



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF ARANDIS

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2012 AND 2013

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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 years ended 30 June 2012 and 2013, 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 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE TOWN COUNCIL OF ARANDIS
FOR THE FINANCIAL YEARS ENDED
30 JUNE 2012 AND 30 JUNE 2013**

1. INTRODUCTION

The accounts of the Town Council of Arandis for the years ended 30 June 2012 and 30 June 2013 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 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. 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 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 at 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 and fair presentation of these financial statements and for ensuring the regularity of the financial transactions. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly. The said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm complies with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 controls 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

Findings indicated with (*) are from the previous financial year.

4.1 Recoverability of debtors - Bad and doubtful debts (*)

	2013	2012	2011
	N\$	N\$	
Debt outstanding	19 081 035	15 921 089	11 693 613
Provision for bad debts	7 681 549	13 388 389	9 836 739
Percentage increase in outstanding debts	19%	36%	2%
Percentage increase/(decrease) in provision for bad debts	(43%)	36%	-

During the year under review, the amount of debtors outstanding for 120 days plus remain at an alarming high level 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 represent 40% (2012: 84%, 2011: 84%) 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 2013: N\$ 9 237 859 and 2012: N\$ 1 351 910 (2011: N\$ 1 400 052). 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 disclaim his opinion on doubtful debts for the year under review, and the valuation of the debtors balance.

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 proper bank reconciliations performed for the year. For the 2013 financial year, the Council could not provide the auditors with a list of outstanding cheques to the amount of N\$ 2 663 829. Furthermore, for the 2012 financial year, the Council's outstanding cheques at year-end amounted to N\$ 3 203 414 of which cheques to the amount of N\$ 2 309 884 was not yet presented for payment at the bank by 31 December 2012.

4.3 Inventories (*)

The auditors did not obtain sufficient audit evidence with regard to the completeness, existence, accuracy and valuation of inventories as the auditors did not attend the inventory count and alternative procedures could not be performed.

4.4 Accounts payables

4.4.1 Trade creditors (*)

There was a material difference found between the Namwater creditors statement and the Financial statements amounting to N\$ 610 308 (understated) for the 2012 financial year.

4.4.2 Suspense accounts (*)

Management could not provide the auditors with explanations of the nature of a debit suspense account to the amount of N\$ 324 190 in 2012. The Council could not provide auditors with a listing for this suspense debtors account. There were no suspense accounts found in the 2013 financial year.

4.4.3 Provisions (*)

Listings for provision are as follows:

Account	Amount 2013	Amount 2012	Amount 2011
	N\$	N\$	N\$
Personnel benefits	413 459	573 338	247 219
Medical Fund	-	-	152 483
Regional Council	58 208	57 127	-
Ministry of Finance	3 875 877	2 500 000	1 782 728

Ministry of Finance

For the 2012 and 2013 financial years, the auditors did not obtain sufficient audit evidence with regard to completeness, accuracy and existence of the outstanding PAYE debt. They found a material difference of N\$ 434 716 between the Ministry of Finance debt as per their listing and the provision as per the annual financial statements.

Furthermore, the Receiver of Revenue reflects outstanding PAYE which is materially higher than the amounts reflected in the financial statements. Council should reconcile their records with Receiver of Revenue statement and follow the differences up with the Receiver of Revenue and effect the necessary adjustments in their records.

4.4.4 Consumer deposits (*)

Discussions with Council 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 2013: N\$ 106 528 and 2012: N\$ 106 528 (2011: 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:

- The reconciliation on the VAT account indicates a difference of N\$ 682 626 for the 2013 financial year;
- The reconciliation of Input VAT revealed a difference of N\$ 710 070 (2012: 640 130);
- The reconciliation of the Receiver of Revenue statement to the VAT account reveals a material difference of N\$ 697 590 in the 2012 financial year;
- Interest charged by the Receiver of Revenue was also not accounted for; and
- As per the receiver of revenue statement, the import VAT had a payable balance of N\$ 358 067 (2012: N\$ 301 767). The Council did not accrue sufficiently for these amounts in the financial statements.

4.6 Investments (*)

The auditors did not obtain sufficient audit evidence with regards to the assertions of completeness, existence, accuracy and valuation as Council's investments were not accounted for on their schedule of investments. The difference between the balance as per the confirmed investment balances and the balance as per the annual financial statements amounted to N\$ 2 526 088 (2012: N\$ 233 260, 2011: N\$ 155 602).

4.7 Property, plant and equipment

In the current year under review the auditors observed that the fixed asset register did not agree to the annual financial statements by N\$ 4 072 296 (2012: N\$ 2 061 092). The Council could also not provide the auditors with supporting documents for additions to the amount of N\$ 901 799 (2012: N\$ 6 838 682). Furthermore, additions were recorded inclusive of VAT thus overstating the fixed assets balance in the Annual financial statements.

In addition to the above, the additions for 2013 financial year were N\$ 15 361 570 of which additions to the amount of N\$ 10 096 465 was a duplication from prior year. Fixed assets are thus overstated by this amount.

Depreciation for the 2013 financial year was not processed.

Due to the issues mentioned above, the Auditor-General has to disclaim his opinion on the property, plant and equipment.

4.8 Build Together and Housing Loan debtors (*)

The Council did not provide the auditors with supporting documentation for Housing loan and Build Together debtors to the amount of N\$ 7 662 617 (2012: N\$ 8 023 239). Hence, the auditors could not satisfy themselves that loans granted are not materially misstated with regard to the accuracy, existence, completeness, and valuation assertions.

4.9 Income (*)

The Council could not provide the following lists for both 2013 and 2012 financial year:

- Rentals: buildings: N\$ 830 551 (2012: N\$ 407 935)
- Sale of erven: N\$ 617 171 (2012: N\$ 1 682 221)
- Sale of houses: N\$ 1 693 338 (2012: N\$ 573 039)
- Rental: houses: N\$ 1 542 394 (2012: N\$ 1 691 188)

The above accounts could thus not be tested.

There were material differences found on the following income accounts:

- Late payment charges: N\$ 4 883 646 (2012: N\$ 811 634)
- Income received from the MRLGH: N\$ 2 214 441 (2012: N\$ 323 000)
- LA Surcharges (Erongo Red): N\$ 195 072 for 2012 financial year
- No supporting documents was provided for 2013 investors conference income amounting to N\$ 711 494

Furthermore, the Council omitted water sales income for 2013 from the annual financial statements. The amount for these sales was not determined.

4.10 Expenditure (*)

Auditors could not obtain valid supporting documentation for the following expenses:

There was a material difference found between the Namwater invoices for the year and the bulk water purchases amount as per the annual financial statements to the amount of N\$ 2 851 390 (2012: N\$ 740 710)

Furthermore, in the 2013 financial year, repairs and maintenance to the amount of N\$ 675 977 were wrongly expensed as the nature of the expenditure was that of a capital nature.

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

4.11 Appropriation account (*)

The Council could not provide the auditors with the supporting documents for journals passed to the appropriation account for both 2013 and 2012 financial years, hence the auditors could not satisfy themselves that the appropriation accounts as per the annual financial statements are not materially misstated with regard to the assertions of existence and accuracy.

4.12 Funds (*)

The Council could not provide the auditors with supporting documents for funds and accounts to the value of N\$ 27 540 668 (2012: N\$ 22 089 083). Fund statements were not prepared and the movements to the financial statements balances could not be explained.

The Fund balances had to be disclaimed.

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 Going concern (*)

Although the Council has realised a profit for both 2013 and 2012 financial years, the Council accumulated loss is still high and worth mentioning.

The accumulated loss as at year-end reflects an amount of 2013: N\$ 6 426 583 and 2012: N\$ 12 798 623 (2011: N\$ 24 606 697)

4.15 Status of financial statements submitted for audit

The Council recorded some incomes incorrectly. Income to the amount of N\$ 1 510 463 was entered with negative amounts, thus understating the income significantly.

5. ACKNOWLEDGEMENT

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

6. FINANCIAL RESULTS

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

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit 01/07/2012				(12 798 623)
General accounts				
Non-profitable services	5 214 596	779 851	4 434 745	
Self-supporting services	15 422 174	2 943 218	12 478 956	
Rate and General	(797 395)	9 252 443	(10 049 838)	
Trade accounts				
Water	32 783	805 811	(773 028)	
Electricity	281 205	-	281 205	
Profit for the year	20 153 363	13 781 323	6 372 040	6 372 040
Accumulated deficit 30/06/2013				(6 426 583)

The results of the various operations and transactions on the Revenue Account for the 2012 financial year are as follows:

	Revenue	Expenditure	Surplus/(Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus 01/07/2011				(24 606 697)
General accounts				
Non-profitable services	5 195 418	663 391	4 532 027	
Self-supporting services	3 762 944	2 254 145	1 508 799	
Rate and General	1 172 971	7 208 098	(6 035 127)	
Trade accounts				
Water	4 744 802	4 570 695	174 107	
Electricity	281 205	76 001	205 204	
	15 157 340	14 772 330	385 010	
Total profit for the year				385 010
Adjustments and appropriations (Note 10, Annexure D)				11 423 064
Accumulated deficit 30/06/2012				(12 798 623)

7. CURRENT BANK ACCOUNT

The favourable bank statement balance on the current bank account amounted to N\$ 90 037 for the 2013 financial year and for the 2012 financial year N\$ 186 779 (2011: (N\$ 55 287) favourable). The unfavourable cash book balance on the current bank account amounted to N\$ 2 549 548 for the 2013 financial year and for the 2012 financial year N\$ 2 622 279 (2011: N\$ 328 548 unfavourable)

8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June 2013 were as follows:

Institution	Investments			Interest		
	2013	2012	2011	2013	2012	2011
	N\$	N\$	N\$	N\$	N\$	N\$
Invested at:						
Financial institutions	12 718 323	6 866 115	329 654			
Other companies/ Unknown	4 584 997	4 584 997	-			
	17 303 320	11 451 112	329 654	-	-	-

The investments and interest earned were allocated as follows:

	Investment	Interest	Investment	Interest	Investment	Interest
	2013	2013	2012	2012	2011	2011
	N\$	N\$	N\$	N\$	N\$	N\$
Build Together Fund	1 192 138	-	158 204	-	274 974	-
Capital Reserve Fund	11 195 397	-	6 377 123	-	-	-
Housing Fund	330 788	-	330 788	-	54 680	-
Revenue	4 584 997	-	4 584 997	-	-	-
	17 303 320	-	11 451 112	-	329 654	-

The auditors could not establish whether interest income was accounted for in the fund accounts for the year. Also, refer to paragraph 4.6.

9. FUND ACCOUNTS

The position of internal Funds and Reserves is shown in note 7 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:

	Water			Electricity		
	2013	2012	2011	2013	2012	2011
	N\$	N\$	N\$	N\$	N\$	N\$
Sales	-	4 712 160	437 746	-	-	-
Cost of sales	-	(3 986 899)	270 287	-	-	-
Gross profit / (Loss)	-	725 261	708 033	-	-	-
Other income/(expenses)	(773 028)	(551 154)	-	281 205	205 204	-
Net (deficit) / profit	(773 028)	174 107	708 033	281 205	205 204	-
Gross profit on cost of sales	-	18%	-	-	-	-
Net profit percentage on cost of sales	-	4.37%	-	-	-	-

10.2 Distribution losses

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

11. SELF-SUPPORTING EXTERNAL SERVICES

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

	Income	Expenses	Surplus/ (deficit)	Income	Expenses	Surplus/ (deficit)	Surplus/ (deficit)
	2013	2013	2013	2012	2012	2012	2011
	N\$	N\$	N\$	N\$	N\$	N\$	N\$
Cleansing services	1 642 209	(1 218 132)	424 077	1 317 325	(1 257 914)	59 411	-*
Sewerage	1 834 254	(1 082 788)	751 466	1 570 424	(814 163)	756 261	-*
Assessment rates	1 164 152	-	1 164 152	875 195	(43 760)	831 435	-*
Townlands	10 781 559	(642 298)	10 139 261	-	(138 308)	(138 308)	-*
	15 422 174	(2 943 218)	12 478 956	3 762 944	(2 254 145)	1 508 799	-*

* No figures were provided.

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No unauthorized or avoidable expenditure was indentified during the years under review.

13. SUSPENSE ACCOUNTS

There were no suspense accounts disclosed in the annual financial statements for the years under review

	2013	2012	2011
	N\$	N\$	N\$
Suspense Debtors/Receivable	-	324 190	2 951 254
Suspense Creditors/Payable	-	-	(2 618 971)

No suspense accounts were disclosed in current or prior year

14. IRREGULARITIES AND LOSSES

14.1 No irregularities by employees were reported.

14.2 No losses due to theft, fire or accidents were reported during the years under review.

15. CAPITAL PROJECTS

Capital expenditure for the 2013 financial year amounted to N\$ 15 361 570 and for the 2012 financial year totalled N\$ 11 348 421 (2011: N\$ 298 893).

Refer to paragraph 4.7

16. STUDY LOANS/BURSARIES

No bursaries or loans were granted during the years under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID RECEIVED FROM GOVERNMENT

	2013	2012	2011
	N\$	N\$	N\$
Contribution from the MRLGH	(18 672)	323 000	-
Income from government (TIPEEG)	10 781 559	-	-
Total	10 762 887	323 000	-

18. COMPENSATION PAYMENTS

No compensation payments were made during the 2013 and 2012 financial year (2011: N\$ 31 622).

19. VISITS TO FOREIGN COUNTRIES

No foreign visits were undertaken during the years under review.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims for losses were received during the years under review.

21. GIFTS AND DONATIONS BY THE LOCAL AUTHORITY

Grants and donation made during the 2013 financial year amounted to N\$ 36 500 and 2012 N\$ 29 178 (2011: N\$ 0.00).

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 2013 comprise the following:

	2013	2012	2011
	N\$	N\$	N\$
Consumers	15 823 211	13 894 193	11 693 613
Namwater debtors	3 257 824	2 026 896	-
Other debtors	-	460 433	2 951 254
Loan debtors	7 622 617	8 023 239	3 400 696
Inland Revenue	2 066 627	1 046 905	527 968
Provision for bad debts	(7 681 549)	(13 388 389)	(9 836 739)
	21 088 730	12 063 277	8 736 792

The provision for bad and doubtful debts is understated by a calculated amount of 2013: N\$ 9 237 859 and 2012: N\$ 1 351 910 (2011: N\$ 1 400 052). Also refer to paragraph 4.1.

23.2 Creditors on 30 June 2013 comprise the following:

	2013	2012	2011
	N\$	N\$	N\$
Provisions and accruals	4 347 544	3 130 465	4 907 413
Consumer deposits	106 528	106 528	143 340
Trade payables	10 301 374	8 504 237	12 937 660
	14 755 446	11 741 230	17 988 413

(Refer to paragraph 4.4)

24. ASSESSMENT RATES

Proceeds from assessment rates amounted to N\$ 1 165 765 for 2013 and N\$ 875 195 for the 2012 financial year. Assessment rates amounted to N\$ 568 646 for the 2011 financial year of which only N\$ 31 622 was paid to the Regional Council.

The gazetted tariffs were as follows:

N\$ 0.15003 (2012: N\$ 0.14280) per dollar on site values per year and N\$ 0. 01500 (2012: N\$ 0.01427) per dollar on improvements per year.

25.1 External loan

No external loans were advanced or received during the years under review.

25.2 Internal loans

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

25.3 Housing loans due to the Council

	2013	2012	2011
	N\$	N\$	N\$
Housing fund advances (Sale of houses)	5 671 835	5 671 835	-
Incomplete projects	286 067	596 848	-
Build Together advances	1 664 716	1 754 556	3 400 696
	7 622 618	8 023 239	3 400 696

26. SALE OF ERVEN

The proceeds of erven and plots sold were:

	2013	2012	2011
	N\$	N\$	N\$
Erven sold (quantity unavailable)	617 171	1 682 221	304 559
Property (Houses) sold (quantity unavailable)	1 693 338	573 039	2 622 032
	2 310 509	2 255 261	3 400 696

27. PROPERTY SOLD ON AN INSTALMENT BASIS

The auditors could not determine the sale of houses and erven sold on instalment for the years under review.

28. TARIFF ADJUSTMENTS

Tariff adjustments were applied in accordance with the relevant Official Government Notices for both financial years.

29. APPROVALS

There was no over-expenditure recorded during the years 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 years under review.

31. SPECIAL INVESTIGATIONS

No special investigations were carried out during the years under review.

32. GENERAL

A material break-down of accounting and internal controls were visible for the period under review. Proper segregation of duties is not feasible due to small staff employed. While increased management involvement 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
- Property plant and equipment
- Recoverability of debtors
- Inventories
- Suspense accounts
- Trade creditors
- Consumer deposits
- Value Added Taxation
- Investments
- Housing loan and Build Together loan debtors
- Appropriation account
- Expenditure
- Income
- Funds and accounts

34. DISCLAIMED AUDIT OPINION

The accounts of the Town Council of Arandis for the financial years ended 30 June 2012 and 30 June 2013, 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 2012 and 30 June 2013 due to the following reasons:

- Doubtful debts were understated by N\$ 9 237 859 (2012: N\$ 1 351 910).
 - Bank reconciliations were not properly performed and updated and the Council could not provide the auditors with a listing of outstanding cheques as at 2013 year-end amounting to N\$ 2 663 829. For the 2012 financial year, cheques to the value of N\$ 2 309 884 of the N\$ 3 203 414 were still not cleared.
 - Alternative procedures could not be performed to ascertain if inventories are fairly stated.
 - For the 2012 financial year, there was a material difference found between the Namwater creditors statement and the financial statements to the amount of N\$ 610 308. Furthermore, in the 2013 financial year, the Ministry of Finance provision in respect of outstanding taxes appears to be overstated by N\$ 434 716.
 - The Receiver of Revenue reflects outstanding PAYE which is materially higher than the amount reflected in the financial statements.
 - Management could not provide the list for the suspense debtors to the amount of N\$ 324 190 in the 2012 financial year, hence no sufficient audit evidence with regard to the completeness, accuracy and existence assertions was provided.
 - The consumer deposits appear to be insufficient for both years under audit.
 - The reconciliation on the VAT account indicates a difference of N\$ 682 626 for the 2013 financial year.
 - The reconciliation of Input VAT revealed a difference of N\$ 710 070 (2012: 640 130).
 - The reconciliation of the Receiver of Revenue statement to the VAT account reveals a material difference of N\$ 697 590 in the 2012 financial year.
 - Interest charged by the Receiver of Revenue was also not accounted for.
 - As per the Receiver of Revenue statement, the import VAT had a payable balance of N\$ 358 067 (2012: N\$ 301 767). The Council did not accrue sufficiently for these amounts in the financial statements.
 - No sufficient evidence was provided to confirm the completeness, existence and accuracy of investments as some of the investments were not accounted for in the Council's books. There was a material difference found between the amounts confirmed by the banks and the Financial statements of N\$ 2 526 088 (2012: N\$ 233 260).
 - The Council did not provide the auditors with supporting documentation for Housing loan and Build Together debtors to the amount of N\$ 7 662 617 (2012: 8 023 239). Hence, the auditors could not satisfy themselves that loans granted are not materially misstated with regard to the accuracy, existence, completeness, and valuation assertions.
 - The Council could not provide the following lists for both 2013 and 2012 financial year:
 - Rentals: buildings: N\$ 830 551 (2012: N\$ 407 935)
 - Sale of erven: N\$ 617 171 (2012: N\$ 1 682 221)
 - Sale of houses: N\$ 1 693 338 (2012: N\$ 573 039)
 - Rental: houses: N\$ 1 542 394 (2012: N\$ 1 691 188)
- The above accounts could thus not be tested.
- There was a material differences found on the following income accounts:
 - Late payment charges – N\$ 4 883 646 (2012: N\$ 811 634)
 - Income received from the MRLGH N\$ 2 214 441 (2012: N\$ 323 000)
 - LA Surcharges (Erongo Red) N\$ 195 072 for 2012 financial year
 - No supporting documents was provided for 2013 investors conference income amounting to N\$ 711 494. Furthermore, the Council omitted water sales income for 2013 from the annual financial statements. The sales amount could not be determined.

- Auditors could not obtain valid supporting documentation for the following expenses:
 - There was a material difference found between the Namwater invoices for the year and the bulk water purchases amount as per the annual financial statements to the amount of N\$ 2 851 390 (2012: N\$ 740 710)
 - Furthermore, in the 2013 financial year, repairs and maintenance to the amount of N\$ 675 977 were wrongly expensed as the nature of the expenditure was that of a capital nature.
 - The Council did not disclose any bulk water purchases in the financial statements.
- The Council could not provide the auditors with the supporting documents for journals passed to the appropriation account for both 2013 and 2012 financial years.
- The Council could not provide us with supporting documents for funds and accounts to the value of N\$ 27 540 668 (2012: N\$ 22 089 083).
- Fund statements were not prepared and the movements to the financial statements balances could not be explained.
- In the current year under review the auditors observed that the fixed asset register did not agree to the annual financial statements by N\$ 4 072 296 (2012: N\$ 2 061 092). Council could also not provide the auditors with supporting documents for additions to the amount of N\$ 901 799 (2012: N\$ 6 838 682). Furthermore, additions were recorded inclusive of VAT thus overstating the fixed assets balance in the annual financial statements.
- In addition to the above, the additions for 2013 financial year were overstated by N\$ 10 096 465. This amount relates to additions that were already brought into the books in the 2012 financial year.
- Depreciation for the 2013 financial year was not processed.

WINDHOEK, October 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

BALANCE SHEET AS AT 30 JUNE

	Notes	2013	2012	2011
		N\$	N\$	N\$
ASSETS				
Non-current assets				
Property, plant and equipment	2	33 116 957	26 673 438	21 886 365
Investments	3	17 303 319	11 451 112	329 654
Current assets				
Inventory	5	27 030	139 579	-
Accounts receivable	6	21 088 730	12 063 277	8 736 792
Cash and bank balances	8	-	-	3 173
TOTAL ASSETS		71 536 036	50 327 406	30 955 984
EQUITY AND LIABILITIES				
Equity				
Funds & accounts	7.1	21 114 086	9 290 460	(9 247 343)
Capital outlay	7.2	33 116 957	26 673 438	21 886 366
Current liabilities				
Bank overdraft	8	2 549 548	2 622 278	328 548
Accounts payable	9	14 755 445	11 741 230	17 988 413
TOTAL EQUITY AND LIABILITIES		71 536 036	50 327 406	30 955 984

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2013 N\$	2012 N\$	2011 N\$
INCOME		20 240 516	15 157 340	7 918 500
EXPENDITURE		(13 781 322)	(14 772 330)	(10 760 532)
OPERATING LOSS FOR THE YEAR		6 459 194	385 010	(2 842 032)
INVESTMENT INTEREST EARNED FROM ACCOUNTS		(87 154)	-	-
NET PROFIT FOR THE YEAR		6 372 040	385 010	(2 842 032)
Add : Appropriation and adjustments	10	-	11 423 064	-
RETAINED INCOME/(LOSS) FOR THE YEAR		6 372 040	11 808 074	(2 842 032)
30 June 2012		(12 798 623)	(24 606 697)	(21 764 665)
30 June 2013		(6 426 583)	(12 798 623)	(24 606 697)

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	2013 N\$	2012 N\$	2011 N\$
CASH FLOW FROM OPERATING ACTIVITIES				
Cash receipts from customers		20 240 516	15 157 340	7 918 500
Cash paid to suppliers		(20 167 786)	(8 436 796)	(6 443 464)
Cash (Utilised)/generated by operations	11	72 730	6 720 544	1 475 037
Investment income			-	-
Movement in Fund accounts				
- Fund accounts - increase		5 451 585	6 729 729	1 529 098
- Capital outlay - increase		6 443 519	4 787 072	(3 154 995)
Cash generated by operating activities		11 967 834	18 237 345	(150 860)
CASH GENERATED BY INVESTING ACTIVITIES				
		(11 895 104)	(20 531 074)	626 956
Net capital expenditure		(6 443 519)	(4 787 073)	-
Decrease in investments		(5 852 207)	(11 121 458)	(12 319)
Build Together Loans and Housing Fund		400 622	(4 622 543)	639 275
Net decrease in cash and cash equivalents'		72 730	(2 293 730)	476 095
Cash and cash equivalents at the beginning of the year		(2 622 278)	(328 548)	(804 643)
Cash and cash equivalents' at the end of the year	8	(2 549 548)	(2 622 278)	(328 548)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

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.

	2013	2012	2011
	N\$	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT			
Consists of :			
Property, plant and equipment	33 116 957	26 673 438	21 886 365
	33 116 957	26 673 438	21 886 365
3. INVESTMENTS			
Commercial banks and other	17 303 319	11 451 112	329 654
<u>Allocated to:</u>			
Housing Fund (Sale of Houses)	330 788	330 788	54 680
Build Together Fund	1 192 138	158 204	274 974
Capital Reserve Fund	11 195 397	6 377 123	
Revenue	4 584 997	4 584 997	-
	17 303 319	11 451 112	329 654

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

	2013	2012	2011
	N\$	N\$	N\$
4. LOANS DEBTORS (refer to Acc receivable)			
HOUSING FUNDS			
- Advances	1 664 716	1 754 556	3 400 696
- Incomplete Projects	286 067	596 848	-
- Advances (Sale of Houses)	5 671 835	5 671 835	-
	7 622 617	8 023 239	3 400 696
5. INVENTORY			
Inventories consist of :			
Stock 504	27 030	139 579	-
	27 030	139 579	-
6. ACCOUNTS RECEIVABLE			
Services, rates and taxes	15 823 211	13 894 193	11 693 613
Namwater debtors	3 257 824	2 026 896	-
Value Added Tax	2 066 627	1 046 905	527 968
Less: Provision for bad debts	(7 681 549)	(13 388 389)	(9 836 739)
Sundry debtors	-	-	2 951 254
Suspense	-	324 190	-
Namwater 516	-	136 243	-
Housing Fund loan debtors	5 671 835	5 671 835	-
Buid Together loan debtors (including incomplete projects)	1 950 782	2 351 404	3 400 696
	21 088 730	12 063 277	8 736 792
7. FUNDS AND ACCOUNTS			
7.1 External Funds	21 114 086	9 290 460	(9 247 343)
Housing Fund	12 773 798	12 773 798	14 071 224
Build Together Fund	3 571 473	2 938 162	885 244
Capital Reserve Fund	11 195 397	6 377 123	402 886
Revenue account kept in compliance with Section 86 (1) of the Local Authorities Act, 1992.	(6 426 583)	(12 798 623)	(24 606 697)
7.2. Capital outlay	33 116 957	26 673 438	21 886 366
Revenue account	15 565 944	9 790 295	4 776 979
General capital	17 551 014	16 883 143	17 109 387

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

	2013	2012	2011
	N\$	N\$	N\$
8. CASH AND CASH EQUIVALENTS			
Bank	(2 549 548)	(2 622 278)	(328 548)
Petty cash	-	-	3 173
	(2 549 548)	(2 622 278)	(325 375)
9. ACCOUNTS PAYABLE			
Erongo red 511	388 121	922 947	-
Namwater 507	8 965 724	7 581 290	-
Trade creditors	-	-	12 937 660
Other creditors	947 529	-	-
Provisions	4 347 544	3 130 465	4 907 413
Deposits	106 528	106 528	143 340
	14 755 445	11 741 230	17 988 413
10. ADJUSTMENTS AND APPROPRIATIONS			
Unknown adjustments	-	11 423 064	-
	-	11 423 064	-
11. CASH UTILISED IN OPERATIONS			
Net operating profit	6 459 194	385 010	(2 842 032)
Adjustments (appropriations)	-	11 423 064	-
Depreciation	-	-	3 154 996
Investment income	(87 154)	-	-
OPERATIONAL INCOME BEFORE CHANGE IN WORKING CAPITAL	6 372 040	11 808 075	312 964
GENERATION OF WORKING CAPITAL			
Trade and other receivables	(9 426 075)	1 296 058	(240 149)
Movement in petty cash		3 173	-
Inventory	112 549	(139 579)	-
Trade and other payables	3 014 216	(6 247 183)	1 402 221
	(6 299 310)	(5 087 531)	1 162 075
CASH UTILISED BY OPERATIONS	72 730	6 720 544	1 475 036