



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MUNICIPALITY OF TSUMEB

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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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 Tsumeb for the financial year ended 30 June 2019, 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.

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

WINDHOEK, August 2021

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF TSUMEB
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Municipality of Tsumeb for the financial year ended 30 June 2019. These financial statements comprise the statement of financial position, the statement of financial performance, the statement of changes in net assets, the statement of cash flows for the year then ended, and a summary of significant accounting policies.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Audit Opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of the Municipality of Tsumeb as at 30 June 2019 its financial performance and its cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

2. BASIS FOR ADVERSE AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audits Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section the audit report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. The adverse audit opinion is expressed due to the following:

- No assets register was available to audit fixed assets to the value of N\$ 82 352 858; and
- The provision for bad debts is under provision with N\$ 81 920 955.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no key audit matters identified in respect of the financial statements for the Municipality of Tsumeb.

4. OTHER MATTERS

Attention is drawn to the management on the following matter(s) that relate to my responsibility in the audit of the financial statements, and excluding matters already disclosed by the Municipality of Tsumeb in the financial statements. My opinion is not modified in respect of this matter.

- Two employees have been charged and were awaiting a date for their disciplinary hearing. The process needs to be finalized without further delay.
- The Council should further investigate the transaction involving the CEO, where there were no clearances made on several Ervens before a transfer was made.
- The council should further investigate conflict of interest allegations and take appropriate action on purchases from a supplier based in Grootfontein.

5. OTHER INFORMATION

Management is responsible for the other information. The auditor's opinion on the financial statements does not cover the other information and, accordingly, the auditor does not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. We have nothing to report in this regard.

6. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible of overseeing the entity's financial reporting process.

7. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit, I also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;
- Obtain an understanding of internal control relevant to the audit 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;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to

continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit;
- Provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

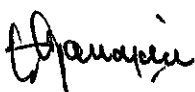
8. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The financial statements for the financial year ended 30 June 2019 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 85 of the Local Authorities Act, 1992 (Act No. 23 of 1992).

9. ACKNOWLEDGEMENT

The co-operation and assistance by the management and staff of the Municipality of Tsumeb during the audit is appreciated.

WINDHOEK, August 2021


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

ANNEXURE A

MUNICIPALITY OF TSUMEB
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	Note	2019 N\$	2018 N\$
ASSETS			
CURRENT ASSETS			
		103 737 302	89 287 112
Trade and other receivables	5	96 567 311	88 969 233
Inventories	6	597 229	317 879
Cash and cash equivalents	7	6 572 762	-
NON-CURRENT ASSETS			
		142 460 067	137 394 586
Property, plant and equipment	2	82 352 858	79 305 912
Loans receivable	3	1 291 417	1 516 693
Investments	4	58 815 792	56 571 981
TOTAL ASSETS		246 197 369	222 749 863
EQUITY AND LIABILITIES			
EQUITY			
		181 656 334	152 849 327
Contribution to assets (Capital outlay)	8	67 380 551	59 848 901
Fund reserves	9	85 228 547	82 426 307
Accumulated surplus		29 047 236	10 574 119
CURRENT LIABILITIES			
		50 572 053	55 763 768
Trade and other payables	10	29 187 557	27 837 553
Bank Overdraft	7	3 692 747	9 678 661
Provisions	11	12 279 680	12 213 736
Deferred income	12	5 412 069	6 033 818
NON-CURRENT LIABILITIES			
Long-term loans	13	10 036 816	14 136 767
TOTAL FUNDS AND LIABILITIES		242 265 203	222 749 862

ANNEXURE B

MUNICIPALITY OF TSUMEB
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE

	Note	2019	2018
		N\$	N\$
REVENUE FROM NON - EXCHANGE TRANSACTIONS		19 219 528	19 151 126
Property Taxes Revenue	14	12 149 471	11 562 205
Fine's penalties and levies	15	6 343 881	6 266 331
Transfers from government and reserves	16	726 176	1 322 590
REVENUE FROM EXCHANGE TRANSACTIONS		66 619 663	63 992 934
Rendering of services	17	30 138 756	27 112 042
Sale of water	18	33 931 015	30 538 177
Rental revenue from facilities and equipment	19	2 035 990	1 965 417
Finance Income - external investments	20	525	623
Finance Income - outstanding receivables	21	-	4 005 349
Other income	22	513 377	371 326
TOTAL REVENUE		85 839 191	83 144 060
EXPENSES			
Employee cost	23	38 596 960	42 020 804
Remuneration of councilors	24	590 250	598 723
Repairs and maintenance	25	5 513 569	5 514 037
Contracted services	26	1 338 189	1 740 053
Grants and donations	27	1 720 262	1 509 377
General expenses	28	16 454 979	20 077 383
Capital expenses	29	5 737 916	5 118 786
Contribution to capital spending	30	442 728	309 797
Contribution expenses	31	4 735 592	4 468 465
TOTAL EXPENSES		75 130 445	81 357 425
SURPLUS FOR THE YEAR		10 708 746	1 786 635

MUNICIPALITY OF TSUMEB
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE

	Note	Accumulated Surplus
		<u>N\$</u>
BALANCE AT 01 JULY 2017		20 231 098
Surplus for the year		1 786 635
Adjustments to appropriation account	32	<u>(11 443 614)</u>
BALANCE AT 01 JULY 2018		10 574 119
Surplus for the year		10 708 746
Adjustments to appropriation account	32	<u>7 764 371</u>
BALANCE AT 30 JUNE 2019		<u>29 047 236</u>

ANNEXURE D

MUNICIPALITY OF TSUMEB
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE

		2019	2018
	Note	N\$	N\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers			
Property taxes revenue	14	12 149 471	11 562 205
Fine's penalties and levies	15	6 343 881	6 266 331
Transfers from government and reserves	16	726 176	1 322 590
Rendering of services	17	30 138 756	27 112 042
Sale of water	18	33 931 015	30 538 177
Rental revenue from facilities and equipment	19	2 035 990	1 965 417
Finance Income - external investments	20	525	623
Finance Income - outstanding receivables	21	-	4 005 349
Other income	22	513 377	371 326
Total receipts from customer		85 839 191	83 144 060
Payments to suppliers and employees			
Employee Cost	23	(38 596 960)	(42 020 804)
Remuneration of Councillors	24	(590 250)	(598 723)
Repairs and maintenance	25	(5 513 569)	(5 514 037)
Contracted services	26	(1 338 189)	(1 740 053)
Grants and donations	27	(1 720 262)	(1 509 377)
General expenses	28	(16 454 979)	(20 077 383)
Capital expenses	29	(5 737 916)	(5 118 786)
Contribution to capital spending	30	(442 728)	(309 797)
Contribution Expenses	31	(4 735 592)	(4 468 465)
Total payments to suppliers		75 130 445	81 357 425
Cash from operations		10 708 746	1 786 635
Net adjustment to the appropriation account	32	7 764 371	(11 443 614)
Changes in working capital	33	(7 082 898)	(6 952 339)
Net cash flow from operating activities	33	11 390 219	(16 609 318)
CASH FLOW FROM INVESTING ACTIVITIES			
Net change to property plant and equipment		(3 046 946)	(2 890 937)
Increase/(decrease) in loans receivable		225 276	686 365
Increase/(decrease) in investments		(2 243 811)	9 282 496
Net cash flow from investing activities		(5 065 481)	7 077 924

ANNEXURE D

MUNICIPALITY OF TSUMEB

FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE (Continued)

	2019	2018
	N\$	N\$
CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(decrease) in capital outlay	7 531 650	2 372 164
Increased/(decrease) in funds accounts	2 802 239	2 864 433
Increase/(decrease) in long term liabilities	(4 099 951)	894 251
Net cash flow from financing activities	6 233 938	6 130 848
Net increase in cash and cash equivalents	12 558 676	(3 400 546)
Cash and cash equivalents at the beginning of the year	(9 678 661)	(6 278 115)
Cash and cash equivalents at the end of the year	2 880 015	(9 678 661)

Note

7

ANNEXURE E

MUNICIPALITY OF TSUMEB
FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE
YEAR ENDED 30 JUNE

REVENUE	Budget	Actual on	Performance
	2018/2019	comparable basis	difference
	N\$	2018/2019	2018/2019
	N\$	N\$	N\$
Property taxes	15 769 974	12 149 471	3 620 503
Public contributions and donations	-	-	-
Fines penalties and levies	6 396 164	6 343 881	52 283
Transfers from government and reserves	17 787 000	726 175	17 060 825
Rendering of services	31 514 109	30 172 299	1 341 810
Sale of water	34 932 273	33 931 015	1 001 258
Rental revenue from facilities and equipment	2 188 445	2 217 477	(29 032)
Finance income - external investments	-	525	(525)
Finance income - outstanding receivables	-	1	(1)
Other income	382 406 00	298 348	84 058
TOTAL REVENUE	108 970 371 00	85 839 192	23 131 179 00
EXPENSES			
Employee cost	46 037 033	38 596 960	7 440 073
Remuneration of councillors	590 250	590 250	-
Repairs and maintenance	8 244 870	5 513 569	2 731 301
Contracted services	890 300	1 338 189	(447 889)
Grants and donations	1 844 865	1 720 262	124 603
General expenses	23 246 933	16 454 979	6 791 954
Capital expenses	6 617 394	5 737 916	879 478
Contribution to capital spending	2 081 422	442 728	1 638 694
Contribution expenses	4 416 509	4 735 593	(319 084)
TOTAL EXPENSES	93 969 576	75 130 446	18 839 130
SURPLUS FOR THE YEAR	15 000 795	10 708 746	4 292 049

MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1. ACCOUNTING POLICIES

1. Basis of preparation of Financial Statements – IPSAS 33

The financial statements have been prepared on a going concern in accordance with the first-time adoption of International Public Sector Accounting Standards IPSASs – IPSAS 33. The financial statements are presented in Namibia dollars which is the functional and reporting currency of the Municipality and all values are rounded off to

The financial statements have been prepared on the historical cost unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

In the adoption of the accrual basis IPSAS's the Municipality has elected to utilize some of the transitional exemptions allowed by IPSAS 33. Hence IPSAS 33 was developed and approved by the IPSASB to facilitate gradual implementation of IPSASs. IPSASB makes a provision of a three-year transitional relief period within which a user shall be expected to comply fully with IPSASs.

These accounting policies are consistent with the previous year except where otherwise stated.

1.1 Property plant and equipment - IPSAS 17

All Property plant and equipment are stated at cost or valuation where assets have been acquired 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 assets is less than the repayment period of the loan in which case depreciation is calculated on the shortfall. When significant parts of property plant and equipment are required to be replaced at intervals Council recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise when a major inspection is performed its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred.

ANNEXURE F

MUNICIPALITY OF TSUMEB NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (continued)

* Land and buildings	20 years
* Service infrastructure	20 years
* Heavy vehicles machinery and equipment	10 years
* Light and sedan vehicles	5 years
* Computer equipment	10 years
* Office furniture and equipment	10 years

1.2 Inventories -IPSAS 12

Inventories are measured at cost upon initial recognition. To the extent that inventory was received through non- exchange transactions (for no cost or for a nominal cost). The cost of the inventory is its fair value at the date of acquisition. After initial recognition inventory is measured at the lower of cost and net realizable value. Inventory is recognized as an expense when deployed for utilization or consumption in the ordinary course of Council.

1.3 Provisions and contingencies – IPSAS 19

Provisions are recognized when:

- * Council has an obligation at the reporting period date as a result of a past event;
- * It is probable that Council will be required to transfer economic benefits in settlement;
and
- * The amount of the obligation can be estimated reliably.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

The Municipality does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statement unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

The Municipality does not recognize a contingent asset but discloses details of any contingencies in the notes to the financial statement unless the possibility of an inflow of resources embodying economic benefits or service potential is remote. If it becomes virtually certain that an inflow of;

MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1. ACCOUNTING POLICIES (Continued)

economic benefits service potentially will arise and the asset's value can be measured reliably the asset and the related revenue are recognized in the financial statements of the period in which the changes occur.

1.4 Leases – IPSAS 13

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or if lower at the present value of the future minimum lease payments depreciated over the useful life of such asset.

Council recognizes the associated liability measures at as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition lease payments are apportioned between finance charges recognized in surplus or deficit and reduction of lease liability disclosed as a liability in the statement of financial position.

Unlike finance lease payments operating lease payments are recognized as an operating expense in the profit or loss on a straight-line basis over the lease term.

1.5 Special Funds

The Municipality also maintains the following Funds in terms of the authorizations in Section 80 of the Local Authorities Act 23 1992 (Act no 23 of 1992) as amended.

1.5.1 Capital Development Fund

The purpose of this Fund is to build up a general reserve to ensure that the Municipality's financial position is stable. Income to this fund is transferred from the general income account and derived from interest on investments.

**MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

1. ACCOUNTING POLICIES (Continued)

1.5.2 Build Together Fund

This is a revolving fund consisting of funds originally from Government for Decentralised Build Together Fund beneficiaries. Disbursement of funds to beneficiaries for progress payments are made from this fund. Loan repayments are deposited on this fund. Interest earned on this fund is capitalized on this fund. Servicing of an area benefiting Decentralized Build Together beneficiaries may be sourced from this fund.

1.5.3 Housing Fund

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

1.5.4 Government grants

Government grants are recognized as revenue in the period in which associated expenses are expensed or accrued. Unutilized Government grants are recognized as deferred income until such time they will be utilized when they will be recognized in the statement of financial performance.

1.5.5 Revenue Account

All monies received accrued and expenses paid and accrued except for allocation to other funds are reflected in this account and are kept in compliance with Section 86(1)(b) of the Local Authorities Act No. 23 of 1992 amended.

1.5.6 Fixed Property Fund

Proceeds on the sale of developed properties accumulate in this Fund and are used to develop properties.

**MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

1. ACCOUNTING POLICIES (Continued)

1.5 Interest on Investments

Interest earned on investments is allocated to the different Funds and surpluses on a percentage earned based on the opening balances.

1.6 Revenue recognition

1.6.1 Revenue from non-exchange transactions – IPSAS 23 Fees taxes and fines

Council recognizes revenue fees taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount deferred income is recognized instead of revenue. Other non – exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to Council and the fair value of the asset can be measured reliably.

Transfers from government and other government entities.

Council measures revenues from transfers from government and other government entities at fair value and recognizes them as revenues on obtaining control of assets if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to Council and can be measured reliably.

1.6.2 Revenue from exchange transactions – IPSAS 9

Rendering of services

Council recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be measured reliably. When the outcome of the transaction cannot be measured reliably revenue is recognized only to the extent the expenses incurred are recoverable.

MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1. ACCOUNTING POLICIES (Continued)

Sale of water

Revenue from the sale of water is recognized when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to Council.

Rental income

Rental income arising from operating leases on properties is accounted for and included in revenue.

Interest income

Interest income is accrued using effective yield method. The method applies this yield to the principal outstanding to determine interest income each period. Interest income is included in revenue.

Dividends

Dividends or similar distribution is recognized as revenue when the Council's right to receive payments is established.

1.7 Budget information – IPSAS 24

The annual budget is prepared on the accrual basis that is all planned costs and income are presented in a single statement to determine the needs of Council. As a result of adoption of the accrual basis for budgeting purposes there is no basis timing or Council differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1. ACCOUNTING POLICIES (Continued)

1.8 Taxes

Income Tax

Council is a local authority and is exempted from paying income tax in terms of the Income Tax Act 24 1981 (Act no 24 of 1981) as amended.

Value Added Tax

Council is a registered Value Added Tax (VAT) payer in terms of the Value Added Tax Act 10 2000 (Act no 10 of 2000) as amended and submits its VAT returns bi-monthly to the Inland Revenue. Council pays VAT amounts into a state account upon submitting the return together with supporting analysis of expenses via the Electronic Fund Transfer (EFT) on or before the due date on the 25th of the month following the end of bi-monthly period. In case of VAT receivable Council does not have any control over auditing of returns and/or payments thereof.

Pay As You Earn (PAYE)

Council deducts PAYE from employees' remuneration and pays it over to the Inland Revenue via the Electronic Fund Transfer (EFT) on or before the 20th of the month following the month of deductions. Monthly returns are completed and submitted to the Inland Revenue. Yearly reconciliation is performed and returns together with copies of PAYE certificates are submitted to the Inland on or before the 20th of March each year.

1.9 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank short-term deposits on call and highly liquid investments with an original maturity of twelve months or less which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. It includes amounts held at various commercial banks.

ANNEXURE F

MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE

1.10 Comparative Figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

2. PROPERTY PLANT AND EQUIPMENT

	2019	2018
	N\$	N\$
Income assets	8 509 134	9 233 565
Loan assets	34 484 176	35 249 432
General capital assets	39 359 548	34 822 915
Total	82 352 858	79 305 912

Reconciliation of Property Plant and Equipment 2019

	Opening Balance	Additions	Write-offs	Depreciation	Total
	N\$	N\$	N\$	N\$	N\$
Office equipment	303 233	59 134	-	(57 851)	304 516
Machines tools and equipment	7 040 943	295 517	-	(1 218 552)	6 117 908
Infrastructure	34 583 851	6 191 070	-	(315 883)	40 459 038
Buildings & fixed properties	20 069 628	7 600	-	(675 625)	19 401 603
Motor vehicles	16 805 711	-	(531 617)	(592 624)	15 681 470
Furniture & fittings	502 546	15 643	-	(129 866)	388 323
	79 305 912	6 568 964	(531 617)	(2 990 401)	82 352 858

Capitalized Expenditure

	2019	2018
	N\$	N\$
Additions	6 568 964	6 055 009
Write – Offs	(531 616)	-
Depreciation	(2 990 401)	(3 164 073)
	3 046 947	2 890 936

ANNEXURE F

MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE

	2019	2018
	N\$	N\$
3. LOANS RECEIVABLE		
Fixed Property Fund	529	529
Dantago Hoda	99 024	125 203
Build Together Fund	337 708	409 172
Housing Fund 1	315 702	352 173
Khaibasen Group	74 346	84 261
Khomas Group	131 735	150 835
Omwene Tukwafa Group	138 799	166 895
Peace Group	88 865	100 868
Peace Maker	81 285	95 777
Twatameka Two Savings	23 424	30 980
	1 291 417	1 516 693
4. INVESTMENTS		
Commercial banks	-	4 514 703
Censored Investment	58 815 792	52 057 278
	58 815 792	56 571 981
ALLOCATED AS FOLLOWS		
Built Together Fund	-	1 133 425
Twatameka Two Savings	-	446 516
Dantago Hoda	-	388 402
Peace Maker	-	362 644
Khaibasen Group	-	230 433
Peace Group	-	310 050
Omwene Tukwafa Group	-	359 979
Khomas Group	-	323 491
Natural Disaster Fund	-	500 000
Self-study scheme	-	459 763
Revenue account	58 815 792	52 057 278
	58 815 792	56 571 981

ANNEXURE F

MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE

5. TRADE AND OTHER RECEIVABLES

	2019	2018
	N\$	N\$
Trade receivables	136 780 543	128 990 426
VAT provision	4 695 662	4 241 249
Sundries debtor	411 088	357 540
Less: Provision for impairments of trade receivables	<u>(45 319 982)</u>	<u>(44 619 982)</u>
	96 567 311	88 969 233

The ageing of Trade Receivables

Transactions	(1 010 369)	(902 419)
Current	3 747 090	3 601 705
30 Days	3 875 072	4 827 139
60 days	2 927 773	4 017 890
90 Days	2 710 019	2 583 979
120 Days	2 406 383	2 372 041
120 Days +	<u>122 124 575</u>	<u>112 490 091</u>
	136 780 543	128 990 426

Reconciliation of provision for impairment of Trade Receivables

Opening balance	44 619 982	43 919 982
Provision for impairment	<u>700 000</u>	<u>700 000</u>
	45 319 982	44 619 982

No part of trade receivables were pledged as security for any facility.

6. INVENTORY

Stores	<u>597 229</u>	<u>317 879</u>
	597 229	317 879

ANNEXURE F

MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE

7. CASH AND CASH EQUIVALENTS

	2019	2018
	N\$	N\$
Commercials banks	6 572 762	-
Bank overdraft	(3 692 747)	(9 678 661)
	2 880 015	(9 678 661)

Cash and cash equivalents relate to money on hand and deposits held with banking institutions and consist of:

First National Bank	2 495 393	-
Standard Bank	1 303 296	-
Bank Windhoek	327 417	-
Nampost	2 446 656	-
	6 572 762	-
Bank Overdraft	(3 692 748)	(9 678 661)
	2 880 014	(9 678 661)

Investment balance for the amount of N\$ 4 514 703 were not recognize as cash and cash equivalents but as part of investments during 2018 as reflected in note 4 of the financial statements.

Commercial banks are periodically monitored for capital adequacy by the Reserve Bank of Namibia. Hence credit quality of cash at banks is considered of a high quality.

8. CONTRIBUTION TO ASSETS

	2019	2018
	N\$	N\$
Loans redeemed	19 511 869	15 792 421
Revenue contributions	8 509 134	9 233 565
General capital contributions	39 359 548	34 822 915
	67 380 551	59 848 901

MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE

9. FUNDS RESERVES

	2019	2018
	N\$	N\$
Capital Development Fund	6 575 072	5 979 507
Fixed Property Fund	36 787 461	36 613 072
Housing Fund	9 699 490	9 418 485
Renewal Fund	27 881 184	26 279 146
Dantago Hoadia	519 197	513 605
Khaibasen Group	318 682	314 694
Khomas Group	481 419	474 326
Natural Disaster Fund	550 000	500 000
Omwene Tukwafa Group	534 558	526 874
Peace Group	415 680	410 917
Peace Maker	462 882	458 420
Self-Study Scheme	524 075	459 764
Twatameka Two Savings	478 847	477 498
	85 228 547	82 426 308

10. TRADE AND OTHER PAYABLES

Accruals	472 861	572 836
Arrears on loan interest and redemption	28 714 696	27 264 717
Total	29 187 557	27 837 553

Trade payables and year end accruals comprise of amounts accrued for goods and services provided by suppliers for N\$472 861 and Government Interest and Redemption amounting to N\$28 714 696 for external loans not paid since 2002.

MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE

11. PROVISIONS

	2019	2018
	N\$	N\$
Provision for leave and severance	6 999 681	7 364 882
5 % Rates and taxes regional council	4 944 201	4 408 104
Workmen's compensation assessment	335 798	440 750
	12 279 680	12 213 736

12. DEFERRED INCOME

Government grant: social housing	746 998	803 495
Government grant: informal settlement	1 056 691	1 056 691
Medium term expenditure framework 2015 / 16	509 670	1 045 330
Elverum night	-	21 992
Medium term expenditure framework 2015 /16	3 098 710	3 106 310
	5 412 069	6 033 818

Unspent government subsidies are recognized as deferred income until such time the amount is spent or the cost associated with it is incurred. When spent or the cost associated with it is incurred the government subsidy is transferred from deferred income and recognized as income in the financial year is spent or the cost associated with it is incurred.

**MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE**

13. LONG-TERM LIABILITIES

	<u>2019</u>	<u>2018</u>
	N\$	N\$
The Government of Namibia	5 267 980	6 025 565
Commercial banks	4 768 836	8 111 202
	<u>10 036 816</u>	<u>14 136 767</u>

External loan balances were N\$10 036 816 (2018: N\$14 136 768). The balances correspond with the outstanding balances as per actuarial tables and the general ledger.

Internal loan balances of N\$4 935 492 (2018: N\$5 320 244) are eliminated in the statement of financial position.

14. PROPERTY TAXES REVENUE

Rates and taxes	<u>12 149 471</u>	<u>11 562 205</u>
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The tariffs for private and business property were N\$0.0002 and N\$0.236 (2018: N\$0.236) per dollar per year for site valuations plus N\$0.01012 (2018: N\$0.008) per dollar per year for the valuation of improvements for residential property.

15. FINES PENALTIES AND LEVIES

Electricity surcharges	6 180 152	6 121 259
Illegal Water Connection fees	76 000	26 300
Water reconnection fees	87 729	118 772
	<u>6 343 881</u>	<u>6 266 331</u>

ANNEXURE F

MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE (Continued)

16. TRANSFERS FROM GOVERNMENT AND RESERVES

	2019	2018
	N\$	N\$
Road Fund Administration (RFA)	726 176	1 322 590

17. RENDERING OF SERVICES

Garden Soil	1 000	500
Home based business	5 268	725
Business Wheelie Bins Orange	10 835	7 123
Residential Wheelie Bins Green	57 228	100 801
Burial fees	105 712	90 421
Building rubble	11 815	1 981
Trade registration fees	460 065	346 978
Building plan fees	99 672	119 077
Refuse removal services	12 853 509	11 618 805
Garden refuse removal services	1 675 170	1 592 523
Sewerage fees	14 746 959	13 118 654
Water connection fees	19 184	29 500
Sewerage connection Fees	-	2 138
Building plan submission fees	39 660	31 191
Service on buildings rented	52 679	51 625
	30 138 756	27 112 042

ANNEXURE F

MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE (Continued)

18. SALE OF WATER

	2019	2018
	N\$	N\$
Water sales	33 075 036	29 805 064
Pre -paid water sales	855 979	733 113
	33 931 015	30 538 177

19. RENTAL REVENUE FROM PROPERTIES FACILITIES AND EQUIPMENT

Housing rent	1 740 407	1 722 286
Rental caravan park	57 600	57 600
United nations park	13 481	8 666
Rent soccer field	31 246	11 573
Business building kapanas	6 533	6 533
Community hall/chairs	23 358	34 315
Tev accommodation	150 420	111 907
Tev tent rent	12 945	12 537
	2 035 990	1 965 417

20. INTEREST RECEIVED – BANK ACCOUNTS

Bank accounts	525	623
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21. INTEREST RECEIVED – OUTSTANDING RECEIVABLES

Debtor service accounts	-	4 005 349
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ANNEXURE F

MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE (Continued)

22. OTHER INCOME

	2019	2018
	N\$	N\$
Billboards	128 808	136 608
Sundries	180 193	152 863
Endowment fees	86 221	9 018
Token sales	62 192	20 656
Water meter test	21 494	8 833
Clearance certificate fee	10 774	12 943
Valuation certificate fee	1 691	1 229
Tcv entrance fee	12 084	9 354
Tcv Curios	9 920	19 822
	513 377	371 326

23. EMPLOYEE COST

Salaries wages and allowances	23 886 377	24 651 399
Overtime	1 711 659	3 135 167
Social security commission	113 151	118 817
Housing allowances	5 397 767	5 876 460
Medical aid fund contributions	3 515 009	3 349 838
Pension fund contributions	4 410 444	4 719 215
Unexplained difference	(437 447)	169 908
	38 596 960	42 020 804

ANNEXURE F

MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE (Continued)

24. ALLOWANCES OF COUNCILLORS

	Basic allowance	Cell phone allowance	Total allowance
	N\$	N\$	N\$
2019 Office			
Mayor	88 910	-	88 910
Deputy mayor	81 289	7 200	88 489
Chairperson of management committee	83 828	8 400	92 228
Member of management committee	81 289	-	81 289
Member of management committee	81 289	-	81 289
Ordinary council member	76 209	-	76 209
Ordinary council member	76 209	-	76 209
Unexplained difference	5 627	-	5 627
Total allowance of councillors	574 650	15 600	590 250
2018 Office			
Mayor	88 910	-	88 910
Deputy mayor	81 289	7 200	88 489
Chairperson of management committee	83 828	8 400	92 228
Member of management committee	81 289	-	81 289
Member of management committee	81 289	-	81 289
Ordinary council member	76 209	-	76 209
Ordinary council member	76 209	-	76 209
Unexplained difference	14 100	-	14 100
Total allowance of councillors	583 123	15 600	598 723

ANNEXURE F

MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE (Continued)

25. REPAIRS AND MAINTENANCE

	2019	2018
	N\$	N\$
Buildings	373 667	463 835
Infrastructure	2 296 817	2 185 681
Vehicles	2 288 865	2 244 376
Machines and equipment	554 220	620 145
	5 513 569	5 514 037

26. CONTRACTED SERVICES

Labour and implement hire	1 014 189	1 626 588
Valuation cost	324 000	113 465
	1 338 189	1 740 053

27. GRANTS AND DONATIONS

Pensioner's subsidy	1 664 957	1 484 377
School price giving donations	500	1 500
Accommodation - Peace Corp Volunteer	2 550	-
Municipal sports	22 646	20 000
Municipal year end function	25 907	-
Wreath & flowers	1 267	-
Tsumeb Municipal Investment Holding Company	100	-
Dundee Precious Metals	-	2 500
Walvisbay Municipality	-	1 000
Gift Ex Chief Executive Officer	2 335	-
	1 720 262	1 509 377

ANNEXURE F

MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE (Continued)

28. GENERAL EXPENSES

	2019	2018
	N\$	N\$
Fire foam	6 000	-
Infectious diseases	-	11 344
Advertising	171 844	45 383
Bank charges	739 346	669 197
Interest on late payments	3 306	2 127
Fuel and oil	1 584 273	1 205 695
Printing & stationery	125 897	138 126
Protective clothing	146 620	169 908
Regional council contribution	607 474	578 110
Electricity services	7 931 177	11 156 326
Municipal association contribution	84 100	99 262
Entertainment	68 964	100 755
Telephones	560 793	523 230
Publicity & subscription	11 292	9 134
Legal costs	163 742	123 739
Subsistence and travelling	607 538	669 077
Sewerage departmental	48 624	56 951
Railage & transport	28 148	37 705
Incidental expenses	-	50 291
Insurance	364 536	321 824
Water departmental	298 021	1 058 903
Water research fee	-	21 043
Material and stores	279 855	257 965
Sanitation departmental	15 158	6 872
Rental: Copy machine	56 806	35 701
Consultation fees	24 912	29 107
Training	55 530	67 045
VET levy	-	263 239
Vehicle licenses	176 694	245 127
Twin links	78 635	95 332

ANNEXURE F

MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE (Continued)

28. GENERAL EXPENSES

	2019	2018
	N\$	N\$
Insecticides	1 628	636
TCV curios purchases	3 460	2 000
Tourism levy	2 032	1 345
	14 246 405	18 052 499
HIV/AIDS program	-	20 090
Copper festival	146 092	133 487
Security services	2 209 104	2 041 214
Unexplained difference	(146 622)	(169 907)
	16 454 979	20 077 383

29. CAPITAL EXPENDITURE

Redemption external loans	3 568 335	2 925 860
Interest external loans	1 314 473	1 313 095
Redemption internal loans	384 752	375 478
Interest internal loans	470 356	504 353
	5 737 916	5 118 786

30. CONTRIBUTION TO CAPITAL SPENDING

Capital budget	442 728	309 797
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ANNEXURE F

MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE (Continued)

31. CONTRIBUTION EXPENSES

	2019	2018
	N\$	N\$
Renewal Fund	852 888	904 874
Capital Development Fund	595 565	628 309
Audit Fees	115 700	-
Leave Bonus & Salary Reserve	1 309 902	1 342 973
Workmen's Compensation	100 000	100 000
Old Age Medical Contribution	911 537	592 309
Self-Study Scheme	800 000	850 000
Natural Disaster	50 000	50 000
	4 735 592	2 468 465

32. ADJUSTMENTS TO APPROPRIATION ACCOUNT

A sizing	2 109	-
Cashier surplus	(1 000)	-
Censored fair value gain	(6 758 514)	(8 858 174)
Cheques paid to wrong creditors	-	(121 717)
Correction – expenditure	7 305	(603 310)
Donation from reg council	-	4 582
JT Kambuta Erf 1833	(144 850)	(180 756)
Movement on TCv stock	2 525	(1 250)
Provision severance and leave days	(128 221)	(308 897)
Revenue adjustments	(799 343)	(1 374 092)
Sports uniform	21 618	-
	7 764 371	(11 443 614)

MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE (Continued)

33. CASH GENERATED/(UTILISED) FROM OPERATIONS

	<u>2019</u>	<u>2018</u>
	N\$	N\$
Surplus for the year	10 708 746	1 786 635
Net adjustments to appropriation account	7 764 371	(11 443 614)
	<u>18 473 117</u>	<u>(9 656 979)</u>
Working capital adjustments		
Increase/(decrease) in trade and other receivables	(7 598 078)	(9 267 861)
Increase/(decrease) in inventories	(279 350)	105 242
Increase/(decrease) in trade and other payables	1 350 004	2 210 280
Increase/(decrease) in refundable deposits	331	-
Increase/(decrease) in Provisions	65 944	-
Increase/(decrease) in deferred income	(621 749)	-
	<u>(7 082 898)</u>	<u>(6 952 339)</u>
CASH GENERATED/(UTILISED) FROM OPERATIONS	<u>11 390 219</u>	<u>(16 609 318)</u>

34. TAXATION

VAT receivable	<u>4 695 662</u>	<u>4 695 662</u>
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Municipality of Tsumeb is a local authority and is exempted from paying income tax. It charges Value Added Tax (VAT) out on taxable supplies and pays or claims net VAT to or from the Inland Revenue as per Value Added Tax Act 10 2000 (Act no 10 of 2000) as amended. VAT receivable amounted to N\$4 695 662 (2018: N\$4 695 662) at the end of the year under review.

MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE (Continued)

35. AUDITORS REMUNERATION

	<u>2019</u>	<u>2018</u>
	N\$	N\$
Auditor-General	<u>115 700</u>	<u>-</u>

All local authorities were exempted from paying audit fees by the Auditor-General to allow them to invest such fees in capacitating key staff members in the finance department regarding the preparation of financial statements. Whilst the exemption was running an invoice for N\$ 115 700 was raised by the Auditor-General during the year under review for 2017/2018 financial year.

37. PRIOR PERIOD ERRORS AND MISSTATEMENTS

Due to some administrative restrictions the Auditor-General may not allow the restatement of prior period as a result of prior period errors. Therefore errors and misstatement identified during current audits are only corrected the following financial year through direct entries to the appropriation account and relevant votes.

ANNEXURE F

MUNICIPALITY OF TSUMEB
NOTES TO THE FIRST TRANSITIONAL IPSAS FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE (Continued)

38. SALES OF WATER

	2019	2018
	N\$	N\$
Sales	34 192 614	30 742 237
Cost of bulk purchases	(9 355 465)	(13 194 484)
Gross profit	24 837 149	17 547 753
Net (expenditure)	(4 744 286)	(4 164 719)
NET SURPLUS	20 092 863	13 383 034
Gross surplus percentage on sales	73%	57%
Net profit % on sales	59%	44%
	Units	Units
Units pumped	2 285 849	2 389 392
Units Sold	(1 794 709)	(1 882 892)
Loss	491 140	506 500
Net loss % on sales	21%	21%

