



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF OUTAPI

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013

Published by authority

Price (Vat excluded) N\$ 27.83
Report no 16/2014

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 Outapi 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, February 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. INTRODUCTION

The accounts of the Town Council of Outapi 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 MAC & Associates 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. Figures in brackets indicate deficits.

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, 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 on 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

4.1 Property, plant and equipment – completeness

A donated vehicle valued at N\$ 1 978 541 is not included in the financial statements resulting in understatement of the property, plant and equipment and the related appropriation account.

4.2 Investments in equities

The investments by the Town Council in the shareholding of Local Authorities Electricity Company (Pty) Ltd are not reflected in the financial statements.

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
	N\$	N\$	N\$	N\$
Accumulated surplus 01/07/2012				19 490 118
General accounts				
Rates and general	5 985 386	24 218 899	(18 233 513)	
Non-profitable services	11 378 861	5 854 531	5 524 330	
Self-supporting services	5 616 231	5 180 516	435 715	
Trade accounts				
Water	4 052 393	3 311 880	740 513	
Electricity	1 851 439	730 561	1 120 878	
	28 884 310	39 296 387	(10 412 077)	
Deficit for the year				(10 412 077)
Adjustments and appropriations (Note 9, Annexure D)				(1 715 829)
Accumulated surplus 30/06/2013				7 362 212

7. CURRENT BANK ACCOUNT

	2013	2012
	N\$	N\$
Cash-book balance at 30 June	182 439	158 698
Outstanding cheques	1 489 237	1 064 542
Other	-	(18 632)
Balance as per bank statement	1 671 676	1 204 608

8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June 2013 were as follows:

Institution	Investments		Interest	
	2013	2012	2013	2012
Invested at:	N\$	N\$	N\$	N\$
Commercial banks	25 810 416	23 472 323	931 249	985 368
	25 810 416	23 472 323	931 249	985 368
Distribution				
Capital Reserve Fund	5 026 055	341 385	28 650	6 246
Shack Dwellers Fund	489 325	361 414	8 695	3 689
Build Together Fund	2 817 362	1 515 334	40 096	18 998
Government Contribution Fund	2 481 717	2 289 567	192 150	41 888
Revenue Fund	9 995 957	18 964 625	661 658	914 546
Loan proceeds	5 000 000	-	-	-
	25 810 416	23 472 323	931 249	985 368

9. FUND ACCOUNTS

The position of internal Funds and Reserves as at year end 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 are as follows:

	Water	
	2013	2012
	N\$	N\$
Sales	3 957 306	2 965 055
Cost of sales	(2 116 479)	(1 730 538)
Gross profit	1 840 827	1 234 517
Other income/ (expenses)	(1 100 314)	(908 122)
NET PROFIT	740 513	326 395
Gross profit on sales	46.5%	41.6%
Net profit percentage on sales	18.7%	11.0%

10.2 Water distribution results were as follows:

Water distribution results, in cubic metres (m³), were as follows:

	Water	
	2013	2012
	m ³	m ³
Sold	258 214	224 612
Bought	238 259	212 517
Distribution gain	19 995	12 095
Gain as percentage of units bought	8%	6%

11. SELF-SUPPORTING EXTERNAL SERVICES

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

	Income 2013	Expenses 2013	Surplus/ (Deficit) 2013	Surplus/ (Deficit) 2012
	N\$	N\$	N\$	N\$
Licenses and vehicle registration	1 468 175	1 124 296	343 879	262 586
Open Market	437 613	584 223	(146 610)	(204 340)
Waste management	1 543 282	1 732 697	(189 415)	364 096
Sewerage	2 167 161	1 739 301	427 860	778 991
	5 616 231	5 180 517	435 714	1 201 333

Council should put measures in place to make the non self-supporting to become self-supporting.

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

The audit did not reveal any fruitless, unauthorized or avoidable expenditure that were incurred during the year under review.

13. SUSPENSE ACCOUNTS

The suspense accounts balance amounted to N\$ 3 975 150 (2012: N\$ 208 753) for the year under review. These accounts are properly maintained, controlled and reconciled on a regular basis.

14. IRREGULARITIES AND LOSSES

14.1 The audit did not reveal any irregularities.

14.2 No losses were reported.

15. CAPITAL PROJECTS

Capital expenditure for the 2013 financial year amounted to N\$ 19 092 512 (2012: N\$ 9 496 829) and comprises the following:

	Financed by: General capital	Financed by: Revenue account	Total Expenditure 2013	Total Expenditure 2012
	N\$	N\$	N\$	N\$
Council – General expenses	-	357 189	357 189	3 559
Town clerk	-	2 999	2 999	10 027
Town administration	-	924 801	924 801	593 438
Town treasurer	-	-	-	8 965
Town engineer	-	13 877 670	13 877 670	4 870 646
Health	-	38 684	38 684	5 173
Town planning and development	-	791 450	791 450	3 683 730
Workshop	-	348 551	348 551	300 000
Streets and sidewalks	-	1 022 789	1 022 789	-
Local , Economic and Tourism	-	5 564	5 564	21 291
Waste management	-	773 274	773 274	-
Water supply	54 659	-	54 659	-
Electricity services	164 321	730 561	894 882	-
	218 980	18 873 532	19 092 512	9 496 829

16. STUDY LOANS/BURSARIES

No bursaries or loans were granted during the year.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

No contributions, grants and financial aid were made during the year under review.

18. COMPENSATION PAYMENTS

Compensation payments amounting to N\$ 7 655 359 (2012: N\$ 3 671 172) were made during the year.

19. VISITS TO FOREIGN COUNTRIES

A foreign trip to China at a total cost of N\$ 107 984 was approved by the Minister.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

The Town Council received a claim of N\$ 30 903 121 from the Onawa Business Venture for land compensation. The case was handed over to the lawyers and the Ministry. There is no progress on the matter.

21. GIFTS AND DONATIONS BY THE LOCAL AUTHORITY

An amount of N\$ 12 000 (2012: N\$ 1 000) was paid as donations during the year under review.

22. TRANSFER OF PROPERTY TO/FROM THE GOVERNMENT

No property was transferred to/or from the Government.

23. TRADE AND OTHER RECEIVABLES/PAYABLES

23.1 Trade and other receivables at 30 June 2013 comprise the following:

	2013	2012
	N\$	N\$
Consumer debtors	8 775 803	7 529 634
Build Together debtors	1 226 765	1 072 663
Other	961 887	193 769
Shack Dwellers	763 911	931 958
Value added taxation	260 193	288 432
	11 988 559	10 016 456
Less: Provision for bad debts	(5 732 754)	(5 145 255)
	6 255 805	4 871 201

The average collection period of trade receivables, before taking the provision for bad debts into account, is 218 days (2012: 196 days). The Council should attend to the arrears as a matter of urgency.

23.2 Trade and other payables at 30 June 2013 comprise the following:

	2013	2012
	N\$	N\$
Trade creditors and other accruals	710 583	583 793
Provision for leave pay	1 555 083	1 045 230
Consumer deposits	442 239	401 600
Sundry payables	30 106	7 439
Suspense account	3 975 150	208 753
	6 713 161	2 246 815

24. ASSESSMENT RATES

	2013	2012
	N\$	N\$
The proceeds from assessment rates	3 925 554	3 412 225
Business		
Tariffs per N\$1 valuation per annum – Site valuation	0.05844	0.05845
Tariffs per N\$1 valuation per annum – Improvements	0.00704	0.00705
Residential		
Tariffs per N\$1 valuation per annum – Site valuation	0.04840	0.04841
Tariffs per N\$1 valuation per annum – Improvements	0.00600	0.00601

25. LOANS

25.1 External loan

External loan balances due totalled N\$ 5 000 000 at 30 June 2013 (2012: N\$ nil). At year end the loan proceeds had not been utilised and repayment will commence 31 July 2014.

25.2 Internal loans

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

25.3 Housing loans

	2013	2012
	N\$	N\$
Build Together Fund advances	1 226 765	1 072 663
Shack Dwellers Housing advances	763 911	931 958

26. SALE OF ERVEN

During the current financial year, cash proceeds to the value of N\$ 3 693 284 (2012: N\$ 3 022 739) were received for erven sold and allocated to the revenue account.

27. PROPERTY SOLD ON AN INSTALMENT BASIS

During the current financial year, proceeds to the value of N\$ 1 885 641 (2012: N\$ 3 801 048) were received for erven sold on an instalment basis and allocated to the revenue account.

28. TARIFF ADJUSTMENTS

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

29. APPROVALS

Approvals for all over expenditure were obtained.

30. STOCK AND EQUIPMENT

30.1 Motor vehicles

	Sedan vehicles		LDV and kombi's		Heavy vehicles (Lorries and busses)	
	Number	Value	Number	Value	Number	Value
On hand 01/07/2012	2	N\$ 263 428	3	N\$ 277 840	1	N\$ 1 215 000
Acquisitions	-	-	1	352 510	1	-
Depreciation		(31 755)		(51 528)		(135 000)
On hand 30/06/2013	2	263 428	4	277 840	2	1 080 000

Log books were reviewed and were found to be completed accurately and on time.

Inventory

As per final stock sheets provided by the Council, stock comprising stationery and consumables amounted to N\$ 384 712 (2012: N\$ 370 433).

31. SPECIAL INVESTIGATIONS

No special investigations were carried out during the year.

32. GENERAL

32.1 Internal controls

The accounting and internal controls applied by the Council are satisfactory, except where indicated in this report. Proper segregation of duties is feasible but hindered by the small number of staff employed.

32.2 Temporary advances

There were temporary advances from the Funds to revenue amounting to N\$ 754 364 (2012: N\$ 624 903) for the year under review.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries were discussed with management.

34. QUALIFIED AUDIT OPINION

The accounts of the Town Council of Outapi 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 audit opinion has been qualified due to the following reasons.

- Understatement of property, plant and equipment and the related appropriation account
- The investment in the shareholding of the Local Authorities Electricity company is not reflected in the financial statements.

Except for the effects of any adjustments which might be necessary as referred to in the preceding paragraph, in my opinion, the financial statements fairly present the financial position of the Town Council as at 30 June 2013, and the results of its operations and cash flows for the year then ended and in the manner required by the Local Authorities Act, 1992, and the State Finance Act, 1991.

WINDHOEK, February 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

BALANCE SHEET AS AT 30 JUNE 2013

	Notes	2013 N\$	2012 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	38 478 804	22 564 303
Investments	3	25 810 416	23 472 323
Current assets			
Accounts receivable	4	6 255 805	4 871 201
Inventories	5	384 712	370 433
Cash and cash equivalents		183 939	160 198
TOTAL ASSETS		71 113 676	51 438 458
EQUITY AND LIABILITIES			
Equity			
Funds and accounts	6.1	38 478 804	22 564 303
Accumulated funds	6.2	7 362 212	19 490 118
Internal funds	6.3	13 559 499	7 137 223
Non-current liabilities			
Long-term loan	7	5 000 000	-
Current liabilities			
Accounts payable	8	6 713 161	2 246 815
TOTAL EQUITY AND LIABILITIES		71 113 676	51 438 459

TOWN COUNCIL OF OUTAPI

ANNEXURE B

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	<u>Note</u>	<u>2013</u>	<u>2012</u>
		N\$	N\$
INCOME		28 221 908	40 186 600
EXPENDITURE		<u>(39 296 387)</u>	<u>(24 478 776)</u>
OPERATING (DEFICIT)/SURPLUS FOR THE YEAR		(11 074 479)	15 707 824
Interest earned		662 401	914 546
NET (DEFICIT)/SURPLUS FOR THE YEAR		<u>(10 412 078)</u>	<u>16 622 370</u>
Add : Appropriation and adjustments	9	<u>(1 715 829)</u>	<u>(858 789)</u>
RETAINED (DEFICIT)/SURPLUS FOR THE YEAR		(12 127 907)	15 763 581
30 June 2012		<u>19 490 118</u>	<u>3 726 537</u>
30 June 2013		<u>7 362 211</u>	<u>19 490 118</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	<u>Note</u>	<u>2013</u>	<u>2012</u>
		N\$	N\$
Cash flows (to)/from operating activities			
Cash receipts from customers		28 221 908	40 186 600
Cash paid to suppliers		(37 944 753)	(26 210 385)
Cash (utilised by)/generated from operations	10	(9 722 845)	13 976 215
Investment income		662 401	914 546
Net cash flows (to)/from operating activities		(9 060 443)	14 890 761
Cash flows (to)/from investing activities			
Increase in property, plant and equipment		(15 914 501)	(7 460 552)
Increase in investments		(2 338 093)	(14 567 788)
Net cash flows to investing activities		(18 252 594)	(22 028 340)
Cash flows to financing activities			
Increase in funds		22 336 778	7 818 717
Increase/(decrease) in long-term liabilities		5 000 000	(258 756)
Net cash flows from financing activities		27 336 778	7 559 961
Net increase in cash and cash equivalents		23 741	422 381
Cash and cash equivalents at the beginning of the year		160 198	(262 183)
Cash and cash equivalents at the end of the year		183 939	160 198

TOWN COUNCIL OF OUTAPI

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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 consistently applied 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 comprise all cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

	2013	2012
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Consists of :		
Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment	38 478 804	22 564 303
Financed by :		
General capital	368 554	328 333
Revenue account	38 110 250	22 235 970
	38 478 804	22 564 303
3. INVESTMENTS		
Fixed deposits and money on call	25 810 416	23 472 323
<u>Allocated as follows:</u>		
Build Together Housing Fund	2 817 362	1 515 334
Shack Dwellers Fund	489 325	361 414
Capital Development Fund	5 026 055	341 385
Government Contribution Fund	2 481 717	2 289 567
Loan proceeds	5 000 000	-
Revenue Fund	9 995 957	18 964 625
	25 810 416	23 472 323

TOWN COUNCIL OF OUTAPI

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	N\$	N\$
4. TRADE AND OTHER RECEIVABLES		
Consumers	8 775 803	7 529 634
Nored	285 633	193 769
Other receivables	676 254	-
Value added tax	260 193	288 432
Build Together Fund - DEBTORS	1 226 765	1 072 663
Shack Dwellers Fund - DEBTORS	763 911	931 958
	11 988 559	10 016 456
<i>Less :</i>		
Provision for doubtful debts	(5 732 754)	(5 145 255)
	6 255 805	4 871 201
5. INVENTORIES		
Consumable stores	384 712	370 433
	384 712	370 433
6. FUNDS AND ACCOUNTS		
6.1 Financing of capital		
Contribution - General capital	368 554	328 333
Revenue contributions	38 110 250	22 235 970
	38 478 804	22 564 303
6.2 Accumulated Funds	7 362 213	19 490 118
6.3 Internal Funds		
Capital Development Fund	5 026 055	341 385
Government Contributions Fund	2 481 717	2 289 567
Build Together Fund	4 743 911	3 206 183
Shack Dwellers Fund	1 307 816	1 300 089
	13 559 499	7 137 224
	59 400 516	49 191 644
7. LONG TERM LIABILITIES		
External loans: First Capital Treasury	5 000 000	-
	5 000 000	-

TOWN COUNCIL OF OUTAPI

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	N\$	N\$
8. TRADE AND OTHER PAYABLES		
Suspense account	3 975 150	208 752
Trade creditors	710 583	583 794
Consumer deposits	442 239	401 600
Provision for leave pay	1 555 083	1 045 230
Other	30 106	7 439
	6 713 161	2 246 815
9. ADJUSTMENTS AND APPROPRIATIONS		
Adjustment of provision for bad debts	(587 498)	(412 869)
Council approved write-offs	(446 016)	(20 315)
Adjustment: provision for personnel benefits	(509 852)	(513 112)
Contribution Regional Council	-	(6 016)
Unclaimed balances	-	85
Shack dwellers	-	26 384
Appropriations	(157 818)	(140 037)
Adjustment: Bank reconciliation	(18 633)	-
Stale cheques	3 988	15 267
Income	-	191 824
	(1 715 829)	(858 789)
10. CASH (UTILISED IN)/GENERATED BY OPERATIONS		
Net Operating (deficit)/surplus	(11 074 479)	15 707 824
Adjustments (appropriations)	(1 715 829)	(858 789)
10.1 Operating income before changes in working capital	(12 790 308)	14 849 035
Changes in working capital		
Increase in trade and other payables	4 466 346	148 816
Decrease/(increase) in inventories	(14 279)	(22 422)
Increase in trade and other receivables	(1 384 604)	(999 214)
	3 067 463	(872 820)
	(9 722 845)	13 976 215