



REPUBLIC OF NAMIBIA



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

Published by authority

Price (Vat excluded) N\$ 25.66
Report no 1024

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 Nkurenkuru 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, December 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. INTRODUCTION

The accounts of the Town Council of Nkurenkuru 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.

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. 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 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 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 OBSERVATIONS AND COMMENTS

4.1 Recoverability of debtors – Bad and doubtful debts

The average collection period of trade receivables, before taking the provision for bad debts into account, is 189 days (2010: 168 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 59 days (2010: 74 days). The Council should attend to the arrears as a matter of urgency.

4.2 Capital expenditure

During the previous two reports, differences were identified between the income statements and capital statements. The capital statement reflected an amount of N\$ 275 799 more than the income statement for the 2010 financial year and for the 2009 financial year N\$ 516 782 less than the income statement. It was recommended that the Council should investigate these differences and adjust the necessary records to reflect the accurate value of assets financed from revenue.

When conducting the current audit, no evidence was found that these adjustments were made as recommended. The Council is again urged to make the adjustments and to provide evidence in this regard to the Office of the Auditor-General.

4.3 Trade and other payables

No creditors reconciliation, or any creditors lists were available for audit purposes. The auditors were thus unable to audit the creditors to their satisfaction.

4.4 Consumer deposits

There are no consumer deposits levied at the Council. It is recommended that the Council should determine a consumer deposit payable and develop and implement a system to collect such deposits.

4.5 Fixed assets - Depreciation

Although required in accordance with Generally Accepted Accounting Practice (GAAP), the accounting system does not make any provision for calculating depreciation on a pro-rata basis. As in previous years, all assets are depreciated annually instead of pro rata. This practice has consistently been applied since the system was introduced and implemented in 2009.

4.6 Value Added Tax

No supporting documentation was available for audit purposes, therefore VAT receivable of N\$ 843 480 could not be verified by the auditors.

4.7 Property, plant and equipment

Assets donated by the Government of the Republic of Namibia are not included in the annual financial statements nor the fixed asset register. The Council should include these assets in their financial statements and they should be brought in as general capital assets.

5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Town Council of Nkurenkuru 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:

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus on 01/07/2010				5 452 650
General accounts				
- Non-profitable	5 066 114	8 012 486	(2 946 372)	
- Self supporting	230 897	525 036	(294 139)	
Trade accounts				
- Electricity	488 677	740 000	(251 323)	
- Water	1 318 758	1 154 638	164 120	
Deficit for the year	7 104 446	10 432 160	(3 327 714)	(3 327 714)
				2 124 936
Adjustments and utilisations (See note 9, Annexure D)				(220 988)
Accumulated surplus on 30/06/2011				1 903 948

7. CURRENT BANK ACCOUNT

	2011	2010
	N\$	N\$
Cash-book balance at 30 June	(392 518)	(84 812)
Unexplained difference	(2 509)	-
Outstanding cheques	636 255	29 499
Deposit not yet received	-	4 414
Balance as per bank statement	241 228	(50 899)

8. INVESTMENTS

The investments as at 30 June were as follows:

Institution	2011		2010	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Commercial banks	3 584 805	260 645	6 729 117	269 393

The investments were allocated as follows:

Allocation	2011	2010
	N\$	N\$
Build Together Fund	1 130 158	1 305 269
Revenue	2 454 647	5 423 848
	3 584 805	6 729 117

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:

	Electricity		Water	
	2011	2010	2011	2010
	N\$	N\$	N\$	N\$
Sales	243 875	86 231	484 565	363 927
Cost of sales	(240 000)	(87 000)	(326 516)	(175 266)
Gross surplus	3 875	(769)	158 049	188 661
Royalties	244 802	591 947	-	-
Other income/(expenses)	(500 000)	(70 304)	6 071	(239 838)
Net (deficit)/surplus	(251 323)	520 874	164 120	(51 177)
Gross surplus percentages on purchases	1.6%	(0.9%)	48.4%	107.6%
Net surplus percentage on purchases	-	-	50.3%	(29.2%)
Gross surplus percentages on sales	1.6%	(0.9%)	32.6%	51.8%
Net surplus percentage on sales	-	-	33.9%	(14.1%)

10.2 Water distribution results, in cubic meters

	Water	
	2011	2010
	Units	Units
Sales	50 952	33 144
Purchases	57 870	35 926
Loss	(6 918)	(2 782)
Percentage loss in units	(12.0%)	(7.7%)

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\$
Cleansing services	103 751	324 098	(220 347)	(211 721)
Sewerage	127 146	200 938	(73 792)	(138 290)
	230 897	525 036	*(294 139)	(350 011)

The Council should endeavour into a process to make these services self-supportive.

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

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

13. SUSPENSE ACCOUNTS

Suspense accounts are cleared on a regular basis.

14. IRREGULARITIES AND LOSSES

The auditors did not report any irregularities and losses that took place during the year under review.

15. CAPITAL PROJECTS

The following were spend on capital projects:

Nature of projects/acquisitions	Financed by	Total expenditure 2011	Total expenditure 2010
	Revenue account		
	N\$	N\$	N\$
Finance	-	-	50 000
Technical services	1 327 829	1 327 829	-
Cleansing	-	-	120 307
Council's general expenses	-	-	275 799
Parks and recreation	-	-	111 024
Development control, planning and environment	2 022 509	2 022 509	499 653
Water	467 319	467 319	-
Health	166 831	166 831	-
Electricity	500 000	500 000	-
	4 484 488	4 484 488	1 091 577

16. BURSARIES

No bursaries were granted during the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

	2011	2010
	N\$	N\$
Contribution from Government	2 894 538	4 000 000

18. COMPENSATION PAYMENTS

There were no compensation payments.

19. VISITS TO FOREIGN COUNTRIES

According to the Council there were no official visits to foreign countries.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

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

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

There were no donations made by the Council.

22. TRANSFER OF PROPERTY

No properties were transferred to/from the Government during the year under review.

23. TRADE AND OTHER RECEIVABLES/PAYABLES

23.1 Trade and other receivables at 30 June were:

	2011	2010
	N\$	N\$
Services rendered and assessment rates	483 213	355 106
VAT provision	843 480	207 810
Build Together advances	908 545	665 116
	2 235 238	1 228 032
Provision for bad debts	(331 822)	(198 173)
Total	1 903 416	1 029 859
Analysis of services and general debtors:		
Average monthly levy	77 807	64 144
Debtors	483 213	355 106
Average credit terms in days	188.9	168.4

23.2 Trade and other payables at 30 June were:

	2011	2010
	N\$	N\$
Trade and other payables	891 377	71 205
Provision for leave pay	262 675	180 924
Totals	1 154 052	252 129

24. ASSESSMENT RATES

There were no assessment rates.

25. LOANS

25.1 External loans

There are no external loans.

25.2 Internal loans

There are no internal loans.

25.3 Due to the Town Council

	2011	2010
	N\$	N\$
Build Together advances	908 545	665 116

26. SALE OF ERVEN

During the current financial year, cash proceeds to the value of N\$ 1 854 377 (2010: N\$ 374 542) were received for erven sold which were fully allocated to the revenue account.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

No erven were sold on an instalment basis for the year under review. The Council's policy is to sell all erven on a cash basis.

28. TARIFF ADJUSTMENTS

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

29. APPROVALS

29.1 Excess on approved budget

All budget excesses were approved.

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicles and values thereof:

	Sedan		LDV's, 4x4's and Combi's		Other	
	Number	Value	Number	Value	Number	Value
Balance - 01/07/2010	1	N\$ 174 085	4	796 110	3	301 465
Additions	-	-	-	-	1	491 544
Sub-total	1	174 085	4	796 110	4	793 009
Depreciation	-	-	-	-	-	-
Balance - 30/06/2011	1	174 085	4	796 110	4	793 009

30.2 Inventory

There were no inventories.

31. SPECIAL INVESTIGATIONS

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

32. GENERAL

The accounting and internal controls applied by the Council are satisfactory.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries

There were no informal queries.

34. QUALIFIED AUDIT OPINION

The accounts of the Town Council of Nkurenkuru 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 Authorities Act, 1992, read with Section 25 (1) (b) of the State Finance Act, 1991.

A qualified audit opinion is being expressed due to the following reasons:

Trade and other payables

No creditors reconciliation, or any creditors lists were available for audit purposes. The auditors were thus unable to audit the creditors with a total balance of N\$ 1 154 052 to their satisfaction.

Value Added Tax

No supporting documentation was available for audit purposes, therefore VAT receivable of N\$843 480 could not be verified by the auditors.

Property, plant and equipment

Assets donated by the Government of the Republic of Namibia are not included in the annual financial statements and fixed asset register. The Council should include these assets in their financial statements and they should be brought in as general capital assets.

Except for the above-mentioned remarks of the matters referred to in the preceding paragraphs, I certify that, in my opinion, the financial statements fairly present the financial position of the Town Council at 30 June 2011 and the results of its operations and cash flow for the year then ended in the manner required by the Local Authorities Act, 1992, and the State Finance Act, 1991.

WINDHOEK, December 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

NKURENKURU TOWN COUNCIL

BALACNE SHEET AT 30 JUNE

	Notes	2011 N\$	2010 N\$
ASSETS			
Non-current assets			
		9 490 519	9 132 224
Property, plant and equipment	2	5 905 714	2 403 107
Investments	3	3 584 805	6 729 117
Current assets			
		1 904 416	1 030 859
Trade and other receivables	4	1 903 416	1 029 859
Cash	5	1 000	1 000
TOTAL ASSETS		11 394 935	10 163 083
FUNDS AND LIABILITIES			
Funds and reserves			
		9 848 365	9 826 142
Capital outlay	6	5 905 714	2 403 107
Funds and accounts	7	3 942 651	7 423 035
Current liabilities			
		1 546 570	336 941
Trade and other payables	8	1 154 052	252 129
Bank overdraft	5	392 518	84 812
TOTAL FUNDS AND LIABILITIES		11 394 935	10 163 083

NKURENKURU TOWN COUNCIL

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2011 N\$	2010 N\$
INCOME		6 843 801	6 154 214
EXPENDITURE		10 432 160	5 871 736
NET OPERATING (DEFICIT)/SURPLUS		(3 588 359)	282 478
INTEREST ON INVESTMENTS		260 645	269 393
NET (DEFICIT)/SURPLUS AFTER INTEREST		(3 327 714)	551 871
APPROPRIATION ACCOUNT	9	(220 988)	(201 676)
NET (DEFICIT)/SURPLUS AFTER APPROPRIATIONS		(3 548 702)	350 195
REVENUE ACCOUNT - Beginning of year		5 452 650	5 102 455
REVENUE ACCOUNT - End of year		1 903 948	5 452 650

NKURENKURU TOWN COUNCIL

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2011 N\$	2010 N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		6 843 801	6 154 214
Cash paid to suppliers		(10 624 782)	(6 244 605)
Cash utilised by operations	10	(3 780 981)	(90 391)
Interest received		260 645	269 393
Increase in Fund accounts		68 318	840 200
Increase in Capital outlay		3 502 607	623 082
Net cash flow from operating activities		50 589	1 642 284
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		(3 502 607)	(623 082)
Decrease/(increase) in investments		3 144 312	(899 182)
		(358 295)	(1 522 264)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(307 706)	120 020
CASH AND CASH EQUIVALENTS			
- BEGINNING OF YEAR		(83 812)	(203 832)
CASH AND CASH EQUIVALENTS			
- END OF YEAR		(391 518)	(83 812)

NKURENKURU TOWN COUNCIL

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

1. ACCOUNTING POLICIES**1.1 Introduction**

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

The principal accounting policies of the Town Council, which are set out below, had been consistent and comply with Namibian Statements of Generally Accepted Accounting Practices. The financial statements have been prepared in accordance with the requirements of the Namibian Local Authorities Act, 1992 (Act 23 of 1992), as amended.

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. Assets are depreciated over their estimated useful life's.

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 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 the depreciation is calculated on the shortfall.

	2011	2010
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Revenue assets	5 905 714	2 403 107
Total	5 905 714	2 403 107
3. INVESTMENTS		
INVESTMENTS		
Commercial banks	3 584 805	6 729 117
	3 584 805	6 729 117
ALLOCATED AS FOLLOWS		
Build Together Fund	1 130 158	1 305 269
Revenue	2 454 647	5 423 848
	3 584 805	6 729 117

NKURENKURU TOWN COUNCIL

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

	<u>2011</u>	<u>2010</u>
	N\$	N\$
4. TRADE AND OTHER RECEIVABLES		
Services rendered and assessment rates	483 213	355 106
VAT Provision	843 480	207 810
Build Together advances	908 545	665 116
	<u>2 235 238</u>	<u>1 228 032</u>
Provision for bad debts	(331 822)	(198 173)
	<u>1 903 416</u>	<u>1 029 859</u>
5. BANK AND CASH		
Current account	(392 518)	(84 812)
Petty cash	1 000	1 000
	<u>(391 518)</u>	<u>(83 812)</u>
6. CAPITAL OUTLAY		
Revenue assets	<u>5 905 714</u>	<u>2 403 107</u>
7. FUNDS, ACCOUNTS AND RESERVES		
Build Together Fund	2 038 703	1 970 385
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	1 903 948	5 452 650
	<u>3 942 651</u>	<u>7 423 035</u>
8. TRADE AND OTHER PAYABLES		
Trade payables	891 377	71 205
Provision for leave pay	262 675	180 924
	<u>1 154 052</u>	<u>252 129</u>
9. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Expenditure corrections	(306 527)	(243 724)
Income corrections	85 539	42 048
	<u>(220 988)</u>	<u>(201 676)</u>

NKURENKURU TOWN COUNCIL

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

	<u>2011</u>	<u>2010</u>
	N\$	N\$
10. CASH UTILISED BY OPERATIONS		
NET OPERATING (DEFICIT)/SURPLUS	(3 588 359)	282 478
ADJUSTMENT FOR:		
- Adjustments to appropriation account	<u>(220 988)</u>	<u>(201 676)</u>
OPERATING (DEFICIT)/SURPLUS BEFORE CHANGES IN WORKING CAPITAL	<u>(3 809 347)</u>	<u>80 802</u>
CHANGES IN WORKING CAPITAL		
(Increase) in trade and other receivables	(873 557)	(287 554)
Increase in trade and other payables	<u>901 923</u>	<u>116 361</u>
	<u>28 366</u>	<u>(171 193)</u>
CASH UTILISED BY OPERATIONS	<u>(3 780 981)</u>	<u>(90 391)</u>