



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**  
**MUNICIPALITY OF MARIENTAL**  
**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 Municipality of Mariental 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 MUNICIPALITY OF MARIENTAL  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2013**

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**1. INTRODUCTION**

The accounts of the Municipality of Mariental 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 has been appointed in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the Municipality 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 Municipality'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 Municipality is responsible for the preparation and fair presentation of these financial statements and for ensuring the regularity of the financial transactions. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them to report his opinion to National Assembly. The said firm conducted the audit in accordance with the 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 misstatements 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 the 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 marked with an asterisk (\*) were also reported in the prior year.

##### **4.1 Financial results (\*)**

The Municipality made a profit of N\$ 1 391 010 (2012: N\$ 3 097 386) during the financial year. The accumulated surplus as at year-end amounted to N\$ 483 376 (2012: N\$ 1 138 105).

##### **4.2 Going concern (\*)**

As noted in paragraph 4.1, the Municipality made a profit of N\$ 1 391 010 (2012: N\$ 3 097 386) during the financial year. The accumulated surplus as at year-end amounted to N\$ 483 376 (2012: N\$ 1 138 105). This indicates a decrease in profits in the financial results of the Municipality. Furthermore, temporary advances to revenue from fund accounts increased to N\$ 7 693 283 (2012: N\$ 6 742 950).

The Municipality should continue to embark on new income generating projects and improve on current income generating projects, which control costs to be within budget. The cash flow generated from operations and the collection from long outstanding debts and other amounts receivable should also be improved on.

##### **4.3 Unresolved matters from previous report (\*)**

The following issue which was raised in the report on the financial year 30 June 2005 remained unresolved:

###### **Funds (\*)**

###### **Audit concern**

An amount of N\$ 2 089 849 included a pension amount of N\$ 211 801 was paid out of the following funds for settlement of a claim lodged against the Municipality by the previous Town Clerk for unfair dismissal:

	N\$
Fixed Property Fund	631 502
Betterment Fund	427 206
Housing Service Fund	1 031 141
	<u>2 089 849</u>

This is still an outstanding matter in the 2013 report and the Municipality did not receive any response from the Ministry to date.

#### 4.4 Recoverability of debtors – Bad and doubtful debts

During the year under review, the Municipality's debt outstanding has increase by 17% and provision for bad debts has increased by 6%. The Municipality's effectiveness on debt recovery policies should be reviewed and improved on.

	2013	2012
	N\$	N\$
Consumer account debt outstanding	8 107 159	6 902 801
Provision for bad debts	375 474	353 853
Percentage increase in outstanding debts	17%	28%
Percentage increase in provision for bad debts	6%	13%
Percentage provision vs. Debt	5%	5%

Furthermore debtors handed over to debt collectors amounted to N\$ 606 233 (2012: N\$ 742 644). No provision was made for these debtors.

It should be of concern for the Municipality that debtors outstanding for 120 days and above consisted of 46% (2012: 37%) of total debt before handovers. The recoverability of the debtors is thus doubtful and the provision for bad debts is inadequate.

#### 4.5 Value Added Tax

When the auditors reviewed output VAT submitted to the Receiver of Revenue, agreeing this submitted amount to the revenue as per the financial statements, a material difference was detected. After investigating the difference it was found that zero rated sales do not pull through from the accounting system to the tax type reports. Zero rated sales amounting to N\$ 14 383 086 (2012: N\$ 14 308 995) was not indicated on the submissions to the Receiver of Revenue.

At the time of the audit, all the tax type reports agreed to the submission forms made to the Receiver of Revenue, except for the zero rated sales.

Furthermore an amount of N\$ 699 081 was transferred by the Receiver from VAT due to the Municipality to import VAT outstanding as per their records. According to the Receiver, the import VAT returns for the period 2001 to 2009 was not paid by the Municipality. The Municipality should still follow this matter up with the Receiver of Revenue and endeavour to claim this import VAT back as input VAT. The Import VAT was discussed with the Council as the import VAT was never recorded in the accounting records to correct the VAT receivable mount.

Other transfers amounting to N\$ 9 057 for the period 08/2013 was made to the PAYE account, and amounts of N\$ 29 694 and N\$ 469 300 respectively were also made to the Import account by the Receiver of Revenue from the VAT receivable balance. A payment was received subsequent to year end for period 06/2013 amounting to N\$ 750 472 after a deduction was made by the Receiver of Revenue for an amount of N\$ 219 919. The Council should investigate these with the Receiver of Revenue.

An amount of N\$ 7 418 666, inclusive of VAT to the amount of N\$ 967 652, was spent during the financial year on the TIPEEG sewerage project. The VAT amount was correctly claimed back from the Receiver of Revenue. This VAT amount was utilised by Revenue but instead of being recorded in

the annual financial statements as a temporary advance from capital to revenue, it was recorded as a VAT liability. The VAT balance receivable of N\$ 2 290 811 and the temporary advances to revenue are thus understated by this amount.

As per a reasonability calculation performed on the input VAT, the Council has over claimed input VAT.

The calculated balance receivable on VAT based on subsequent to year-end receipts, as per the Receiver of Revenue statement amounts to N\$ 1 445 952 compared to the general ledger/annual financial statement balance of N\$ 2 290 811.

Consequently the recoverability and thus valuation of VAT receivable could not be ascertained.

#### **4.6 Inventory (\*)**

A physical stock count was conducted at year-end and final stock sheets agreed to the financial statements. However, the auditors did not observe the counting of inventories on 30 June 2013, thus the auditors could not express an opinion over the existence and completeness of all stock items.

#### **4.7 Bank reconciliation and external loans not paid (\*)**

The bank balance (cash-book) as per the bank reconciliation shows two cheques as outstanding, but in fact are not valid outstanding cheques as the cheques will not be given to the Ministry as payments for the external loans. These cheques are annually written back by the Municipality. The bank balance as per the financial statement is thus understated with N\$ 469 958. The Municipality is currently not paying the external loans to the Ministry of Finance. According to the Ministry of Finance statement, the arrear amount is N\$ 1 879 832. This amount represents eight instalments, thus four years payments.

#### **4.8 Appropriation account (\*)**

It was noted that the Municipality made a journal entry to the value of N\$ 469 958 in respect of the external loan instalments not paid in the prior year to the appropriation account. It seems as if this adjustment was also made in previous financial years. Trade payables are thus understated by this unpaid external loan instalment and the appropriation account is overstated by this amount. As mentioned in paragraph 4.7 the arrear amount as per the Ministry of Finance amounts to N\$ 1 879 832.

#### **4.9 Unapproved expenditure**

No approval from the Minister could be submitted authorising the overspending of the budget to the amount of N\$ 7 795 469.

### **5. ACKNOWLEDGEMENT**

The assistance and co-operation given by the staff of the Mariental Municipality 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\$
<b>Accumulated surplus 01/07/2012</b>				1 138 105
<b>General accounts</b>				
Non-profitable services	4 244 015	12 409 128	(8 165 113)	
Self-supporting services	3 751 533	3 097 438	654 095	
<b>Trade accounts</b>				
Water	9 015 758	8 936 520	79 238	
Electricity	39 868 129	31 045 339	8 822 790	
	56 879 435	55 488 425	1 391 010	
Surplus for the year				1 391 010
Adjustments and appropriations (See Note 11, Annexure D)				(2 045 739)
<b>Accumulated surplus 30/06/2013</b>				<b>483 376</b>

Also refer paragraph 4.8

## 7. CURRENT BANK ACCOUNT

	2013	2012
	N\$	N\$
Cash-book balance at 30 June – Balance sheet	1 149 427	71 590
Outstanding cheques	563 977	720 203
Outstanding deposits	(139 454)	(106 496)
Unknown items	-	21 935
<b>Balance as per bank statement</b>	<b>1 573 950</b>	<b>707 232</b>

The favourable bank statement balance on the current bank account amounting to N\$ 1 573 950 (2012: N\$ 707 232). Cheques not presented for payment amounting to N\$ 563 977 (2012: N\$ 720 203), resulting in a favourable cashbook balance of N\$ 1 149 427 (2012: N\$ 71 590).

Two outstanding cheques in respect of the external loan instalments to the amount of N\$ 469 958 will not clear in subsequent bank statements due to not being given to the Payee. Also refer to paragraph 4.7.

## 8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June 2013 and the interest thereon were as follows:

Institution	2013		2012	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
<b>Invested at:</b>				
Commercial banks	2 565 400	54 680	2 510 721	54 263
Insurance companies	193 164	17 391	173 272	18 590
Interest accrued – Included in other	(918 371)	-	(846 300)	-
	<b>1 840 193</b>	<b>72 071</b>	<b>1 837 693</b>	<b>72 853</b>
<b>Distribution</b>				
Capital Development Fund	32 123	1 212	30 911	1 865
Fixed Property Fund	169 109	5 692	145 126	1 312
Renewal Fund	496 971	9 911	252 706	10 989
Betterment Fund	932 476	25 105	640 133	22 310
Staff Housing Fund	38 922	1 469	37 453	2 260
Centenary Fund	150 065	5 466	139 379	8 044
Housing Services Fund	20 528	23 216	591 984	26 073
<b>Total</b>	<b>1 840 93</b>	<b>72 071</b>	<b>1 837 693</b>	<b>72 853</b>

Interest received on investments in the current year amounting to NS 72 071 (2012: N\$ 72 853). Interest received on a First National Bank call account amounting to N\$ 308 711 was not accounted for in the financial statements.

## 9. FUND ACCOUNTS

The position of the funds and accounts at year-end was shown in note 8 in Annexure D.

## 10. TRADE ACCOUNT

### 10.1 Operating results

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

	Electricity		Water	
	2013	2012	2013	2012
	N\$	N\$		
Sales	39 798 923	32 424 913	9 014 149	8 396 493
Cost of bulk purchases	(26 316 946)	(18 006 221)	(7 701 256)	(6 916 225)
Gross surplus	13 481 977	14 418 692	1 312 893	1 480 268
Other (expenses)/ income	(4 659 188)	(3 919 982)	(1 233 655)	(1 080 913)
<b>Net surplus</b>	<b>8 822 789</b>	<b>10 498 710</b>	<b>79 208</b>	<b>399 355</b>
Gross surplus percentages on purchases	51.22%	80.1%	17.04%	21.4%
Net surplus percentage on purchases	33.2%	58.3%	1.0%	5.7%
Gross surplus percentages on sales	33.8%	44.5%	14.56%	17.6%
Net surplus percentage on sales	22.1%	32.4%	0.9%	4.8%



The Municipality moved from a profit on electricity of N\$ 10 498 710 in 2012 to a profit of N\$ 8 822 789 in 2013 and on water from a profit of N\$ 399 355 in 2012 to a profit of N\$ 79 238 in 2013. This was as a result of tariff increases in the current year.

## 10.2 Distribution results were as follows:

Electricity and water distribution losses, in kilo watt hour (Kwh) and cubic metres (m<sup>3</sup>) were as follows:

	Electricity		Water	
	2013	2012	2013	2012
	Kw/h	Kw/h	m <sup>3</sup>	m <sup>3</sup>
Sales	23 064 687	22 875 343	765 808	754 921
Purchases	(27 871 170)	(26 934 700)	(878 972)	(884 041)
Loss	<b>(4 806 483)</b>	<b>(4 059 357)</b>	<b>(113 164)</b>	<b>(129 120)</b>
Percentage loss in units	<b>(17.25%)</b>	<b>(15.1%)</b>	<b>(12.87%)</b>	<b>(14.6%)</b>

## 11. SELF-SUPPORTING EXTERNAL SERVICES

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

Services	Revenue	Expenditure	Surplus/ (Deficit)	Surplus/ (Deficit)
	2013	2013	2013	2012
	N\$	N\$	N\$	N\$
Aerodrome	4 552	90 228	(85 676)	(90 327)
Abattoir	60 000	111 104	( 51 104)	(140 241)
Housing lease units	180 415	577 589	(397 174)	(201 301)
Sanitation	1 751 776	1 133 224	618 552	456 344
Sewerage	1 626 268	1 015 118	611 150	508 121
Town ground and pound	128 522	170 175	(41 653)	(37 366)
	<b>3 751 533</b>	<b>3 097 438</b>	<b>654 095</b>	<b>495 230</b>

The loss on housing units is due to administration costs being more than rental income. The Municipality should come up with a rent structure which ensures that all costs are recovered.

The loss on aerodrome is in line with expectations as the Council had budgeted for the loss on this vote.

The loss on town ground and pound is due to high capital changes and the loss on abattoir is due to high administration charges.

## 12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No such expenditure was revealed by the audit for the current year under review.

## 13. SUSPENSE ACCOUNTS

The suspense account increased with N\$ 145 761 from (2012: N\$ 793 815) to 2013: N\$ 939 576. These accounts are properly maintained, controlled and reconciled on a regular basis.

#### 14. IRREGULARITIES AND LOSSES

14.1 No irregularity occurred during the current year under review.

14.2 No losses were reported.

#### 15. CAPITAL PROJECTS

Capital expenditure for the 2013 financial year amounted to N\$ 9 359 009 (2012: N\$ 3 011 800) and comprises the following:

Nature of projects/acquisitions	Financed by		Total expenditure 2013	Total expenditure 2012
	General capital	Internal loans		
	N\$	N\$	N\$	N\$
Tipeep Sewerage 1 - VAT	967 652	-	967 652	-
Council's general expenses	-	117 080	117 080	239 153
Electricity supply	-	1 574 039	1 574 039	1 205 966
Town Ground & Pound	-	98 260	98 260	-
Municipal building	-	103 876	103 876	371 867
Sanitation	-	-	-	-
Streets	-	-	-	94 780
Tipeeg Sewerage No.1	6 238 538	-	6 238 538	928 044
Tipeeg Sewerage No.2	212 476	-	212 476	-
Water supply	-	47 088	47 088	171 990
	<b>7 418 666</b>	<b>1 940 343</b>	<b>9 359 009</b>	<b>3 011 800</b>

#### 16. STUDY LOANS/BURSARIES

At 30 June 2013, outstanding loans amounted to N\$ 260 967 (2012: N\$ 193 837).

An amount of N\$ 45 026 was advanced during the year to 2 students, N\$ 22 513 each. The loans bear interest of 6% per annum and are repayable after studies have been completed. Ten (10) of eleven (11) students do not pay back their study loans and according to management the amount of N\$ 255 846 is not recoverable.

#### 17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

The following contributions, grants and financial aid were made during the year:

	2013	2012
	N\$	N\$
Mariental Triathlon	4 000	-
Empelheim Junior Secondary School	900	-
Mariental Primary School	600	-
DD Guibeb Primary School	600	-
<b>Total</b>	<b>6 100</b>	<b>-</b>

#### 18. COMPENSATION PAYMENTS

No Compensation payments were made during the year.

## 19. VISITS TO FOREIGN COUNTRIES

Visit expenditure to Sweden amounting to N\$ 7 440.

## 20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims for losses were received during the year.

## 21. GIFTS AND DONATIONS BY THE LOCAL AUTHORITY

The Municipality made the following gifts/donations:

Nature of gift/ donation	Beneficiary	Value
		N\$
Donation	Mariental sakekamer	4 000
		500
Donation	Empelheim Primary School	900
Donation	Mariental Primary School	600
Donation	DD Guiseb Primary School	600
Donation	G Britz	3 000
Donation	Hardap Regional Foot	7 500
Donation	R C Convent	15 000
	<b>Total</b>	<b>31 600</b>

An amount of N\$ 31 600 (2012: N\$ 10 900) was paid as donations during the year under review.

## 22. TRANSFER OF PROPERTY TO/FROM THE GOVERNMENT

Erf 351 was sold for N\$ 525 000 during the 2008/2009 year to the Ministry of Youth. However, at the time of the audit, the Ministry have not made any payments of the purchase price of the erf.

No transfers were done from the Government.

## 23. TRADE AND OTHER RECEIVABLES/ PAYABLES

### 23.1 Debtors on 30 June 2013 comprise the following:

	2013	2012
	N\$	N\$
Services rendered and assessment rates	*8 713 392	7 645 445
Interest accrued on investments	918 371	846 300
Subsidies receivable	786 806	546 220
Study loans	260 967	193 837
		1 795 28
VAT receivables	2 290 811	2 079 109
Sundries	247 057	23 331
	<b>13 217 404</b>	<b>11 334 242</b>
Less: Provision for bad debts	(375 474)	(353 853)
Consumer deposits	(833 157)	(781 712)
<b>Total</b>	<b>12 008 773</b>	<b>10 198 677</b>

(Continued)

	<b>2013</b>	<b>2012</b>
	N\$	N\$
Analysis of services and general debtors:		
Average monthly levy	4 038 735	3 421 984
Debtors		
Debtors	8 713 392	7 645 445
Average credit terms in days	61	61
Consumer deposits	833 157	781 712
Percentage of deposit in relation to debtors	9.6%	10.2%

\* This amount includes debtors that were handed over to debt collectors to the amount of N\$ 606 233 (2012: N\$ 742 644).

**A closer investigation revealed the following:**

The consumer debt collection period remains at 61 days and there were no changes from prior year. It is recommended that the Municipality continue to implement strong measures and policies to decrease the outstanding debtors in future.

However, as explained in paragraph 4.4, the provision for bad debts is considered to be inadequate.

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

	<b>2013</b>	<b>2012</b>
	N\$	N\$
Commitments by purchase and other obligations	4 324 509	1 146 354
Special program – Allocated funds	939 576	793 815
Leave provision	1 296 265	987 964
Sundries	37 169	164 785
<b>Total</b>	<b>6 597 519</b>	<b>3 092 918</b>

**24. ASSESSMENT RATES**

The gazetted tariffs were as follows:

	<b>2013</b>	<b>2012</b>
	N\$	N\$
Net proceeds from assessment rates	1 777 652	1 621 113
Paid to the Regional Council	88 883	81 056
Tariffs per N\$1 valuation per month		
- Land	0.045292	0.04232
- Administration: Land	0.036234	0.033862
- Outside town: Land	0.011969	0.111860
- Undeveloped: West of railway	0.749049	0.749049
- Undeveloped: East of railway	1.135539	1.061251
- Aimab: Land	1.256943	1.17471
- Improvements	0.006952	0.006498
- Administration: Improvements	0.005562	0.005198
- Outside town: Improvements	0.011990	0.011846

## 25. LOANS

### 25.1 External loans

	<b>2013</b>	<b>2012</b>
	N\$	N\$
Capital outlay	4 421 226	4 554 607
Housing funds	378 276	378 276
<b>Total</b>	<b>4 799 502</b>	<b>4 932 883</b>

### 25.2 Internal loans

	<b>2013</b>	<b>2012</b>
	N\$	N\$
<b>Total</b>	<b>6 723 045</b>	<b>6 229 964</b>

Internal loans are not disclosed in the abridged balance sheet. All new internal loan advances during the year were authorised and all assets financed by internal loans were capitalised. The balances agree with actuarial tables. No loan assets were disposed off before the loan was redeemed. Funds received in the form of loans were utilised in an appropriate manner.

## 26. SALE OF ERVEN

The following erven were sold during the year. The proceeds were allocated to the Fixed Property Fund.

	<b>2013</b>		<b>2012</b>	
	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>
		N\$		N\$
Mariental	21	468 033	17	1 681 338
Aimablaagte	-		4	214 957
Empelheim	6	20 229	-	-
	<b>27</b>	<b>488 262</b>	<b>21</b>	<b>1 896 295</b>

## 27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

No erven was sold on an instalment basis.

## 28. TARIFF ADJUSTMENTS

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

## 29. APPROVALS

### Excess or unapproved expenditure

No approval from the Minister could be submitted authorizing the overspending of the budget on the following votes.

Votes	Budget	Actual	Excess
	N\$	N\$	N\$
Municipality Buildings	1 616 749	1 920 777	304 028
Finance and Economic Development	-	859 845	859 845
Sewerage	951 178	1 015 118	63 940
Abattoir	53 564	111 104	57 540
Water supply	8 368 363	8 936 520	568 157
Electricity supply	25 103 380	31 045 339	5 941 959
<b>Totals</b>	<b>36 093 234</b>	<b>43 888 703</b>	<b>7 795 469</b>

## 30. INVENTORY AND EQUIPMENT

### 30.1 Motor vehicles

	Sedan vehicles		4x4 Passenger vehicles		LDV and kombi's		Heavy vehicles (Lorries and busses)	
	No	Value	No	Value	No	Value	No	Value
Balance – 01/07/2012		N\$		N\$		N\$		N\$
Acquisitions	1	150 880	1	82 778	4	522 247	11	498 608
<b>Sub-total</b>	<b>1</b>	<b>150 880</b>	<b>1</b>	<b>82 778</b>		<b>522 247</b>		<b>498 608</b>
Depreciation		(15 088)		(478)		(2 597)		(12 061)
On hand 30/06/2013	<b>1</b>	<b>135 792</b>		<b>82 300</b>	4	519 650	<b>11</b>	<b>486 547</b>
Kilometres travelled		23 065				63 193	**	
Fuel consumption		1 315				9 315		
Fuel consumption per km		17.54				6.78		

\* Fire Brigade - Only for Aerodrome

\*\* 4 Vehicles have hour meters, not km meters and fuel consumption must be per hour and not per km for that vehicles. Each heavy vehicle must be checked per km/lt or per km/hour.

### 30.2 Inventory

Inventories amount to N\$ 1 615 219 (2012: N\$ 702 946).

Adequate system of control over recording of inventory was maintained.

Inventory counts were performed at year-end.

Slow moving inventory was identified and adequate provision has been made for obsolete items.

Housekeeping is up to standard.

## 31. SPECIAL INVESTIGATIONS

All special investigations were completed and reported upon.

## **32. GENERAL**

The accounting and internal controls applied by the Municipality are satisfactory. Proper segregation of duties is in place.

## **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. QUALIFIED AUDIT OPINION**

The accounts of the Municipality 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:

- Value Added Taxation – There is a material difference on VAT receivables between the general ledger and the Receiver of Revenue statement. The recoverability and thus valuation of this receivable is in doubt;
- Appropriation account – Unpaid external loan instalments were credited in respect of prior years to the appropriation account instead of the trade payables;
- Debtors' recoverability: Provision for bad debts is understated;
- Bank reconciliation and external loans not paid – Cheques were written out by the Municipality to the Ministry but not given. The bank is thus understated and the trade payables too. According to the Ministry of Finance statement, the arrear instalment amount is N\$ 1 879 832;
- Inventory to the value of N\$ 1 615 219 could not be verified; and
- Unapproved expenditure to the amount of N\$ 7 795 469.

I certify that, in my opinion, the financial statements fairly present the financial position of the Municipality at 30 June 2013 and the results of its operations and cash flow for the year then ended.

**WINDHOEK, February 2014**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## MUNICIPALITY OF MARIENTAL

## BALANCE SHEET AS AT 30 JUNE

<b>ASSETS</b>	<b>Notes</b>	<b>2013</b>	<b>2012</b>
		<b>N\$</b>	<b>N\$</b>
<b>Non-current assets</b>		<b>36 315 787</b>	<b>33 754 500</b>
Property, plant and equipment	2	34 475 594	31 916 807
Investments	3	1 840 193	1 837 693
<b>Current assets</b>		<b>14 774 178</b>	<b>10 973 972</b>
Trade and other receivable	4	12 008 772	10 198 677
Inventories	5	1 615 219	702 946
Bank	6	1 150 187	72 350
<b>TOTAL ASSETS</b>		<b>51 089 965</b>	<b>44 728 473</b>
<b>FUNDS AND LIABILITIES</b>			
<b>Funds and reserves</b>		<b>39 692 945</b>	<b>36 702 673</b>
Capital outlay	7	23 331 323	21 132 237
Funds and accounts	8	16 361 622	15 570 436
<b>Non - current liabilities</b>			
Long term loans	9	4 799 502	4 932 883
<b>Current liabilities</b>		<b>6 597 519</b>	<b>3 092 917</b>
Trade and other payable	10	6 597 519	3 092 917
Bank overdraft	6	-	-
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>51 089 965</b>	<b>44 728 473</b>



## MUNICIPALITY OF MARIENTAL

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2013</u>	<u>2012</u>
		N\$	N\$
INCOME		56 076 562	47 086 969
EXPENDITURE		(55 488 425)	(44 058 257)
<b>OPERATING LOSS FOR THE YEAR</b>		<b>588 136</b>	<b>3 028 712</b>
Interest earned		802 874	68 674
<b>NET SURPLUS FOR THE YEAR</b>		<b>1 391 010</b>	<b>3 097 386</b>
Add : Appropriation and adjustments	11	(2 045 739)	259 961
RETAINED INCOME FOR THE YEAR		(654 729)	3 357 347
30 June 2012		1 138 105	(2 219 242)
<b>30 June 2013</b>		<b>483 376</b>	<b>1 138 105</b>

## MUNICIPALITY OF MARIENTAL

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2013 N\$	2012 N\$
<b>Cash flow from operating activities</b>			
Cash receipts from customers		56 076 562	47 086 969
Cash paid to suppliers		(56 751 933)	(47 645 755)
<b>Cash generated from operations</b>	12	<b>(675 370)</b>	<b>(558 786)</b>
Interest received		802 874	68 674
Increase in fund accounts		1 445 915	2 376 482
Increase in capital outlay		2 199 086	11 158 825
<b>Net cashflow from operating activities</b>		<b>3 772 505</b>	<b>13 045 195</b>
<b>Cash flow from investing activities</b>			
Net capital expenditure		(2 558 787)	(11 666 898)
(Increase)/Decrease in investments		(2 500)	(703 293)
Decrease in loans receivable		-	-
<b>Net cashflow from investing activities</b>		<b>(2 561 287)</b>	<b>(12 370 191)</b>
<b>Cash flow from financing activities</b>			
		<b>(133 381)</b>	<b>(120 661)</b>
<b>Decrease in long-term liabilities</b>			
Net increase/(decrease) in cash and cash equivalents		1 077 837	554 343
Cash and cash equivalents at the beginning of the year		72 350	(481 993)
Cash and cash equivalents at the end of the year		<b>1 150 187</b>	<b>72 350</b>

## MUNICIPALITY OF MARIENTAL

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

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**1. ACCOUNTING POLICIES****1.1 Introduction**

The annual financial statements set out in Annexure 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.

**1.2 Property, plant and equipment**

Property, plant and equipment acquired with loan funds are stated at cost and no depreciation is provided thereon until the loan is fully redeemed. All other items of property, plant and equipment are stated at cost or valuation, and except fixed property, the cost or valuation of these items of property, plant and equipment is depreciated on the reducing balance basis over their expected useful lives.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

**1.3 Fund accounts**

The following funds were maintained:

**1.3.1 Fixed Property Fund**

Proceeds from the sale of land developed by the Municipality as well as interest earned on internal loans and investments accumulate in this fund. Costs incurred on the development of land are charged to this account.

**1.3.2 Betterment Fund**

The purpose of this Fund is to provide for future municipal assets. Part of the proceeds from the sale of land, as well as interest earned on internal loans and investments accumulate in this Fund.

**1.3.3 Renewal Fund**

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

**1.3.4 Capital Development Fund**

The purpose of this Fund is to build up a general capital reserve to ensure a stable financial position. Income for the Fund is derived from interest earned on investments, interest on internal loans as well as from general revenue contributions.

**MUNICIPALITY OF MARIENTAL****NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE  
(continued)**

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**1.3.5 Staff Housing Fund**

The purpose of this fund is to provide for staff housing loans. Income for this fund is derived from interest earned on secured staff housing loans and investments.

**1.3.6 Housing Fund**

The purpose of this Fund is to provide for housing loans. Income for the fund is derived from interest earned on secured housing loans and investments as well as from profits made on the resale of housing scheme houses. Interest paid on external housing loans is charged to this fund.

**1.3.7 Social Housing Service Fund**

The purpose of this Fund is to construct houses for disabled, destitute and pensioners. Income for this Fund is derived from interest earned on secured housing loans and investments.

**1.3.8 Centenary Fund**

The purpose of this Fund is to provide for adequate Funds to cover expenditures for the centenary celebrations. Income is derived from interest earned on investments.

**1.4 Capital redemption on loans**

Capital redemption on external and internal loans is charged against income. A similar amount is credited to the loan redemption account for the duration of the loans. As and when the loan is fully redeemed, the loan amount is to be transferred to the Revenue Contribution Capital Account.

**1.5 Inventory**

Fuel inventory is valued at cost on the first-in-first-out basis. Consumables are valued at the average landed costs.

**1.6 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts.

## MUNICIPALITY OF MARIENTAL

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

	<b>2013</b>	<b>2012</b>
	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Consists of :</b>		
Income assets	5 754 501	4 500 975
Loan assets	17 044 597	16 807 885
Funds and grants	7 925 206	1 535 991
Investment - Unspent funds for capital works	3 751 290	9 071 956
	<b>34 475 594</b>	<b>31 916 807</b>
<b>Financed by :</b>		
External loans	4 421 226	4 554 607
Internal loans	6 723 045	6 229 964
Loans redeemed	5 900 326	6 023 314
Contribution from: Ex income	5 754 501	4 500 975
Contribution from: General capital	11 676 496	10 607 947
	<b>34 475 594</b>	<b>31 916 807</b>
<b>3. INVESTMENTS</b>		
Commercial banks	2 565 401	2 510 721
Insurance companies	193 164	173 273
Interest accrued on investments - Included in other receivables	(918 371)	(846 300)
	<b>1 840 193</b>	<b>1 837 693</b>
<b>Allocated as follows:</b>		
Capital Development Fund	32 123	30 911
Fixed Property Fund	169 109	145 126
Renewal Fund	496 971	252 706
Betterment Fund	932 476	640 133
Staff Housing Fund	38 922	37 453
Centenary Fund	150 065	139 379
Housing Services Fund	20 528	591 984
	<b>1 840 193</b>	<b>1 837 693</b>

## MUNICIPALITY OF MARIENTAL

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

	<b>2013</b>	<b>2012</b>
	N\$	N\$
<b>4. TRADE AND OTHER RECEIVABLES</b>		
Services rendered and assessment rates	8 713 392	7 645 445
Interest accrued on investments	918 371	846 300
Subsidies receivable	786 806	546 220
Study loans	260 967	193 837
VAT receivable	2 290 811	2 079 109
Sundry debtors	247 057	23 331
	<b>13 217 403</b>	<b>11 334 242</b>
<i>Less :</i>		
Provision for doubtful debts	(375 474)	(353 853)
Consumer deposits	(833 157)	(781 712)
	<b>12 008 772</b>	<b>10 198 677</b>
<b>5. INVENTORIES</b>		
Stores	1 004 451	373 137
Fuel and oil	610 768	329 808
	<b>1 615 219</b>	<b>702 946</b>
<b>6. BANK AND CASH</b>		
Current account - Municipality operating account	1 149 427	71 590
Petty cash	760	760
	<b>1 150 187</b>	<b>72 350</b>
<b>7. CAPITAL OUTLAY</b>		
Loans redeemed	5 900 326	6 023 314
Revenue contributions	5 754 501	4 500 975
General capital contributions	11 676 496	10 607 947
	<b>23 331 323</b>	<b>21 132 237</b>

## MUNICIPALITY OF MARIENTAL

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

	2013	2012
	N\$	N\$
<b>8. FUNDS, ACCOUNTS AND RESERVES</b>		
Fixed property Fund	6 374 396	5 583 945
Betterment Fund	1 212 411	1 135 126
Renewal Fund	2 237 650	2 047 377
Capital development Fund	5 341 966	4 989 430
Housing services Fund	540 611	517 395
Staff housing Fund	21 148	19 679
Centenary Fund	150 065	139 379
Sub total	15 878 246	14 432 331
Revenue account kept in compliance with section 86(1) of the local Authorities Act, 1992	483 376	1 138 105
	<b>16 361 622</b>	<b>15 570 436</b>
<b>9 LONG-TERM LIABILITIES</b>		
Loan from the Government:		
Capital outlay	4 421 226	4 554 607
Housing fund	378 276	378 276
	<b>4 799 502</b>	<b>4 932 883</b>
<b>10 TRADE AND OTHER PAYABLES</b>		
Commitments by purchase and other obligations	4 324 509	1 146 354
Special program - Allocated funds	939 576	793 815
Leave provision	1 296 265	987 964
Sundries	37 169	164 785
	<b>6 597 519</b>	<b>3 092 917</b>
<b>11 ADJUSTMENTS TO APPROPRIATION ACCOUNT</b>		
Adjustments - Provision for leave pay	(308 301)	(171 398)
Subsidy over provision	-	(154 304)
Expenditure 2011/2012	(2 409 598)	(7 011)
Shortages	-	(7 885)
Cheques cancelled	469 958	469 958
Interest adjustment - Study loans	2 246	1 293
Surplus on account	2 865	5 940
Adjustment asset	5 887	-
Still in transit	146 977	-
Unknown deposits	44 227	123 369
	<b>(2 045 739)</b>	<b>259 961</b>

## MUNICIPALITY OF MARIENTAL

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

	<u>2013</u>	<u>2012</u>
	N\$	N\$
<b>12 CASH UTILISED IN OPERATIONS</b>		
Net profit ( deficit) before interest and transfers	588 136	3 028 712
Adjustments to appropriation account	(2 045 739)	259 961
<b>Operating surplus before changes in working capital</b>	<b>(1 457 603)</b>	<b>3 288 673</b>
<b>Changes in working capital</b>		
(Decrease)/ Increase in trade and other payables	3 504 601	(1 719 623)
(Increase)/decrease in inventories	(912 273)	(229 938)
(Increase)/decrease in trade and other receivables	(1 810 095)	(1 897 898)
	<u>782 233</u>	<u>(3 847 459)</u>
<b>CASH GENERAETD BY OPERATIONS</b>	<u><b>(675 370)</b></u>	<u><b>(558 786)</b></u>