



**REPUBLIC OF NAMIBIA**



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

# **TOWN COUNCIL OF KHORIXAS**

**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 Khorixas 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, September 2012**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
TOWN COUNCIL OF KHORIXAS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

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**1. INTRODUCTION**

The accounts of the Town Council of Khorixas 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 Mostert Landgrebe 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 they were only submitted on 21 February 2012 instead of three months after 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 at Annexure A is a true reflection of the original signed by the Accounting Officer.

The financial statements also include:

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 the opinion of the Auditor-General to the National Assembly. The said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

#### **4. AUDIT OBSERVATION AND COMMENTS**

##### **4.1 Internal control and accounting records**

There was not a sufficient system of internal control at the Town Council on which the auditors could rely upon for audit purposes.

##### **4.2 Property, plant and equipment**

The items on the fixed asset register are not coded and dated as to when they were purchased. The descriptions are not adequate to enable identification of the assets. As a result the auditors could not trace selected assets to the fixed asset register.

The Council has not depreciated the additions during the year.

The auditors could not verify additions to the amount of N\$ 2 433 870 as supporting documentation could not be provided by the Council. The total additions amount is represented as inclusive of VAT, therefore an overstatement in the Council's value of its assets is possible.

##### **4.3 Value Added Tax (VAT)**

Included in trade and other receivables is an amount of N\$ 776 661 for VAT receivable. No reconciliation of this amount could be provided to the auditors to verify the accuracy, existence and valuation of the amount.

The Council has also not submitted correct VAT returns as they have not been recording zero rated and exempted income and expenditure.

According to the auditors the Council has not claimed all of its allowable input VAT or alternatively it was disallowed by the Receiver of Revenue.

##### **4.4 Funds - Build Together and Capital Reserve**

No supporting documentations could be provided for the movement on these Funds. The existence, accuracy and completeness of these Funds could not be verified.

Listing for the build together loan debtors could not be relied on as the Council admitted that they have not been updating the Finstel system since 2006. No records regarding the new loans, repayments of loans were made available to the auditors and as such they were unable to verify the accuracy, existence, valuation and completeness thereof.

##### **4.5 Trade and other receivables**

A suspense account relating to receipts that are not reflected on the bank statements amounting to N\$ 377 129 were not cleared as at year-end, and could not be supported by supporting documentation. Also included in suspense accounts is an amount of N\$ 218 236, which could not be explained by the Council.

##### **4.6 Consumer deposits**

The Council could not provide a listing of consumer deposits. The existence, accuracy and completeness of this balance could thus not be ascertained.

##### **4.7 Trade and other payables**

As reported in the previous years, Cenored made overpayments to the Town Council amounting to N\$ 680 000 during the financial years 2004/05 and 2005/06. The Council will not receive a surcharge for the period of 5 years as Cenored will be recovering the amounts due to them. No adjustment was made in

the financial statements to reflect the Censored liability. The resulting income has also not been recorded.

The Council could not provide supporting documentation for creditors amounting to N\$ 158 645 (this balance is coming from prior years). No authentic leave pay register could be provided by the Council. The Namwater account is materially overstated by N\$ 5 326 552.

A suspense account of Direct deposits amounting to N\$ 1 037 824 was not cleared as at year end.

The Council has raised a provision for accounting fees amounting to N\$ 32 818 in the previous year, which is not cleared in the current year.

#### **4.8 Provision for bonuses and severance pay**

No provision for bonuses or severance pay has been raised. The effect of this non provision could be material.

#### **4.9 Liquidity position**

A temporary advance to revenue of N\$ 2 919 089 (2010: N\$ 2 919 089) was made during the year under review. Furthermore a negative current ratio still exists, which indicates a possible crisis position.

#### **4.10 Water Purchases and Sales**

No water purchases as from Namwater for the current financial year were recorded in the financial statements.

The Council only accounts for the income on the basic charge, which they receive from Namwater as refund (as per the agreement). The rest of the water income is collected by Namwater in an effort to reduce the outstanding monies due to them. However, the Council should be accounting for water sales in full, and not just account for the basic charge as the income belongs to the Council. This treatment by the Council of the water sales has resulted in the understatement of income.

#### **4.11 Payroll**

The Payroll records could not be reconciled to the general ledger. A difference of N\$ 153 219 was found.

#### **4.12 Expenses**

The auditors could not test the expenses to their satisfaction due to a lack of supporting documentation.

#### **4.13 Income**

Water sales could not be tested - Refer to paragraph 4.10.

Rates and taxes was charged less than the announced rates in the Government Gazette.

The following income was qualified due to lack of proper income listings and supporting documentation: house rental income, business rental and sale of ervens, rental of machinery and sand deliveries. Electricity surcharge income appears to be materially misstated.

#### **4.14 Bank reconciliation**

No bank reconciliation was available for audit purposes.

#### **4.15 Investments**

According to the financial statements, there is only N\$ 6 720 779. The revenue investment of N\$ 811 115 is not reflected in the financial statements.

#### 4.16 Inventories

Inventories are not recorded in the general ledger of the Town Council and consequently not reflected in the financial statements.

#### 4.17 Minutes of meetings

Minutes of meetings are not properly filed, and mostly not signed.

#### 4.18 Other filing

Filing in general is very disorganised. Not all supporting documentation has been provided for audit purposes.

#### 4.5 VAT and P.A.Y.E. returns

Not all VAT and P.A.Y.E. returns were submitted timeously to the Directorate: Inland Revenue. No provision for penalties and interest has been made in the financial statements.

#### 4.6 Adjustments

An unexplained adjustment in respect of Motor Vehicles to the total amount of N\$ 824 137 was made. The Council should explain the adjustment.

### 5. ACKNOWLEDGEMENT

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

### 6. FINANCIAL RESULTS

The results of the operations of, and transactions on the Revenue account for the year were as follows:

	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus/ (deficit)</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated deficit on 01/07/2010				(15 092 395)
General accounts				
- Non-profitable services	2 811 970	9 886 503	(7 074 533)	
- Self-supporting services	5 717 582	1 116 437	4 601 145	
Trade accounts				
- Electricity	237 688	76 526	161 162	
- Water	4 385 457	1 918 708	2 466 749	
deficit for the year	13 152 697	12 998 174	154 523	154 523
				(14 937 872)
Adjustments and utilisations				134 892
Accumulated deficit on 30/06/2011				<b>(14 802 980)</b>

## 7. CURRENT BANK ACCOUNT

	<b>2011</b>	<b>2010</b>
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	(101 730)	(516 462)
Outstanding cheques	-	895 979
Unexplained difference	254 268	375 595
<b>Balance as per bank statement</b>	<b>355 998</b>	<b>(3 922)</b>

No bank reconciliation was available for audit purposes.

## 8. INVESTMENTS

The investments as at 30 June were as follows:

	<b>2011</b>	<b>2010</b>
<b>Institution</b>	<b>Investment</b>	<b>Investment</b>
	N\$	N\$
Commercial banks	6 720 779	6 512 737
<b>Distribution</b>		
Revenue	2 199 368	4 410 477
General capital	4 521 411	2 102 260
	<b>6 720 779</b>	<b>6 512 737</b>

## 9. FUND ACCOUNTS

The position of the Funds and accounts at year-end was as shown in note 7 in Annexure D.

## 10. TRADE ACCOUNT

### 10.1 The results of water operations were as follows:

	<b>Water</b>	
	<b>2011</b>	<b>2010</b>
	N\$	N\$
Sales	596 374	450 265
Cost of sales	-	(56 703)
Gross surplus	596 374	393 562
Other expenses	1 870 375	(646 506)
<b>Net surplus</b>	<b>2 466 749</b>	<b>(252 944)</b>
Gross surplus percentage on sales	100.0%	87.4%
Net surplus percentage on sales	413.6%	(56.2%)

The Council has not been recording all water sales income as a result of the arrangement they have with Namwater. This has resulted in an understatement of the water sales figure in current year.

### 10.2 Distribution results were as follows:

No distribution results were available.

## 11. SELF SUPPORTING SERVICES

### 11.1 The result for the year under review is as follows:

Service	Income 2011	Expenses 2011	Surplus/ (deficit) 2011	Surplus/ (deficit) 2010
	N\$	N\$	N\$	N\$
Sewerage	953 600	394	953 206	1 092 358
Cleansing services	574 633	-	574 633	711 491
Public health	666 495	291 936	374 559	313 866
Town planning	1 679 982	731 963	948 019	1 225 893
Rates and taxes	1 842 872	92 144	1 750 728	1 817 286
	<b>5 717 582</b>	<b>1 116 437</b>	<b>4 601 145</b>	<b>5 160 894</b>

## 12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

There were no such expenses.

## 13. SUSPENSE ACCOUNTS

Suspense accounts were not reconciled on a regular basis and suspense accounts amounting to N\$ 605 468 (debit balances) and N\$ 1 037 833 (credit balances) were not cleared at year-end. Both these suspense accounts are related to uncleared entries on the bank and salary accounts.

## 14. IRREGULARITIES AND LOSSES

There were no such expenses.

## 15. CAPITAL PROJECTS

The following were spend on capital projects:

Nature of projects/acquisitions	Financial by	Total expenditure 2011	Total expenditure 2010
	Revenue account		
	N\$	N\$	N\$
Public health	261	261	1 040 060
Human resources and public relations	16 342	16 342	13 637
Water	973 610	973 610	3 157 376
Town clerk	3 749	3 749	880
Town planning	500 433	500 433	1 213 030
Streets	938 178	938 178	869 565
Town treasurer	1 297	1 297	9 773
Workshop	-	-	685 847
Sewerage	-	-	66 865
	<b>2 433 870</b>	<b>2 433 870</b>	<b>7 057 033</b>

## 16. STUDY LOANS/BURSARIES

No bursaries were granted during the year.



## 17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

There were no contributions from Government.

## 18. COMPENSATION PAYMENTS

No compensation payments were claimed from the Town Council during the year under review.

## 19. VISITS TO FOREIGN COUNTRIES

The Council did not pay for any visits to foreign countries during the year under review.

## 20. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the local authority.

## 21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

No gifts and donations were allocated or paid during the year under review.

## 22. TRANSFER OF PROPERTY

No property was transferred to or from Government.

## 23. TRADE AND OTHER RECEIVABLES/ PAYABLES

### 23.1 Trade and other receivables at 30 June were:

	<b>2011</b>	<b>2010</b>
	N\$	N\$
Consumers	22 941 638	21 344 796
VAT receivable	776 661	1 793 815
Suspense accounts	605 468	812 753
	24 323 767	23 951 364
Provision for bad debts	(21 693 206)	(20 909 124)
<b>Total</b>	<b>2 630 561</b>	<b>3 042 240</b>

### 23.2 Trade and other payables at 30 June were:

	<b>2011</b>	<b>2010</b>
	N\$	N\$
Trade payables	13 150 616	13 107 458
Consumer and other deposits	39 468	39 468
Provisions	184 815	184 815
Direct deposits	1 037 824	1 367 344
<b>Totals</b>	<b>14 412 723</b>	<b>14 699 085</b>

**24. ASSESSMENT RATES**

	<b>2011</b> N\$	<b>2010</b> N\$
The net proceeds from assessment rates were	1 750 728	1 851 354
Tariffs per N\$1 valuation per month on site value	0.1498	0.1498
Tariffs per N\$1 valuation per month on improvement value	0.0327	0.0327

**25. LOANS**

**25.1 External and internal loans**

There were no external or internal loans.

**25.2 Housing loans due to the Council**

	<b>2011</b> N\$	<b>2010</b> N\$
Interest rated between 9% and 12%	<b>2 243 655</b>	<b>2 365 222</b>

**26. SALE OF ERVEN**

The proceeds of erven and plots sold were N\$ 385 134 (2010: N\$ 163 790) and were allocated to the town planning vote. The Council could not provide a list of erven sold during the period.

**27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS**

No properties were sold on instalment basis during the years under review.

**28. TARIFF ADJUSTMENTS**

Tariff adjustments were duly approved and promulgated in the Government Gazette.

**29. APPROVALS**

All overspending were approved by the Council.

**30. INVENTORY AND EQUIPMENT**

**30.1 Motor vehicles and values thereof:**

	<b>Sedan</b>		<b>LDV's, 4x4's and Combi's</b>		<b>Other</b>	
	<b>Number</b>	<b>Value</b>	<b>Number</b>	<b>Value</b>	<b>Number</b>	<b>Value</b>
Balance - 01/07/2010	4	N\$ 364 242	11	N\$ 801 451	14	N\$ 517 680
Prior year adjustment	-	(7 502)	(1)	(383 091)	-	433 544
Additions	-	-	-	-	1	422 050
Sub-total	4	356 740	10	418 360	15	1 373 274
Depreciation	-	(71 348)	-	(83 672)	-	(190 317)
Balance - 30/06/2011	<b>4</b>	<b>285 392</b>	<b>10</b>	<b>334 688</b>	<b>15</b>	<b>1 182 957</b>

## **30.2 Inventory**

No stock count was performed at year end and consequently no stock balance is reflected in the balance sheet.

## **31. SPECIAL INVESTIGATIONS**

There is currently an investigation by the Anti-Corruption Commission ongoing regarding fraud of N\$ 380 000.

## **32. GENERAL**

The accounting and internal controls are not satisfactory, except where indicated otherwise in this report. Proper segregation of duties is not feasible due to the small number of staff employed. While increased management involvement does reduce risks, the risk arises that management and Council override existing controls, a potentially dangerous practice which the Town Council should vigilantly guard against. The integrity of staff in appropriate positions should however be reviewed to ensure that qualified personnel are employed in respective positions.

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

**33.1** Formal queries are embodied in this report.

**33.2** Informal queries were discussed with the Town Council.

## **34. DISCLAIMED AUDIT OPINION**

The accounts of the Khorixas Town Council for the financial year ended 30 June 2011, summarised in Annexures A to D, were audited by me in terms of Section 85 of the Local Authority act, 1992, read with Section 25 (1) (b) of the State Finance Act, 1991.

I cannot express an audit opinion due to the following reasons:

### **Internal control and accounting records**

There was not a sufficient system of internal control at the Town Council on which the auditors could rely upon for audit purposes.

### **Property, plant and equipment**

The items on the fixed asset register are not coded and dated as to when they were purchased. The descriptions are not adequate to enable identification of the assets. As a result the auditors could not trace selected assets to the fixed asset register.

The Council has not depreciated the additions during the year.

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Included in trade and other receivables is an amount of N\$ 776 661 for VAT receivable. No reconciliation of this amount could be provided to the auditors to verify the accuracy, existence and valuation of the amount.

The Council has also not submitted correct VAT returns as they have not been recording zero rated and exempted income and expenditure.

According to the auditors the Council has not claimed all of its allowable input VAT or alternatively it was

disallowed by the Receiver of Revenue.

### **Funds - Build Together and Capital Reserve**

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### **Trade and other receivables**

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### **Consumer deposits**

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### **Trade and other payables**

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### **Expenses**

The auditors could not test the expenses to their satisfaction due to a lack of supporting documentation.

## **Income**

Water sales could not be tested - Refer to paragraph 4.10.

Rates and taxes were charged less than the announced rates in the Government Gazette.

The following income was qualified due to lack of proper income listings and supporting documentation: house rental income, business rental and sale of erven, rental of machinery and sand deliveries. Electricity surcharge income appears to be materially misstated.

## **Bank reconciliation**

No bank reconciliation was available for audit purposes.

## **Investments**

According to the financial statements, there is only N\$ 6 720 779. The revenue investment of N\$ 811 115 is not reflected in the financial statements.

## **Other filing**

Filing in general is very disorganised. Not all supporting documentation has been provided for audit purposes.

## **VAT and P.A.Y.E. returns**

Not all VAT and P.A.Y.E. returns were submitted timeously to the Directorate: Inland Revenue. No provision for penalties and interest has been made in the financial statements.

**WINDHOEK, September 2012**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## TOWN COUNCIL OF KHORIXAS

## BALANCE SHEET AS AT 30 JUNE

	Note	2011 N\$	2010 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
		32 895 966	32 619 710
Property, plant and equipment	2	23 931 532	23 741 751
Advances to buyers		2 243 655	2 365 222
Investments	3	6 720 779	6 512 737
<b>Current assets</b>			
		2 630 561	3 042 240
Trade and other receivables	4	2 630 561	3 042 240
Petty cash	5	-	-
<b>TOTAL ASSETS</b>		<b>35 526 527</b>	<b>35 661 950</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds and reserves</b>			
		21 012 074	20 446 403
Capital outlay	6	23 931 532	23 741 751
Funds and accounts	7	(2 919 458)	(3 295 348)
<b>Current liabilities</b>			
		14 514 453	15 215 547
Trade and other payables	8	14 412 723	14 699 085
Bank overdraft	5	101 730	516 462
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>35 526 527</b>	<b>35 661 950</b>

## TOWN COUNCIL OF KHORIXAS

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2011</u> N\$	<u>2010</u> N\$
INCOME		12 936 962	6 680 539
EXPENDITURE		12 998 174	8 328 350
NET OPERATING SURPLUS		(61 212)	(1 647 811)
INTEREST ON INVESTMENTS		215 735	439 578
NET OPERATING SURPLUS AFTER INTEREST		154 523	(1 208 233)
APPROPRIATION ACCOUNT	9	134 892	(379 892)
NET DEFICIT AFTER APPROPRIATIONS		289 415	(1 588 125)
REVENUE ACCOUNT - Beginning of the year		(15 092 395)	(13 504 270)
REVENUE ACCOUNT - End of the year		<b>(14 802 980)</b>	<b>(15 092 395)</b>

## TOWN COUNCIL OF KHORIXAS

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	<b>Note</b>	<b>2011</b> N\$	<b>2010</b> N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		12 936 962	6 680 539
Cash paid to suppliers		(12 737 965)	(9 657 508)
Cash generated/(utilised) by operations	10	198 997	(2 976 969)
Interest paid		-	(4 865)
Investment income		215 735	439 578
Increase/(decrease) in Fund accounts		86 475	(4 821 483)
Increase in Capital outlay		189 781	5 567 811
Net cash flow from operating activities		690 988	(1 795 928)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net capital expenditure		(189 781)	(5 463 009)
(Increase)/decrease in investments		(208 042)	6 653 646
Decrease in advances		121 567	95 012
		(276 256)	1 285 649
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Decrease in long-term liabilities		-	(99 937)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		414 732	(610 216)
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR		(516 462)	93 754
CASH AND CASH EQUIVALENTS - END OF THE YEAR		<b>(101 730)</b>	<b>(516 462)</b>



## TOWN COUNCIL OF KHORIXAS

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

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**1. ACCOUNTING POLICIES****1.1 Introduction**

The annual financial statements set out in Annexures A to D were prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent in all material aspects with those applied in the previous year.

**1.2 Property, plant and equipment**

Property, plant and equipment are stated at cost or valuation where assets have been acquired by grant or by donation. No provision for depreciation is made.

**1.3 Investments**

Investments are reflected at face value.

**1.4 Trade receivables**

Accounts receivable are recorded at originated cost less an allowance for bad debts.

**1.5 Cash and cash equivalents**

It consists of cash on hand and the current account with banks, all of which are available for immediate use by the Council.

**1.6 Trade and other payables**

All financial liabilities are recorded at cost.

**1.7 Internal Funds**

Internal Funds were created as follows by the Council:

**1.7.1 Build Together Fund**

The purpose of this Fund is to provide for housing loan assistance to low income earners in the society. The low income earners are expected to provide their house plans and are vetted for qualification before the funds are disbursed. This is a revolving Fund, the low income earners are expected to repay these loans on a monthly basis for a period of up to twenty years, at an interest rate of five percent per annum. Income for the Fund is derived from interest earned on secured housing loans and investments.

**1.7.2 Fixed Property Fund**

Proceeds from the sale of land, that have been developed by the Town Council, accumulate in this Fund. Costs incurred on the development of land are charged to this Fund.

## TOWN COUNCIL OF KHORIXAS

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

	<u>2011</u>	<u>2010</u>
	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
Revenue	8 669 875	7 062 634
General capital	15 261 657	16 679 117
Total	<b>23 931 532</b>	<b>23 741 751</b>
<b>3. INVESTMENTS</b>		
INVESTMENTS		
Commercial banks	<b>6 720 779</b>	<b>6 512 737</b>
ALLOCATED AS FOLLOWS		
Capital Development Fund	2 199 368	4 410 477
Build Together Fund	4 521 411	2 102 260
	<b>6 720 779</b>	<b>6 512 737</b>
<b>4. TRADE AND OTHER RECEIVABLES</b>		
Consumers	22 941 638	21 344 796
VAT receivable	776 661	1 793 815
Suspense accounts	605 468	812 753
	24 323 767	23 951 364
Provision for bad debts	(21 693 206)	(20 909 124)
	<b>2 630 561</b>	<b>3 042 240</b>
<b>5. BANK AND CASH</b>		
Current account	(101 730)	(516 462)
Petty cash	-	-
	<b>(101 730)</b>	<b>(516 462)</b>
<b>6. CAPITAL OUTLAY</b>		
Revenue contributions	8 669 875	7 062 634
General capital contributions	15 261 657	16 679 117
	<b>23 931 532</b>	<b>23 741 751</b>

## TOWN COUNCIL OF KHORIXAS

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

	<b>2011</b>	<b>2010</b>
	N\$	N\$
<b>7. FUNDS, ACCOUNTS AND RESERVES</b>		
Capital Development Fund	5 118 457	7 329 565
Build Together Fund	6 765 065	4 467 482
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(14 802 980)	(15 092 395)
	<b>(2 919 458)</b>	<b>(3 295 348)</b>
<b>8. TRADE AND OTHER PAYABLES</b>		
Trade payables	13 150 616	13 107 458
Consumer and other deposits	39 468	39 468
Provisions	184 815	184 815
Direct deposits	1 037 824	1 367 344
	<b>14 412 723</b>	<b>14 699 085</b>
<b>9. ADJUSTMENTS TO APPROPRIATION ACCOUNT</b>		
Appropriations	50 650	1 245 529
Other adjustments	(405 558)	(115 066)
Debtors adjustments	-	(1 517 965)
Prior year expenses	554 591	-
Provision for bad debts	(784 082)	-
Stale cheques reversed	719 291	7 610
	<b>134 892</b>	<b>(379 892)</b>
<b>10. CASH GENERATED/(UTILISED) BY OPERATIONS</b>		
Net operating surplus before interest and transfers	(61 212)	(1 647 811)
Adjustments for:		
- Adjustments to appropriation account	134 892	(379 892)
OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL	73 680	(2 027 703)
CHANGES IN WORKING CAPITAL	125 317	(949 266)
Decrease in trade and other receivables	411 679	182 191
Increase in trade and other payables	(286 362)	(1 131 457)
CASH GENERATED/(UTILISED) BY OPERATIONS	<b>198 997</b>	<b>(2 976 969)</b>