



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**  
**TOWN COUNCIL OF OPUWO**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

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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 2014, 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, May 2015**

**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 2014**

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**1. INTRODUCTION**

The accounts of the Town Council of Opuwo for the year ended 30 June 2014 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 2014 of inventory due to poor record keeping at the Town Council.

##### 4.2 Accounts receivable (\*)

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, and if the amounts outstanding appear to be high, consideration should be given to implement strict recovery measures in order to maintain the integrity of the accounting records of the Town Council.

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

	2014	2013
	N\$	N\$
Consumer accounts debt outstanding	7 831 751	14 780 474
Provision for bad debts	(7 097 423)	(5 716 050)
Percentage (decrease) / increase in outstanding debts	47.0%	158.3%
Percentage increase in provision for bad debts	24.0%	6.2%
Percentage provision vs. Debt	(90.62%)	(38.67%)

Although there was a decrease in trade receivables for the current year in comparison with the prior year, the Council is still facing collection problems. This is indicative by the fact that the provision for bad debts increased by 24%. The inability of the Council to implement an effective collection mechanism may compromise its cash flows, thereby hindering progress on project implementation. The outstanding balance of the debtors was incorrect with credit balances having been unallocated to their respective accounts.

##### 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 (\*)

The Receiver of Revenue printout showed an amount owed to Council of N\$ 5 295 370 whereas the general ledger reflects a payable balance of N\$ 6 954 741. An amount of N\$ 213 898 was transferred from the VAT account to the Pay-As-You-Earn account to clear the balance. The balance was not reflected in the Council's

records. However, after the transfer from the VAT account by the Receiver of Revenue, the balance was NIL at year-end.

The calculation of VAT based on opening balance, returns for the year and refunds received differed with N\$ 1 099 096 from the general ledger balance. Per calculations, output VAT and input VAT have been under declared.

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

Consequently as a result of the unavailability of a comprehensive reconciliation between the VAT per accounting records and the VAT per Inland Revenue records, the Auditor-General cannot express an opinion on VAT of the Council.

#### **4.5 Property, plant and equipment (\*)**

The fixed assets register provided by the client was incomplete as three motor vehicles with an insured amount of N\$ 1 851 993 were not reflected.

Water network upgrade 2013 and Sewerage 2013 were not depreciated correctly and the property, plant and equipment of the prior year was not corrected this year. Accumulated depreciation is therefore understated with N\$ 700 875.

The capital expenditure statement reflected expenditure amounting to N\$ 13 789 372 for the current year while the fixed assets register and the annual financial statements recorded additions to the amount of N\$ 13 734 639.

The auditors also noted that the property, plant and equipment is over insured by N\$ 866 778. It is critical that the Council reviews and updates the list of assets that are insured as they are acquired and disposed. This will ensure that the Council does not suffer unnecessary costs.

#### **4.6 Payroll (\*)**

The Pay-As-You-Earn for the months of July, August, October, December 2013 and April and May 2014 were lodged to the Receiver of Revenue after the due dates. This is in contravention of the Income Tax Act and the Council may suffer penalties and interest charges levied on these non-compliances.

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

Weaknesses were identified in the administration of the Build Together and Fixed Property Funds. These weaknesses were also noted in the previous period. As a result, the auditors could not rely on the opening balances of the said Funds.

No reconciliations and supporting documentation were provided for the Housing and Fixed Property Funds.

Interest on investments to the amount of N\$ 65 082 was not credited to the Build Together Fund.

The information pertaining to the loans for the Build Together Housing Fund are not captured on the FINSTEL program, as a result, the Council is likely to suffer financial losses if these records are destroyed.

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

#### **4.8 Income (\*)**

The Council could not provide supporting documentation for the following revenue accounts:

Sale of Erven – N\$ 1 270 416: The auditors could also not establish if the debtors from the sale of ervens were included in the total debtors balances reflected on the balance sheet. All information relating to the sales of erven is not captured on FINSTEL. As a result, the Council stands to lose money if records are destroyed.

Water consumption – N\$ 6 574 680: No reports or supporting documents were available to re-compute the water consumption income for the year.

Sewerage basic – N\$ 251 374: No reports or supporting documents were available to re-compute the sewerage income for the year.

Sewerage Additional – N\$ 471 993: No reports or supporting documents were available to re-compute the sewerage income for the year.

Sundry income – N\$ 452 791: No supporting documents could be provided.

No confirmation could be obtained for a contribution from Central Government TIPEEG to the amount of N\$ 11 459 375. The budget however included an approved amount of N\$ 14 700 000. The completeness of contributions received could thus not be ascertained.

An amount of N\$ 2 500 000 from Central Government was received in 2013 but was accounted for in the current financial year.

Due to the significance of these matters, the Auditor – General cannot express an opinion on the above income accounts.

#### **4.9 Expenditure (\*)**

As reported in prior year, invoices for expenditure were recorded and processed inclusive of VAT. As a result the expenditure on the income statement is overstated. The resulting surplus recorded in the current year is understated.

Furthermore no supporting documentation could be provided for consulting fees amounting to N\$ 1 104 197, Repairs and maintenance to the amount of N\$ 167 827 and Bank charges amounting to N\$ 241 488.

Land and buildings compensation expenses amounting to N\$ 1 605 094 could not be verified due to lack of valuation reports or agreements.

Due to the significance of these, the Auditor cannot express an opinion on the expenditure accounts.

#### **4.10 Trade creditors, accrued expenses, provisions, consumer advance and deposits (\*)**

As reported in prior years, no creditors reconciliations were performed during the year under review. The auditors were unable to perform audit tests on the Namwater creditors for 2014 with a balance of N\$ 8 275 608 (2013: N\$ 15 579 897), Sundry creditors N\$ 685 527 (2013: N\$ 42 242) and Trade creditors N\$ 535 146 (2013: N\$ 534 116) due to the unavailability of supplier statements as proof for the balances outstanding. Trade creditors tested were also not agreeing to the financial statements. The same creditors' balances could not be traced to subsequent bank statements after alternative procedures were applied.

The leave provision could also not be recalculated due to the fact that no leave register was available. The calculation was based on 60 days leave for all employees.

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

#### 4.11 Advances

Records of funds advanced to beneficiaries of the Build Together Housing Fund are not captured on FINSTEL. The Council is exposed to financial losses if these records are destroyed. An attempt to reconcile the total balance owed by beneficiaries could not be performed successfully.

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

### 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
<b>Accumulated deficit 01/07/2013</b>	N\$	N\$	N\$	N\$ (7 733 569)
<b>General accounts</b>				
Non-profitable services	23 002 628	21 331 469	1 671 159	
Self-supporting services	1 793 553	2 638 343	(844 790)	
<b>Trade accounts</b>				
Water	7 195 777	5 934 494	1 261 283	
	31 991 958	29 904 306	2 087 652	
Surplus for the year				2 087 652
Adjustments and appropriations (Note 9, Annexure D)				(2 468 485)
<b>Accumulated deficit 30/06/2014</b>				<b>(8 114 402)</b>

### 7. CURRENT BANK ACCOUNT

The favourable bank statement balance on the current bank account amounted to N\$ 5 570 882 (2013: N\$ 1 257 093). Cheques not presented for payment amounted to N\$ 473 017 (2013: N\$ 693 365), resulting in a favourable cash-book balance of N\$ 5 097 865 (2013: N\$ 563 727).

There was an unexplained difference between the confirmed balance and the bank statement closing balance of N\$ 11 120.

## 8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June 2014 were as follows:

Institution	Investments		Interest	
	2014	2013	2014	2013
	N\$	N\$	N\$	N\$
<b>Invested at:</b>				
Commercial banks	13 439 467	13 439 467	-	-
	<b>13 439 467</b>	<b>13 732 548</b>	-	-
<b>Distribution</b>				
Fixed Property Fund	8 444 549	7 781 789	-	-
Housing Fund	2 279 012	2 254 216	-	-
Revenue Fund	4 101 995	3 403 461	-	-
	<b>14 825 556</b>	<b>13 439 467</b>	-	-

There was interest received on investments to the amount of N\$ 714 059 in the current year. These amounts are not reflected under revenue and the Build Together Fund; however the interest is included in investments. The contra-account could not be explained. Also refer to paragraph 4.7 and 4.8.

## 9. FUND ACCOUNTS

The position of the fund and accounts is shown in note 6 at annexure D.

## 10. TRADE ACCOUNTS

### 10.1 Operating results

The results for the financial year under review and the previous year were as follows:

	Water	
	2014	2013
	N\$	N\$
Sales	6 574 680	5 513 248
Cost of sales	(5 400 558)	(5 314 713)
Gross profit	1 174 122	198 535
Other income/(expenses)	87 161	(3 990 218)
<b>NET SURPLUS/(DEFICIT)</b>	<b>1 261 283</b>	<b>(3 791 683)</b>
Gross profit on cost of sales	22.0%	3.7%
Net surplus / (deficit) percentage on cost of sales	(23.35%)	(71.34%)

The increase in sales of water is proportionate with the increase in sales of ervens which indicates an increase in household consumption of water.

### 10.2 Distribution losses

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

	<b>Income 2014</b>	<b>Expenses 2014</b>	<b>Surplus/ (deficit) 2014</b>	<b>Surplus/ (deficit) 2013</b>
	N\$	N\$	N\$	N\$
Cleansing services	1 041 027	2 044 915	(1 003 888)	(200 505)
Sewerage	752 525	593 427	159 098	114 082
	<b>1 793 552</b>	<b>2 638 342</b>	<b>(844 790)</b>	<b>(86 423)</b>

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 2014 financial year amounted to N\$ 13 789 372 (2013: N\$ 12 006 612) and comprises the following:

	<b>Revenue Account 2014</b>	<b>Total expenditure 2014</b>	<b>Total expenditure 2013</b>
	N\$	N\$	N\$
Road Infrastructure	414 679	414 679	416 601
Tipper trucks	897 781	897 781	92 385
Water network upgrade	-	-	1 956 094
Otuzemba project	5 504 576	5 504 576	-
Services	-	-	5 052 651
Motor vehicles	54 734	54 734	-
Fire fighting house	20 100	20 100	-
Sewerage upgrade	6 897 502	6 897 502	3 839 121
Capital on 400	-	-	649 760
<b>Total</b>	<b>13 789 372</b>	<b>13 789 372</b>	<b>12 006 612</b>

The vote accounts reflected capital charges to the amount of N\$ 13 789 372. However the fixed asset register and the financial statements reflected a total capital expenditure amounting to N\$ 13 734 639 for the current year, as a result capital expenditure of N\$ 54 733 was incorrectly omitted on the fixed asset register.

## 16. STUDY LOANS/BURSARIES

No bursaries or loans were granted during the year.

## 17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

Government contribution amounting to N\$ 19 959 375 (2013: 9 110 000) were received for the year under review. Also refer to paragraph 4.8.

## 18. COMPENSATION PAYMENTS

Compensation payments amounting to N\$ 1 605 094 (2013: 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 2014 comprise the following:

	2014	2013
	N\$	N\$
Services to customers	4 347 038	3 965 938
Namwater debtors	3 484 713	2 646 605
Debtors	-	8 167 931
Namwater payments	353 608	-
Salary advances	-	-
Sundry debtors 511	7 005	5 600
Debtors – Build Together	7 065 577	7 092 818
	15 257 941	21 878 892
Less: Provision for bad debts	(7 097 423)	(5 716 050)
	<b>8 160 518</b>	<b>16 162 841</b>

**23.2 Creditors** on 30 June 2014 comprise the following:

	<b>2014</b>	<b>2013</b>
	N\$	N\$
Trade creditors	535 146	534 116
Sundry creditors: Namwater	685 527	42 242
Provision: Namwater	1 258 152	1 308 070
Provision for leave days	628 618	600 000
Namwater	8 275 608	15 579 897
Customer deposit's	265	265
Regional Council	64 157	-
VAT	6 954 742	2 706 190
	<b>18 409 206</b>	<b>20 770 780</b>

**24. ASSESSMENT RATES**

Net surplus from assessment rates amounted to N\$ 641 568 (2013: N\$ 641 568).

There were no changes to the gazetted tariffs. The charges remained at N\$ 0.001 (2013: N\$ 0.001) per dollar on site values per year and N\$ 0.0126 (2013: N\$0.0126) per dollar on improvements per year.

A payment of N\$ 32 078 (2013: N\$ 32 078) was 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\$ 7 065 577 (2013: N\$ 7 092 818) in the financial statements.

**26. SALE OF ERVEN**

Information provided by the Council shows that an amount of N\$ 1 270 416 was recognised from the sale of erven. This amount could however not be linked to any Finstel reports for completeness.

**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**

No tariff changes were applied as there was no change to the Government Gazette on tariff rates.

## **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 were addressed to the Chief Executive Officer.

## **34. DISCLAIMED AUDIT OPINION**

The accounts of the Town Council of Opuwo for the financial year ended 30 June 2014, 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 2014 due to the following reasons:

- The inventory value at year-end was not accounted for in the financial statements;
- Consumer deposits are insufficient.
- The outstanding balances of debtors was incorrect with credit balances being unallocated to their respective accounts.

- No reconciliations were given for the Build Together and the Fixed Housing Funds which the Council administers;
- The records of funds disbursed for the Build Together Housing Project are not captured on the FINSTEL system. The auditors could not establish the amount that the beneficiaries owe the Fund and consequently debtors' completeness was not satisfied.
- Property, plant and equipment are understated due to the exclusion of three motor vehicles that were reflected in the Council's insurance contract. Accumulated depreciation is understated by N\$ 700 875.
- The calculation of VAT based on opening balance, returns for the year and refunds received differed with N\$ 1 099 096 from the general ledger balance;
- Sale of erven amounting to N\$ 1 270 416 – no supporting documentation.
- Sewerage – Basic N\$ 251 374, Sewerage – Additional amount of N\$ 471 993 and new connections totalling N\$ 29 158 – No supporting documents could be provided;
- Sundry Income N\$ 452 791 – The auditors could not verify this income due to lack of supporting documents.
- Contribution from Central Government TIPEEG of N\$ 11 459 375 – Confirmation of this amount was not provided to the auditors;
- The auditors could also not test accounts payables, accrued expenses and provisions disclosed in the annual financial statements due to lack of supporting documentation.
- As reported in the prior year, most of the expenses were entered in the ledger inclusive of VAT.
- No supporting documents could be provided for the following expenditure line items: Consulting fees amounting to N\$ 1 104 197, repairs and maintenance amounting to N\$ 167 827 and bank charges amounting to N\$ 241 488.
- There were no proper documents and valuation reports for inspection relating to land and buildings compensation payments done for the year.

WINDHOEK, May 2015

**JUNIAS ETUNA KANDJEKE**  
**AUDITOR-GENERAL**

## TOWN COUNCIL OF OPUWO

## BALANCE SHEET AS AT 30 JUNE 2014

<b>ASSETS</b>	<b>Notes</b>	<b>2014</b>	<b>2013</b>
		N\$	N\$
<b>Non-current assets</b>		41 548 046	29 716 272
Property, plant and equipment	2	26 722 490	16 276 805
Investments	3	14 825 556	13 439 467
<b>Current assets</b>		13 258 387	16 726 568
Accounts receivable	4	8 160 519	16 162 841
Cash and cash equivalents	8	5 097 868	563 727
<b>TOTAL ASSETS</b>		<b>54 806 433</b>	<b>46 442 840</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		36 397 227	25 672 059
Capital outlay	5	26 722 490	16 276 805
Funds and accounts	6	9 674 737	9 395 254
<b>Current liabilities</b>			
Accounts payable	7	18 409 206	20 770 781
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>54 806 433</b>	<b>46 442 840</b>

## TOWN COUNCIL OF OPUWO

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## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	<u>Note</u>	<u>2014</u>	<u>2013</u>
		N\$	N\$
INCOME		31 991 958	19 925 499
EXPENDITURE		<u>(29 904 306)</u>	<u>(30 262 238)</u>
<b>OPERATING PROFIT FOR THE YEAR</b>		<b>2 087 652</b>	<b>(10 336 739)</b>
Interest earned		-	-
<b>NET LOSS FOR THE YEAR</b>		<b>2 087 652</b>	<b>(10 336 739)</b>
Add : Appropriation and adjustments	9	<u>(2 468 485)</u>	<u>3 666 960</u>
RETAINED PROFIT FOR THE YEAR		(380 833)	(6 669 779)
30 June 2013		<u>(7 733 569)</u>	<u>(1 063 790)</u>
<b>30 June 2014</b>		<b><u>(8 114 402)</u></b>	<b><u>(7 733 569)</u></b>

## TOWN COUNCIL OF OPUWO

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	<b>Note</b>	<b>2014</b>	<b>2013</b>
		N\$	N\$
<b>Cash flow from operating activities</b>			
Cash receipts from customers		31 991 958	19 925 499
Cash paid to suppliers		(37 251 873)	(14 109 576)
<b>Cash generated from operations</b>	10	<b>5 259 916</b>	<b>(5 815 982)</b>
Investment income		-	-
<b>Net cashflow from operating activities</b>		<b>5 259 916</b>	<b>(5 815 982)</b>
<b>Cash flow from investing activities</b>			
Decrease / (Increase) in capital expenditure		(10 445 685)	(10 771 169)
(Increase)/ Decrease in investment		(1 386 089)	293 081
<b>Net cashflow from investing activities</b>		<b>(11 831 774)</b>	<b>(10 478 088)</b>
<b>Cash flow from financing activities</b>			
Movement in funds		11 106 000	13 191 293
<b>Net cashflow from financing activities</b>		<b>11 106 000</b>	<b>13 191 293</b>
Net increase in cash and cash equivalents		<b>4 534 142</b>	<b>(3 102 776)</b>
Cash and cash equivalents at the beginning of the year		<b>563 727</b>	<b>3 666 503</b>
Cash and cash equivalents at the end of the year	8	<b>5 097 868</b>	<b>563 727</b>



## TOWN COUNCIL OF OPUWO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

**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.

	<b>2014</b>	<b>2013</b>
	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Consists of :</b>		
Property development, vehicles, plant and equipment	<b>26 722 490</b>	<b>16 276 805</b>
<b>Financed by :</b>		
Revenue account	26 722 490	16 276 805
	<b>26 722 490</b>	<b>16 276 805</b>
<b>3. INVESTMENTS</b>		
Commercial banks and building societies	<b>14 825 556</b>	<b>13 439 467</b>
The investments were allocated as follows:		
Housing Fund	2 279 012	2 254 216
Fixed Property Fund	8 444 549	7 781 789
Revenue Property Fund	4 101 995	3 403 462
Total	<b>14 825 556</b>	<b>13 439 467</b>

## TOWN COUNCIL OF OPUWO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	<b>2014</b>	<b>2013</b>
	N\$	N\$
<b>4. TRADE AND OTHER RECEIVABLES</b>		
Service customers	4 347 038	3 965 938
Namwater debtor	3 484 713	2 646 605
Debtors corr 511	-	8 167 930
Sundry debtors 511	7 005	5 600
Debtor: Build Together	7 065 577	7 092 818
Namwater payments	353 609	-
	<b>15 257 943</b>	<b>21 878 890</b>
<i>Less :</i>		
Provision for doubtful debts	(7 097 423)	(5 716 050)
	<b>8 160 520</b>	<b>16 162 841</b>
<b>5. Capital Outlay</b>		
Revenue contributions	26 722 490	16 276 805
General Capital Contributions	-	-
	<b>26 722 490</b>	<b>16 276 805</b>
<b>6. FUNDS AND ACCOUNTS</b>		
Fixed Property Fund	8 444 549	7 781 789
Housing Fund	9 344 589	9 347 034
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(8 114 401)	(7 733 569)
	<b>9 674 737</b>	<b>9 395 254</b>
	<b>36 397 227</b>	<b>25 672 059</b>
<b>7. TRADE AND OTHER PAYABLES</b>		
Trade creditors	535 146	534 116
Sundry creditors: Namwater	685 527	42 242
Provision: Namwater	1 258 152	1 308 070
Provision for leave days	628 618	600 000
Namwater	8 275 608	15 579 897
Water payments - 514	6 990	
Customer deposits	265	265
Other payables	64 158	-
VAT control account	6 954 742	2 706 190
	<b>18 409 206</b>	<b>20 770 781</b>
<b>8. CASH AND BANK BALANCES</b>		
Current bank account	5 097 868	563 727
	<b>5 097 868</b>	<b>563 727</b>

## TOWN COUNCIL OF OPUWO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	<b>2014</b>	<b>2013</b>
	N\$	N\$
<b>9. ADJUSTMENTS AND APPROPRIATIONS</b>		
Previous year adjustments:		
Provision for bad debts	(1 381 373)	(334 352)
Leave provision	(28 618)	(200 000)
Correction to J99 Namwater	-	2 662 093
Opening balance adjustment	(878 088)	-
Adjustment	(659 178)	-
Prior year adjustments:		
Prior year corrections	-	(57 010)
Debtors Namwater	478 772	-
Previous year creditors written back	-	9 596
Opening balance of appropriation account	-	1 586 633
	<b>(2 468 485)</b>	<b>3 666 960</b>
<b>10. CASH UTILISED IN OPERATIONS</b>		
Net operating profit (deficit) before transfers	2 087 652	(10 336 739)
Adjustments (appropriations)	(2 468 485)	3 666 960
Investment income	-	-
<b>10.1 Operating income before changes in working capital</b>	<b>(380 833)</b>	<b>(6 669 778)</b>
<b>Changes in working capital</b>		
(Decrease)/increase in trade and other payables	(2 361 574)	10 917 114
(Increase)/decrease in trade and other receivables	8 002 323	(10 063 318)
	<b>5 640 749</b>	<b>853 796</b>
	<b>5 259 916</b>	<b>(5 815 982)</b>