



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**

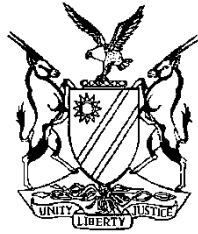
# **MUNICIPALITY OF WINDHOEK**

**FOR THE FINANCIAL YEAS ENDED 30 JUNE 2009, 2010 AND 2011**

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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 Windhoek for the financial years ended 30 June 2009, 2010 and 2011, 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, July 2013**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
MUNICIPALITY OF WINDHOEK FOR THE FINANCIAL YEARS  
ENDING 30 JUNE 2009, 2010 AND 2011**

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**1. INTRODUCTION**

The accounts of the Municipality of Windhoek for the years ended 30 June 2009, 2010 and 2011 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 submission of this report has been considerably delayed due to the inability of Council to submit financial statements timeously. **The statements for the 2009 financial year was only submitted in 2010, the 2010 financial statements in 2011 and the 2011 financial statements on 4 July 2012.**

The firm EDB and Associates of Windhoek 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 not submitted to the Office of the Auditor-General by the Accounting Officer in compliance with Section 87(1) of the Local Authorities Act, 1992, which stipulated amongst other that such financial statements should be submitted within three months after the end of the financial year (See paragraph 1). The audited financial statements are in agreement with the general ledger and are filed in this Office. The abridged balance sheet at Annexure A, is a true reflection of the original signed by the Accounting Officer.

The financial statements also include:

- Annexure B: Income statement
- Annexure C: Cash flow statement
- Annexure D: Notes to the balance sheet and income statement
- Annexure E: Detailed income statement

**3. SCOPE OF THE AUDIT**

The Accounting Officer of the Municipality is responsible for the preparation of the financial statements and for ensuring the regularity of the financial transactions. 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 audit as carried out by the said firm, included:

- (a) Examination on a test basis of the evidence relevant to the amounts, disclosure and regularity of financial transactions included in the financial statements;
- (b) Assessment of the significant estimates and judgements made by the Accounting Officer of the Municipality in the preparation of the financial statements and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed; and
- (c) Evaluation of the overall adequacy of the presentation of information in the financial statements.

The audit was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence to give reasonable assurance that:

- The financial statements are free from material misstatement, whether caused by error, fraud or other irregularity;
- In all material respect, the expenditure and income have been applied to the purposes intended; and

- The financial transactions conform to the authorities which govern them.

#### **4. AUDIT OBSERVATIONS AND COMMENTS**

##### **4.1 Provision for doubtful debts**

The bad debts increased to N\$ 35 000 000 in 2009 from N\$ 31 949 176 in 2008, but remained at N\$ 35 000 000 in 2010 and decreased to N\$ 33 383 077 in 2011. The auditors have estimated that the provision on total debtors should be N\$ 105 059 353. Therefore, debtors provision is understated by N\$ 71 676 276.

##### **4.2 Subsidy claims**

Subsidy claims receivable from the Government amounted to N\$ 0.00, N\$ 53 731 594 (2010), N\$ 53 731 594 (2009) and (2008: N\$ 53 731 594).

The subsidies were written of through the appropriation account during the 2011 financial year. (Refer to paragraph 22.1)

##### **4.3 Provision for normal staff leave**

In terms of a Council resolution, the provision for staff leave were N\$ 40 000 000 and N\$ 30 000 000 (2010). During the 2002-financial year, the policy for calculating staff leave was changed, and is since then calculated on total employment costs (previously on gross salary, excluding allowances).

The provision for normal staff leave in the financial statements amounts to N\$ 40 000 000. The normal staff leave provision should be N\$ 72 397 696. The leave pay provision is therefore understated by N\$ 32 397 696.

##### **4.4 Provision for bonus leave**

The provision for bonus leave in the financial statements amounts to N\$ 10 000 000. The total bonus leave outstanding at year-end should be N\$ 16 671 168. The bonus leave provision is therefore understated by N\$ 6 671 168.

##### **4.5 Incomplete information**

Auditor-General circular D3/92 requests information in a specified format to be submitted by the local authorities. The following information was not submitted in the requested format and could not be confirmed by the auditors due to a lack of the relevant auxiliary records:

- Motor vehicle schedule. (paragraph 29)
- Various significant supporting expenditures

##### **4.6 Unrecorded liabilities**

Due to the fact that creditors reconciliations were not done, liabilities to the amount of N\$ 17 828 520 was not recorded hence an understatement of expenses and liabilities.

##### **4.7 Bank reconciliation**

The bank reconciliation indicates an unexplained material difference of N\$ 26 333 745.

##### **4.8 Going Concern and Commercial Insolvency**

The auditors draw attention to the Statement of Financial Positions as at 30 June 2011 which indicates that as of that date, the current liabilities exceed its current assets. These conditions indicate the existence of material uncertainties which may cast doubt on the City's abilities to continue as a going concern. This condition is collaborated and cemented by the growing accumulated deficit of N\$ 557 million, indicating that the losses are accumulating over a protracted period.

Consequently, the City is currently commercially insolvent but if allowed to continue unabated; these operating deficits will eventually erode the equity base which will result in the City being factually insolvent.

#### 4.9 Property sold on an instalment basis

The closing balance for the 2008 financial year was not brought forward to the 2009 financial year.

#### 5. ACKNOWLEDGEMENT

The assistance and co-operation given by the Municipality's staff during the audit is highly appreciated.

#### 6. FINANCIAL RESULTS

The results of the operations of and transactions on the Revenue Account for the year are as follows:

|   | Revenue       | Expenditure   | Surplus/(Deficit) | Balance              |
|---|---------------|---------------|-------------------|----------------------|
|   | N\$           | N\$           | N\$               | N\$                  |
| <b>Accumulated surplus/(deficit) 01/07/2010</b> |               |               |                   | (380 975 148)        |
| <b>General services</b>                         |               |               |                   |                      |
| Non-profitable                                  | 323 733 567   | 567 443 900   | (243 710 333)     |                      |
| Self-supporting                                 | 199 930 511   | 197 045 271   | 2 885 240         |                      |
| <b>Trading accounts</b>                         |               |               |                   |                      |
| Electricity                                     | 785 026 648   | 731 643 923   | 53 382 725        |                      |
| Water   | 305 986 781   | 307 213 254   | (1 226 473)       |                      |
|   | 1 614 677 507 | 1 803 346 348 | (188 668 841)     |                      |
| <b>Deficit for the year</b>                     |               |               |                   | (188 668 841)        |
| <b>Adjustments: Transfer from/to Funds</b>      |               |               |                   |                      |
|   | 12 657 615    | -             | -                 |                      |
|   | 12 657 615    | -             | -                 | 12 657 615           |
| <b>Accumulated deficit 30/06/2011</b>           | -             | -             | -                 | <b>(556 986 374)</b> |

|   | Revenue       | Expenditure   | Surplus/(Deficit) | Balance              |
|---|---------------|---------------|-------------------|----------------------|
|   | N\$           | N\$           | N\$               | N\$                  |
| <b>Accumulated surplus/(deficit) 01/07/2009</b> |               |               |                   | (152 790 972)        |
| <b>General services</b>                         |               |               |                   |                      |
| Non-profitable                                  | 301 104 529   | 515 508 569   | (214 404 041)     |                      |
| Self-supporting                                 | 180 983 621   | 173 667 400   | 7 316 221         |                      |
| <b>Trading accounts</b>                         |               |               |                   |                      |
| Electricity                                     | 677 463 982   | 677 209 905   | 254 077           |                      |
| Water   | 269 071 370   | 298 048 111   | (28 976 741)      |                      |
|   | 1 428 623 502 | 1 664 433 985 | (235 810 484)     |                      |
| <b>Deficit for the year</b>                     |               |               |                   | (235 810 484)        |
| <b>Adjustments: Transfer from/to Funds</b>      |               |               |                   |                      |
| Other   | -             | -             | -                 |                      |
|   | 7 626 309     | -             | -                 |                      |
|   | 7 626 309     | -             | -                 | 7 626 309            |
| <b>Accumulated deficit 30/06/2010</b>           |               |               |                   | <b>(380 975 148)</b> |

|   | Revenue       | Expenditure   | Surplus/(Deficit) | Balance              |
|---|---------------|---------------|-------------------|----------------------|
|   | N\$           | N\$           | N\$               | N\$                  |
| <b>Accumulated surplus/(deficit)<br/>01/07/2008</b> |               |               |                   | (96 143 387)         |
| <b>General services</b>                             |               |               |                   |                      |
| Non-profitable                                      | 283 046 678   | 457 557 717   | (174 511 037)     |                      |
| Self-supporting                                     | 164 131 893   | 151 119 423   | 13 012 470        |                      |
| <b>Trading accounts</b>                             |               |               |                   |                      |
| Electricity   | 556 050 714   | 424 989 842   | 131 060 872       |                      |
| Water   | 263 644 395   | 263 148 439   | 495 956           |                      |
|   | 1 266 873 680 | 1 296 815 421 | (29 941 741)      |                      |
| <b>Deficit for the year</b>                         |               |               |                   | (29 941 741)         |
| <b>Adjustments: Transfer from/to</b>                |               |               |                   |                      |
| Funds   | -             | (26 705 844)  |                   |                      |
| Other   | -             | -             |                   |                      |
|   |               | (26 705 844)  |                   | (26 705 844)         |
| <b>Accumulated deficit 30/06/2009</b>               |               |               |                   | <b>(152 790 972)</b> |

The City of Windhoek recorded a loss of N\$ 188 668 841 for the year, N\$ 235 810 484 (2010). The current year's loss can mainly be attributed to an increase in the loss recorded at the City Police Department, which increased from N\$ 142 059 663 in 2009 to N\$ 165 893 206 during 2010 and N\$ 194 726 280 in 2011. Aggravating this situation was the Transport Department that recorded a loss of N\$ 118 828 380 during the year, N\$ 122 293 398 (2010) and the Economic and Community Development a loss of N\$ 91 866 168 during the year, N\$ 77 452 180 (2010).

Council will have to address the above situation as soon as possible as continued losses could seriously impact on cash flows.

## 7. CURRENT BANK ACCOUNT

|                                      | 2011           | 2010                | 2009                | 2008             |
|--------------------------------------|----------------|---------------------|---------------------|------------------|
|                                      | N\$            | N\$                 | N\$                 | N\$              |
| Cash book balance                    | 1 689 806      | (71 646 241)        | (81 060 351)        | (25 804 023)     |
| Add: Outstanding cheques             | 1 878 583      | 4 642 513           | 21 311 225          | 31 665 574       |
| Less: Unreconciled deposits          | 161 713        | (10 218)            |                     |                  |
| Less: Outstanding deposits           | (723 965)      | (1 959 152)         | (25 967)            | (2 857 703)      |
| Less: Undeposited receipts           | -              | -                   | (877 374)           | -                |
| Less: Partially undeposited receipts | (1 718 543)    | (27 805)            | (1 769 258)         | -                |
| Less: Unreconciled ACB's             | (511 514)      | (33 796)            | -                   | -                |
| Difference                           | -              | (1 200)             | -                   | (285 320)        |
| <b>Bank balance</b>                  | <b>776 079</b> | <b>(69 015 464)</b> | <b>(62 369 791)</b> | <b>2 718 528</b> |

Funds were invested at the following institutions:

|                        | <b>2011</b>           | <b>2010</b>           | <b>2009</b>           | <b>2008</b>           |
|------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                        | N\$                   | N\$                   | N\$                   | N\$                   |
| First National Bank    | 72 560 333.37         | 105 430 064.67        | 45 826 356.47         | 75 350 290.66         |
| Bank Windhoek Limited  | 12 466 556.15         | 20 843 585.39         | 19 500 314.52         | 17 858 028.39         |
| Nedbank Limited        | 4 413 498.80          | 4 129 132.80          | 10 936 250.94         | 22 711 370.74         |
| Nampost                | 12 000 000.00         | 12 000 000.00         | 12 000 000.00         | 12 000 000.00         |
| Standard Bank          | 25 000 000.00         | 20 000 000.00         | 20 000 000.00         | 20 000 000.00         |
| Bank Windhoek Holdings | 1 663 100.56          | 894 050.48            | 894 050.48            | 894 050.48            |
| Sanlam shares          | 4 169 083.88          | 3 610 086.51          | 3 610 086.51          | 3 202 129.27          |
| <b>Totals</b>          | <b>132 272 572.76</b> | <b>166 906 919.85</b> | <b>112 767 058.92</b> | <b>152 015 869.54</b> |

## 8. INVESTMENTS AND INTEREST EARNED

Investments held at year-end were allocated as follows:

| <b>Funds</b>                 | <b>2011</b>        |                   | <b>2010</b>        |                  |
|------------------------------|--------------------|-------------------|--------------------|------------------|
|                              | <b>Investment</b>  | <b>Interest</b>   | <b>Investment</b>  | <b>Interest</b>  |
|                              | N\$                | N\$               | N\$                | N\$              |
| Arterial Fund                | -                  | 90 948            | -                  | 153 435          |
| Capital Development Fund     | -                  | 1 163 119         | -                  | 2 066 895        |
| Betterment Contribution Fund | 55 232 617         | 989 054           | 46 335 100         | 1 179 683        |
| Endowment Fund               | 24 096 648         | 488 068           | 22 864 981         | 701 693          |
| Betterment Fund              | -                  | 4 438 545         | -                  | 4 260 245        |
| Housing Fund                 | 52 943 307         | 2 133 581         | 97 706 839         | -                |
| Unappropriated surplus       | -                  | 1 294 770         | -                  | 1 097 484        |
|                              | <b>132 272 573</b> | <b>10 598 085</b> | <b>166 906 920</b> | <b>9 459 435</b> |

| <b>Funds</b>                 | <b>2010</b>        |                  | <b>2009</b>        |                   |
|------------------------------|--------------------|------------------|--------------------|-------------------|
|                              | <b>Investment</b>  | <b>Interest</b>  | <b>Investment</b>  | <b>Interest</b>   |
|                              | N\$                | N\$              | N\$                | N\$               |
| Arterial Fund                | -                  | 153 435          | -                  | 151 267           |
| Capital Development Fund     | -                  | 2 066 895        | 54 489 692         | 1 945 364         |
| Betterment Contribution Fund | 46 335 100         | 1 179 683        | 31 100 060         | 1 192 801         |
| Endowment Fund               | 22 864 981         | 701 693          | 18 498 775         | 803 733           |
| Betterment Fund              | -                  | 4 260 245        | 8 178 531          | 6 850 372         |
| Housing Fund                 | 97 706 839         | -                | -                  | -                 |
| Capital                      | -                  | -                | 500 000            | -                 |
| Unappropriated surplus       | -                  | 1 097 484        | -                  | 787 490           |
|                              | <b>166 906 920</b> | <b>9 459 435</b> | <b>112 767 059</b> | <b>11 731 028</b> |

| <b>Funds</b>                 | <b>2009</b>        |                   | <b>2008</b>        |                   |
|------------------------------|--------------------|-------------------|--------------------|-------------------|
|                              | <b>Investment</b>  | <b>Interest</b>   | <b>Investment</b>  | <b>Interest</b>   |
|                              | N\$                | N\$               | N\$                | N\$               |
| Arterial Fund                | -                  | 151 267           | -                  | 262 182           |
| Capital Development Fund     | 54 489 692         | 1 945 364         | 42 576 304         | 1 959 551         |
| Betterment Contribution Fund | 31 100 060         | 1 192 801         | 26 105 686         | 911 011           |
| Endowment Fund               | 18 498 775         | 803 733           | 17 590 529         | 1 287 670         |
| Betterment Fund              | 8 178 531          | 6 850 372         | 39 756 454         | 4 260 245         |
| Housing Fund                 | -                  | -                 | -                  | 105 810           |
| Capital                      | 500 000            | -                 | 25 986 897         | -                 |
| Unappropriated surplus       | -                  | 787 490           | -                  | 1 470 465         |
|                              | <b>112 767 059</b> | <b>11 731 028</b> | <b>152 015 870</b> | <b>10 256 934</b> |

Interest earned on investments is allocated to different funds, reserves and surpluses on a percentage based on the opening balance.

## 9. FUNDS, RESERVES AND PROVISIONS

The Council had the following funds, reserves and provisions at year-end:

### 9.1 Capital Accumulated Funds

|                              | Note  | 2011                 | 2010                 | 2009                 | 2008                 |
|------------------------------|-------|----------------------|----------------------|----------------------|----------------------|
|                              |       | N\$                  | N\$                  | N\$                  | N\$                  |
| Betterment Fund              | (i)   | 713 576 405          | 568 199 608          | 444 632 019          | 398 238 803          |
| Betterment Contribution Fund | (ii)  | 64 331 974           | 55 495 637           | 40 720 278           | 36 158 879           |
| Endowment Fund               | (i)   | 24 708 811           | 23 531 656           | 19 216 160           | 18 355 085           |
| Parking Provision Fund       | (iii) | (4 622 582)          | (9 081 916)          | (11 910 297)         | (11 293 117)         |
| Housing Fund                 | (iv)  | 117 509 883          | 135 555 720          | 54 343 562           | 41 197 249           |
| Sport Club Fund              |       | -                    | -                    | -                    | 12 459               |
| Capital Development Fund     | (v)   | 764 299 981          | 698 612 063          | 642 354 015          | 598 083 526          |
| Arterial Fund                | (vii) | 4 409 610            | 4 260 745            | 4 045 014            | 3 310 629            |
|                              |       | <b>1 684 214 082</b> | <b>1 476 573 513</b> | <b>1 193 400 751</b> | <b>1 084 063 513</b> |

#### Note:

- (i) These funds are still utilised as originally provided for in Section 80 (4) of the Act.
- (ii) Utilisation and replenishment of the Betterment Contribution Fund is determined in Section 42 of the Town Planning Ordinance, No. 18 of 1954.
- (iii) The Parking Facilities Fund is subject to the stipulations in Section 106 of the Road Traffic Ordinance, 1967.
- (iv) The Housing Fund may only be used in terms of Section 58 of the Local Authorities Act, Act 23 of 1992.
- (v) The Capital Development Fund is a non-statutory Fund, created to fund expenditure in general, mostly by way of internal loans at favourable terms. It is funded from savings on budgeted over actual capital expenditure; thus income, interest earned on moneys invested and internal loans given, as well as any contributions as may be decided upon by the City Council. The Fund is fully allocated.
- (vi) As from 01 July 1992, all staff housing loans are financed by building societies and no longer by Council's Housing Fund.
- (vii) The Arterial Fund is a non-statutory fund, created to fund expenditure for the development and construction of arterial roads.

### 9.2 General Accumulated Funds

|                        | Note  | 2011                 | 2010                 | 2009                 | 2008                |
|------------------------|-------|----------------------|----------------------|----------------------|---------------------|
|                        |       | N\$                  | N\$                  | N\$                  | N\$                 |
| Unappropriated surplus | (i)   | (536 388 329)        | (359 811 772)        | (148 501 837)        | (93 460 562)        |
| Stores working capital | (ii)  | -                    | -                    | -                    | -                   |
| Tariff stabilisation:  | (iii) |                      |                      |                      |                     |
| • Administration       |       | (18 799 410)         | (17 908 818)         | 16 270 321           | 3 116 702           |
| • Distribution         |       | -                    | -                    | (39 005 184)         | (21 656 634)        |
| • Sanitation           |       | 25 995 048           | 26 681 627           | 18 564 769           | 14 894 512          |
| • Sewerage services    |       | 13 826 422           | 10 254 603           | 11 055 241           | 7 534 834           |
| • Stores levy          |       | (11 490 366)         | (11 287 521)         | (11 287 521)         | (2 295 062)         |
| • Water services       |       | (30 129 738)         | (28 903 266)         | 113 239              | (4 277 177)         |
|                        |       | <b>(556 986 374)</b> | <b>(380 975 148)</b> | <b>(152 790 972)</b> | <b>(96 143 387)</b> |



Note:

- (i) Detailed financial results are stated in paragraph 6.
- (ii) Stabilisation Fund to replace stock in Municipal stores.
- (iii) With the exception of electricity sales, all other services are rendered at cost or below cost. All surpluses and deficits of the sewerage and sanitation services are transferred to the Tariff Stabilisation Funds. The surplus of the Stores Levy Stabilisation Fund was transferred to administration and the sanitation tariff stabilisation surplus was transferred to the unappropriated surplus.

Due to the water crises, the Tariff Stabilisation Fund balance for water is limited to a maximum of 10% of the total income on the water account as from the 1995/1996 financial year onwards. Any further surpluses on the water account must be transferred to the Capital Development Fund in order to finance water-related capital projects.

### 9.3 Reserves

|                                | Note  | 2011               | 2010               | 2009               | 2008              |
|--------------------------------|-------|--------------------|--------------------|--------------------|-------------------|
|                                |       | N\$                | N\$                | N\$                | N\$               |
| Insurance claims               | (i)   | 7 363 394          | 7 589 753          | 7 720 965          | 6 640 342         |
| Replacement of assets          | (ii)  | 60 852 309         | 55 252 379         | 51 114 726         | 44 654 897        |
| Maintenance:                   | (iii) |                    |                    |                    |                   |
| • Tarred roads                 |       | 28 969 046         | 26 902 193         | 5 740 552          | 4 791 287         |
| • Municipal office block       |       | 42 714 261         | 37 922 186         | 35 760 816         | 31 595 606        |
| • Water and waste research     |       | -                  | -                  | -                  | 508 864           |
| • Rehabilitation landfill site |       | 5 014 589          | 3 678 875          | 3 291 996          | 2 855 938         |
|                                |       | <b>144 913 599</b> | <b>131 345 386</b> | <b>103 629 054</b> | <b>91 046 934</b> |

Note:

- (i) The Municipality is self-insured, except for claims exceeding the following amounts as well as public liability, which are externally insured:
  - Motor fleet – N\$ 600 000
- (ii) Provision is made towards the replacement of all movable assets with a cost of N\$ 2 000 to N\$ 15 000. Movable assets with a value in excess of N\$ 15 000 are in some instances financed by way of hire purchase or lease agreements.
- (iii) Maintenance:
  - (a) Tarred roads  
The maintenance provision for tarred roads is revised annually when the budget is prepared, based on the estimates of the City Engineer's department.
  - (b) Municipal office block  
An annual contribution made towards this Fund is revised annually when the budget is prepared.
  - (c) Water and Waste Research  
An annual contribution is made towards this Fund.

## 9.4 Provisions

|                     | Note  | 2011              | 2010              | 2009              | 2008              |
|---------------------|-------|-------------------|-------------------|-------------------|-------------------|
|                     |       | N\$               | N\$               | N\$               | N\$               |
| Bursaries           |       | 3 445 522         | 3 479 855         | 3 514 118         | 3 667 267         |
| Bonus leave         | (i)   | 10 000 000        | 5 000 000         | 4 243 657         | 6 995 005         |
| Normal leave        | (ii)  | 40 000 000        | 30 000 000        | 30 000 000        | 30 000 000        |
| Informal settlement | (iii) | 10 176 024        | 8 433 524         | 6 979 959         | 5 938 459         |
|                     |       | <b>63 621 545</b> | <b>46 913 379</b> | <b>44 737 733</b> | <b>46 600 731</b> |

### Note:

- (i) The bonus leave provision is a provision for bonuses payable to employees on completion of a five-year employment cycle. The total potential liability at year-end amounted to N\$ 16 671 168. The provision is therefore understated by N\$ 6 671 168.
- (ii) The normal leave provision is a provision for annual leave accrued. The total potential liability at year-end is N\$ 72 397 696. The provision is therefore understated by N\$ 32 397 696.
- (iii) The purpose of the informal settlement is to create a Revolving Fund, which is utilised for all facets of informal settlements as well as for the payment of people involved in the process. Funding is obtained through the following sources:
- The Local Authority – 1% of the annual operation income
  - The Regional Council
  - The Government
  - The communities
  - Financial institutions and donor agencies

A contribution of N\$ 1 742 500, (2010: N\$ 1 453 565) and (2009: N\$ 1 041 500) was made to the Informal settlement account during the year under review.

## 10. TRADE ACCOUNTS

### 10.1 Operating results

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

|   | Electricity       |                | Water              |                     |
|---|-------------------|----------------|--------------------|---------------------|
|   | 2011              | 2010           | 2011               | 2010                |
|   | N\$               | N\$            | N\$                | N\$                 |
| Sales   | 785 026 648       | 677 463 982    | 305 986 781        | 269 071 370         |
| Cost of bulk purchases                        | 555 405 168       | 507 136 485    | 122 307 001        | 122 578 424         |
| Gross profit                                  | 229 621 480       | 170 327 497    | 183 679 780        | 146 492 946         |
| Net (expenditure)                             | (176 238 755)     | (170 073 342)  | (184 906 253)      | (175 469 687)       |
| <b>NET SURPLUS/(DEFICIT)</b>                  | <b>53 382 725</b> | <b>254 077</b> | <b>(1 226 473)</b> | <b>(28 976 741)</b> |
| Gross profit on cost of bulk purchases        | 41.34%            | 33.59%         | 150.18%            | 119.51%             |
| Net profit/(loss) % on cost of bulk purchases | 9.61%             | 0.05%          | (0.01)%            | (23.63)%            |

|   | Electricity    |                    | Water               |                |
|---|----------------|--------------------|---------------------|----------------|
|   | 2010           | 2009               | 2010                | 2009           |
|   | N\$            | N\$                | N\$                 | N\$            |
| Sales   | 677 463 982    | 556 050 714        | 269 071 370         | 263 644 395    |
| Cost of bulk purchases                        | 507 136 485    | 300 286 873        | 122 578 424         | 89 464 351     |
| Gross profit                                  | 170 327 497    | 255 763 841        | 146 492 946         | 174 180 044    |
| Net (expenditure)                             | (170 073 342)  | (124 702 969)      | (175 469 687)       | (173 684 088)  |
| <b>NET SURPLUS/(DEFICIT)</b>                  | <b>254 077</b> | <b>131 060 872</b> | <b>(28 976 741)</b> | <b>495 956</b> |
| Gross profit on cost of bulk purchases        | 33.59%         | 85.17%             | 119.51%             | 194.69%        |
| Net profit/(loss) % on cost of bulk purchases | 0,05%          | 43.65%             | (23,63)%            | 0,55%          |

|   | Electricity        |                   | Water          |                    |
|---|--------------------|-------------------|----------------|--------------------|
|   | 2009               | 2008              | 2009           | 2008               |
|   | N\$                | N\$               | N\$            | N\$                |
| Sales   | 556 050 714        | 493 119 831       | 263 644 395    | 237 806 642        |
| Cost of bulk purchases                        | 300 286 873        | 304 930 628       | 89 464 351     | 133 613 889        |
| Gross profit                                  | 255 763 841        | 188 189 203       | 174 180 044    | 104 192 753        |
| Net(expenditure)                              | (124 702 969)      | (91 232 236)      | (173 684 088)  | (108 072 384)      |
| <b>NET SURPLUS/(DEFICIT)</b>                  | <b>131 060 872</b> | <b>96 956 967</b> | <b>495 956</b> | <b>(3 879 631)</b> |
| Gross profit on cost of bulk purchases        | 85.17%             | 61,71%            | 194.69%        | 77,98%             |
| Net profit/(loss) % on cost of bulk purchases | 43.65%             | 31,79%            | 0,55%          | (2,90)%            |

The loss in water resulted mainly due to the increase of bulk water purchases from Namwater.

## 10.2 Distribution losses were as follows:

|                    | 2011 | 2010 | 2009 | 2008   |
|--------------------|------|------|------|--------|
| Electricity supply | 8.1% | 8.1% | 8%   | 10,26% |
| Water supply       | *    | *    | *    | 13,90% |

(\*) – The information could not be obtained from the council.

## 11. SELF-SUPPORTING EXTERNAL SERVICES

Results on self-supporting services for the year were as follows:

|   | 2011             | 2010             | 2009              | 2008           |
|---|------------------|------------------|-------------------|----------------|
|   | N\$              | N\$              | N\$               | N\$            |
| Sanitation  | (686 579)        | 8 116 858        | 3 666 267         | 4 129 509      |
| Sewerage  | 3 571 819        | (800 637)        | 9 346 203         | (3 691 618)    |
| Stores  | -                | -                | -                 | (4 191)        |
|   | <b>2 885 240</b> | <b>7 316 221</b> | <b>13 012 470</b> | <b>433 700</b> |
| As a percentage of the total expenditure per item, the results were as follows: |                  |                  |                   |                |
| Sanitation  | (0,005)%         | 7,43%            | 3.59%             | 4,96%          |
| Sewerage  | 0,05%            | (1,24)%          | 19.08%            | (6,59)%        |
| Stores  | 0,00%            | 0,00%            | 0,00%             | (0,04)%        |

## 12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No fruitless or unauthorised expenditure came to light during the audit.

## 13. SUSPENSE ACCOUNT

The municipality had credit balances on suspense accounts amounting to N\$ 29 588 231 (2011) and N\$ 14 859 800 (2010) which were classified under accounts payable in the balance sheet.

## 14. IRREGULARITIES AND LOSSES

Irregularities and losses by persons employed by the Municipality or by persons outside the Municipality are reported under paragraph 30.

## 15. CAPITAL PROJECTS

### 15.1 Capital expenditure for the year was as follows:

|                            | 2011               | 2010               | 2009               | 2008               |
|----------------------------|--------------------|--------------------|--------------------|--------------------|
|                            | N\$                | N\$                | N\$                | N\$                |
| Rates and general services | 158 111 927        | 113 469 877        | 116 235 785        | 91 072 570         |
| Electricity                | 44 241 658         | 33 741 487         | 48 317 690         | 35 920 742         |
| Water                      | 44 326 937         | 44 984 126         | 33 344 157         | 31 385 563         |
|                            | <b>246 680 522</b> | <b>192 195 490</b> | <b>197 897 632</b> | <b>158 378 875</b> |

### 15.2 Financing of capital expenditure

|                                   | 2011               | 2010               | 2009               | 2008               |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                   | N\$                | N\$                | N\$                | N\$                |
| Loans                             |                    |                    |                    |                    |
| - Hire-purchases                  | 18 224 123         | 2 727 227          | (765 352)          | 8 585 965          |
| Total external loans              | 18 224 123         | 2 727 227          | (765 352)          | 8 585 965          |
| Internal loans                    | 194 537 693        | 305 870 817        | 121 974 736        | 80 697 706         |
| Total loans                       | 212 761 816        | 308 598 044        | 121 209 384        | 89 283 671         |
| Provision for maintenance         | -                  | -                  | -                  | 698 765            |
| - Civic Buildings                 |                    |                    |                    |                    |
| Government                        | -                  | -                  | (12 500 000)       | 20 000 000         |
| Betterment Fund                   | 15 149 309         | 31 089 883         | 29 799 639         | 18 299 187         |
| Replacement Fund                  | -                  | -                  | -                  | 42 448             |
| Housing Fund                      | -                  | -                  | -                  | -                  |
| Revenue                           | 18 769 397         | 45 999 224         | 14 231 338         | 502 101            |
| Public                            | -                  | 4 829 783          | 1 929 700          | 1 630 111          |
|                                   | 246 680 522        | 390 516 934        | 154 670 061        | 130 456 283        |
| Add: Unspent monies b/forward     | -                  | 500 000            | 25 986 896         | 13 021 341         |
|                                   | 246 680 522        | 391 016 934        | 180 656 957        | 143 477 624        |
| Less: Temporary advance b/forward | -                  | (198 821 444)      | (181 080 768)      | (140 192 621)      |
|                                   | 246 680 522        | 192 195 490        | (423 811)          | 3 285 003          |
| Less: Unspent monies c/forward    | -                  | -                  | (500 000)          | (25 986 896)       |
|                                   | 246 680 522        | 192 195 490        | (923 811)          | (22 701 893)       |
| Add: Temporary advance c/forward  | -                  | -                  | 198 821 444        | 181 080 768        |
|                                   | <b>246 680 522</b> | <b>192 195 490</b> | <b>197 897 632</b> | <b>158 378 875</b> |

## 16. BURSARIES

The movements during the year were as follows:

|                                   | <b>2011</b>      | <b>2010</b>      | <b>2009</b>      | <b>2008</b>      |
|-----------------------------------|------------------|------------------|------------------|------------------|
|                                   | N\$              | N\$              | N\$              | N\$              |
| Balance at 01 July                | 3 479 855        | 3 514 118        | 3 676 422        | 3 251 554        |
| Bursary payments/adjustments made | (34 333)         | 223 883          | 356 116          | 663 928          |
| Liabilities repaid                | -                | (258 146)        | (509 265)        | (239 060)        |
| <b>Balance at 30 June</b>         | <b>3 445 522</b> | <b>3 479 855</b> | <b>3 514 118</b> | <b>3 676 422</b> |

Summarised conditions of agreement(s):

- (i) Bursaries are granted for specific municipal-related courses only.
- (ii) Bursary holders have to work back one year for each year the bursary was granted.
- (iii) Bursary holders have to perform compulsory student work during long vacations.

## 17. GIFTS, DONATIONS, GRANTS, CONTRIBUTIONS AND FINANCIAL AID RENDERED BY THE LOCAL AUTHORITY

### 17.1 Gifts/donations

| <b>Nature of gift/donation</b> | <b>2011</b>   | <b>2010</b>   | <b>2009</b>   | <b>2008</b>   | <b>Beneficiary</b>              |
|--------------------------------|---------------|---------------|---------------|---------------|---------------------------------|
|                                | N\$           | N\$           | N\$           | N\$           |                                 |
| Souvenirs – Mayor              | 9 418         | 16 573        | 15 784        | 22 900        | Officials/visitors to the mayor |
| Donation – Mayor               | 31 168        | 21 250        | 29 000        | 29 314        | Various                         |
|                                | <b>40 586</b> | <b>37 823</b> | <b>44 784</b> | <b>52 214</b> |                                 |

### 17.2 Free services

The Council gives interest-free study loans to employees that study for an approved qualification in their own time. During the year an amount of N\$ 1 022 114 was paid out in respect of these loans.

### 17.3 Contributions/grants

|                                   | <b>2011</b>    | <b>2010</b>    | <b>2009</b>    | <b>2008</b>      |
|-----------------------------------|----------------|----------------|----------------|------------------|
|                                   | N\$            | N\$            | N\$            | N\$              |
| Annual Arts and Cultural Festival | -              | -              | -              | 509 070          |
| National Days Celebrations        | -              | 7 022          | 80 591         | 102 268          |
| Katutura Old Age Home             | -              | 45 033         | -              | -                |
| Welfare (SPCA)                    | 100 000        | -              | 100 000        | 100 000          |
| Sports, Arts and Culture          | 37 607         | 17 713         | 112 125        | 52 215           |
| Educational (Bursaries)           | 209 968        | 507 496        | 308 354        | 663 928          |
|                                   | <b>347 575</b> | <b>577 264</b> | <b>601 070</b> | <b>1 427 481</b> |

See paragraph 4.6

## 18. COMPENSATION PAYMENTS

### 18.1 Claims finalised against the City Council

Information could not be obtained from the Council.

## 18.2 Claims outstanding by the City

Information could not be obtained from the council.

## 19. VISITS TO FOREIGN COUNTRIES

Staff of the following departments of the Municipality visited foreign countries for conferences, conventions, courses, seminars, workshops and research purposes:

| Department                             | Expenditure    | Expenditure    | Expenditure    | Expenditure    |
|--|----------------|----------------|----------------|----------------|
|  | 2011           | 2010           | 2009           | 2008           |
|  | N\$            | N\$            | N\$            | N\$            |
| Office of the CEO                      | 78 424         | 32 210         | 51 902         | 53 431         |
| Office of the Mayor                    | 517 464        | 212 610        | 169 041        | 199 946        |
| Planning, urbanisation and environment | 23 170         | -              | 22 216         | 8 964          |
| Infrastructure: Water                  | 39 508         | 21 597         | 12 961         | 38 686         |
| Human resources                        | 27 564         | 14 539         | 10 362         | 224            |
| Community service                      | 71 308         | 47 317         | 38 176         | 21 025         |
| Electricity: Administration            | 44 782         | 15 408         | 20 572         | 7 744          |
| Finance and administration             | 10 158         | 9 490          | -              | 33 975         |
| Transportation                         | 989            | 2 698          | 50 395         | 448            |
| Cash management and statements         | -              | 2 000          | 36 965         | -              |
| City Police                            | 90 521         | 37 857         | 14 036         | 26 416         |
| Land delivery                          | 4 586          | -              | 2 905          | -              |
| Public transportation                  | 44 598         | 29 698         | -              | -              |
| Information technology                 | 10 107         | 9 180          | 36 853         | 33 524         |
|  | <b>963 181</b> | <b>434 602</b> | <b>466 386</b> | <b>424 383</b> |

## 20. GIFTS/DONATIONS TO THE LOCAL AUTHORITY

The Local Authority received no gifts or donations.

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

### 21.1 Transfer of property to the Government

No property was transferred to the Government during the years under review.

### 21.2 Transfer of property by the Government to the Municipality

The Government transferred no property to the Municipality during the years under review.

### 21.3 Transfer of property to/from other than the Government

No property was transferred to/from other during the years under review.

## 22. MISCELLANEOUS DEBTORS/CREDITORS

### 22.1 Debtors on 30 June comprise the following:

|                                 | <b>2011</b>        | <b>2010</b>        | <b>2009</b>        | <b>2008</b>        |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                 | N\$                | N\$                | N\$                | N\$                |
| Services accounts               | 447 009 101        | 369 242 854        | 301 309 735        | 255 157 643        |
| Subsidy claims                  | -                  | 53 731 594         | 53 731 594         | 53 731 594         |
| Accrued interest on investments | 3 064 672          | 2 037 209          | 1 858 702          | 4 701 921          |
| Bursaries                       | 3 445 522          | 3 479 855          | 3 514 118          | 3 676 422          |
| Sundry debtors                  | 59 063 858         | 85 945 005         | 68 191 344         | 73 488 093         |
|                                 | 512 583 152        | 514 436 517        | 428 605 492        | 390 755 673        |
| Less: Provision for doubtful    | (33 383 077)       | (35 000 000)       | (35 000 00)        | (31 949 176)       |
|                                 | <b>479 200 075</b> | <b>479 436 517</b> | <b>393 605 492</b> | <b>358 806 497</b> |

Services debtors increased by 21.06%, (2010: 22.54%) (2009: 18.09%), whilst related income increased by 13,02%, (2010: 12,77%) (2009: 13.77%).

The Municipality made a provision of N\$ 33 383 077 (2010: N\$ 35 000 000) (2009: 35 000 000) for doubtful debtors. The estimated total provision for doubtful debts, amounts to N\$ 105 059 353.25. The debtors provision is therefore understated by at least N\$ 71 676 276.

At 30 June 2011 the Government of Namibia was indebted by N\$ 37 707 907 (2010: 90 002 893) to the Municipality, which represents 7.86 % (2010: 18.77%) of total debtors outstanding.

|                  | <b>2011</b>       | <b>2010</b>       | <b>2009</b>       | <b>2008</b>       |
|------------------|-------------------|-------------------|-------------------|-------------------|
|                  | N\$               | N\$               | N\$               | N\$               |
| Service accounts | 37 707 907        | 36 271 299        | 32 290 940        | 20 999 309        |
| Subsidy claims   | -                 | 53 731 594        | 53 731 594        | 53 731 594        |
|                  | <b>37 707 907</b> | <b>90 002 893</b> | <b>86 022 534</b> | <b>74 730 903</b> |

No subsidy payments were received for a few years from Government of Namibia. The remaining subsidy claims, amounting to N\$ 53 731 594 was written off during the 2011 financial year.

### 22.2 Creditors on 30 June comprise the following:

|                             | <b>2011</b>        | <b>2010</b>        | <b>2009</b>        | <b>2008</b>        |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|
|                             | N\$                | N\$                | N\$                | N\$                |
| Trade creditors             | 611 901 279        | 557 967 886        | 506 660 020        | 410 330 320        |
| Contract money (retentions) | 16 118 098         | 14 800 872         | 14 846 407         | 14 751 528         |
| Suspense accounts           | 29 588 231         | 14 859 800         | -                  | -                  |
|                             | <b>657 607 609</b> | <b>587 628 558</b> | <b>521 506 427</b> | <b>425 081 848</b> |

## 23. ASSESSMENT RATES

At year-end the valuations were as follows:

|                                 | <b>2011</b>           | <b>2010</b>           | <b>2009</b>           | <b>2008</b>           |
|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                 | N\$                   | N\$                   | N\$                   | N\$                   |
| Site values                     | 8 550 395 624         | 6 001 453 902         | 5 809 301 799         | 4 850 470 217         |
| Improvements and penalty values | 16 881 564 295        | 15 255 503 140        | 13 945 985 044        | 11 118 427 879        |
|                                 | <b>25 431 959 919</b> | <b>21 256 957 042</b> | <b>19 755 286 843</b> | <b>15 968 898 096</b> |
| Assessment rates levied         | <b>206 452 527</b>    | <b>186 108 820</b>    | <b>167 150 643</b>    | <b>125 673 018</b>    |
| Percentage increase             | 10,93%                | 11,34%                | 33,00%                | 15,68%                |
| Site values                     | 1,929                 | 1,787                 | 1,625                 | 2,9436                |
| Improvement values              | 0,583                 | 0,541                 | 0,493                 | 0,5988                |

## 24. LOANS

### 24.1 Loans payable at year-end were as follows:

|                | <b>2011</b>                  | <b>2010</b>                  | <b>2009</b>                | <b>2008</b>                |
|----------------|------------------------------|------------------------------|----------------------------|----------------------------|
|                | N\$                          | N\$                          | N\$                        | N\$                        |
| External loans | 280 247 793                  | 315 076 280                  | 327 632 046                | 358 465 878                |
| Hire-purchases | 72 477 887                   | 54 253 765                   | 51 500 347                 | 52 024 960                 |
| Leases         | -                            | -                            | 26 191                     | 266 929                    |
| Internal loans | 352 725 681<br>1 294 075 478 | 369 330 044<br>1 162 194 723 | 379 158 584<br>877 639 763 | 410 757 767<br>803 469 018 |
|                | <b>1 646 801 159</b>         | <b>1 531 524 767</b>         | <b>1 256 798</b>           | <b>1 214 226</b>           |

### 24.2 Loans received during the year to fund capital expenditure:

|                          | <b>2011</b>               | <b>2010</b>               | <b>2009</b>               | <b>2008</b>             |
|--------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
|                          | N\$                       | N\$                       | N\$                       | N\$                     |
| Hire-purchase agreements | 19 044 221                | 15 130 937                | 12 210 097                | 8 585 965               |
| Internal loans           | 19 044 221<br>196 665 414 | 15 130 937<br>336 126 434 | 12 210 097<br>121 641 967 | 8 585 965<br>80 697 759 |
|                          | <b>215 709 635</b>        | <b>351 257 371</b>        | <b>133 852 064</b>        | <b>89 283 724</b>       |

All loans are in agreement with the actuarial tables and all instalments were paid up. Pre-independence loans from the Government of Namibia amounting to N\$ 97 630 166 were written-off in the 2010/11 financial year. All capital assets financed were capitalised, and no assets have been disposed of before the loans were paid up. All loan moneys were used for the purposes for which the loans were obtained. The necessary authorisation for all internal loans was obtained.



**24.3 Loans receivable at year-end were as follows:**

|  | <b>2011</b>       | <b>2010</b>       | <b>2009</b>        | <b>2008</b>        |
|--|-------------------|-------------------|--------------------|--------------------|
|  | N\$               | N\$               | N\$                | N\$                |
| Loans granted against first mortgage bonds over fixed property | 25 301 134        | 38 146 136        | 52 932 050         | 50 025 314         |
| Erven loans  | 18 223 055        | 46 781 553        | 37 139 368         | 49 858 292         |
| Staff vehicle loans  | 43 524 189        | 84 927 689        | 90 071 418         | 99 883 606         |
|  | 15 792 432        | 13 431 415        | 10 269 028         | 8 926 490          |
|  | <b>59 316 621</b> | <b>98 359 104</b> | <b>100 340 446</b> | <b>108 810 096</b> |

The movements of staff loans included in paragraph 24.3 were as follows:

|                           | <b>Motor vehicle financing loans</b> | <b>Motor vehicle financing loans</b> | <b>Motor vehicle financing loans</b> | <b>Motor vehicle financing loans</b> |
|---------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|                           | <b>2011</b>                          | <b>2010</b>                          | <b>2009</b>                          | <b>2008</b>                          |
|                           | N\$                                  | N\$                                  | N\$                                  | N\$                                  |
| Balance at 01 July        | 13 431 415                           | 10 269 028                           | 8 926 490                            | 8 153 686                            |
| Movements during the year | 2 361 017                            | 3 162 387                            | 1 342 538                            | 772 804                              |
| Balance at 30 June        | <b>15 792 432</b>                    | <b>13 431 415</b>                    | <b>10 269 028</b>                    | <b>8 926 490</b>                     |

**25. SALE OF ERVEN**

|                              | <b>2011</b>        | <b>2010</b>        | <b>2009</b>        | <b>2008</b>        |
|------------------------------|--------------------|--------------------|--------------------|--------------------|
|                              | N\$                | N\$                | N\$                | N\$                |
| Windhoek                     | 208 955 000        | 136 310 000        | 75 364 000         | 104 822 835        |
| Khomasdal                    | 87 498             | -                  | 33 150 000         | 625 130            |
| Katutura                     | 6 930 299          | 6 440 942          | 4 146 114          | 17 074 835         |
|                              | <b>215 972 797</b> | <b>142 750 942</b> | <b>112 660 114</b> | <b>122 522 800</b> |
| Allocated to Betterment Fund | <b>215 972 797</b> | <b>142 750 942</b> | <b>112 660 114</b> | <b>122 522 800</b> |
| Number of erven sold         | <b>435</b>         | <b>264</b>         | <b>375</b>         | *                  |

\* Not supplied by the City of Windhoek.

**26. PROPERTY SOLD ON AN INSTALMENT BASIS**

|  | <b>2011</b>       | <b>2010</b>       | <b>2009</b>       | <b>2008</b>       |
|--|-------------------|-------------------|-------------------|-------------------|
|  | N\$               | N\$               | N\$               | N\$               |
| Balance 01 July                                  | *84 438 760       | *52 932 050       | -                 | 93 749 596        |
| Advances   | (181)             | 41 596            | 33 699            | -                 |
| Contributions                                    | (7 854 118)       | 9 334 244         | (2 658 755)       | 46 470 788        |
| Receipts (instalment)                            | (5 490 817)       | 9 297 008         | (73 882 631)      | (70 822 873)      |
| Arrears brought forward                          | 49 856            | -                 | 20 529 675        | -                 |
| Redemption                                       | (19 200 807)      | (1 963 141)       | -                 | -                 |
| Other transactions (interest penalty, insurance) | (7 523 279)       | (6 154 577)       | 3 045 963         | 30 486 096        |
| Balance 30 June                                  | <b>44 365 145</b> | <b>84 438 760</b> | <b>52 932 050</b> | <b>99 883 607</b> |

\*Numerous differences were noted and no proper reconciliation could be availed at the time of the audit.

## 27. TARIFF ADJUSTMENTS

New tariffs were implemented timeously and correctly.

## 28. APPROVALS

### 28.1 Provision for bad debts

|                      | <b>2011</b>       | <b>2010</b>       | <b>2009</b>       | <b>2008</b>       |
|----------------------|-------------------|-------------------|-------------------|-------------------|
|                      | N\$               | N\$               | N\$               | N\$               |
| Balance at 01 July   | 35 000 000        | 35 000 000        | 31 949 176        | 37 284 961        |
| Additional provision | (1 616 923)       | -                 | 3 050 824         | (5 335 785)       |
| Balance at 30 June   | <b>33 383 077</b> | <b>35 000 000</b> | <b>35 000 000</b> | <b>31 949 176</b> |

In the auditors opinion, the bad debt provision is understated by at least N\$ 157 785 019.

### 28.2 Excess on approved budget

Over-expenditure on the approved budget was approved at City Council meetings as and when necessary.

### 28.3 Direct application of own funds

The direct application of own funds was approved and applied accordingly as and when necessary.

## 29. STOCK AND EQUIPMENT

### 29.1 Motor vehicles

The Municipality could not supply a breakdown of a list of vehicles, its values and fuel consumption.

### 29.2 Motor vehicle accidents

The Municipality could not provide the auditors with statistics of vehicle accidents.

### 29.3 Claims arising from accidents

No claims arose from accidents against the Municipality. Motor vehicle accident claims are covered by the Municipality's third party insurance.

### 29.4 Inventory

|                        | <b>2011</b>       | <b>2010</b>       | <b>2009</b>       | <b>2008</b>       |
|------------------------|-------------------|-------------------|-------------------|-------------------|
|                        | N\$               | N\$               | N\$               | N\$               |
| Stores                 | 43 174 775        | 37 043 896        | 34 969 415        | 19 958 942        |
| Water supply           | -                 | -                 | 33 222            | 118 843           |
| Gravel & Crushed stone | -                 | -                 | 1 254 693         | 411 345           |
| Electricity supply     | -                 | -                 | -                 | 484 903           |
| Fuel and oil           | 1 494 071         | 1 018 506         | 1 342 067         | 1 469 724         |
| Sundry stock           | 183 770           | 105 093           | 445 078           | 509 613           |
|                        | <b>44 852 617</b> | <b>38 167 495</b> | <b>38 044 476</b> | <b>22 953 370</b> |

### **30. SPECIAL INVESTIGATIONS**

#### **2008/09 FINANCIAL YEAR**

- The Fraud Committee was convened in September 2008 in order to assist in the investigation of complaints against the management of Solid Waste laid by the union. A combined investigation was conducted by Internal Audit and the City Police and a report was compiled and submitted to the CEO.  
These allegations were also made in the media and Ernst & Young was appointed in March 2011 to conduct a forensic audit on the union's allegations.
- A criminal case was opened for two applicants who submitted falsified certificates.
- Irregular leave taken by staff at the Community Development division was investigated and the report was processed by the SE: EDC. The department of Human Resources was informed about the leave taken which was not forwarded to them to process on the system.
- Investigations were conducted into the tender awarded for the electrification of low cost housing as one of the employees was involved. A memo was forwarded to the department and the tender was cancelled.
- The Fraud Committee was convened in August 2008 in order to assist in the investigation into the irregularities committed with tenders submitted for the work to be done at the Mearua Mall intersections. The ACC has completed their investigation and internal auditors also forwarded them with further information on the case. The two employees implicated in the fraud resigned and were arrested in June 2011.
- The investigation requested by the LTB into the alleged fraudulent activities of a contractor, who was awarded a cleaning tender was completed and a submission forwarded to the LTB. This was not fraud but a misunderstanding which lead to this complain. A separate submission was compiled on increasing control measures over the supervision of this specific tender.
- Arrangements made by a Credit Controller on his/her own account were investigated and the report submitted to the SE: Finance. The incumbent resigned and control measures were recommended to prevent this type of incident occurring in the future.
- The ACC requested an investigation into the appointment of a Project Coordinator at Economic Development as the SE: EDC allegedly acted in contravention of the recruitment policy. The final report was submitted to the ACC but the policy was not contravened.
- The fraud committee was convened to investigate the allegations made against the SE: HR which was found to be valid and a case of theft was opened for a second laptop. The incumbent resigned, but a criminal case was opened.
- The Namibian Police approached the CIA concerning a case made against a former employee who did irregular adjustments on client accounts in 2003, which case was withdrawn on approval of the CEO due to the time that had lapsed and the fact that Council did not lose any money.
- Alleged irregular appointments at Emergency Services were investigated and nothing was found.
- The Chief: CIP requested an audit to be done into the issue of fuel theft of which the audit was done and that previous MC resolutions need to be reaffirmed and implemented.

## **2009/2010 FINANCIAL YEAR**

- Private calls made by personnel at the Switchboard were investigated and outstanding amounts were deducted.
- A complaint was received from the ACC on a conflict of interest of a Senior Building Inspector, which was investigated and no substance was found to the allegations.
- The alleged fraud by Oryx Developers who did work for Parks and Gardens was investigated, but nothing substantial was found.
- The Fraud committee investigated the circuit breaker size of a staff member at the Department of Electricity which was too small, but no proof could be found that the staff member had deliberately changed the circuit breaker.
- The ACC requested an investigation into travel allowance received by certain members of the City Police who were not entitled to receive such allowance. The Head: City police and Emergency Management reported directly to the ACC on this matter.
- The ACC requested further information on the truck repairs at Solid Waste which was provided. Procedures at the Municipal Fleet were also investigated to increase controls over all repairs to municipal vehicles.
- All documentation for the fraud case concerning Oshatotwa was verified. Spreadsheets of all graves dug and claimed by Oshatotwa for the period 1 January 2004 to 30 June 2005 were compiled for Council's advocate to proceed with the court case. The owner of Oshatotwa declared his willingness to settle and a figure of 50% of the claim was negotiated on.

## **2010/2011 FINANCIAL YEAR**

- An Accounting Technician at the Creditors Section of the Procurement Division defrauded Council by depositing money in the personal account at Langerhans Pharmacy. The staff member resigned and the use of Debit Notes to pay Creditors has been restricted.
- An investigation was done into the water account of the squatters at Patrick Iyambo Havana Community on request of the Regional Governor: Khomas Region and the report was forwarded to the Governor.
- Members of the public brought proof that one of the Land Sales Officers at Property Management took money from them to pay in their accounts, which was done through personal cheques which was dishonored. The incumbent's services have been terminated. *This investigation was conducted by the CIP, but Internal; Audit was informed of what transpired.*
- The Storeman at Roads North services were terminated for attempting to steal diesel and control measures were proposed at Roads North Store and approved by the SE: Forum.
- Due to the fraud committed by the Land Sales Officer at Property Management, notice boards will be erected at all cash halls to inform the public to only pay their accounts to the cashiers.

### **31. REVENUE WRITTEN OFF**

No revenue was written off during the year under review.

## **32. FORMAL AND INFORMAL QUERIES**

### **32.1 Formal queries are embodied in this report.**

### **32.2 Informal queries were addressed to the Strategic Executive Finance and included the following:**

- Adjusted and unadjusted errors
- Debtor service accounts not in balance
- Bad debt provision inadequate
- Provision for leave and bonus pay inadequate

## **33. DISCLAIMED AUDIT OPINION**

The accounts of the Municipality of Windhoek for the financial years ended 30 June 2009, 2010 and 2011, summarised in Annexures A to E, were audited 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 audit opinion due to the following reasons:

- Insufficient provision for bad debts;
- Accuracy of the provision for normal staff leave;
- Accuracy of the provision for bonus leave;
- Incomplete information;
- Unrecorded liabilities;
- Bank reconciliation difference;
- Going Concern and Commercial Insolvency, the effects of these give rise to an indication of material uncertainty of the City's ability to continue as a going concern. The annual financial statements do not disclose these facts.

**WINDHOEK, July 2013**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## BALANCE SHEET AT 30 JUNE

|                                    | Notes | 2011<br>N\$          | 2010<br>N\$          | 2009<br>N\$          | 2008<br>N\$          |
|------------------------------------|-------|----------------------|----------------------|----------------------|----------------------|
| <b>ASSETS</b>                      |       |                      |                      |                      |                      |
| <b>Non-current assets</b>          |       | 3 055 367 404        | 2 940 138 409        | 2 730 169 756        | 2 656 687 161        |
| Property, plant and equipment      | 2     | 2 863 778 210        | 2 674 872 385        | 2 517 062 251        | 2 395 861 195        |
| Investments                        | 3     | 132 272 573          | 166 906 920          | 112 767 059          | 152 015 870          |
| Long-term debtors                  | 4     | 59 316 621           | 98 359 104           | 100 340 446          | 108 810 096          |
| <b>Current assets</b>              |       | 555 157 236          | 537 653 024          | 381 813 942          | 381 813 942          |
| Inventory                          | 5     | 44 852 617           | 38 167 496           | 38 044 476           | 22 953 370           |
| Debtors and other receivables      | 6     | 479 200 075          | 479 436 517          | 393 605 492          | 358 806 497          |
| Cash at bank                       | 14    | 31 053 879           | 20 004 096           | -                    | -                    |
| Cash resources                     |       | 50 665               | 44 915               | 17 776 693           | 54 075               |
| <b>Total assets</b>                |       | <b>3 610 524 640</b> | <b>3 477 791 433</b> | <b>3 179 596 416</b> | <b>3 038 501 103</b> |
| <b>FUNDS AND LIABILITIES</b>       |       |                      |                      |                      |                      |
| <b>Funds and reserves</b>          |       | 2 494 345 797        | 2 376 145 760        | 2 211 521 950        | 2 112 789 501        |
| Funds and reserves                 |       | 3 051 332 171        | 2 757 120 908        | 2 364 312 922        | 2 208 932 888        |
| Funds                              | 7     | 2 906 418 572        | 2 625 775 522        | 2 260 683 868        | 2 117 885 954        |
| Reserves                           | 8     | 144 913 599          | 131 345 387          | 103 629 054          | 91 046 934           |
| Accumulated deficit                | 9     | (556 986 374)        | (380 975 148)        | (152 790 972)        | (96 143 387)         |
| <b>Non-current liabilities</b>     |       | 369 392 023          | 386 487 259          | 3 96 565 652         | 428 224 999          |
| Long-term loans                    | 10    | 352 725 681          | 369 330 044          | 379 158 584          | 410 757 767          |
| Consumer deposits                  | 11    | 16 666 342           | 17 157 214           | 17 407 068           | 17 467 232           |
| <b>Current liabilities</b>         |       | 746 786 820          | 715 158 415          | 571 508 814          | 497 486 603          |
| Creditors and other payables       | 12    | 657 607 609          | 587 628 558          | 521 506 427          | 425 081 849          |
| Provisions                         | 13    | 63 621 545           | 46 913 379           | 44 737 733           | 46 600 731           |
| Bank overdraft                     | 14    | 25 557 666           | 80 616 478           | 5 264 654            | 25 804 023           |
| <b>Total funds and liabilities</b> |       | <b>3 610 524 640</b> | <b>3 477 791 433</b> | <b>3 179 596 416</b> | <b>3 038 501 103</b> |

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

|  | Notes | 2011<br>N\$          | 2010<br>N\$          | 2009<br>N\$          | 2008<br>N\$         |
|--|-------|----------------------|----------------------|----------------------|---------------------|
| INCOME                                     |       | 1 614 677 507        | 1 428 623 502        | 1 266 847 947        | 1 113 487 964       |
| EXPENDITURE                                |       | (1 803 346 348)      | (1 664 433 986)      | (1 296 789 688)      | (1 178 607 979)     |
| NET OPERATING LOSS                         |       | (188 668 841)        | (235 810 484)        | (29 941 742)         | (65 120 015)        |
| Interest earned                            |       | -                    | -                    | -                    | -                   |
| Loss for the year                          |       | (188 668 841)        | (235 810 484)        | (29 941 742)         | (65 120 015)        |
| Transfer from/(to) Funds                   | 15    | 12 657 615           | 7 626 309            | (26 705 844)         | (10 141 680)        |
| Net deficit for the year                   |       | (176 011 226)        | (228 184 176)        | (56 647 585)         | (75 261 695)        |
| Accumulated funds at the beginning of year |       | (380 975 148)        | (152 790 972)        | (96 143 387)         | (20 881 692)        |
| Accumulated funds at the end of the year   |       | <b>(556 986 374)</b> | <b>(380 975 148)</b> | <b>(152 790 972)</b> | <b>(96 143 387)</b> |

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

|   | Notes | 2011<br>N\$        | 2010<br>N\$         | 2009<br>N\$        | 2008<br>N\$        |
|---|-------|--------------------|---------------------|--------------------|--------------------|
| <b>CASH GENERATED BY OPERATIONS</b>                           |       |                    |                     |                    |                    |
| Cash generated from operations                                | A     | (188 668 841)      | (235 810 484)       | (29 941 741)       | (11 397 608)       |
| Cash generated by increase in working capital                 | B     | 63 039 500         | (20 081 768)        | 46 474 313         | 78 335 330         |
| <b>CASH GENERATED BY OPERATIONS</b>                           |       |                    |                     |                    |                    |
|   |       | (125 629 341)      | (255 892 252)       | 16 532 572         | 66 937 722         |
| <b>OTHER CASH FLOWS</b>                                       |       |                    |                     |                    |                    |
| Net increase in Funds   |       | 280 643 050        | 365 091 654         | 142 797 914        | 230 062 984        |
| Net (decrease)/increase in reserves                           |       | 13 568 212         | 27 716 333          | 12 582 120         | (2 315 484)        |
| Net (increase)/decrease in long-term Debtors                  |       | 39 042 483         | 1 981 342           | 8 469 650          | (6 906 813)        |
| Net increase/(decrease) in Provisions                         |       | 16 708 166         | 2 175 646           | (1 862 998)        | 2 840 290          |
|   |       | 349 961 911        | 396 964 975         | 161 986 686        | 223 680 977        |
| <b>CASH GENERATED BY OPERATING ACTIVITIES</b>                 |       |                    |                     |                    |                    |
|   |       | <b>224 332 570</b> | <b>141 072 723</b>  | <b>178 519 258</b> | <b>290 618 699</b> |
| Long-term loans received/(repaid)                             |       | (16 604 363)       | (9 828 541)         | (31 599 184)       | (23 308 322)       |
| Net capital expenditure                                       |       | (188 905 825)      | (157 810 135)       | (121 201 056)      | (158 219 857)      |
| Transfers (to)/from funds                                     |       | 12 657 615         | 7 626 309           | (26 705 844)       |                    |
| <b>NET MOVEMENT IN CASH FUNDS</b>                             |       |                    |                     |                    |                    |
|   |       | <b>31 479 997</b>  | <b>(18 939 644)</b> | <b>(986 824)</b>   | <b>109 090 520</b> |
| <b>Cash and cash equivalents at the beginning of the year</b> |       |                    |                     |                    |                    |
|   |       | 106 339 454        | 125 279 098         | 126 265 922        | 17 175 402         |
| <b>Cash and cash equivalents at the end of the year</b>       |       |                    |                     |                    |                    |
|   | C     | <b>137 819 451</b> | <b>106 339 454</b>  | <b>125 279 098</b> | <b>126 265 922</b> |



## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE (continued)

## NOTES TO THE CASH FLOW

|   | 2011                 | 2010                 | 2009                | 2008                |
|---|----------------------|----------------------|---------------------|---------------------|
|   | N\$                  | N\$                  | N\$                 | N\$                 |
| <b>A. CASH GENERATED BY OPERATIONS</b>                  |                      |                      |                     |                     |
| Net (deficit) for the year                              | (188 668 841)        | (235 810 484)        | (29 941 741)        | (65 120 015)        |
| Provision for depreciation                              | -                    | -                    | -                   | 53 722 407          |
|   | <b>(188 668 841)</b> | <b>(235 810 484)</b> | <b>(29 941 741)</b> | <b>(11 397 608)</b> |
| <b>B. CASH GENERATED BY INCREASE IN WORKING CAPITAL</b> |                      |                      |                     |                     |
| Decrease/(increase) in inventory                        | (6 685 121)          | (123 020)            | (15 091 106)        | 178 624             |
| Decrease/(Increase) in debtors                          | 236 442              | (85 831 025)         | (34 798 995)        | (29 545 164)        |
| Increase in creditors and other payables                | 69 979 051           | 66 122 131           | 96 424 578          | 107 634 765         |
| (Decrease)/increase in consumer deposits                | (490 872)            | (249 854)            | (60 164)            | 67 105              |
|   | <b>63 039 500</b>    | <b>(20 081 768)</b>  | <b>46 474 313</b>   | <b>78 335 330</b>   |
| <b>C. CASH AND CASH EQUIVALENTS</b>                     |                      |                      |                     |                     |
| Investments   | 132 272 573          | 166 906 920          | 112 767 059         | 152 015 870         |
| Cash resources  | 50 665               | 44 915               | 17 776 693          | 54 075              |
| Cash at bank  | 31 053 879           | 20 004 096           | -                   | -                   |
| Bank overdraft  | (25 557 666)         | (80 616 478)         | (5 264 654)         | (25 804 023)        |
|   | <b>137 819 451</b>   | <b>106 339 454</b>   | <b>125 279 098</b>  | <b>126 265 922</b>  |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

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**1. ACCOUNTING POLICIES****1.1 Basis of presentation**

1.1.1 These financial statements have been prepared to conform to the stipulations of the Local Authorities Act, Act 23 of 1992 and Standard Municipal Accounting Policy.

1.1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy Note 1.4. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.

1.1.3 The financial statements have been based on a full accrual system of income and expenditure accounting.

**1.2 Provisions and reserves**

The basis used in determining the more important provisions and reserves is as follows:

**1.2.1 Repairs and maintenance**

The annual saving or over-expenditure on maintenance for civic buildings is transferred to this reserve.

The annual saving or over-expenditure on road maintenance is transferred to the reserve for road maintenance and is reviewed annually when the estimates for the following financial year are prepared.

**1.2.2 Replacement of movable assets**

Provision is made towards the replacement of all movable assets with a cost price in excess of N\$ 2 000. These provisions are based on the estimated replacement values, which are revised annually.

Movable assets with a value exceeding N\$ 15 000 are financed by way of hire purchases, leases or internal loans.

**1.2.3 Insurance claims**

Self-insurance has been limited to minor risks whereas major risks such as public liability, comprehensive vehicle and house insurance, fire, etc. are insured externally by the Council's insurance brokers on an open tender basis.

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

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**1.3 Tariff policy**

With the exception of electricity sales, all other services are rendered at cost or below cost. With reference to sewerage and sanitation services the policy of no-loss/no-profit is applicable. Surpluses or deficits on these services are transferred to Tariff Stabilisation Funds.

Surpluses on the electricity account are utilised to subsidise the deficit on the Rate and General Account.

The Tariff Stabilisation Fund balance for water is limited to a maximum of 10% of the total income on the water account for that specific financial year. Any further surpluses on the water account must be transferred to the Capital Development Fund in order to finance **water-related** capital projects.

**1.4 Property, plant and equipment**

(i) Property, plant and equipment is stated

- at historical cost; or
- at valuation (based on the market price at the date of transfer) where assets have been acquired by grant or donations.

(ii) Depreciation

The loans redeemed are considered tantamount to a provision for depreciation.

Apart from advances from various internal funds and external loans, assets may also be acquired through:

- Appropriations from revenue, in which case the total cost of the asset is a direct and immediate charge against revenue and no further provision for depreciation is required.

**1.5 Inventory**

The value of commodities is reflected at cost plus freight charges. A financing charge on the average stock value less average working capital held during the financial year is annually charged to the stores account based on the average rate of interest earned by Council on its investments during that financial year. Stores levies of 17,4% for stock items, 1,5% for motor vehicles and computer ware purchases and 7,7% for all other direct purchases have been charged to cover overheads.

**1.6 Funds****1.6.1 Stores working capital**

Appropriations are made on an annual basis from the operating account to the working capital account. The working capital account should over time be equal to the Council's investment in inventory.

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

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**1.6.2 Betterment Fund**

The purpose of this Fund is to provide for future improvements of 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.

**1.6.3 Betterment Contribution Fund**

The purpose of this Fund is to provide for the future rezoning of erven. Income is derived from interest earned on investments and internal loans.

**1.6.4 Endowment Fund**

The purpose of this Fund is to provide for the future sub-division of erven. Income is derived from the proceeds of sub-division of erven as well as interest earned on investments and internal loans.

**1.6.5 Parking Provision Fund**

The purpose of this Fund is to provide for the future maintenance and installation of parking meters as well as the development of parking areas and all related costs. Income is derived from parking meter fees and the rental of parking areas as well as interest earned from investments.

**1.6.6 Housing Fund**

The purpose of this Fund is to provide for 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.

**1.6.7 Capital Development Fund**

The purpose of this Fund is to fund expenditure in general, mostly by way of internal loans at favourable terms. It is funded from savings on budgeted over actual capital expenditure, thus income, interest earned on moneys invested and internal loans given, as well as any contributions as may be decided upon by the City Council.

**1.6.8 Arterial Fund**

The purpose of the Fund is to provide funding for the development and construction of arterial roads. Income is derived from the proceeds of the sale of erven and interest earned on investments.

**1.7 Administration charges**

A differential percentage levy approach based on the actual income and expenditure which is periodically revised, has been adopted to spread the overhead charges. Recoverable planning and survey costs are recovered on a time basis. Capital projects are debited with a percentage levy which varies from 1% - 7% of the cost of the project in order to cover the departmental supervision, engineering and the architectural expenses.

Labour costs in respect of distribution accounts are charged with a 10% levy.

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

**1.8 Interest on investments**

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

|  | <b>2011</b>          | <b>2010</b>          | <b>2009</b>          | <b>2008</b>          |
|--|----------------------|----------------------|----------------------|----------------------|
|  | N\$                  | N\$                  | N\$                  | N\$                  |
| <b>2. PROPERTY, PLANT AND EQUIPMENT</b>                        |                      |                      |                      |                      |
| Rates and general services                                     | 2 231 888 585        | 2 073 776 658        | 1 960 359 163        | 1 844 401 109        |
| Electricity supply   | 528 668 378          | 484 426 720          | 450 685 232          | 402 367 542          |
| Water supply   | 594 925 068          | 550 598 131          | 505 614 005          | 472 324 885          |
|  | <b>3 355 482 030</b> | <b>3 108 801 508</b> | <b>2 916 658 400</b> | <b>2 719 093 536</b> |
| Less: Charged against income, loans redeemed                   | 491 703 820          | 433 929 123          | 399 596 149          | 323 232 340          |
|  | <b>2 863 778 210</b> | <b>2 674 872 385</b> | <b>2 517 062 251</b> | <b>2 395 861 196</b> |
| <b>3. INVESTMENTS</b>  |                      |                      |                      |                      |
| Cash investments allocated to:                                 |                      |                      |                      |                      |
| -Funds   | 132 272 573          | 166 906 920          | 112 267 059          | 126 028 973          |
| -Unspent money on capital expenditure                          | -                    | -                    | 500 000              | 25 986 897           |
|  | <b>132 272 573</b>   | <b>166 906 920</b>   | <b>112 767 059</b>   | <b>152 015 870</b>   |
| <b>4. LONG-TERM DEBTORS</b>                                    |                      |                      |                      |                      |
| Loans granted against first mortgage bonds over fixed Property | 25 301 134           | 38 146 136           | 52 932 050           | 50 025 314           |
| Erven loans  | 18 223 055           | 46 781 553           | 37 139 368           | 49 858 292           |
| Staff vehicle loans  | 15 792 432           | 13 431 415           | 10 269 028           | 8 926 490            |
|  | <b>59 316 621</b>    | <b>98 359 104</b>    | <b>100 340 446</b>   | <b>108 810 096</b>   |
| <b>5. INVENTORY</b>  |                      |                      |                      |                      |
| Central stores   | 43 174 775           | 37 043 896           | 34 969 415           | 19 958 942           |
| Water supply   | -                    | -                    | 33 222               | 118 843              |
| Crushed stone  | -                    | -                    | 1 254 693            | 411 345              |
| Electricity supply   | -                    | -                    | -                    | 484 903              |
| Fuel and oil   | 1 494 071            | 1 018 506            | 1 342 067            | 1 469 724            |
| Sundry maintenance   | 183 770              | 105 093              | 445 078              | 509 613              |
|  | <b>44 852 617</b>    | <b>38 167 496</b>    | <b>38 044 476</b>    | <b>22 953 370</b>    |

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

|   | 2011                 | 2010                 | 2009                 | 2008                 |
|---|----------------------|----------------------|----------------------|----------------------|
|   | N\$                  | N\$                  | N\$                  | N\$                  |
| <b>6. DEBTORS AND OTHER RECEIVABLES</b> |                      |                      |                      |                      |
| Service accounts                        | 447 009 101          | 369 242 854          | 301 309 735          | 255 157 643          |
| Subsidy claims                          | -                    | 53 731 594           | 53 731 594           | 53 731 594           |
| Accrued interest                        | 3 064 672            | 2 037 209            | 1 858 702            | 4 701 921            |
| Bursaries                               | 3 445 522            | 3 479 855            | 3 514 118            | 3 676 422            |
| Sundry debtors                          | 59 063 858           | 85 945 005           | 68 191 344           | 73 488 093           |
|   | 512 583 152          | 514 436 517          | 428 605 492          | 390 755 673          |
| Less: Provision for bad debts           | (33 383 077)         | (35 000 000)         | (35 000 000)         | (31 949 176)         |
|   | <b>479 200 075</b>   | <b>479 436 517</b>   | <b>393 605 492</b>   | <b>358 806 497</b>   |
| <b>7. FUNDS</b>                         |                      |                      |                      |                      |
| Capital Development Fund                | 764 299 981          | 698 612 063          | 642 354 015          | 598 083 526          |
| Betterment Fund                         | 713 576 405          | 568 199 608          | 444 632 019          | 398 238 803          |
| Betterment Contribution Fund            | 64 331 974           | 55 495 637           | 40 720 278           | 36 158 879           |
| Endowment Fund                          | 24 708 811           | 23 531 656           | 19 216 160           | 18 355 085           |
| Parking Provision Fund                  | (4 622 582)          | (9 081 916)          | (11 910 297)         | (11 293 117)         |
| Housing Fund                            | 117 509 883          | 135 555 720          | 54 343 562           | 41 197 249           |
| Sport Club Fund                         | -                    | -                    | -                    | 12 459               |
| Arterial Fund                           | 4 409 610            | 4 260 745            | 4 045 014            | 3 310 629            |
| Other Capital Receipts                  | 1 222 204 490        | 1 149 202 007        | 1 067 283 117        | 1 033 822 441        |
|   | <b>2 906 418 572</b> | <b>2 625 775 522</b> | <b>2 260 683 868</b> | <b>2 117 885 954</b> |
| <b>8. RESERVES</b>                      |                      |                      |                      |                      |
| Maintenance                             | 71 683 307           | 64 824 379           | 41 501 368           | 36 386 893           |
| Replacement of assets                   | 60 852 309           | 55 252 379           | 51 114 726           | 44 654 897           |
| Water and waste water research          | -                    | -                    | -                    | 508 864              |
| Rehabilitation – financial size         | 5 014 589            | 3 678 875            | 3 291 996            | 2 855 938            |
| Insurance claims                        | 7 363 394            | 7 589 753            | 7 720 965            | 6 640 342            |
|   | <b>144 913 599</b>   | <b>131 345 387</b>   | <b>103 629 054</b>   | <b>91 046 934</b>    |
| <b>9. ACCUMULATED SURPLUS</b>           |                      |                      |                      |                      |
| Unappropriated surplus                  | (536 388 329)        | (359 811 772)        | (148 501 837)        | (93 460 562)         |
| Tariff stabilisation                    |                      |                      |                      |                      |
| - Administration                        | (18 799 410)         | (17 908 818)         | 16 270 321           | 3 116 702            |
| - Distribution                          | -                    | -                    | (39 005 184)         | (21 656 634)         |
| - Sanitation services                   | 25 995 048           | 26 681 627           | 18 564 769           | 14 894 512           |
| - Sewerage services                     | 13 826 422           | 10 254 603           | 11 055 241           | 7 534 834            |
| - Stores levy                           | (11 490 366)         | (11 287 521)         | (11 287 521)         | (2 295 062)          |
| - Water services                        | (30 129 738)         | (28 903 266)         | 113 239              | (4 277 177)          |
|   | <b>(556 986 374)</b> | <b>(380 975 148)</b> | <b>(152 790 972)</b> | <b>(96 143 387)</b>  |

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

|   | 2011               | 2010               | 2009               | 2008               |
|---|--------------------|--------------------|--------------------|--------------------|
|   | N\$                | N\$                | N\$                | N\$                |
| <b>10. LONG-TERM LIABILITIES</b>        |                    |                    |                    |                    |
| Government and commercial banks         | 280 247 793        | 315 076 280        | 327 632 046        | 358 465 878        |
| Hire-purchase agreements                | 72 477 887         | 54 253 765         | 51 500 347         | 52 024 960         |
| Capitalised finance leases              | -                  | -                  | 26 191             | 266 929            |
|   | <b>352 725 681</b> | <b>369 330 044</b> | <b>379 158 584</b> | <b>410 757 767</b> |
| <b>11. CONSUMER DEPOSITS</b>            |                    |                    |                    |                    |
| Water and electricity                   | 16 584 572         | 17 089 153         | 17 321 534         | 17 421 588         |
| Miscellaneous deposits                  | 81 770             | 68 061             | 85 534             | 45 644             |
|   | <b>16 666 342</b>  | <b>17 157 214</b>  | <b>17 407 068</b>  | <b>17 467 232</b>  |
| <b>12. CREDITORS AND OTHER PAYABLES</b> |                    |                    |                    |                    |
| Trade creditors                         | 611 901 279        | 557 967 885        | 506 660 020        | 410 330 321        |
| Retention money                         | 16 118 098         | 14 800 872         | 14 846 407         | 14 751 528         |
| Suspense accounts                       | 29 588 231         | 14 859 800         | -                  | -                  |
|   | <b>657 607 609</b> | <b>587 628 558</b> | <b>521 506 427</b> | <b>425 081 849</b> |
| <b>13. PROVISIONS</b>                   |                    |                    |                    |                    |
| Normal leave                            | 40 000 000         | 30 000 000         | 30 000 000         | 30 000 000         |
| Bonus leave                             | 10 000 000         | 5 000 000          | 4 243 657          | 6 995 005          |
| Informal settlement                     | 10 176 024         | 8 433 524          | 6 979 959          | 5 938 459          |
| Bursaries                               | 3 445 522          | 3 479 855          | 3 514 118          | 3 667 267          |
|   | <b>63 621 545</b>  | <b>46 913 379</b>  | <b>44 737 733</b>  | <b>46 600 731</b>  |
| <b>Under Provision</b>                  |                    |                    |                    |                    |
| Bonus leave                             | 13 020 577         | 18 020 577         | 12 388 761         | 4 753 700          |
| Normal leave                            | 48 877 116         | 58 877 116         | 36 514 896         | 12 342 909         |
| <b>14. BANK OVERDRAFT</b>               |                    |                    |                    |                    |
| Transfer bank accounts                  | (31 053 879)       | (20 004 096)       | -                  | -                  |
| Current account                         | 25 557 666         | 80 616 478         | 5 264 654          | 25 804 023         |
|   | <b>(5 496 213)</b> | <b>60 612 381</b>  | <b>5 264 654</b>   | <b>25 804 023</b>  |

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

|  | 2011 | 2010 | 2009                | 2008                |
|--|------|------|---------------------|---------------------|
|  | N\$  | N\$  | N\$                 | N\$                 |
| <b>15. TRANSFER FROM/(TO) FUNDS</b>          |      |      |                     |                     |
| Net transfer from/(to) internal Funds:       |      |      |                     |                     |
| Appropriation statement                      | *    | *    | *                   | 12 690 958          |
| - Prior year adjustment to revenue           | *    | *    | *                   | 18 120 776          |
| - Transfer to informal settlement            | *    | *    | *                   | -                   |
| - Stock adjustment                           | *    | *    | *                   | -                   |
| - Transfer to water and water waste research | *    | *    | *                   | (295 759)           |
| - Parking Provisions Fund transfer           | *    | *    | *                   | -                   |
| - Round off figure                           | *    | *    | *                   | 2                   |
| - Transfer to Revolving Fund                 | *    | *    | *                   | -                   |
| - Prior year adjustment – expenses           | *    | *    | *                   | (5 134 061)         |
| Tariff stabilisation                         | *    | *    | (5 606 310)         | (22 832 638)        |
| - Administration                             | *    | *    | 13 153 619          | (10 695 894)        |
| - Water services                             | *    | *    | 390 416             | (922 991)           |
| - Sanitation services                        | *    | *    | 3 670 257           | -                   |
| - Sewerage services                          | *    | *    | 3 520 407           | -                   |
| - Stores levy                                | *    | *    | (8 992 459)         | 589 600             |
| - Distribution                               | *    | *    | (17 348 550)        | (11 803 353)        |
|  | *    | *    | <b>(26 705 844)</b> | <b>(10 141 680)</b> |



## DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE (excluding interest)

|   | Income               | Expenditure          | Surplus/<br>(Deficit) | Surplus/<br>(Deficit) |
|---|----------------------|----------------------|-----------------------|-----------------------|
|   | 2011                 | 2011                 | 2011                  | 2010                  |
|   | N\$                  | N\$                  | N\$                   | N\$                   |
| <b>Non-profitable services</b>                | 283 046 678          | 457 557 717          | (174 511 037)         | (174 511 037)         |
| Office of the Chief Executive Officer         | 65 093               | 4 256 037            | (4 190 944)           | (3 543 238)           |
| City Police                                   | 21 430 876           | 216 157 156          | (194 726 280)         | (165 893 206)         |
| Information & communication<br>technology     | 660 679              | 660 679              | -                     | (447 660)             |
| Infrastructure, water & technical<br>services | 1 288 063            | 18 818 629           | (17 530 566)          | (11 813 395)          |
| Planning, urbanization and environment        | 25 072 506           | 49 324 376           | (24 251 870)          | (21 202 195)          |
| Finance (excluding interest)                  | 242 316 357          | 28 055 588           | 214 260 769           | 197 215 279           |
| Human resources                               | -                    | -                    | -                     | -                     |
| Electricity street lighting                   | -                    | 6 576 894            | (6 576 894)           | (7 177 937)           |
| Economic and community development            | 8 773 971            | 100 640 139          | (91 866 168)          | (77 452 180)          |
| Transport                                     | 24 126 022           | 142 954 402          | (118 828 380)         | (122 293 398)         |
| Radio network                                 | -                    | -                    | -                     | (1 796 111)           |
| Distribution costs centers                    | -                    | -                    | -                     | -                     |
| <b>Self-supporting services</b>               | 199 930 511          | 197 045 271          | 2 885 240             | 7 316 221             |
| Sanitation                                    | 124 420 957          | 125 107 536          | (686 579)             | 8 116 858             |
| Sewerage                                      | 75 509 554           | 71 937 735           | 3 571 819             | (800 637)             |
| <b>Electricity</b>                            | 785 026 648          | 731 643 923          | 53 382 725            | 254 077               |
| <b>Water</b>                                  | 305 986 781          | 307 213 254          | (1 226 473)           | (28 976 741)          |
| <b>Profit/(loss) for the year</b>             | <b>1 614 677 507</b> | <b>1 803 346 348</b> | <b>(188 668 841)</b>  | <b>(235 810 484)</b>  |

**DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE (excluding interest)  
(continued)**

|   | <b>Income</b>        | <b>Expenditure</b>   | <b>Surplus/<br/>(Deficit)</b> | <b>Surplus/<br/>(Deficit)</b> |
|---|----------------------|----------------------|-------------------------------|-------------------------------|
|   | <b>2010</b>          | <b>2010</b>          | <b>2010</b>                   | <b>2009</b>                   |
|   | N\$                  | N\$                  | N\$                           | N\$                           |
| <b>Non-profitable services</b>                | 283 046 678          | 457 557 717          | (174 511 037)                 | (174 511 037)                 |
| Office of the Chief Executive Officer         | 292 825              | 3 836 063            | (3 543 238)                   | (3 413 423)                   |
| City Police                                   | 23 019 527           | 188 912 733          | (165 893 206)                 | (142 059 663)                 |
| Information & communication<br>technology     | 432 891              | 880 551              | (447 660)                     | 99 416                        |
| Infrastructure, water & technical<br>services | 1 307 630            | 13 121 025           | (11 813 395)                  | (9 390 955)                   |
| Planning, urbanization and<br>environment     | 24 085 010           | 45 287 205           | (21 202 195)                  | (6 896 297)                   |
| Finance (excluding interest)                  | 224 388 297          | 27 173 018           | 197 215 279                   | 171 608 322                   |
| Human resources                               | -                    | -                    | -                             | (261)                         |
| Electricity street lighting                   | -                    | 7 177 937            | (7 177 937)                   | (4 760 243)                   |
| Economic and community<br>development         | 8 055 858            | 85 508 038           | (77 452 180)                  | (74 710 143)                  |
| Transport                                     | 19 522 220           | 141 815 618          | (122 293 398)                 | (104 654 686)                 |
| Radio network                                 | 250                  | 1 796 361            | (1 796 111)                   | 56 665                        |
| Distribution costs centers                    | 21                   | 21                   | -                             | (389 293)                     |
| <b>Self-supporting services</b>               | 180 983 621          | 173 667 400          | 7 316 221                     | 13 012 470                    |
| Sanitation                                    | 117 234 186          | 109 117 328          | 8 116 858                     | 3 666 267                     |
| Sewerage                                      | 63 749 434           | 64 550 072           | (800 637)                     | 9 346 203                     |
| <b>Electricity</b>                            | 677 463 982          | 677 209 905          | (254 077)                     | 131 060 872                   |
| <b>Water</b>                                  | 269 071 370          | 298 048 111          | (28 976 741)                  | 495 956                       |
| <b>Profit/(loss) for the year</b>             | <b>1 428 623 502</b> | <b>1 664 433 986</b> | <b>(235 810 484)</b>          | <b>(29 941 741)</b>           |

**DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE (excluding interest)  
(continued)**

|   | <b>Income</b>        | <b>Expenditure</b>   | <b>Surplus/<br/>(Deficit)</b> | <b>Surplus/<br/>(Deficit)</b> |
|---|----------------------|----------------------|-------------------------------|-------------------------------|
|   | <b>2009</b>          | <b>2009</b>          | <b>2009</b>                   | <b>2008</b>                   |
|   | N\$                  | N\$                  | N\$                           | N\$                           |
| <b>Non-profitable services</b>                | 283 046 678          | 457 557 717          | (174 511 037)                 | (158 631 051)                 |
| Office of the Chief Executive Officer         | 1 641 555            | 5 054 978            | (3 413 423)                   | (4 462 464)                   |
| City Police                                   | 28 998 379           | 171 058 042          | (142 059 663)                 | (108 639 855)                 |
| Information & communication<br>technology     | 104 766              | 5 350                | 99 416                        | (19 600)                      |
| Infrastructure, water & technical<br>services | 887 252              | 10 278 207           | (9 390 955)                   | (10 057 769)                  |
| Planning, urbanization and environment        | 33 933 177           | 40 829 474           | (6 896 297)                   | (18 178 242)                  |
| Finance (excluding interest)                  | 205 880 936          | 34 272 614           | 171 608 322                   | 125 780 034                   |
| Human resources                               | -                    | 261                  | (261)                         | (7 883)                       |
| Electricity street lighting                   | -                    | 4 760 243            | (4 760 243)                   | (7 465 925)                   |
| Economic and community development            | 5 010 469            | 79 720 612           | (74 710 143)                  | (64 088 237)                  |
| Transport                                     | 6 584 279            | 111 238 965          | (104 654 686)                 | (71 295 700)                  |
| Radio network                                 | 6 865                | (49 800)             | 56 665                        | -                             |
| Distribution costs centers                    | -                    | 389 293              | (389 293)                     | (195 410)                     |
| <b>Self-supporting services</b>               | 164 131 893          | 151 119 423          | 13 012 470                    | 433 700                       |
| Sanitation                                    | 105 803 254          | 102 136 987          | 3 666 267                     | 4 129 509                     |
| Sewerage                                      | 58 328 639           | 48 982 436           | 9 346 203                     | (3 691 618)                   |
| Stores  | -                    | -                    | -                             | (4 191)                       |
| <b>Electricity</b>                            | 556 050 714          | 424 989 842          | 131 060 872                   | 96 956 967                    |
| <b>Water</b>                                  | 263 644 395          | 263 148 439          | 495 956                       | (3 879 631)                   |
| <b>Profit/(loss) for the year</b>             | <b>1 266 873 680</b> | <b>1 296 815 421</b> | <b>(29 941 741)</b>           | <b>(65 120 015)</b>           |