



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

VILLAGE COUNCIL OF OTAVI

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2009 AND 2010

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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 Village Council of Otavi for the financial years ended 30 June 2009 and 2010 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 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE VILLAGE COUNCIL OF OTAVI
FOR THE FINANCIAL YEARS ENDED
30 JUNE 2009 AND 2010**

1. INTRODUCTION

The above accounts of the Village Council of Otavi for the year ended 30 June 2009 and 2010 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 has been appointed in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the Village Council on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded off to the nearest Namibian Dollar.

2. FINANCIAL STATEMENTS

The Village 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 **except that they were only finalized and signed on 15 November 2010 instead of three months after year-end as required by the Act.** The audited financial statements are in agreement with the general ledger and are filed in his Office. The abridged balance sheet at 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 Village Council is responsible for the preparation and fair presentation of the 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 complies with ethical requirements and plans and performs 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 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 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

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

4.1 Value Added Tax (*)

2010

Not all VAT returns for the year under review were made available for the auditors to verify the fair presentation of the VAT balance as per the annual financial statements.

The balance as per the annual financial statements does not agree to the balance according to the Receiver of Revenue and no reconciliation was performed. The auditors could thus not ascertain whether the balance is fairly presented.

2009

No VAT returns were made available for the auditors to verify the fair presentation of the VAT balance as per the annual financial statements.

4.2 Accounts receivable (*)

The Council made a provision for bad debts of N\$ 250 000, but after a review of subsequent payments, it was found that the provision is understated by a calculated amount of N\$ 2 174 855 for the 2009 financial year. A material difference of 2010: N\$ 260 891 and 2009: N\$ N\$ 296 250 was found between the age analysis and the balance as per the annual financial statements.

4.3 Cash and bank (*)

The balances of the cash-book and that of the financial statements differs with N\$ 99 896.

2009

No detailed bank reconciliation was performed for the year under review. This also indicates a possible breakdown in controls.

4.4 Salaries and wages (*)

A salary register covering the 2009 financial year could not be provided to the auditors. The auditors were thus unable to verify the fair presentation of the salaries and wages account.

4.5 Housing Fund debtors (*)

The Council could not provide the auditors with a list of housing fund debtors and housing fund debtor files were incomplete. It could thus not be ascertained whether the balance is fairly stated in the annual financial statements for both year under review.

4.6 Property, plant and equipment (*)

2010

Material differences were found between the capital statements and the annual financial statements. The balance at year end as per the capital statements was N\$ 12 678 484 and the balance reflected in the annual financial statements as at year end was N\$ 12 397 373, resulting in a difference of N\$ 281 111.

Furthermore, additions as per the votes in the annual financial statements do not agree to the additions as per the fixed asset register. Fully redeemed loan assets were transferred to general capital while they should have been transferred to revenue.

2009

No complete fixed asset register was maintained for the year under review and physical verification of Council assets was thus impossible to perform. It was also not possible to test the additions to fixed assets.

No depreciation was provided for on fixed assets. Fixed assets could thus be materially misstated.

Proper control over fixed assets should be exercised to avoid financial, as well as physical, loss of assets.

4.7 Consumer deposits (*) (2009 & 2010)

A complete and updated list of consumer deposits could not be obtained and thus the adequacy of deposits could not be verified for the years under review.

4.8 Accounts payables (*)

No trade creditors listing could be provided by the Council and thus the auditors were unable to verify the fair presentation of the balance as per the annual financial statements. No provision was made for the 2009 financial year Regional Council contribution. The outstanding balance on Regional Council contribution could not be verified to a statement.

4.9 Lack of supporting documents for income and expenditure (*)

2010

Various income and expenditure accounts could not be verified due to incomplete record keeping and the auditors were thus unable to express an opinion on the fair presentation of these accounts. Charges for water supply were inaccurately calculated.

The CENORED contribution disclosed in the statements differs with an amount of N\$ 137 600 materially from the confirmation received from CENORED.

Differences were found in various income and expenditure accounts between the FINSTEL general ledger and the annual financial statements.

2009

Various income and expenditure accounts could not be verified due to incomplete record keeping and the auditors were thus unable to express an opinion on the fair presentation of these accounts.

4.10 Investments (*) (2009)

Interest earned could not be verified due to a lack of investment statements. Furthermore, an equity investment of N\$ 5 313 439 as confirmed by CENORED was not disclosed in the annual financial statements.

4.11 Provision for leave reserve (*) (2009)

The balance of this provision was not adjusted to the required balance as per the outstanding leave listing.

4.12 Internal control and accounting records (*) (2009 & 2010)

As a result of prior year qualifications, the auditors observed the status of the Village Council and concluded that there were no improvements in the internal controls and accounting record keeping of the Village Council. There is still not an adequate system of internal control nor are there proper accounting records which the auditors could rely on for audit purposes.

4.13 Minutes (*) (2009 & 2010)

Minutes of Village Council meetings could not be provided to the auditors. The auditors were thus unable to verify whether Council decisions regarding financial matters were carried out appropriately.

4.14 External loans (2010)

External loans outstanding amounted to N\$ 2 033 040 as at the previous year end. This balance was transferred to provisions (accounts payable) and the difference, to agree to the Government of Namibia amortization tables, was written off to the appropriation account which the auditors could not confirm. Furthermore no ministerial approval could be obtained to substantiate this transaction. Furthermore, no provision was made for current year redemption and interest on these loans.

4.15 Going concern (2010)

The financial position and liquidity of the Council is deteriorating. Temporary advances to revenue increased from N\$ 3 392 175 in the prior year to N\$ 3 431 979 in the current year. Furthermore, accounts payable increased year by year. Council remains in a bank overdraft position and trading results reflected a deficit for this and the preceding years.

The going concern status of the Council is dependent on a number of factors. The most important of these being returning to a profitable position and maintaining support from the Government and external creditors and financiers.

5. ACKNOWLEDGEMENT

The assistance and co-operation given by the staff of the Village 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 01/07/2009	N\$	N\$	N\$	N\$ (8 516 381)
General accounts				
Non-profitable services	2 906 423	5 494 515	(2 588 092)	
Self-supporting services	769 390	458 637	310 753	
Trade accounts				
Water	1 957 127	1 495 156	461 971	
Electricity	76 175	86 649	(10 474)	
Deficit for the year	5 709 115	7 534 957	(1 825 842)	(1 825 842)
Adjustments and appropriations (Note 10, Annexure D)				(10 342 223)
				3 676 275
Accumulated deficit 30/06/2010				(6 665 948)

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
Accumulated deficit 01/07/2008	N\$	N\$	N\$	N\$ (6 711 311)
General accounts				
Non-profitable services	1 539 434	3 063 366	(1 523 932)	
Self-supporting services	699 849	1 040 230	(340 381)	
Trade accounts				
Water	1 930 587	1 827 801	102 786	
Electricity	107 850	15 815	92 035	
Deficit for the year	4 277 720	5 947 212	(1 669 492)	(1 669 492)
Adjustments and appropriations (Note 10, Annexure D)				(8 380 803)
				(135 578)
Accumulated deficit 30/06/2009				(8 516 381)

7. CURRENT BANK ACCOUNT

The unfavourable bank statement balance on the current bank account amounted to 2010: \$ 261 954 and 2009: N\$ 363 617 (2008: N\$ 250 034). It was also observed that a difference of N\$ 99 896 exists between the cash-book balance and the reconciled balance as per financial statements. No bank reconciliations of this account were performed for the year 2009 and a material difference of N\$ 64 600 between the balance as per bank statement and the reported balance was deleted. (Also refer to paragraph 4.3)

8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June and the interest thereon were as follows:

	Water		
	2010	2009	2008
	N\$	N\$	N\$
Invested at:			
Commercial banks	2 133 547	1 489 774	332 651
CENORED	5 313 439	-	-
	7 446 986	1 489 774	332 651
Distribution			
Capital	2 031 738	1 489 774	332 651
Build Together Fund	101 809	-	-
Revenue	5 313 439	-	-
	7 446 986	1 489 774	332 651
Interest on investments	93 117	43 685	58 746

A CENORED equity investment of N\$ 5 313 439 is not included in the annual financial statements. (Also refer to paragraph 4.10)

9. FUND ACCOUNTS

The position of internal Funds and Reserves 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		
	2008	2009	2008
	N\$	N\$	N\$
Sales	1 953 044	1 923 135	1 803 203
Bulk purchases	(1 315 360)	(1 510 229)	(845 288)
Gross profit	637 684	412 906	957 915
Other income/ (expenses)	(175 713)	(310 120)	(313 133)
NET PROFIT/ (LOSS)	461 971	102 786	644 782
Gross profit on bulk purchases	48.48%	27.34%	113.33%
Net profit percentage on bulk purchases	35.13%	6.81%	76.28%

A significant decrease was noted in the operating results of trade accounts during the 2009 financial year. The bulk purchases could not be verified due to a lack of supporting documentation. (Also refer to paragraph 4.9)

10.2 Distribution losses were as follows

No records were available to determine distribution losses for the year under review. Council should implement a system to control and monitor distribution losses.

11. SELF-SUPPORTING EXTERNAL SERVICES

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

	Revenue	Expenditure	Surplus/ (Deficit)	Surplus/ (Deficit)
	2010	2010	2010	2009
	N\$	N\$	N\$	N\$
Sanitation	769 390	458 637	310 753	(223 729)
	769 390	458 637	310 753	(223 729)

	Revenue	Expenditure	Surplus/ (Deficit)	Surplus/ (Deficit)
	2009	2009	2009	2008
	N\$	N\$	N\$	N\$
Caravan Park	23 883	57 131	(33 248)	(51 391)
Sanitation	659 048	882 777	(223 729)	214 835
Civic buildings	16 918	100 322	(83 404)	(46 703)
	699 849	1 040 230	(340 381)	116 741

The above table shows that the self-supporting services indicate an overall of net loss of N\$ 340 381 for the year 2009, but indicated as surplus of N\$ 310 753 for the 2010 financial year.

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

Could not be verified for authorization due to unavailability of minutes.

13. SUSPENSE ACCOUNTS

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

14. IRREGULARITIES AND LOSSES

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

15. CAPITAL PROJECTS

The Council acquired assets of 2010: N\$ 1 633 774 and 2009: N\$ 1 579 439 (2008: N\$ 2 298 071) during the year under review.

2010

Nature of acquisition	Financed by		2010 Total expenditure
	Revenue account	External loans	
Administration	N\$ 8 889	N\$ 894 307	N\$ 903 196
Streets	730 578	-	730 578
	739 467	894 307	1 633 774

There was a material difference between the annual financial statements and the capital accounts. The nett amount of N\$ 8 889 is disclosed in the assets register as purchased from revenue, but these expenditures could not be verified to any expenditure vote. (Also refer to paragraph 4.6)

2009

Nature of acquisition	Financed by		2009 Total expenditure
	Revenue account	General capital	
	N\$	N\$	N\$
Administration	-	1 193 552	1 193 552
Sanitation	385 887	-	385 887
	385 887	1 193 552	1 579 439

No fixed asset register was made available and therefore the above expenditure could not be verified.

16. STUDY LOANS/BURSARIES

No evidence was provided to satisfy the auditors that no bursaries or loans were granted during the year.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

Contributions of 2010: N\$ 2 129 093 and 2009: N\$ 1 050,000 (2008: N\$ 1 200 000) were received from the government by the Council during the year.

18. COMPENSATION PAYMENTS

No evidence was provided that no compensation payments were made during the years.

19. VISITS TO FOREIGN COUNTRIES

No evidence could be provided to proof that no visits to foreign countries were undertaken or not.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

No evidence was provided to proof that no claims for losses were received during the years.

21. GIFTS AND DONATIONS BY THE LOCAL AUTHORITY

No evidence was provided to proof that there were no gifts or donations made by or given to the Local Authority.

22. TRANSFER OF PROPERTY TO/FROM THE GOVERNMENT

No evidence was provided to proof that no property was transferred to/or from the Government.

23. DEBTORS/CREDITORS

23.1 Debtors on 30 June comprise the following:

	2010	2009	2008
	N\$	N\$	N\$
Consumers	4 096 515	3 251 235	3 351 717
Value added tax	85 043	13 084	45 167
Provision for bad debts	(3 101 880)	(250 000)	(250 000)
	1 079 678	3 014 319	3 146 884

A material difference for the 2010 financial year was found between the age analysis and the annual financial statements. (Also refer to paragraph 4.2)

The provision for bad and doubtful debts for the 2009 financial year is understated by a calculated amount of N\$ 2 174 855. (See also paragraph 4.2)

Value added tax returns could not be availed to the auditors.

23.2 Creditors on 30 June comprise the following:

	2010	2009	2008
	N\$	N\$	N\$
Trade creditors	8 542 447	7 154 558	5 282 066
Consumer deposits	-	91 293	91 293
Provision for leave	739 335	456 502	456 502
Provision for Regional Council	148 378	-	-
	9 430 160	7 702 353	5 829 861

No creditors listing and consumer deposits listing for the years under review could be provided to the auditors. (Also refer to paragraphs 4.7, 4.8 and 4.11)

24. ASSESSMENT RATES

Proceeds from assessment rates amounted to 2010: N\$ 523 627 and 2009: N\$ 314 193 (2008: N\$ 556 986). The tariffs determined during the year were 2010: N\$ 0.04158 and 2009: N\$ 0.0396 (2008: N\$ 0.0396) per dollar per year on the site valuations and 2010: N\$ 0.01008 and 2009: N\$ 0.0096 (2008: N\$ 0.0096) per dollar per year on the valuation of improvements. Rates were calculated using a valuation roll last updated during 2002. No provision was made for 2010 financial year Regional Council contribution.

25. LOANS

25.1 External loans

The balances due to the Government of Namibia were as follow:

	2010	2009	2008
	N\$	N\$	N\$
Capital section	894 310	2 025 085	2 090 172
Housing Fund	34 824	34 824	34 824
Revenue	-	7 955	10 181
	929 134	2 067 864	2 045 167

The 2009 balances were transferred to provisions as the Council is in the process of having the loans written off. However, no Ministerial approval could be provided. (Also refer to paragraph 4.12)

25.2 Due to the Village Council

	2010	2009	2008
	N\$	N\$	N\$
Housing Fund/ Build Together Fund	1 985 543	1 985 543	1 980 741
	1 985 543	1 985 543	1 980 741

No listing could be provided for these advances. (Also refer to paragraph 4.5)

26. SALE OF ERVEN

No evidence could be provided to satisfy the auditors that no erven were sold during the years under review.

27. PROPERTY SOLD ON AN INSTALMENT BASIS

No evidence could be provided to prove that no property was sold on an instalment basis during the years under review.

28. TARIFF ADJUSTMENTS

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

29. APPROVALS

Approvals for over-expenditure could not be verified as no budget was available for the years under review.

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 01/07/2009	1	N\$ 140 000	4	N\$ 395 000	9	N\$ 1 460 315
Acquisitions	-	-	-	-	3	730 579
Depreciation	1	140 000	4	395 000	12	2 190 894
	-	(14 000)	-	(50 500)	-	(329 453)
On hand 30/06/2010	1	126 000	4	344 500	12	1 861 441

No proper records were obtained on fuel consumption during the year under review and therefore fuel consumption per litre could not be accurately calculated. No asset register was available in the 2009 period. The above information was obtained from the current year fixed asset register.

	Sedan vehicles		LDV and kombi's		Heavy vehicles (Lorries and busses)	
	Number	Value	Number	Value	Number	Value
On hand 01/07/2008	1	N\$ 78 893	3	N\$ 291 804	5	N\$ 145 000
Acquisitions	-	-	-	-	-	-
Depreciation	1	78 893	3	291 804	5	145 000
	-	-	-	-	-	-
On hand 30/06/2009	1	78 893	3	291 804	5	145 000

No proper records were obtained on fuel consumption during the year under review and therefore fuel consumption per litre could not be accurately calculated. The above information could not be verified due to the lack of a fixed asset register. These balances were last updated in the 2006 financial year.

The closing balances as at 30/06/2009 both quantitative and per value does not agree with the opening balances of 2010. Council should investigate this issue and rectify the statement.

30.2 Inventory

As in prior financial years, no inventory was disclosed in the financial statements.

31. SPECIAL INVESTIGATIONS

A special investigation by the Anti-Corruption Commission was in progress at the date of this report and includes investigation of information relevant to the years under review.

32. GENERAL

There is no system of internal control and very limited accounting records at the Village Council. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does reduce risks, it gives rise to the risk that management and Council may override existing controls, a potentially dangerous practice, which Council should vigilantly guard against.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 The following matters were brought to the attention of the Chief Executive Officer by way of a report to management:

- Bank reconciliations;
- Bad and doubtful debts;
- Value added tax;
- Accounts payables;
- Insurance;
- Property, plant and equipment;
- Internal control;
- Investments;
- Consumer deposits;
- Salaries;
- Supporting documentation;
- Minutes of Council meetings; and
- Passwords and back-ups.

34. DISCLAIMED AUDIT OPINION

The accounts of the Village Council for the financial years ended 30 June 2009 and 2010, 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.

I am unable to express an opinion due to the following reasons:

- Not all VAT returns for 2010 were made available for audit purposes nor thus the financial statements agree with the Receiver of Revenue Statement. No VAT returns were submitted for the 2009 financial year.
- Material differences of N\$ 260 891: 2010 and N\$ 296 250: 2009 were found between the age analysis and the balances as per annual financial statements. The provisions for bad debts are understated by N\$ 260 891 for 2010 and N\$ 296 250 for 2009.
- The cash-book balance of 2010 and the financial statements differs with N\$ 99 896. No bank reconciliation was conducted for 2009.
- No salary register could be provided for the 2009 financial year.
- The Council could not provide a list of Housing Fund Debtors.

- A difference of N\$ 281 111 was found between the capital statement and the financial statement of 2010. The fixed asset register for 2009 was not complete.
- The adequacy of consumer deposits for both years could not be determined due to a lack of listings.
- Trade creditors for 2010 could not be verified because no list was available. No provision for the Regional council contribution was made for 2009.
- Various income and expenditure accounts related to the 2010 financial year could not be verified due to incomplete record keeping.
- The CENORED contribution as disclosed in the general ledger differs with N\$ 137 600 from confirmation received from CENORED. Various income and expenditure votes related to the 2009 financial year could also not be verified due to poor record keeping.
- A CENORED equity investment to the value of N\$ 5 313 439 is not disclosed in the financial statements of 2009.
- The leave provision for 2009 was not adjusted to agree with the outstanding leave list.
- The Council did not provided any minutes of Council meetings.

WINDHOEK, August 2011

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

BALANCE SHEETS AS AT 30 JUNE

	Notes	2010	2009	2008
		N\$	N\$	N\$
ASSETS				
Non-current assets		21 829 902	16 901 455	14 160 091
Property, plant and equipment	2	12 397 373	13 426 138	11 846 699
Investments	3	7 446 986	1 489 774	332 651
Loans	4	1 985 543	1 985 543	1 980 741
Current assets		1 079 678	3 014 319	3 146 884
Accounts receivable	5	1 079 678	3 014 319	3 146 884
TOTAL ASSETS		22 909 580	19 915 774	17 306 975
EQUITY AND LIABILITIES				
Funds and reserves		12 353 362	9 717 340	8 988 817
Capital outlay	6.1	13 534 802	12 855 389	10 376 551
Funds and accounts	6.2	(1 181 440)	(3 138 049)	(1 387 734)
Long-term liabilities	7	929 134	2 067 864	2 135 177
Current liabilities		9 627 084	8 130 570	6 182 981
Accounts payable	8	9 430 162	7 702 353	5 829 861
Cash and bank balances	9	196 924	428 217	353 120
TOTAL EQUITY AND LIABILITIES		22 909 580	19 915 774	17 306 975

VILLAGE COUNCIL OF OTAVI

ANNEXURE B

INCOME STATEMENTS FOR THE YEARS ENDED 30 JUNE 2009

	Note	2010	2009	2008
		N\$	N\$	N\$
INCOME		5 709 115	4 234 035	4 563 367
EXPENDITURE		(7 534 957)	(5 947 212)	(5 361 883)
OPERATING LOSS FOR THE YEAR		1 825 842	(1 713 177)	(798 516)
Interest earned		-	43 685	58 746
NET LOSS FOR THE YEAR		1 825 842	(1 669 492)	(739 770)
Add : Appropriation and adjustments	10	3 676 275	(135 578)	(938 573)
RETAINED LOSS FOR THE YEAR		1 850 433	(1 805 070)	(1 678 343)
Accumulated Funds - Beginning of the year		(8 516 381)	(6 711 311)	(5 032 969)
Accumulated Funds - End of the year		(6 665 948)	(8 516 381)	(6 711 311)

ANNEXURE C

VILLAGE COUNCIL OF OTAVI

CASH FLOW STATEMENTS FOR THE YEARS ENDED 30 JUNE 2009

	Note	2010 N\$	2009 N\$	2008 N\$
Cash flow from operating activities				
Cash receipts from customers		5 709 115	4 234 035	4 563 367
Cash paid to suppliers		(196 234)	(4 077 733)	(4 955 917)
Cash generated from operations	11	5 512 881	156 302	(392 550)
Interest received		-	43 685	58 746
Movement in Fund accounts				
- Increase/(decrease) in Fund accounts		106 176	54 755	57 763
- Increase/ (decrease) in Capital outlay		679 413	2 478 838	1 103 773
		<u>6 298 470</u>	<u>2 733 580</u>	<u>827 732</u>
Cash flow from Investing Activities				
Net capital expenditure		1 028 765	(1 579 439)	(2 298 071)
(Increase)/ Decrease in investment		(5 957 212)	(1 157 123)	1 565 369
(Increase)/ Decrease in secured loans		-	(4 802)	3 594
		<u>(4 928 447)</u>	<u>(2 741 364)</u>	<u>(729 108)</u>
Cash flow from financing activities				
(Decrease)/ Increase in long-term liabilities		<u>(1 138 730)</u>	<u>(67 313)</u>	<u>(60 368)</u>
Net movement in cash and cash equivalents		231 293	(75 097)	38 256
Cash and cash equivalents				
- beginning of the year		<u>(428 217)</u>	<u>(353 120)</u>	<u>(391 376)</u>
- End of the year		<u>(196 924)</u>	<u>(428 217)</u>	<u>(353 120)</u>

VILLAGE COUNCIL OF OTAVI

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

1. ACCOUNTING POLICIES**1.2 Introduction**

The annual financial statements as set out in Annexures A to D were prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent in all material aspects with those applied in the previous year.

1.3 Property, plant and equipment

Property, plant and equipment are stated at cost or valuation where assets have been acquired through purchases by grant or by donation less depreciation written off over the expected useful lives as determined by 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 the depreciation is calculated on the shortfall.

1.4 Fund accounts

The following Funds were maintained by the council in terms of Sections 58(1) and 80(4) of the Local Authorities Act (Act 23 of 1992):

1.4.1 Housing Fund

The purpose of this Fund is to provide for housing loans. Income for the Fund is transferred from the general income account, external loans from Government and interest on investments and loans.

1.4.2 Capital Reserve Fund

The purpose of this Fund is to make provision for unforeseen expenditures as approved by the Council.

1.4.3 Fixed Property Fund

Proceeds from the sale of land that has been developed by the Council accumulate in this Fund. Costs incurred on the development of land are charged to this Fund.

1.4.4 Renewal Fund

The purpose of the fund is to provide for future replacement of assets and for additional depreciation on assets which have permanently declined in value. Income for this Fund is derived from general revenue contributions as well as interest on investments.

VILLAGE COUNCIL OF OTAVI

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

	2010	2009	2008
	N\$	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT			
Consists of :			
Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment	12 397 373	13 426 138	11 846 699
3. INVESTMENTS			
Build Together Fund	101 809	-	-
CENORED	5 313 439	-	-
Capital	2 051 738	1 489 774	332 651
	7 446 986	1 489 774	332 651
4. LOANS			
LOANS GIVEN AGAINST FIRST MORTGAGE BONDS:			
Housing fund	1 985 543	1 985 543	1 980 741
	1 985 543	1 985 543	1 980 741
5. TRADE AND OTHER RECEIVABLES			
Consumers	4 096 515	3 251 235	3 351 717
VAT	85 043	13 084	45 167
	4 181 558	3 264 319	3 396 884
Less :			
Provision for doubtful debts	(3 101 880)	(250 000)	(250 000)
	1 079 678	3 014 319	3 146 884
6. FUNDS AND ACCOUNTS			
6.1 Financing of capital			
General capital	8 803 884	10 187 987	8 187 988
Revenue contributions	2 402 883	2 047 544	1 661 656
Loans redeemed	2 328 035	619 858	526 907
	13 534 802	12 855 389	10 376 551

VILLAGE COUNCIL OF OTAVI

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

FUNDS AND ACCOUNTS (continued)

	2010	2009	2008
	N\$	N\$	N\$
6.2 Internal Funds			
Fixed Property Fund	1 589 287	1 495 732	1 461 030
Capital Reserve Fund	901 329	901 329	881 557
Renewal Fund	817 715	817 715	817 715
Endowment Fund	32 840	32 840	32 840
Housing Fund	-	2 130 716	2 130 435
Build Together Fund	2 143 337	-	-
	<u>5 484 508</u>	<u>5 378 332</u>	<u>5 323 577</u>
Accumulated Funds	<u>(6 665 948)</u>	<u>(8 516 381)</u>	<u>(6 711 311)</u>
	<u>(1 181 440)</u>	<u>(3 138 049)</u>	<u>(1 387 733)</u>
7. LONG-TERM LIABILITIES			
THE GOVERNMENT OF THE REPUBLIC OF NAMIBIA			
Capital section	894 310	2 025 085	2 090 172
Housing Fund	34 824	34 824	34 824
Revenue	-	7 955	10 181
	<u>929 134</u>	<u>2 067 864</u>	<u>2 135 177</u>
8. TRADE AND OTHER PAYABLES			
Trade creditors	8 542 447	7 154 558	5 282 066
Deposits	-	91 293	91 293
Provision for Regional Council	148 378	-	-
Provision for leave	739 335	456 502	456 502
	<u>9 430 160</u>	<u>7 702 353</u>	<u>5 829 861</u>
9. CASH AND BANK BALANCES			
Bank overdraft	(196 924)	(428 217)	(353 120)
	<u>(196 924)</u>	<u>(428 217)</u>	<u>(353 120)</u>

VILLAGE COUNCIL OF OTAVI

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

	2010	2009	2008
	N\$	N\$	N\$
10. ADJUSTMENTS AND APPROPRIATIONS			
Correction of debtors	-	(135 578)	(938 838)
Revenue adjustments	1 511 045	-	-
Expenditure adjustments	(3 142 108)	-	-
CENORED eqiotu	5 307 338	-	-
Prior year adjustments	-	-	265
	3 676 275	(135 578)	(938 573)
11. CASH GENERATED BY OPERATIONS			
Net operating profit before transfers	(1 825 842)	(1 713 177)	(798 515)
Adjustments (appropriations)	3 676 275	(135 578)	(938 573)
Operating income/(expenditure) before changes in working capital	1 850 433	(1 848 755)	(1 737 088)
Changes in working capital			
Increase/(decrease) in trade and other payables	1 727 807	1 872 492	878 392
Increase/decrease in trade and other receivables	1 934 641	132 565	466 146
	3 662 448	2 005 057	1 344 538
	5 512 881	156 302	(392 550)