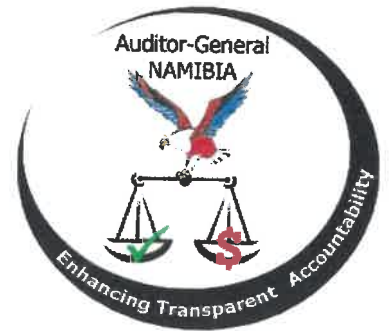




**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**  
**TOWN COUNCIL OF KHORIXAS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

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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 2015 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.

A handwritten signature in black ink, appearing to read "Junias Etuna Kandjeke".

**WINDHOEK, August 2016**

**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 2015**

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**1. Report on the Financial Statements**

**1.1 INTRODUCTION**

This report on the accounts of the Town Council of Khorixas for the financial year ended 30 June 2015 is presented to the National Assembly in accordance with the Local Authorities Act, 1992 (Act 23 of 1992).

Figures in the report are rounded to the nearest Namibia dollar and deficits are indicated in (brackets).

The firm NC Tromp Accountant 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.

I certify that I have audited the accompanying financial statements of the Town Council of Khorixas for the financial year ended 30 June 2015. These financial statements comprise of the following:

Annexure A: Balance Sheet

Annexure B: Income Statement

Annexure C: Cash Flow Statement

Annexure D: Notes to the Financial Statements

The Town Council financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 87(1) of the Local Authorities Act, 1992.

The financial statements and notes to the financial statements provided by the Accounting Officer are attached as Annexure A -D.

**2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 87(1) of the Local Authorities Act, (Act 23 of 1992) and relevant legislation, and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**3. AUDITOR'S RESPONSIBILITY**

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

## **Powers and duties**

Section 25(1) (c) of the State Finance Act, 1991, provides that the Auditor-General should satisfy himself that:

- (a) All reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;
- (b) All reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and
- (c) The expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, Section 26(1) (b)(iv) of the State Finance Act, 1991, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinion.

## **4. ACKNOWLEDGEMENT**

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

## **5. KEY AUDIT FINDINGS**

### **5.1 Fixed assets register**

The fixed asset register does not properly describe the assets and does not show the acquisition date. The Council needs to reconcile the register on a monthly basis with the general ledger to ensure the safeguarding of assets and to reflect the true value of assets.

## 5.2 Provision for bad debts

A considerable provision for bad debts has been raised. This is an indication that the Council needs to improve its debt collection system.

## 5.3 GOING CONCERN

The auditors draw attention to the income statement and balance sheet which reflects on the organization's ability to operate as a going concern. The income statement shows a net loss of N\$ 9 102 581 (2014: N\$ 8 448 193) and the balance sheets indicate that the Council's current liabilities exceed the current assets by N\$ 7 398 376 (2014: N\$ 8 099 575). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Council's ability to continue as a going concern without the continued financing by the Council's bankers and support by Government, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments to the classification or valuation of assets and liabilities that may be necessary if the Council is not able to continue operating as a going concern.

## 6. FINANCIAL RESULTS

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

	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus /(deficit) at 01/07/2014				(8 448 193)
<b>General services</b>				
Non-profitable	-	(506 330)	(506 330)	
Self-supporting	18 879 124	(17 345 172)	1 533 952	
<b>Trade accounts</b>				
Abattoir	-	-	-	
Electricity services	503 893	(139 526)	364 367	
Water supply	7 925 454	(8 108 054)	(182 600)	
	27 308 471	(26 099 082)	1 209 389	
Surplus /(deficit) for the year				1 209 389
Adjustments and utilisations (See Note 10, Annexure D)				(1 863 777)
Accumulated surplus / (deficit) at 30/06/2015				(9 102 581)

**7. CURRENT BANK ACCOUNT**

The cash book reflected a positive balance of N\$ 221 132 (2014: negative N\$ 233 550) while the bank statement reflected a favorable balance of N\$ 941 149. Cheques not presented for payment amounted to N\$ 789 947 and deposits not banked by the Council amounted to N\$ 69 882.

**8. INVESTMENTS AND INTEREST PROCEEDS**

On 30 June 2015 there was N\$ 7 123 501 (2014: N\$ 1 333 096) invested at financial institutions and other institutions as follows:

	<b>2015</b>	<b>2014</b>
	N\$	N\$
Commercial banks	7 123 501	1 333 096
	<b>7 123 501</b>	<b>1 333 096</b>

The investments were allocated as follows:

	<b>2015</b>	<b>2014</b>
	Investment N\$	Interest N\$
Capital reserve fund	3 734 418	22 068
Build together fund	42 047	21 373
Housing fund	3 347 036	1 289 655
	<b>7 123 501</b>	<b>1 333 096</b>

**9. FUND ACCOUNTS**

The position of the fund accounts at the end of the year is shown in note 8 of annexure D.

**10. TRADE ACCOUNTS**

**10.1** The results of operations of water distribution were as follows:

	<b>2015</b>	<b>2014</b>
	N\$	N\$
Sales	7 925 454	7 724 044
Less Cost of bulk purchases	5 779 371	4 427 959
Gross profit	2 146 083	3 296 085
Expenses	(2 328 683)	(1 663 586)
<b>Net surplus /(deficit)</b>	<b>(182 600)</b>	<b>1 632 499</b>
Gross surplus percentage on sales	27%	43%
Net surplus percentage on sales	(2%)	21%



10.2 The results of water distribution losses were as follows:

	2015	2014
Units sold	373 799	312 660
Units purchased	(647 626)	(399 240)
Gross loss	(273 827)	(86 580)
Gross loss % on bulk purchases	42%	22%

## 11. SELF-SUPPORTING SERVICES

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

	2015	2014
	N\$	N\$
Council general expenses	759 294	937 541
Town clerk's department	1 880 572	1 315 699
Human resources	2 080 725	1 602 198
Town treasurer's department	3 032 171	2 570 821
Workshop	617 969	4 101 086
Cemetery	(28 762)	(883 323)
Fire brigade	(14 626)	(32 220)
Town planning	(2 388 132)	(1 674 141)
Housing	416 743	278 433
Public Health	(533 138)	(439 114)
Street, sidewalks and storm water	(212 413)	(1 019 498)
Sewerage	(2 304 451)	(2 465 111)
Cleaning services	(1 601 719)	(1 510 328)
NATIS	(36 008)	(122 832)
Rates and taxes	(3 202 177)	(3 520 126)
	<b>(1 533 952)</b>	<b>(860 915)</b>

## 12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No fruitless, unauthorised or avoidable expenditure was revealed during the audit.

## 13. SUSPENSE ACCOUNTS

The suspense accounts are cleared on a regular basis.

**14. IRREGULARITIES AND LOSSES**

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

**15. CAPITAL PROJECTS**

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

	<b>2015</b>	<b>2014</b>
	N\$	N\$
Council general expenses	65 642	5 296
Public health	8 950	12 041
Streets	-	1 323 870
Town clerk	-	10 355
Town planning	3 716 772	520 426
Town treasurer	39 917	7 635
Water supply	-	149 325
Cemetery	-	2 155 934
Workshop	118 725	2 142 996
<b>Total</b>	<b>3 950 006</b>	<b>6 327 878</b>

Expenditure was financed as follows:

	<b>2015</b>	<b>2014</b>
	N\$	N\$
Capital development fund	-	6 327 878
Income	3 950 006	-
<b>Total</b>	<b>3 950 006</b>	<b>6 327 878</b>

**16. BURSARIES**

No bursaries were granted during the year under review.

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

The following Government subsidies were received during the year:

	<b>2015</b>	<b>2014</b>
	N\$	N\$
Town planning	5 674 212	400 000
Cleaning services	133 581	-
Streets	1 271 716	2 860 000
Cemetery	-	3 000 000
Workshop	1 381 275	135 350
Water reticulation	-	1 490 000
	<b>8 460 784</b>	<b>7 885 350</b>

**18. COMPENSATION PAYMENTS**

No compensation payments were made during the year under review.

**19. VISITS TO FOREIGN COUNTRIES**

No expenditure was incurred on visits to other countries during the year under review.

**20. CLAIMS AGAINST THE LOCAL AUTHORITY**

No material claims against the Local Authority were received during the year under review.

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

No gifts and donations were given by/ to the Local Authority during the financial year under review.

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

No such transfers took place during the year.

## 23. DEBTORS AND CREDITORS

### 23.1 Debtors at 30 June were:

	2015	2014
	N\$	N\$
Consumers	17 010 966	14 850 060
Provision for bad debts	(15 538 330)	(13 120 089)
Suspense account	-	346 664
VAT Receivable	69 851	-
	1 542 487	2 076 635
Consumer deposits	38 180	38 180

### 23.2 Creditors at 30 June were:

	2015	2014
	N\$	N\$
Trade creditors	8 765 036	8 813 617
Suspense account	-	1 017 987
Provision for staff leave	946 785	660 930
	9 711 821	10 492 534

## 24. ASSESSMENT RATES

Proceeds from assessment rates amounted to N\$ 3 370 713 (2014: N\$ 3 651 438). Tariffs for private and business properties of between N\$ 0.0782 and N\$ 0.1119 per dollar per year on site valuations and N\$ 0.0139 and N\$ 0.0347 per dollar per year on valuation of improvements are in line with Government gazette rates.

## 25. SALE OF ERVEN

No Erven sold during the year under review.

## 26. PROPERTY SOLD ON INSTALLMENT BASIS

No properties were sold on installment basis during the year under review.

## **27. TARIFF ADJUSTMENTS**

Tariffs were charged as per Government gazette.

## **28. STOCK AND EQUIPMENT**

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

Due to the format of the fixed asset register kept by the Council, it is difficult to identify the different assets.

### **28.2 Inventory**

The auditors did not observe the counting of inventories on 30 June 2015. Thus, could not confirm the existence of the inventories on hand at year-end. According to the Council, stock comprised of stationery, consumables and parts amounted to N\$ 588 006 (2014: N\$ 588 006).

## **29. SPECIAL INVESTIGATIONS**

No special investigations were carried out during the year.

## **30. GENERAL**

### **30.1 Internal controls**

The accounting and internal controls are 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 reduces risks, the risk arises that management and Council override existing controls, a potential dangerous practice which the Council should vigilantly guard against.

## **31. FORMAL AND INFORMAL QUERIES**

Formal queries are embodied in this report.

Informal queries were addressed to the Chief Executive Officer.

**32. UNQUALIFIED AUDIT OPINION**

The accounts of the Khorixas Town Council for the financial year ended 30 June 2015, summarised 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.

In my opinion the financial statements present fairly in all material respects the financial position of the Khorixas Town Council as at 30 June 2015 and their financial performance and cash flows for the year then ended in accordance with authorities which govern them.

**WINDHOEK, August 2016**



**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	Note	2015 N\$	2014 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>		44 187 844	38 365 600
Property, plant and equipment	2	31 291 287	29 884 346
Advances to buyers		5 773 056	7 148 158
Investments	3	7 123 501	1 333 096
<b>Current assets</b>		2 351 625	2 664 689
Inventory	4	588 006	588 006
Accounts receivable	5	1 542 487	2 076 635
Cash and cash equivalents	6	221 132	48
<b>Total assets</b>		<b>46 539 469</b>	<b>41 030 289</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		36 789 468	30 266 025
Capital outlay	7	31 291 287	29 884 346
Funds and accounts	8	5 498 181	381 679
<b>Current liabilities</b>		9 750 001	10 764 264
Bank overdraft	6	-	233 550
Trade and other payables	9	9 750 001	10 530 714
<b>Total equity and liabilities</b>		<b>46 539 469</b>	<b>41 030 289</b>

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE**

	<b>Note</b>	<b>2015</b>	<b>2014</b>
		N\$	N\$
Income		27 308 472	27 058 378
Expenditure		<u>(26 099 083)</u>	<u>(24 144 202)</u>
Net operating surplus/(deficit)		<u>1 209 389</u>	<u>2 914 176</u>



**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE**

	<b>Note</b>	<b>2015</b> N\$	<b>2014</b> N\$
<b>Operating activities</b>			
Cash receipts from customers		27 308 472	27 058 378
Cash paid to suppliers		<u>(25 666 360)</u>	<u>(24 274 153)</u>
Cash (Utilised)/generated by operations	11	<b>1 642 112</b>	<b>2 784 225</b>
Investment income		-	-
Movement in Fund accounts			
- (Decrease)/increase in Fund accounts		5 770 890	6 538 869
- Increase/(decrease) in capital outlay		<u>1 406 941</u>	<u>3 344 044</u>
Net cash inflow from operating activities		<u><b>8 819 943</b></u>	<u><b>12 667 138</b></u>
<b>Investing activities</b>			
Net capital expenditure		(3 950 006)	(6 327 876)
Decrease/(Increase) in investments		(5 790 405)	(1 132 940)
Decrease in advance		<u>1 375 102</u>	<u>(5 136 312)</u>
		<u><b>454 634</b></u>	<u><b>(12 597 128)</b></u>
<b>Net increase in cash and cash equivalents</b>		454 634	70 010
Net cash and cash equivalents			
- at beginning of the year		<u>(233 502)</u>	<u>(303 512)</u>
- at the end of the year		<u><b>221 132</b></u>	<u><b>(233 502)</b></u>

**NOTES TO THE 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 Annexure A to C were prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent in all material aspect with those applied in the previous year.

**1.2 Property, plant and equipment**

Fixed assets are stated at cost or at valuation where assets have been acquired by grant or donation, less depreciation written off over the expected useful lives as determined by the Council from time to time. Fixed assets acquired with loan funds are not depreciated until the loan is repaid, unless the expected lifetime of the asset is less than the repayment period of the loan in which case depreciation is calculated on the shortfall.

**1.3 Internal Funds****Revenue account**

The following funds were created by the Town Council:

**1.3.1 Housing fund**

The purpose of the fund is to provide for housing loans. Income for this fund is derived from interest earned on secured housing loans and investments as well as profits made on the resale of housing scheme houses. Interest paid on external housing loans is charged to the fund.

**1.3.2 Capital Reserve fund**

The purpose of this Fund is to build up a general capital reserve to ensure a stable financial position. Income for this fund is derived from general revenue contribution and interest earned on internal loans and investments.

**1.3.3 Betterment fund**

The purpose of this fund is to provide for future improvements of municipal assets. Part of the proceeds of the sale of land as well as interest earned on internal loans and investments are allocated to this fund.

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

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**1.3.4 Fixed property fund**

Proceeds of sale of developed by the Municipality, interest earned on loans for the sale of land as well as interest earned on internal loans and investment accumulate in this fund, which is used to develop properties.

**1.3.5 Renewal fund**

Its purpose is to provide for replacement of assets and for additional depreciation on assets which abnormally decreased in value. Income for this account is derived from general revenue contribution as well as interest earned on investments.

**1.4 Capital redemption on loans**

Capital redemption on external and internal loans are charged against income. A similar amount is credited to the loan redemption fund for the duration of the loan. As and when the loan is fully redeemed the loan redemption fund is transferred to the revenue contribution.

**1.5 Inventories**

Fuel inventory is valued at cost on the first-in-first-out basis.

	<b>2015</b>	<b>2014</b>
	N\$	N\$
<b>2. Property, plant and equipment</b>		
Income assets	22 132 418	19 769 309
General capital assets	11 676 118	12 738 269
Less: Depreciation	<u>(2 517 249)</u>	<u>(2 623 232)</u>
	<b><u>31 291 287</u></b>	<b><u>29 884 346</u></b>

## ANNEXURE D

## KHORIXAS TOWN COUNCIL

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

	2015	2014
	N\$	N\$
<b>3. Investments</b>		
INVESTMENTS		
Commercial banks	7 123 501	1 333 096
Total investments at year end	<u>7 123 501</u>	<u>1 333 096</u>
ALLOCATED TO FUNDS		
Capital development fund	3 734 418	22 068
Housing fund	3 347 036	1 289 655
Build together fund	42 047	21 373
	<u>7 123 501</u>	<u>1 333 096</u>
<b>4. Inventory</b>		
Comprising of fuel and lubricants	<u>588 006</u>	<u>588 006</u>
<b>5. Trade and other receivables</b>		
Value added tax	69 851	-
Sundry debtors	-	346 664
Trade debtors	17 010 966	14 850 060
Less: Provision for doubtful debts	(15 538 330)	(13 120 089)
	<u>1 542 487</u>	<u>2 076 635</u>
<b>6. Cash and Bank Balances</b>		
Current bank account	221 084	(233 550)
Petty cash	48	48
	<u>221 132</u>	<u>(233 502)</u>

## KHORIXAS TOWN COUNCIL

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

(Continued)

	2015	2014
	N\$	N\$
<b>7. Capital Outlay</b>		
Revenue contributions	20 606 053	18 208 229
General Capital contributions	10 685 234	11 676 117
	<u>31 291 287</u>	<u>29 884 346</u>
<b>8. Funds and accounts</b>		
Build together fund	42 046	40 887
Capital development fund	3 813 420	101 070
Housing fund	10 745 296	8 687 915
<b>Sub-total</b>	<u>14 600 762</u>	<u>8 829 872</u>
Net (deficit)/surplus	1 209 389	2 914 176
Appropriation account	(1 863 777)	5 070 573
Accumulated loss	(654 388)	7 984 749
Beginning of the year	(8 448 193)	(16 432 942)
Revenue account kept in compliance with Section 86(1) of the Local Authority Act, 1992	<u>(9 102 581)</u>	<u>(8 448 193)</u>
	<u>5 498 181</u>	<u>381 679</u>
<b>9. Trade and other payables</b>		
Trade creditors	8 765 036	8 813 617
Consumer and other deposits	38 180	38 180
Provisions	946 785	660 930
Suspense accounts	-	1 017 987
	<u>9 750 001</u>	<u>10 530 714</u>
<b>10. Adjustment to appropriation account</b>		
Other adjustments	(609 654)	987 817
Prior year expenses	(9 000)	161 263
Provision for bad debts	2 513 833	1 342 168
Namwater account adjustment	-	(6 789 802)
Stale cheques reversed	(31 402)	(184 012)
Stock Adjustment		(588 007)
	<u>1 863 777</u>	<u>(5 070 573)</u>

## KHORIXAS TOWN COUNCIL

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

	2015	2014
	N\$	N\$
<b>11. Cash generated by operating activities</b>		
Net surplus /(deficit) for the year, per income statement	1 209 389	2 914 176
Adjustments for:		
- Depreciation	2 517 249	2 623 232
- Adjustment to appropriation account	(1 863 777)	5 070 573
- Assets written off	25 816	360 600
Cash operating profit before working capital changes	1 888 677	10 968 581
Working capital changes		
- accounts payable	(780 713)	(7 232 356)
- accounts receivable	534 148	(363 994)
- inventory	-	(588 006)
	<b>1 642 112</b>	<b>2 784 225</b>