



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF OPUWO

FOR THE FINANCIAL YEAR ENDED 30 JUNE 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 Opuwo for the financial year ended 30 June 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, August 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE TOWN COUNCIL OF OPUWO
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2013**

1. INTRODUCTION

The accounts of the Town Council of Opuwo for the year ended 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. The audited financial statements are in agreement with the general ledger and are filed in the Office of the Auditor-General. The abridged balance sheet on Annexure A, is a true reflection of the original. The following annexures are also attached to this report:

Annexure B: Abridged income statement
Annexure C: Cash flow statement
Annexure D: Notes to the financial statements

3. SCOPE OF THE AUDIT

Management's responsibility for the financial statements

The Accounting Officer of the Town Council is responsible for the preparation 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 based on the regularity of the financial transactions included in them and to report his opinion to the National Assembly. The said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that 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

Items that were also reported in the previous financial year are indicated by way of an asterisk (*).

4.1 Inventory (*)

No physical stock taking was conducted during the year under review. No inventories for store materials are reflected in the financial statements of the Council. The auditors were unable to calculate the estimated value on hand at 30 June due to poor record keeping at the Town Council.

4.2 Provision for bad debts / Accounts receivable (*)

The Council's basis for provision of bad debts disclosed in the financial statements could not be ascertained due to no debtors list of balances being available to the auditors.

Debt outstanding is considerably high and it does not appear as if the Council is improving on debtors' collection. This is a matter of concern as the recovery of long outstanding debtors threatens the future cash flows of the Town Council.

The Council should develop and implement a strict policy of debt collection.

The Council's effectiveness on bad debt recovery policies should be reviewed and improved on.

| | 2013 | 2012 |
|---|-------------|-------------|
| | N\$ | N\$ |
| Consumer accounts debt outstanding | 14 780 474 | 5 722 137 |
| Provision for bad debts | (5 716 050) | (5 381 698) |
| Percentage increase / (decrease) in outstanding debts | 158.3% | (11.6%) |
| Percentage increase in provision for bad debts | 6.2% | 21% |
| Percentage provision vs. Debt | (38.67%) | 94% |

It should be of concern for the Council that debtors increased by 158.3%. The provision for bad debts only amounts to 38.67% of total debt, whereas it amounted to 94% in 2012. The recoverability of the debtors is thus doubtful. Furthermore, due to the fact that no detailed age analysis and debtors ledger were available the existence, accuracy and valuation of the debtors could not be ascertained.

Due to the significance of this issue, the Auditor-General cannot express an opinion on provision of bad debts and accounts receivable.

4.3 Consumer deposits (*)

There were no consumer deposits disclosed in the financial statements and also no indication that consumers paid these deposits. In prior and current year the consumer deposits disclosed was N\$ 265 which was properly not divided between the water deposit portion and payment. There was also no sufficient evidence to indicate which consumer paid their water deposits.

The Council should ensure that consumer deposits are collected from consumers and be reviewed on an annual basis to ensure the adequacy thereof.

4.4 VAT Payable (*)

According to the financial statements the Council owe the Receiver of Revenue N\$ 2 706 190 (2012: N\$ 2 295 290). The VAT debt increased significantly, this can be attributed to payments that were not made to or refunds that were not received from the Department of Inland Revenue for the year under review.

The Council should keep their VAT affairs in order by submitting the returns on time as this may improve their cash flow and prevent them from paying unnecessary penalties and interest.

VAT reconciliations should be performed by the Council on a regular basis to ensure the correctness of financial statement figures.

Per the receiver of revenue statement, VAT, penalties, interest and interim penalties to the amount of N\$ 2 812 581 is due by the Council.

The Council should reconcile their accounting records with this statement and ensure that the penalties are payable.

Due to the unavailability of supporting documentation, the Auditor-General cannot express an opinion on VAT.

4.5 Property, plant and equipment (*)

The fixed assets register was initiated by the Town Council for the year ended 30 June 2013, but was incomplete regarding the dates when the assets were purchased in the year under review.

Furthermore, the property, plant and equipment was overstated by N\$ 700 875 in the financial statements due to depreciation which was not taken into account as calculated on the Fixed assets register.

Fixed assets in current year under review appeared to be under insured which may lead to the Town Council suffering big losses if they were to suffer damage.

The capital expenditure statement reflected expenditure amounting to N\$ 5 134 278 for the current year while the fixed asset register and the annual financial statements recorded additions to the amount of N\$ 12 006 612.

Due to the unavailability of supporting documentation, the Auditor-General cannot express an opinion on the property, plant and equipment.

4.6 Payroll (*)

As reported in prior years, the auditors discovered a material difference on the payroll reconciliation between the earning reports and the payroll stated in the financial statements. This may have been caused by missing payroll reports for July and September 2012.

Due to the significance of this matter, the Auditor-General cannot express an opinion on payroll.

4.7 Build Together (Housing) Fund and Fixed Property Fund (*)

The Build Together Fund is administered by the Town Council on behalf of the Ministry of Regional and Local Government and Housing and it should be considered significant as weaknesses were identified with regards thereof. This weakness was recorded in prior years also and as a result, the auditors could not rely on the opening balances of the Build Together Fund.

Monthly reconciliations to reconcile the account balance to the ledger are not done. This is evident through no bank statements received or kept on file. Other supporting documentation could also not be provided for current year movements on both funds.

Due to the significance of this matter, the Auditor-General cannot express an opinion on the Build Together Fund.

4.8 Income (*)

The Council could not resolve the following audit differences in respect of income accounts:

Sale of Erven N\$ 1 083 853 – No supporting listing could be provided.

Cleansing services was overstated by N\$ 268 578.

Contribution from Central Government (understated) N\$ 300 000 – The annual financial statements reflected income of N\$ 9 110 000 while correspondence from Central Government reflected an amount of N\$ 9 410 000.

Sewerage: Additional N\$ 449 104 and Sewerage: Basic N\$ 225 300 – No supporting documents could be provided.

Sundry income of N\$ 227 332 – No supporting documents could be provided.

Due to the significance of this, the Auditor-General cannot express an opinion on the above income accounts.

4.9 Expenditure (*)

As reported in prior year, invoices were found that were processed VAT inclusive in the annual financial statements for the year ended 30 June 2013 and thus resulting in an overstatement of the expenditure with a consequent understatement of the surplus for the financial year.

Furthermore no supporting documentation could be provided for insurance amounting to N\$ 2 638 663, repairs and maintenance: PPE to the amount of N\$ 556 593 and Travelling and accommodation amounting to N\$ 610 402.

Land and buildings compensation expenses amounting to N\$ 865 174 could not be verified due to lack of valuation reports or agreements.

Due to the significance of this, the Auditor-General cannot express an opinion on the expenditure accounts.

4.10 Appropriation account (*)

The opening balance as per the prior year annual financial statements was an accumulated deficit of N\$ 1 063 790 and this current year begins with an accumulated surplus of N\$ 522 841.

Furthermore, it was noted that a provision was made by way of a journal to the value of N\$ 2 662 094 to adjust the Namwater account balance and no supporting documentation was provided by the Council.

Due to the significance of this matter, the Auditor-General cannot express an opinion on the appropriation account.

4.11 Housing Fund loans (*)

The Council could not provide the auditors with a listing of outstanding loan balances. Furthermore no supporting documentation could be provided to the auditors.

Due to the significance of this matter, the Auditor-General cannot express an opinion on the housing fund loans.

4.12 Investments (*)

As reported in prior years, no investment policy is in place to guide the Council on the placement of reserve funds.

Interest received on investments was not posted to the income statement and there was no monthly reconciliations done on the investments.

Furthermore, the Council could not provide the auditors with supporting documentation to audit the movement in investments.

No confirmation could be obtained for a Namwater investment account with a balance amounting to N\$ 409 745 as reflected in the Council's annual financial statements. It appears that the account does not belong to the Council.

Furthermore, a material difference exists between the balance confirmed on the First National Bank Limited call account and the balances as per the general ledger and financial statements.

Due to the significance of this matter, the Auditor-General cannot express an opinion on the investments.

4.13 Trade creditors (*)

As reported in prior years, no creditors reconciliations related to trade creditors were performed during the year under review. The auditors were unable to perform audit tests on the Namwater creditors for 2013, because no supplier statements could be provided by the Council as proof for the balances outstanding.

A provision of N\$ 600 000 (2012: N\$ 400 000) for accrued leave was made and the Council did not provide the auditors with supporting documentation to support this provision.

A provision of N\$ 1 275 992 for Namwater was made and the statement provided by the Council reflects a balance of N\$ 1 624 410. A material difference of N\$ 348 419 exists between the two figures.

As per the Receiver of Revenue statement, PAYE, penalties and interest to the amount of N\$ 396 280 is payable. The Council must reconcile their accounting records with this statement and ensure that penalties are payable.

Due to the significance of this matter, the Auditor-General cannot express an opinion on the trade creditors, accrued expenses, provisions and consumer advances and deposits.

4.14 Cash and Bank

Outstanding cheques to the amount N\$ 232 004 were cancelled but not reversed in the cash-book and corresponding accounts. The bank balance is thus understated and expenses overstated by this amount.

Upon inspection of the bank reconciliations up to September 2013, this reversal has not yet been done.

Due to the significance of this matter, the Auditor-General cannot express an opinion on the cash and bank.

4.15 Internal Control

There is no sufficient system of internal control for the year under review.

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 |
|---|------------|-------------|-------------------|--------------------|
| Accumulated deficit 01/07/2012 | N\$ | N\$ | N\$ | N\$ (1 063 790) |
| General accounts | | | | |
| Non-profitable services | 9 590 244 | 16 048 877 | (6 458 633) | |
| Self-supporting services | 1 599 858 | 1 686 281 | (86 423) | |
| Trade accounts | | | | |
| Water | 8 735 398 | 12 527 081 | (3 791 683) | |
| | 19 925 500 | 30 262 239 | (10 336 739) | |
| Deficit for the year | | | | (10 336 739) |
| Adjustments and appropriations (Note 9, Annexure D) | | | | 3 666 960 |
| Accumulated deficit 30/06/2013 | | | | (7 733 569) |

The opening balance differs to the prior year financial statements. Refer to paragraph 4.10

7. CURRENT BANK ACCOUNT

The favourable bank statement balance on the current bank account amounted to N\$ 1 257 093 (2012: N\$ 4 200 149). Cheques not presented for payment amounted to N\$ 693 365 (2012: N\$ 533 645), resulting in a favourable cashbook balance of N\$ 563 727 (2012: N\$ 3 666 503).

In respect of the outstanding cheques, an amount of N\$ 232 004 was cancelled but not reversed. Also refer to paragraph 4.14.

There was a small difference between the cash-book and bank statement which could not be reconciled by the Council.

8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June 2013 were as follows:

| Institution | Investments | | Interest | |
|---------------------|-------------------|-------------------|----------|------|
| | 2013 | 2012 | 2013 | 2012 |
| | N\$ | N\$ | N\$ | N\$ |
| Invested at: | | | | |
| Commercial banks | 13 439 467 | 13 732 548 | - | - |
| | 13 439 467 | 13 732 548 | - | - |
| Distribution | | | | |
| Fixed Property Fund | 7 781 789 | 7 794 347 | - | - |
| Housing Fund | 2 254 216 | 1 157 591 | - | - |
| Revenue Fund | 3 403 461 | 4 780 610 | - | - |
| | 13 439 467 | 13 732 548 | - | - |

There was interest received on investments in current year. According to the auditors, these amounts were not posted to the income statement. They are only reconciled in the capital statements but the auditors could not trace them to the financial statements nor could they find journals which captured and allocated the interest.

9. FUND ACCOUNTS

The position of the fund and accounts is shown in note 6, 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 | |
|---|--------------------|--------------------|
| | 2013 | 2012 |
| | N\$ | N\$ |
| Sales | 5 513 248 | 4 506 600 |
| Cost of sales | (5 314 713) | (4 306 373) |
| Gross profit | 198 535 | 200 227 |
| Other income/ (expenses) | (3 990 218) | (3 249 668) |
| NET (LOSS)/PROFIT | (3 791 683) | (3 449 895) |
| Gross profit on cost of sales | 3.7% | 4.65% |
| Net (loss)/profit percentage on cost of sales | (71.34%) | 80.1% |

Decline trade results due to a significant increase in costs.

10.2 Distribution losses were as follows:

No distribution results for water were available for the year under review. The Council is urged to re-implement the auxiliary registers which enabled them to provide for water distribution losses for previous years.

11. SELF-SUPPORTING EXTERNAL SERVICES

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

| | Income | Expenses | Surplus/ (deficit) | Surplus/ (deficit) |
|--------------------|------------------|------------------|-----------------------|-----------------------|
| | 2013 | 2013 | 2013 | 2012 |
| | | | N\$ | N\$ |
| Cleansing services | 924 547 | 1 125 052 | (200 505) | (417 897) |
| Sewerage | 675 311 | 561 229 | 114 082 | 284 875 |
| | 1 599 858 | 1 686 281 | (86 423) | (133 022) |

The Council should implement measures to operate cleansing services on self supporting basis.

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

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

13. SUSPENSE ACCOUNTS

No suspense accounts were disclosed in the annual financial statements for the year under review.

14. IRREGULARITIES AND LOSSES

14.1 No irregularities by employees were reported.

14.2 No losses were reported.

15. CAPITAL PROJECTS

Capital expenditure for the 2013 financial year amounted to N\$ 12 006 612 (2012: N\$ 1 552 161) and comprises the following:

| | Revenue account | Total Expenditure 2013 | Total Expenditure 2012 |
|------------------------------|----------------------------|---------------------------------------|---------------------------------------|
| | N\$ | N\$ | N\$ |
| Road Infrastructure | 416 601 | 416 601 | - |
| Tipper trucks | 92 385 | 92 385 | - |
| Water network upgrade | 1 956 094 | 1 956 094 | - |
| Road maintenance Services | - | - | 360 282 |
| Hydro Blaster | 5 052 651 | 5 052 651 | - |
| Infrastructure Services | - | - | 16 193 |
| Toyota Tipper | - | - | 552 215 |
| Sewerage upgrade | - | - | 623 471 |
| Capital on 400 | 3 839 121 | 3 839 121 | - |
| | 649 760 | 649 760 | - |
| Total | 12 006 612 | 12 006 612 | 1 552 161 |

The vote accounts reflected capital charges to the amount of N\$ 5 134 278. However, the fixed assets register and the financial statements reflected a total capital expenditure amounting to N\$ 12 006 612 for the current year. Capital expenditure of N\$ 6 872 334 was incorrectly omitted from the vote accounts.

16. STUDY LOANS/BURSARIES

No bursaries or loans were granted during the year.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

A Government contribution of N\$ 9 110 000 (2012: 3 500 000) was received for the year under review.

18. COMPENSATION PAYMENTS

Compensation payments amounting to N\$ 865 174 were made by the Council during the year.

19. VISITS TO FOREIGN COUNTRIES

No foreign visits were undertaken during the year under review.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims for losses were received during the year.

21. GIFTS AND DONATIONS BY THE LOCAL AUTHORITY

No gifts/donations by/to the Local Authority were made during the year under review.

22. TRANSFER OF PROPERTY TO/FROM THE GOVERNMENT

No property was transferred to/or from the Government.

23. DEBTORS/CREDITORS

23.1 Debtors on 30 June 2013 comprise the following:

| | 2013 | 2012 |
|-------------------------------|-------------------|------------------|
| | N\$ | N\$ |
| Services to customers | 3 965 938 | 2 839 951 |
| Namwater debtors | 2 646 605 | 2 882 186 |
| Debtors corr | 8 167 931 | |
| Salary advances | - | 1 523 |
| Sundry debtors 511 | 5 600 | 800 |
| Debtors – Build Together | 7 092 818 | 5 756 761 |
| | 21 878 892 | 11 481 221 |
| Less: Provision for bad debts | (5 716 050) | (5 381 698) |
| | 16 162 842 | 6 099 523 |

23.2 Creditors on 30 June 2013 comprise the following:

| | 2013 | 2012 |
|----------------------------|-------------------|------------------|
| | N\$ | N\$ |
| Trade creditors | 534 116 | 485 119 |
| Sundry creditors: Namwater | 42 242 | 118 653 |
| Provision: Namwater | 1 308 070 | 3 938 086 |
| Provision for leave days | 600 000 | 400 000 |
| Namwater | 15 579 897 | 1 389 453 |
| Water payment | - | 1 226 800 |
| Customer deposit's | 265 | 265 |
| VAT | 2 706 190 | 2 295 290 |
| | 20 770 780 | 9 853 666 |

24. ASSESSMENT RATES

Net surplus from assessment rates amounted to N\$ 641 568 (2012: N\$ 642 751).

The gazetted tariffs were as follows:

N\$ 0.001 (2012: N\$ 0.001) per dollar on site values per year and N\$ 0.0126 (2012: N\$0.0126) per dollar on improvements per year.

No payments were made to the Regional Council as required by Section 77(1) of the Local Authorities Act.

25. LOANS

25.1 External loan

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

25.2 Internal loans

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

25.3 Housing loans

Housing loans advanced to buyers under the Build Together Scheme is disclosed as N\$ 7 092 818 (2012: N\$ 5 756 761) in the financial statements.

26. SALE OF ERVEN

No list of erven sales was provided by the Town Council for the year under review.

27. PROPERTY SOLD ON AN INSTALMENT BASIS

No property details of houses that were sold on instalment basis for the year under review could be provided.

28. TARIFF ADJUSTMENTS

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

29. APPROVALS

29.1 Excess on approved budget

There was excess spending noted in current year in certain votes. The auditors could not ascertain if the extra expenditure on certain votes was approved as the Council could not provide any proof.

30. STOCK AND EQUIPMENT

30.1 Motor vehicles

There was no auxiliary register for the year under review. Auditors could only obtain a list of vehicles registered under the Council's name.

30.2 Inventory

No inventory on store materials were recorded or disclosed in the annual financial statements for the financial year although inventories did exist.

31. SPECIAL INVESTIGATIONS

No special investigations were carried out during the year.

32. GENERAL

32.1 Internal controls

There is no sufficient system of internal control at the Town Council for the year under review. Proper segregation of duties is not possible due to the small number of staff employed.

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:

- Lack of supporting documentation
- Issues on property plant and equipment
- VAT / VAT accounting
- Accounts payable and accounts receivables
- Weaknesses in internal controls
- No stock/inventory disclosed in annual financial statements
- Debtors recoverability
- Funds and reserves
- Advances and housing loan debtors
- Investments
- Expenditure
- Bank reconciliation

34. DISCLAIMED AUDIT OPINION

The accounts of the Town Council of Opuwo for the financial year ended 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.

The statements have been prepared on the basis of accounting practices applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

I am unable to express an opinion on the financial statements of the financial year ended 30 June 2013 due to the following reasons:

- The inventory value at year end was not accounted for in the financial statements and inventory could not be verified because the auditors did not attend the stock count and alternative procedures could not be performed.
- Provision for bad debts of N\$ 5 716 050 could not be tested to determine if it was sufficient and adequate due to a lack of a detailed debtors age analysis and other supporting records. Furthermore, the existence, completeness and accuracy could also not be tested.
- Consumer deposits are insufficient. There hasn't been any movement in consumer deposits balance for the past 3 years.
- The special funds were not properly administered and statements were not prepared indicating as to how the closing balances were determined. The auditors could not test the Funds to the amount of N\$ 17 128 823 because of lack of supporting documents.
- Payroll reconciliation reflects an overstatement of N\$ 525 561, it was also found that some payroll reports were missing and as a result payroll as per the annual financial statements could not be reconciled to the reports.
- Property, plant and equipment reflects an over statement of N\$ 700 875 due to depreciation posted incorrectly.
- VAT (credit) balance of N\$ 2 706 190 could not be tested for completeness, existence accuracy and valuation due to the fact that the Council could not provide us with supporting documents. There was no proof that the Council indeed submitted its returns.
- Sale of erven N\$ 1 083 853 – No supporting documentation could be provided
- Basic sewerage N\$ 225 300 – No supporting documents could be provided.
- Additional sewerage N\$ 449 104 – No supporting documents could be provided
- Sundry income N\$ 227 332 – auditors could not verify this income due to lack of supporting documents.
- Contribution from Central Government (understated) N\$ 300 000 – The annual financial statements reflected income of N\$ 9 110 000 while correspondence from Central Government reflected an amount of N\$ 9 410 000.

- Cleansing services income could not be reconciled indicating an overstatement of N\$ 268 578.
- The auditors could not test the investments to the value of N\$ 13 439 467 due to no supporting documents provided by the Council.
- The auditors could also not test accounts payables, accrued expenses and provisions disclosed in the annual financial statements due to lack of supporting documentation.
- Most of the expenses were entered in the ledger inclusive of VAT.
- Appropriation account – The opening balance as per the prior year financial statements was a deficit of N\$ 1 063 790 however, the current year annual financial statements reflects an opening balance surplus of N\$ 522 841.
- No supporting documents could be provided for insurance.
- Outstanding cheques to the amount of N\$ 232 004 were cancelled but not reversed. The bank balance was thus understated and expenses overstated by this amount.

WINDHOEK, August 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

TOWN COUNCIL OF OPUWO

BALANCE SHEET AS AT 30 JUNE

| | Notes | 2013 | 2012 |
|-------------------------------------|-------|-------------------|-------------------|
| | | N\$ | N\$ |
| ASSETS | | | |
| Non-current assets | | | |
| | | 29 716 272 | 19 238 184 |
| Property, plant and equipment | 2 | 16 276 805 | 5 505 636 |
| Investments | 3 | 13 439 467 | 13 732 548 |
| Current assets | | | |
| | | 16 726 568 | 9 766 026 |
| Accounts receivable | 4 | 16 162 841 | 6 099 523 |
| Cash and cash equivalents | 8 | 563 727 | 3 666 503 |
| TOTAL ASSETS | | | |
| | | 46 442 840 | 29 004 210 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| | | 25 672 059 | 19 150 544 |
| Capital outlay | 5 | 16 276 805 | 5 505 636 |
| Funds and accounts | 6 | 9 395 254 | 13 644 908 |
| Current liabilities | | | |
| Accounts payable | 7 | 20 770 781 | 9 853 666 |
| TOTAL EQUITY AND LIABILITIES | | | |
| | | 46 442 840 | 29 004 210 |

TOWN COUNCIL OF OPUWO

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

| | <u>Note</u> | <u>2013</u> | <u>2012</u> |
|--------------------------------------|-------------|---------------------------|---------------------------|
| | | N\$ | N\$ |
| INCOME | | 19 925 499 | 12 112 733 |
| EXPENDITURE | | <u>(30 262 238)</u> | <u>(10 781 794)</u> |
| OPERATING PROFIT FOR THE YEAR | | (10 336 739) | 1 330 939 |
| NET LOSS FOR THE YEAR | | (10 336 739) | 1 330 939 |
| Add : Appropriation and adjustments | 9 | <u>3 666 960</u> | <u>237 094</u> |
| RETAINED PROFIT (LOSS) FOR THE YEAR | | (6 669 779) | 1 568 033 |
| 30 June 2012 | | <u>(1 063 790)</u> | <u>(2 631 823)</u> |
| 30 June 2013 | | <u>(7 733 569)</u> | <u>(1 063 790)</u> |

TOWN COUNCIL OF OPUWO

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

| | Notes | 2013 | 2012 |
|--|--------------|---------------------|--------------------|
| | | N\$ | N\$ |
| Cash flow from operating activities | | | |
| Cash receipts from customers | | 19 925 499 | 12 112 733 |
| Cash paid to suppliers | | (14 109 576) | (8 000 313) |
| Cash generated from operations | 10 | (5 815 983) | 4 112 420 |
| Investment income | | - | - |
| Net cash flow from operating activities | | (5 815 983) | 4 112 420 |
| Cash flow from investing activities | | | |
| Decrease/(Increase) in capital expenditure | | (10 771 169) | (795 674) |
| (Increase)/Decrease in investment | | 293 081 | (8 900 317) |
| Net cash flow from investing activities | | (10 478 088) | (9 695 991) |
| Cash flow from financing activities | | | |
| Movement in funds | | 13 191 293 | 7 653 391 |
| Net cash flow from financing activities | | 13 191 293 | 7 653 391 |
| Net increase in cash and cash equivalents | | (3 102 778) | 2 069 821 |
| Cash and cash equivalents at the beginning of the year | | 3 666 503 | 1 596 682 |
| Cash and cash equivalents at the end of the year | 8 | 563 727 | 3 666 503 |

TOWN COUNCIL OF OPUWO

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

1. ACCOUNTING POLICIES

The annual financial statements are compiled in accordance with the historical convention method 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, has 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.

1.1 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.

1.2 Inventories

Inventories are measured at lower of 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 present location and condition.

| | <u>2013</u> | <u>2012</u> |
|--|-------------------|-------------------|
| | N\$ | N\$ |
| 2. PROPERTY, PLANT AND EQUIPMENT | | |
| Consists of : | | |
| Property development, vehicles, plant and equipment | <u>16 276 805</u> | <u>5 505 636</u> |
| Financed by : | | |
| Revenue account | <u>16 276 805</u> | <u>5 505 636</u> |
| | <u>16 276 805</u> | <u>5 505 636</u> |
| 3. INVESTMENTS | | |
| Commercial banks and building societies | <u>13 439 467</u> | <u>13 732 548</u> |
| The investments were allocated as follows: | | |
| Housing Fund | 2 254 216 | 1 157 591 |
| Fixed Property Fund | 7 781 789 | 7 794 347 |
| Revenue Property Fund | <u>3 403 462</u> | <u>4 780 610</u> |
| Total | <u>13 439 467</u> | <u>13 732 548</u> |

TOWN COUNCIL OF OPUWO

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

| | 2013 | 2012 |
|---|-------------------|-------------------|
| | N\$ | N\$ |
| 4. TRADE AND OTHER RECEIVABLES | | |
| Service customers | 3 965 938 | 2 839 951 |
| Namwater debtor | 2 646 605 | 2 882 186 |
| Debtors corr 511 | 8 167 931 | |
| Sundry debtors 511 | 5 600 | 800 |
| Debtor: Build Together | 7 092 818 | 5 756 761 |
| Salary Advances | - | 1 523 |
| | 21 878 892 | 11 481 221 |
| <i>Less :</i> | | |
| Provision for doubtful debts | (5 716 050) | (5 381 698) |
| | 16 162 842 | 6 099 523 |
| 5. CAPITAL OUTLAY | | |
| Revenue contributions | 16 276 805 | 5 505 636 |
| General Capital Contributions | - | - |
| | 16 276 805 | 5 505 636 |
| 6. FUNDS AND ACCOUNTS | | |
| Fixed Property Fund | 7 781 789 | 7 794 347 |
| Housing Fund | 9 347 034 | 1 157 591 |
| Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992. | (7 733 569) | (1 063 791) |
| | 9 395 254 | 7 888 148 |
| | 25 672 059 | 13 644 908 |
| 7. TRADE AND OTHER PAYABLES | | |
| Trade creditors | 534 116 | 485 119 |
| Sundry creditors: Namwater | 42 242 | 118 653 |
| Provision: Namwater | 1 308 070 | 3 938 086 |
| Provision for leave days | 600 000 | 400 000 |
| Namwater | 15 579 897 | 1 389 453 |
| Water payment | - | 1 226 800 |
| Customer deposits | 265 | 265 |
| VAT control account | 2 706 190 | 2 295 290 |
| | 20 770 780 | 9 853 666 |

TOWN COUNCIL OF OPUWO

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

| | 2013 | 2012 |
|--|--------------------|------------------|
| | N\$ | N\$ |
| 8. CASH AND BANK BALANCES | | |
| Current bank account | 563 727 | 3 666 503 |
| | 563 727 | 3 666 503 |
| 9. ADJUSTMENTS AND APPROPRIATIONS | | |
| Previous year adjustments: | | |
| Provision for bad debts | (334 352) | (941 322) |
| Leave provision | (200 000) | - |
| Correction to J99 Namwater | 2 662 093 | 1 048 795 |
| Unknown difference | - | (2 127 580) |
| Adjustment | - | (8 723) |
| Prior year adjustments: | | |
| Prior year corrections | (57 010) | - |
| Bank reconciliation correction | - | 2 265 924 |
| Previous year creditors written back | 9 596 | - |
| Opening balance of appropriation account | 1 586 633 | - |
| | 3 666 960 | 237 094 |
| 10. CASH UTILISED IN OPERATIONS | | |
| Net operating profit (deficit) before transfers | (10 336 739) | 1 330 939 |
| Adjustments (appropriations) | 3 666 960 | 237 094 |
| 10.1 Operating income before changes in working capital | (6 669 779) | 1 568 033 |
| Changes in working capital | | |
| Increase in trade and other payables | 10 917 114 | 976 655 |
| (Increase) / decrease in trade and other receivables | (10 063 318) | 1 567 732 |
| | 853 796 | 2 544 387 |
| | (5 815 983) | 4 112 420 |