	-

During the year under review, the amount of debtors outstanding for 120 days plus remain at an alarming high level of approximately 89% of total debt outstanding. The provision for bad debts reflected above is less than the 120 days plus as reflected on the age analysis and the provision represents 84% (2010: 86%) of the total debtors. This is considerably high as stated in prior year and it does not seem that the Council is improving on debt collection. The significant amount of irrecoverable debt is a matter of great concern as the recovery of long outstanding debtors threatens the cash flow of the Town Council.

The auditors recalculation revealed that provision for doubtful debts as at year end was understated by N\$ 1 400 052 (2010: 707 466). The Council should follow a strict policy of debt collection, and if amounts outstanding appear to be uncollectible, consideration should be given to writing off such debt in order to maintain the integrity of the accounting records of the Town Council.

Due to the significance of this matter, the Auditor- General has to qualify his opinion on doubtful debts for the year under review, and the completeness and accuracy of the debtors balance. Furthermore, a material unexplained difference of N\$ 344 047 exists between the year-end age analysis and the financial statement figure.

##### 4.2 Cash and cash equivalents

The auditors did not obtain sufficient audit evidence with regard to the assertions of completeness, existence and accuracy of the bank balance as per the annual financial statements, as there were no bank reconciliations performed for the year. The difference between the annual financial statements and bank statements amounted to N\$ 383 835.

##### 4.3 Inventories

The auditors did not obtain sufficient audit evidence with regard to the completeness, existence, accuracy and valuation of inventories as the inventories were expensed, hence no account balance was stated as at year end. No inventory count was performed at year end.

##### 4.4 Accounts payables

###### 4.4.1 Trade creditors

The auditors did not obtain sufficient audit evidence with regard to completeness, accuracy and existence as they found a material difference of N\$ 1 671 467 between the list provided and the annual financial statements. No supplier reconciliations were performed by the Town Council. Various material creditors were not included on the list, therefore it is evident that the list is not complete.

Numerous supplier statements and subsequent payments were not found. An amount of N\$ 156 248 was found as unrecorded liabilities. The supporting documentation in respect of a material creditor to the amount of N\$ 102 187 could not be provided.

Under third party payments, an amount of N\$ 1 782 728 was reflected which represents the Council's liability towards unpaid PAYE to the Receiver of Revenue. No interest or penalties for late payments were accounted for and based on the high capital amount auditors can expect that these interest and penalties could be material.

This resulted in a material misstatement of the liabilities and expenses as stated in the annual financial statements.

#### 4.4.2 Suspense accounts

Management could not provide the auditors with explanations of the nature of suspense accounts nor could they provide the lists to confirm the balances. The balances that are material are the following:

##### Credit balances

Account	Amount
	N\$
Rossing debtor payments	463 521
Sundry creditors	557 562
Direct deposits not processed	1 271 211
Direct deposits not processed	249 680

##### Debit balances

Account	Amount
	N\$
Salary advances	805 285
Clearances- Erongo	122 300
RUL Refunds	2 103 519
Namwater Refund	203 227
TBTP Face 2	210 192
Cash shortages	220 303
Receipts processed	605 916
Receipts processed	224 684

The list provided differs by N\$ 1 660 000 from the suspense balances.

##### Provisions

Management provided for an amount of N\$ 78 800 for accounting fees. However, in terms of IFRS and amended GAAP, provision for audit fees does not satisfy the definition of a liability and should no longer be provided for.

**Lists or the basis for the following provisions could not be provided to the auditors:**

Account	Amount
	N\$
Personnel benefits	247 219
Medical fund	152 483
Receiver of Revenue	N\$ 1 782 728

#### **4.4.3 Leave pay provision**

Management could not provide the auditors with the list for leave pay provision hence, no sufficient audit evidence with regard to the completeness, accuracy and existence assertions could be obtained.

#### **4.4.4 Consumer deposits**

Discussions with management revealed that consumer deposits no longer exist and these are replaced with service fees. However, consumer accounts still reflected old and outdated deposit amounts. The annual financial statements reflect a balance of N\$ 143 340 (2010: N\$ 143 340). Furthermore, consumer deposits as per the annual financial statements represented only 1% of total debtors.

#### **4.5 Receiver of Revenue - Value Added Tax (VAT)**

Auditors could not obtain sufficient audit evidence with regards to Value Added Tax due to the following reasons:

- VAT as per the annual financial statements equals prior year closing balance, an indication that there was no movement on the account;
- The opening balance as per the general ledger does not equal the balance as per the prior year financial statements, and the Accounting Officer did not provide journals;
- Some of the VAT returns are not stamped, hence placing significant doubt on whether these returns were submitted;
- Auditors could not trace back some of the payments and receipts as per the VAT control account to the bank statements and Receiver of Revenue statement;
- The reconciliation on the VAT account indicates a difference of N\$ 443 579;
- The reconciliation of output VAT revealed a difference of N\$ 1 319 593;
- The reconciliation of the Receiver of Revenue statement to the VAT account reveals a material difference; and
- Interest charged by the Receiver of Revenue was also not accounted for.

#### **4.6 Investments**

The Auditors did not obtain sufficient audit evidence with regards to the assertions of completeness, existence, accuracy and valuation as the Council did not perform bank reconciliations nor could they provide a list or schedule for investments. The difference between the balance as per the confirmed investment balances and the balance as per the annual financial statements amounted to N\$ 155 602.

#### **4.7 Loans**

Auditors found a difference of N\$ 4 552 872 between the loan debtor's trial balance and the annual financial statements. Furthermore, the notes to the annual financial statements disclose a balance of N\$ 2 910 769 whilst on the face of the balance sheet it is disclosed as N\$ 3 400 696. Hence, the auditors could not satisfy themselves that loans granted are not materially misstated with regard to the accuracy, existence, completeness, and valuation assertions.

#### **4.8 Income**

The total income per Finstel system and the annual financial statements differs by N\$ 1 064 880.

The Council could not provide the following lists:

- Water consumptions lists for the 2010/2011 financial year: N\$ 437 746
- Rentals: buildings: N\$ 1 488 159
- Sale of erven: N\$ 304 559
- Sale of houses: N\$ 2 622 032
- Connection fees: N\$ 224 592

The above accounts could thus not be tested.

The Council could also not provide the following documentation:

- Rentals: buildings - Contracts
- Sale of erven- Sale agreements

#### **4.9 Expenditure**

There is a difference on total expenditure amounting to N\$ 2 645 570 between the Finstel system and the annual financial statements. Furthermore, auditors could not obtain valid supporting documentation for the following expenses:

- Vehicle rental: N\$ 451 147
- Repairs and maintenance - reticulation: (N\$ 204 408)
- Insurance: N\$ 321 957

The above accounts could thus not be tested satisfactorily in respect of existence and accuracy.

#### **4.10 Appropriation account**

There is a difference of N\$ 639 273 between the appropriation account balance as per the 2010 audited financial statements (N\$ 22 403 938) and the appropriation account opening balance as per the 2011 annual financial statements (N\$ 21 764 665).

There is a material difference of N\$ 8 275 249 between the appropriation account reconciliation and the annual financial statements, hence the auditors could not satisfy themselves that the appropriation account as per the annual financial statements are not materially misstated with regard to the assertions of existence and accuracy.

#### **4.11 Funds**

The fund account as per the Council's workings remained at the same balance as per prior year (N\$13 830 257). Fund statements were not prepared and the movement to the financial statements balance of N\$ 15 359 355 is unexplained.

The fund balance had to be qualified.

#### **4.12 Capital expenditure - Property, plant and equipment-(PPE)**

Capital expenditure to the amount of N\$ 298 893 as per the vote statement was not capitalised to property, plant and equipment.

The completeness and accuracy of property, plant and equipment could thus not be ascertained.

#### **4.13 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, however none of the recommendations have been implemented.

#### 4.14 Operating results and going concern

The continued operating losses for the past years raise significant doubt on the Town Council's ability to continue as a going concern.

Operating losses for the year amounted to N\$ 2 842 032.

The accumulated loss as at year end reflect an amount of N\$ 24 606 697.

Furthermore, it is worth noting that given the state of the statement of financial position, future commercial insolvency and financial distress are possible.

#### 4.15 Status of financial statements submitted for audit

The financial statements are not in the prescribed format as set by the Local Authorities Act. Furthermore, the comparative figures do not agree to the prior year financial statements.

Action should be taken by the Council to provide accurate and prescribed financial statements for the 2012 financial year.

### 5. ACKNOWLEDGEMENT

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

### 6. FINANCIAL RESULTS

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

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
<b>Accumulated surplus 01/07/2010</b>				(21 764 665)
<b>General accounts</b>				
Rate and general *** Non-profitable Self-supporting services	7 918 500	10 760 532	(2 842 032)	
<b>Trade accounts</b>				
Water				
	<b>7 918 500</b>	<b>10 760 532</b>	<b>(2 842 032)</b>	
Deficit for the year				(2 842 032)
<b>Accumulated surplus 30/06/2011</b>				<b>( 24 606 697)</b>

\*\*\* The annual financial statements were not split per votes. Also refer to paragraph 4.10 and 4.15.

## 7. CURRENT BANK ACCOUNT

The unfavourable cash book balance on the current bank account amounted to N\$ 328 548 (2010: N\$ 804 643). The bank statement reflected a favourable bank balance of N\$ 55 287 (2010: Unfavourable N\$ 9 315).

## 8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June 2011 were as follows:

<b>Institution</b>	<b>2011</b>	<b>2010</b>
	N\$	N\$
<b>Invested at:</b>		
Standard Bank Namibia Limited	329 654	305 235
Channel Life	-	12 100
	<b>329 654</b>	<b>317 335</b>
<b>Distribution</b>		
Build-Together Fund	274 974	261 638
Housing Funds	54 680	55 697
	<b>329 654</b>	<b>317 335</b>

The auditors could not establish whether interest income was accounted for in the fund accounts for the year. Also, refer to paragraph 4.11.

## 9. FUND ACCOUNTS

The position of internal Funds and Reserves is shown in note 2 at annexure D.

## 10. TRADE ACCOUNTS

### 10.1 Operating results

The results for the financial year under review and the previous year were as follows:

	<b>Electricity</b>		<b>Water</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	N\$	N\$	N\$	N\$
Sales	-	-	437 746	-
Cost of sales			(270 287)	
Gross profit				
Other income/ (expenses)	-	-	-	
<b>NET PROFIT</b>			<b>708 033</b>	
				-
Gross profit on cost of sales	-	-		-
Net profit percentage on cost of sales	-	-		-

Split as per annual financial statements was not done per votes/departments.

### 10.2 Distribution losses

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

## **11. SELF-SUPPORTING EXTERNAL SERVICES**

The 2010 and 2011 annual financial statements were not split per votes/ departments.

## **12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE**

No such expenditure was revealed.

## **13. SUSPENSE ACCOUNTS**

Suspense accounts as a receivable N\$ 2 951 254 (2010: N\$ 4 656 315) and as a payable N\$ 2 618 971 (2010: N\$ 2 658 776) were stated in the annual financial statements. No reconciliations and proper accounting of these accounts were done.

## **14. IRREGULARITIES AND LOSSES**

**14.1** No irregularities were revealed by the audit for the year under review.

**14.2** No losses were reported.

## **15. CAPITAL PROJECTS**

No splits as per vote departments could be obtained. Capital expenditure to the amount of N\$ 298 893 were not capitalised. Also refer to paragraph 4.12.

## **16. STUDY LOANS/BURSARIES**

No bursaries were granted during the year under review.

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

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

## **18. COMPENSATION PAYMENTS**

Compensation payments amounting to N\$ 31 622 were made during the year.

## **19. VISITS TO FOREIGN COUNTRIES**

No visits to foreign countries were undertaken.

## **20. CLAIMS AGAINST THE LOCAL AUTHORITY**

No claims for losses were received during the year.

## **21. GIFTS AND DONATIONS BY THE LOCAL AUTHORITY**

There were no gifts or donations made or received by the Council during the year under review.

## **22. TRANSFER OF PROPERTY TO/FROM THE GOVERNMENT**

No property was transferred to/or from the Government.

## 23. DEBTORS/CREDITORS

23.1 Debtors on 30 June 2011 comprise the following:

	2011	2010
	N\$	N\$
Consumers	11 693 613	11 408 403
Inland Revenue	527 968	527 968
Other debtors	2 951 254	2 996 315
	<b>15 172 835</b>	<b>14 932 686</b>
Less: Provision for bad debts	(9 836 739)	(9 836 739)
	<b>5 336 096</b>	<b>5 095 947</b>

The provision for bad and doubtful debts is understated by a calculated amount of N\$ 1 400 052. Also refer to paragraph 4.1.

23.2 Creditors on 30 June 2011 comprise the following:

	2011	2010
	N\$	N\$
Trade payables	12 937 660	11 490 508
Provisions and accruals	4 907 413	4 952 344
Consumer deposits	143 340	143 340
	<b>17 988 413</b>	<b>16 586 192</b>

## 24. ASSESSMENT RATES

Proceeds from assessment rates amounted to N\$ 568 646, of which only an amount of N\$ 31 622 was paid to the Regional Council.

In respect of 2010 no breakdown was available to determine total rate and taxes income.

The gazetted tariffs were as follows:

N\$ 0.14000 per dollar on site values per year and N\$ 0. 014000 per dollar on improvements per year.

## 25. LOANS

25.1 The Council did not have loans.

25.2 Due to the Town Council

	2011	2010
	N\$	N\$
Build Together advances	3 400 696	4 039 971

## 26. SALE OF ERVEN

The proceeds of erven and plots sold were:

	2011	2010
	N\$	N\$
Erven sold 107 (2010 : 64)	304 559	585 758
Property (Houses) sold 35 (2010: quantity unavailable)	2 622 032	110 000

## 27. PROPERTY SOLD ON AN INSTALMENT BASIS

The auditors could not determine the sale of houses and erven sold on instalment.

## 28. TARIFF ADJUSTMENTS

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

## 29. APPROVALS

There was no over expenditure recorded during the year under review.

## 30. STOCK AND EQUIPMENT

### 30.1 Stock and equipment

As in prior year, no continuous records of inventory on hand were maintained. Also, records of vehicles in the various categories could not be provided.

No records of total kilometres travelled and fuel consumption for the Council's vehicles were maintained during the financial year under review.

## 31. SPECIAL INVESTIGATIONS

No special investigations were carried out during the year.

## 32. GENERAL

A material break down of accounting and internal controls were visible reigned for the period under review. Proper segregation of duties is not feasible due to small staff employed. While increased management involved reduces risks, the risk arises that management and Council override existing control.

## 33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries addressed to the Chief Executive Officer consist of:

- Cash and cash equivalents
- Fixed assets
- Inventory
- Recoverability of debtors
- Suspense accounts
- Provisions
- Trade creditors
- Leave provisions

- Consumer deposits
- Value Added Taxation
- Investments
- Loans
- Appropriation account
- Expenditure
- Income

#### **34. DISCLAIMED AUDIT OPINION**

The accounts of the Town Council of Arandis for the financial year ended 30 June 2011, summarized in Annexure A to D, were audited by me in terms of the provisions of Section 85 of the Local Authorities Act, 1992, read with Section 25 (1) (b) of the State Finance Act, 1991.

I am unable to express an opinion on the annual financial statements of the Town Council at 30 June 2011 due to the following reasons:

##### **Recoverability of debtors- Bad and doubtful**

- Doubtful debts was understated by N\$ 1 400 052 (2010: N\$ 707 466);
- Unexplained difference of N\$ 344 047 existed between year-end age analysis and financial statement.

##### **Cash and cash equivalents**

- No sufficient audit evidence to confirm the bank balances as per the financial statements.

##### **Inventories**

- No inventory count was performed at year end.
- No audit evidence to confirm the valuation of inventories.

##### **Trade creditors**

Management could not provide explanations of the nature of suspense accounts nor could they provide lists to substantiate the balances.

##### **Leave pay provision**

Management could not provide the list for leave pay provision hence no sufficient audit evidence with regard to the completeness, accuracy and existence assertions was provided.

##### **Consumer deposits**

No consumer deposits exist.

##### **Receiver of Revenue- Value added Tax**

- The reconciliation of the Receiver of Revenue statement to the VAT account reveals a material difference.
- Interest charged by the Receiver of Revenue was also not accounted for.

##### **Investments**

No sufficient evidence was provided to confirm the completeness, existence and accuracy of investments.

## **Loans**

Unexplained difference of N\$ 4 552 872 between the loan debtors trial balance and the financial statements.

## **Income**

- Income could not be confirmed due to the unavailability of supporting documents.
- Unexplained difference of N\$ 1 064 880 between Finstel and Financial Statement.

## **Expenditure**

- Expenditure could not be tested due to the unavailability of supporting documents and unexplained difference of N\$ 2 645 570 between Finstel and financial statements.

## **Appropriation account**

- Unexplained material difference of N\$ 8 275 249 between the appropriation account reconciliation and the financial statements.

## **Funds**

- Funds statements were not prepared and the movement to the financial statements balance of N\$ 15 359 355 is unexplained.
- Fund account remained at the same balance as per prior year at (N\$ 13 830 257)

## **Capital expenditure- Property, plant and equipment- PPE**

Capital expenditure to the amount of N\$ 298 893 as per the vote statement were not capitalised to property, plant and equipment.

## **Going concern**

Town Council has an accumulated loss of N\$ 24 606 697 and does not have the ability to continue operate as a going concern.

**WINDHOEK, January 2013**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## THE TOWN COUNCIL OF ARANDIS

## BALANCE SHEET ON 30 JUNE 2011

	Notes	2011 N\$	2010 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	21 886 365	25 041 361
Loans	5	3 400 696	4 039 971
Investments	4	329 654	317 335
<b>Current assets</b>			
Accounts receivable	6	5 336 096	5 095 947
Cash and cash equivalents		3 173	3 175
<b>TOTAL ASSETS</b>		<b>30 955 985</b>	<b>34 497 789</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Funds</b>			
Financing of capital	2	21 886 366	25 041 361
Funds	2	15 359 355	13 830 257
Accumulated deficit	2	(24 606 698)	(21 764 665)
<b>CURRENT LIABILITIES</b>			
Accounts payable	7	17 988 414	16 586 193
Bank overdraft		328 548	804 643
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>30 955 985</b>	<b>34 497 789</b>

## THE TOWN COUNCIL OF ARANDIS

## INCOME STATEMENT AS AT 30 JUNE 2011

	<b>2011</b>	<b>2010</b>
	N\$	N\$
INCOME	7 918 500	8 241 419
EXPENDITURE	10 760 532	8 386 065
<b>NET OPERATING LOSS</b>	<b>(2 842 032)</b>	<b>(144 646)</b>
ADJUSTMENTS	-	-
<b>NET LOSS FOR THE YEAR</b>	<b>(2 842 032)</b>	<b>(144 646)</b>
APPROPRIATION ACCOUNT AT BEGINNING OF THE YEAR	(21 764 665)	(21 620 019)
APPROPRIATION ACCOUNT AT END OF THE YEAR	<b>(24 606 697)</b>	<b>(21 764 665)</b>

## THE TOWN COUNCIL OF ARANDIS

## CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 N\$	2010 N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		7 918 500	8 241 419
Cash paid to suppliers		(6 443 464)	(8 767 531)
		1 475 037	(526 112)
<b>MOVEMENT IN FUND ACCOUNTS</b>			
Increase in Fund accounts	8	1 529 098	604 427
Capital outlay (increase)		(3 154 995)	(650 324)
<i>Net cash flow from operating activities</i>		(150 861)	(572 009)
(Increase) / Decrease in investments		(12 319)	
(Increase) / Decrease in loans		639 275	661 891
Net movement in cash and cash equivalents		476 095	89 882
Cash and cash equivalents at beginning of year		(804 643)	(894 526)
Cash and cash equivalents at end of year		<b>(328 548)</b>	<b>(804 643)</b>

## THE TOWN COUNCIL OF ARANDIS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**1. ACCOUNTING POLICIES**

The annual financial statement is 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 Statement 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 life time of the asset is less than the repayments period of the loan in which case the 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 costs incurred in bringing the inventories to their location and condition.

	<b>2011</b>	<b>2010</b>
	N\$	N\$
<b>2. OWN FUNDS</b>		
<b>2.1 Financing of capital</b>		
<i>Contribution from:</i>		
Capital	21 886 365	25 041 361
Revenue	17 109 387	19 895 787
	4 776 979	5 145 574
<b>2.2 Funds</b>	(9 247 343)	(7 934 408)
Housing Funds	14 071 224	12 676 779
Capital Development Fund	402 886	383 701
Build Together Fund	885 244	769 777
Accumulated deficit	(24 606 697)	(21 764 665)
<b>TOTAL FUNDS</b>	<b>12 639 022</b>	<b>17 106 953</b>

## THE TOWN COUNCIL OF ARANDIS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011  
(continued)

	2011	2010
	N\$	N\$
<b>3. FIXED ASSETS</b>		
Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment	<b>21 886 365</b>	<b>25 041 361</b>
<b>Financed from:</b>		
Capital Account	17 109 387	19 895 787
Revenue Account	4 776 979	5 145 574
	<b>21 886 365</b>	<b>25 041 361</b>
<b>4. INVESTMENTS</b>		
Commercial bank	329 654	305 235
Fixed deposits and money on call	-	12 100
	<b>329 654</b>	<b>317 335</b>
Comprising of:		
Build-together Fund	274 974	261 638
Housing Funds	54 680	55 697
	<b>329 654</b>	<b>317 335</b>
<b>5. LOANS</b>		
The loans were granted from the Build Together and Housing Fund to residents of Arandis	<b>3 400 696</b>	<b>4 039 971</b>
<b>6. ACCOUNTS RECEIVABLE</b>		
Debtors	11 693 613	11 408 404
Less: Provision for doubtful debts	(9 836 739)	(9 836 739)
	1 856 875	1 571 665
VAT Control Account	527 968	527 968
Sundry Debtors	2 951 254	2 996 315
	<b>5 336 096</b>	<b>5 095 947</b>
<b>7. ACCOUNTS PAYABLE</b>		
Trade creditors	12 937 660	11 490 508
Provisions and accruals	4 907 413	4 952 344
Consumer deposits	143 340	143 340
	<b>17 988 413</b>	<b>16 586 192</b>

## THE TOWN COUNCIL OF ARANDIS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011  
(continued)

	<b>2011</b>	<b>2010</b>
	N\$	N\$
<b>8. CASH GENERATED BY OPERATIONS</b>		
Nett operating loss	(2 842 032)	(144 646)
Depreciation	3 154 996	3 154 997
	<b>312 964</b>	<b>3 010 351</b>
<b>CHANGES IN WORKING CAPITAL</b>		
Decrease/(increase) in trade and other receivables	(240 149)	(2 827 653)
Increase/(decrease) in trade and other payables	1 402 221	(708 809)
	1 162 073	(3 536 463)
Cash utilized by operations	<b>1 475 037</b>	<b>(526 112)</b>
<b>9. COMPARATIVE FIGURES</b>		

As explained in paragraph 4.15 of the report, the comparative figures do not agree to the prior year financial statements. Council could not explain the differences.