



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF WINDHOEK
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

Published by authority

Price (Vat excluded) N\$ 38.00
Report no.2016/68

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 year ended 30 June 2014, 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 2016

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF WINDHOEK FOR THE FINANCIAL YEAR
ENDED 30 JUNE 2014**

1. Report on the Financial Statements

1.1 INTRODUCTION

The accounts of the Municipality of Windhoek for the financial year ended 30 June 2014 are being reported on in accordance with the terms of Article 127 (2) of the Constitution of the Republic of Namibia read with the Local Authorities Act, 1992 (Act 23 of 1992).

The firm BDO Namibia Chartered Accountants of Windhoek has been appointed by the Auditor-General 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).

I certify that I have audited the accompanying financial statements of the Municipality of Windhoek for the financial year ended 30 June 2014. These financial statements comprise the following statements submitted for the year then ended:

Annexure A: Balance Sheet
Annexure B: Income Statement
Annexure C: Cash Flow Statement
Annexure D: Notes to the financial statements

The financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 87 (1) of the Local Authorities Act, 1992.

2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 87(1) of the Local Authorities Act, (Act 23 of 1992) and relevant legislation, and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

3. AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on the audit. The said firm conducted the audit in accordance with International Standards on Auditing. These standards require that the firm complies with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Powers and duties

Section 25(1)(c) of the State Finance Act, 1991, provides that the Auditor-General should satisfy himself that:

- (a) all reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;
- (b) all reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and
- (c) the expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, Section 26(1)(b)(iv) of the State Finance Act, 1991, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is insufficient and inappropriate to provide a basis for the audit opinion.

4. ACKNOWLEDGEMENT

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

5. KEY AUDIT FINDINGS

5.1 Property, plant and equipment

The fixed asset register could not be provided for the purpose of the audit thus the Auditors could not perform audit procedures to verify the completeness, existence, accuracy and valuation of property, plant and equipment.

5.2 Long term loans

There are material differences of N\$ 166,322,772 between the long term loans as per the financial statements and the confirmations received from the Ministry of Finance. The long term loans are understated by that amount.

5.3 Debtors and other receivables

The provision of doubtful debts of N\$ 152 705 073 (2013: N\$ 150 887 496) is not supported by any listing or basis of calculation. The trade debtors above 90 days outstanding amounted to N\$ 373 881 774. The report which shows the debtors above 120 days could not be availed to the auditors.

There is a difference on the VAT reconciliation of N\$ 9 898 651 (2013: N\$ 2 162 175). In addition, no VAT refund has been received to date of this report relating to the opening balance of the VAT receivable amounting to N\$ 10 448 992 hence the possibility that the receivable may be impaired by this amount.

Sundry debtors are also overstated by N\$ 37 663 297 due to incorrect accounting treatment of motor vehicles not financed through the hire purchase agreements.

There is a difference of N\$ 23 929 804 between the debtors listing and the general ledger indicating that debtors are overstated by this amount.

The amounts in the preceding three paragraphs are individually not material but in aggregate they are material thus debtors and other receivables are materially overstated.

5.4 Provision for normal staff leave

The provision for normal staff leave of N\$ 93 890 692 (2013: N\$ 93 890 692) was not adjusted during the year. There is a material difference of N\$ 70 184 780 between the balance of the provision for normal staff leave as disclosed in the annual financial statements and the balance as per the payroll records. The provisions and expenses in the annual financial statements are thus understated by an amount of N\$ 70 184 780.

5.5 Inventories

The auditors did not attend the stock count of the Municipality. Consequently, auditors could not perform any other procedures to verify existence and completeness of inventories.

5.6 Incomplete information

The following information could not be confirmed by the auditors due to a lack of relevant auxiliary records:

- Motor vehicle schedule, breakdown of a list of vehicles, values and fuel consumption;
- Various significant supporting documents on expenditure could not be traced; and
- Compensation payments.

5.7 Unrecorded liabilities

Creditors' reconciliations were not done, differences of N\$ 17 771 579 and N\$ 2 298 466 between the amounts per the creditors listing and the NamPower and Namwater statements respectively were noted thus indicating unrecorded liabilities.

Pension contributions to the amount of N\$ 9 273 038 for the year ended 30 June 2014 was not provided for.

5.8 Going Concern and Commercial Insolvency

The auditors draw attention to the Statement of the Financial Position as at 30 June 2014 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 by the growing accumulated deficit of N\$ 1 592 billion, indicating that the losses are accumulating over a period.

Consequently, the City is currently commercially not viable and if allowed to continue unabated; these operating deficits will eventually erode the equity base which will result in the City being factually insolvent.

6. FINANCIAL RESULTS

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

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus/(deficit) 01/07/2013				(1 257 081 818)
General services				
Non-profitable	423 847 922	941 608 124	(517 760 202)	
Self-supporting	278 811 743	300 820 512	(22 008 769)	
Trading accounts				
Electricity	1 311 688 595	1 258 844 695	52 843 899	
Water	512 911 178	446 254 454	66 656 724	
	2 527 259 438	2 947 527 787	(420 268 348)	
Deficit for the year				(420 268 348)
Adjustments: Transfer from/to Funds	85 050 077	-	-	
	85 050 077	-	-	85 050 077
Accumulated surplus/(deficit) 30/06/2014				(1 592 300 090)

The City of Windhoek recorded a loss of N\$ 420 268 348 for the year, N\$ 326 921 583 (2013). The current year's loss can mainly be attributed to an increase in the loss recorded at the City Police Department, which amounted to N\$ 197 279 326 during the year and N\$ 262 824 917 in 2013. Aggravating this situation was the Transport Department that recorded a loss of N\$ 326 213 514 during the year, N\$ 179 185 840 (2013) and the Economic and Community Development a loss of N\$ 114 297 094 during the year, N\$ 136 578 058 (2013).

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

	2014	2013
	N\$	N\$
Cash-book balance	(89 491 705)	6 938 437
Add: Outstanding cheques	1 133 258	2 629 638
Less: Unreconciled deposits	-	364 061
Less: Outstanding deposits	(6 918 532)	(2 188 451)
Less: Partially undeposited receipts	(21 361)	(2 377 090)
Less: Unprocessed expenses and income *	(26 368 420)	-
Less: Unreconciled ACB's	1670 009	(27 730 432)
Bank balance	(119 996 850)	(22 363 837)

* Salary payments and receipts in respect of prepayment electricity and ticket sales, which were paid and received on the 30th of June 2014, were processed on the bank statement but not in the general ledger, resulting in the bank overdraft being understated by this amount and the loss understated. This amount is not material.

8. INVESTMENTS AND INTEREST EARNED

Funds were invested at the following institutions:

	2014	2013
	N\$	N\$
First National Bank	310 529 365	309 846 204
Bank Windhoek Limited	11 462 910	10 480 713
Nedbank Limited	5 434 466	4 677 703
Nampost	12 000 000	12 000 000
Standard Bank	29 795 127	28 183 052
Bank Windhoek Holdings	1 327 385	1 208 337
Sanlam shares	9 341 108	6 958 558
Totals	379 890 361	373 354 567

Investments held at year-end were allocated as follows:

Funds	2014		2013	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Arterial Fund	-	83 222	-	100 589
Capital Development Fund	-	(1 357 576)	-	(2 293 513)
Betterment Contribution	-	1 327 588	74 957 257	1 411 126
Endowment Fund	-	453 818	25 623 096	549 727
Betterment Fund	8 011 304	13 938 038	9 423 501	12 015 372
Housing Fund	147 277 775	1 819 892	102 753 309	2 222 681
Parking Provision Fund	-	(136 961)	-	(166 202)
Unspent monies – Capital Outlay	224 601 283	-	160 597 404	-
Unappropriated surplus	-	2 844 384	-	2 300 342
	379 890 361	18 972 405	373 354 567	16 140 122

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	2014	2013
		N\$	N\$
Betterment Fund	(i)	1 305 773 021	1 191 463 873
Betterment Contribution Fund	(ii)	92 005 482	83 525 395
Endowment Fund	(i)	30 308 125	26 176 658
Parking Provision Fund	(iii)	(4 840 866)	(5 310 945)
Housing Fund	(iv)	183 367 464	151 585 116
Capital Development Fund	(v)	974 890 933	899 021 421
Arterial Fund	(vii)	5 936 679	4 698 819
		2 587 440 838	2 351 160 336

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, 1992 (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	2014	2013
		N\$	N\$
Unappropriated surplus	(i)	(1 749 304 276)	(1 326 758 251)
Tariff stabilisation:	(ii)		
• Administration		164 479 152	94 681 726
• Sanitation		(31 123 448)	2 291 998
• Sewerage services		(9 925 019)	(21 331 696)
• Stores levv		-	-
• Water services		33 573 501	(5 965 596)
		(1 592 300 090)	(1 257 081 818)

Note:

- (i) Detailed financial results are stated in paragraph 6.
- (ii) 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	2014	2013
		N\$	N\$
Insurance claims	(i)	8 577 218	9 158 824
Replacement of assets	(ii)	74 579 584	69 657 384
Maintenance:	(iii)		
• Tarred roads		48 421 100	33 704 772
• Municipal office block		47 803 445	46 865 939
• Rehabilitation landfill site		5 014 589	5 014 589
		184 395 935	164 401 508

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	2014	2013
		N\$	N\$
Bursaries		3 885 216	4 367 442
Bonus leave	(i)	29 178 501	27 083 088
Normal leave	(ii)	93 890 692	93 890 692
Informal settlement	(iii)	11 926 024	11 176 024
		138 880 433	136 517 246

Note:

- (i) The bonus leave provision is a provision for bonuses payable to employees on completion of a five-year employment cycle.
- (ii) The normal leave provision is a provision for annual leave accrued.
- (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\$ 750 000 (2013: N\$ 0) was made to the Informal settlement account during the year under review.

- (iv) The provisions in the annual financial statements are understated by N\$ 70,184,780 as explained on paragraph 4.4 of this report.

10. TRADE ACCOUNTS

10.1 Operating results

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

	Electricity		Water	
	2014	2013	2014	2013
	N\$	N\$	N\$	N\$
Sales	1 311 688 595	1 218 923 758	512 911 178	446 881 032
Cost of bulk purchases	(954 189 577)	(849 641 864)	(195 468 770)	(177 791 473)
Gross profit	357 499 018	369 281 894	317 442 408	269 089 559
Net (expenditure)	(304 655 119)	(270 036 529)	(250 785 684)	(253 783 027)
NET SURPLUS/(DEFICIT)	52 843 899	99 245 365	66 656 724	15 306 532
Gross profit on cost of bulk purchases	37.5%	43.4%	162.4%	151.3%
Net profit/(loss) % on cost of bulk purchases	5.5%	11.68%	34.1%	8.61%

10.2 Distribution losses were as follows:

	2014	2013
Electricity supply	9%	8%
Water supply	21.39%	17.67%

11. SELF-SUPPORTING EXTERNAL SERVICES

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

	2014	2013
	N\$	N\$
Sanitation	(33 415 446)	(20 740 031)
Sewerage	11 406 677	(16 376 736)
	(22 008 769)	(37 116 767)
As a percentage of the total expenditure per item, the results were as follows:		
Sanitation	(17 43)%	(13 32)%
Sewerage	10 43%	(14 10)%

The Council should put measures in place to ensure that general services are self-supporting.

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

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

13. SUSPENSE ACCOUNT

The Municipality had balances on suspense accounts amounting to N\$ 31 164 878 (credit), N\$ 47 560 426 (credit) (2013) and 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:

	2014	2013
	N\$	N\$
Rates and general services	187 322 746	159 030 511
Electricity	69 452 790	41 804 361
Water	41 102 955	24 831 492
	297 878 491	225 666 364

15.2 Financing of capital expenditure

	2014	2013
	N\$	N\$
Loans		
- Hire-purchases	27 275 109	2 118 486
Total external loans	27 275 109	2 118 486
Internal loans	224 472 454	93 737 071
Total loans	251 747 563	95 855 557
Government – TIPEEG	83 307 000	105 000 000
Betterment Fund	19 379 959	17 632 920
Public	1 969 299	3 241 269
Revenue	5 478 549	59 804 776
	361 882 370	281 534 522
Add: Unspent monies b/forward	-	104 729 247
	361 882 370	386 263 769
Less: Temporary advance b/forward	-	-
	361 882 370	386 263 769
Add: Unspent monies b/forward	160 597 404	-
	522 479 774	386 263 769
Less: Unspent monies c/forward	224 601 282	160 597 404
	297 878 492	225 666 364

16. BURSARIES

The movements during the year were as follows:

	2014	2013
	N\$	N\$
Balance at 01 July	4 367 442	3 702 523
Bursary payments/adjustments made	(482 226)	664 919
Balance at 30 June	3 885 216	4 367 442

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

Nature of gift/donation	2014	2013	Beneficiary
	N\$	N\$	
Souvenirs – Mayor	30 885	9 236	Officials/visitors to the mayor
Donation – Mayor	60 206	52 581	Various
	91 091	61 818	

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\$ 4 699 100 was paid in respect of these loans.

17.3 Contributions/grants

	2014	2013
	N\$	N\$
National Days Celebrations	110 698	88 969
Sports, Arts and Culture	5 000	8 000
Educational (Bursaries)	350 628	476 515
	466 326	573 485

18. COMPENSATION PAYMENTS

18.1 Claims finalised against the City Council

There were no compensation payments during the year.

18.2 Claims outstanding by the City

The City has pending legal cases for which the total legal costs are estimated to be not more than N\$ 10 million.

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
	2014	2013
	N\$	N\$
Office of the CEO	44 357	73 406
Office of the Mayor	415 030	607 990
Economic Development	66 489	-
Planning, urbanisation and environment	4 830	26 040
Infrastructure: Water	33 353	7 616
Human resources	-	16 311
Community service	-	131 960
Electricity: Administration	11 675	39 573
Finance and administration	103 105	39 974
Transportation	-	18 365
Cash management and statements	-	22 428
City Police	20 170	46 600
Land delivery	-	3 550
Public transportation	164 616	82 881
Information technology	-	2 508
	863 625	1 119 200

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 year under review.

21.2 Transfer of property by the Government to the Municipality

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

21.3 Transfer of property to/from other than the Government

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

22. DEBTORS AND CREDITORS

22.1 Debtors on 30 June comprise the following:

	2014	2013
	N\$	N\$
Services accounts	571 331 726	573 930 507
Accrued interest on investments	2 409 653	2 757 642
Bursaries	3 885 216	4 367 442
VAT outstanding	47 394 160	10 448 992
Sundry debtors	42 752 509	48 920 777
	667 773 264	640 425 361
Less: Provision for doubtful debts	(152 705 073)	(150 887 496)
	515 068 191	489 537 865

Service debtors decreased by 0.5%, (2013: increased by 17.86%), whilst related income increased by 8.5%, (2013: 38.56%)

At 30 June 2014 the Government of Namibia was indebted by N\$ 49 915 561 (2013: 26 606 322) to the Municipality, which represents 8.74 % (2013: 4.64 %) of total debtors outstanding.

	2014	2013
	N\$	N\$
Service accounts – GRN	49 915 561	26 606 322
	49 915 561	26 606 322

22.2 Creditors on 30 June comprise the following:

	2014	2013
	N\$	N\$
Trade creditors	845 473 661	742 765 234
Contract money (retentions)	34 730 828	21 794 345
Breakdown analysis	31 164 878	47 560 426
	911 369 367	812 120 004

23. ASSESSMENT RATES

At year-end the valuations were as follows:

	2014	2013
	N\$	N\$
Site values	20 993 396 671	22 609 080 992
Improvements and penalty values	30 458 329 218	29 187 659 200
	51 451 725 889	51 796 740 192
Assessment rates levied	262 989 866	236 574 050
Percentage (decrease) / increase	(0.36%)	0.95%
Site values	0.000846	0.000798
Improvement values	0.000436	0.000412

24. LOANS

24.1 Loans payable at year-end were as follows:

	2014	2013
	N\$	N\$
External loans	212 545 505	232 623 259
Hire-purchases	82 902 610	74 309 043
	295 448 115	306 932 302
Internal loans	1 532 188 443	1 396 432 774
	1 827 636 558	1 703 365 076

24.2 Loans received during the year to fund capital expenditure:

	2014	2013
	N\$	N\$
Hire-purchase agreements	27 275 110	-
Internal loans	224 472 454	117 673 315
	251 747 564	117 673 315

All loans are in agreement with the actuarial tables and all instalments were paid up. The fixed asset register could not be availed to the auditors. Refer to paragraph 5.1. As a result, it could not have been ascertained whether all capital assets financed were capitalised, and that no assets have been disposed off before the loans were paid up and also if 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:

	2014	2013
	N\$	N\$
Loans granted against first mortgage bonds over fixed property	35 486 658	41 530 191
Erven loans	21 029 891	13 742 830
Staff vehicle loans	56 516 549	55 273 021
	24 314 708	19 455 549
	80 831 257	74 728 569

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

	Motor vehicle financing loans	Motor vehicle financing loans
	2014	2013
	N\$	N\$
Balance at 01 July	19 455 549	18 324 366
Movements during the year	4 859 159	1 131 183
Balance at 30 June	24 314 708	19 455 549

25. SALE OF ERVEN

	2014	2014
	Number of Erven	N\$
Non - Residential	32	53 227 932
Residential	118	37 143 738
	150	90 371 670

26. PROPERTY SOLD ON AN INSTALMENT BASIS

	2014	2013
	N\$	N\$
Balance 01 July	55 273 021	76 295 920
Contributions	(2 647 466)	(13 310 942)
Receipts (instalment)	14 046 940	2 679 177
Arrears brought forward	49 127	2 282
Capital	(128 296)	1 316 451
Redemption	(6 036 574)	(7 153 361)
Other transactions (interest penalty, insurance)	(4 040 203)	(4 556 506)
Balance 30 June	56 516 549	55 273 021

27. TARIFF ADJUSTMENTS

New tariffs were implemented timeously and correctly.

28. APPROVALS

28.1 Provision for bad debts

	2014	2013
	N\$	N\$
Balance at 01 July	150 887 496	150 000 000
Additional provision	1 817 577	887 496
Balance at 30 June	152 705 073	150 887 496

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.

Motor vehicle accidents

There were 373 motor vehicle accidents and the insurance claims amounted to N\$ 3 042 558.

29.2 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.

29.3 Inventory

	2014	2013
	N\$	N\$
Stores	56 029 009	39 141 439
Fuel and oil	2 238 232	2 011 378
Sundry stock	284 383	284 383
	58 551 623	41 437 201

30. SPECIAL INVESTIGATIONS

1. Irregular sale of properties (Department of Urban Planning and Property Management, Property Management Division).
2. Misuse of purchase requisitions (Department of Infrastructure, Water and Technical Services, Roads and Stormwater Division).
3. Alleged corrupt practice, City of Windhoek Official (Department of Community Services, Community Development Services).
4. Alleged corrupt practice, plot 2565 of No. 2 of Havana, Africa Tongoshile (Department of Urban Planning and Property Management, Property Management Division).
5. Irregularities, completion certificate No. 12210, Erf 920 Cimbebasia (Department of Urban Planning and Property Management, Property Management Division).
6. Misuse of purchase requisitions (Department of Infrastructure, Water and Technical Services, Building Maintenance Division).
7. Alleged corrupt practice - electricity connection, Erf 7999 and Erf 800 Hakahana (Department of Electricity).
8. Failure to renew certificate of fitness, Namibia Stationery Wholesale CC (Department of Economic Development and Environment, Health Services Division).
9. Alleged corrupt practice, creation of false guarantee figures for a housing loan (Department of Finance, Debt Management Division).
10. Alleged corrupt practice at Parks Division (Department of Economic Development and Environment, Parks Division).

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 Chief Executive Officer.

33. BASIS OF DISCLAIMED AUDIT OPINION

- Fixed asset register could not be provided for audit purpose;
- No audit procedures could be performed to verify completeness, existence, accuracy and valuation of property, plant and equipment amounting to N\$ 3 340 963 546;
- Auditors could not perform any other procedures to verify existence and completeness of inventories. The total value of inventories as at 30 June 2014 was N\$ 58 551 623;
- There is a difference of N\$ 166 322 772 between the long term loans as per the financial statements and the Ministry of Finance;
- There is a difference of N\$ 70 184 780 between the balance of the provision for normal staff leave as disclosed in the annual financial statements and the balance as per the payroll records;
- The provision of doubtful debts of N\$ 152 705 073 (2013: N\$ 150 887 496) is not supported by any listing or basis of calculation;

- There is a difference of N\$ 23 929 804 between the debtors listing and the general ledger and a difference on the VAT reconciliation of N\$ 9 898 651 (2013: N\$ 2 162 175) in the current financial year;
- A difference in sundry debtors amounting to N\$ 37 663 297 which was incorrectly accounted for as sundry debtors;
- No sufficient audit evidence could be obtained regarding the valuation and accuracy of debtors, other receivables and the related income statement accounts in the annual financial statements;
- 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;
- The Council could not provide a breakdown of a list of vehicles, its values and fuel consumption; and
- Unreconciled suspense account balance of N\$ 31 164 878.

34. DISCLAIMED AUDIT OPINION

The accounts of the Municipality of Windhoek for the financial year ended 30 June 2014, 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.

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements

WINDHOEK, July 2016


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

BALANCE SHEET AT 30 JUNE

	Notes	2014 N\$	2013 N\$
ASSETS			
Non-current assets		3 801 685 164	3 569 441 234
Property, plant and equipment	2	3 340 963 546	3 121 358 098
Investments	3	379 890 361	373 354 567
Long-term debtors	4	80 831 257	74 728 569
Current assets		573 678 179	537 970 755
Inventory	5	58 551 623	41 437 201
Debtors and other receivables	6	515 068 191	489 537 865
Cash resources		58 365	57 565
Cash at bank		-	6 938 124
Total assets		4 375 363 343	4 107 411 988
FUNDS AND LIABILITIES			
Funds and reserves		4 510 444 661	4 089 137 442
Funds	7	4 326 048 726	3 924 735 934
Reserves	8	184 395 935	164 401 508
Accumulated deficit	9	(1 592 300 090)	(1 257 081 818)
Non-current liabilities		317 477 167	326 719 115
Long-term loans	10	295 448 115	307 034 178
Consumer deposits	11	22 029 052	19 684 937
Current liabilities		1 139 741 604	948 637 250
Creditors and other payables	12	911 369 367	812 120 004
Provisions	13	138 880 432	136 517 246
Bank overdraft	14	89 491 805	-
Total funds and liabilities		4 375 363 343	4 107 411 988

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>2014</u>	<u>2013</u>
	N\$	N\$
INCOME	2 527 259 438	2 618 931 960
EXPENDITURE	<u>(2 947 527 786)</u>	<u>(2 945 853 543)</u>
NET OPERATING LOSS	<u>(420 268 348)</u>	<u>(326 921 583)</u>
Loss for the year	(420 268 348)	(326 921 583)
Transfer from/(to) Funds	<u>85 050 077</u>	<u>74 142 185</u>
Net deficit for the year	(335 218 271)	(252 779 398)
Accumulated funds at the beginning of year	<u>(1 257 081 818)</u>	<u>(1 004 302 420)</u>
Accumulated funds at the end of the year	<u>(1 592 300 090)</u>	<u>(1 257 081 818)</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Notes	2014 N\$	2013 N\$
CASH GENERATED BY OPERATIONS			
Cash generated from operations	A	(420 268 348)	(326 921 583)
Cash generated by increase in working capital	B	58 948 730	82 562 597
CASH GENERATED BY OPERATIONS		(361 319 618)	(244 358 986)
OTHER CASH FLOWS			
Net increase in Funds		401 312 792	495 100 062
Net (decrease)/increase in reserves		19 994 427	8 361 204
Net (increase)/decrease in long-term debtors		(6 102 688)	19 891 717
Net increase/(decrease) in provisions		2 363 186	(2 355 645)
		417 567 717	520 997 338
CASH GENERATED BY OPERATING ACTIVITIES		56 248 099	276 638 352
Long-term loans repaid		(11 586 063)	(21 812 683)
Net capital expenditure		(219 605 448)	(147 002 493)
Transfers (to)/from funds		85 050 077	74 142 185
NET MOVEMENT IN CASH FUNDS		(89 893 335)	181 965 361
Cash and cash equivalents - At the beginning of the year		380 350 256	198 384 895
Cash and cash equivalents – At the end of the year	C	290 456 921	380 350 256

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

NOTES TO THE CASH FLOW

	2014	2013
	N\$	N\$
A. CASH GENERATED BY OPERATIONS		
Net (deficit) for the year	<u>(420 268 348)</u>	<u>(326 921 583)</u>
	<u>(420 268 348)</u>	<u>(326 921 583)</u>
B. CASH GENERATED BY INCREASE IN WORKING		
Increase in inventory	(17 114 422)	9 647 853
Increase in debtors	(25 530 326)	(62 663 187)
Increase in creditors and other	99 249 363	132 675 103
Increase in consumer deposits	2 344 115	2 902 828
	<u>58 948 730</u>	<u>82 562 597</u>
C. CASH AND CASH		
Investments	379 890 361	373 354 567
Cash resources	58 365	55 565
Cash at bank	-	6 938 437
Bank overdraft	<u>(89 491 805)</u>	<u>(313)</u>
	<u>290 456 921</u>	<u>380 350 256</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

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, 1992 (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.

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.

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

1. ACCOUNTING POLICIES (continued)

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.

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.

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

1. ACCOUNTING POLICIES (continued)**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.

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.

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

	2014	2013
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Rates and general services	2 702 279 845	2 514 957 099
Electricity supply	678 210 901	608 758 111
Water supply	684 539 723	643 436 768
	<u>4 065 030 469</u>	<u>3 767 151 977</u>
Less: Charged against income, loans redeemed	(724 066 923)	(645 793 879)
	<u>3 340 963 546</u>	<u>3 121 358 098</u>
3. INVESTMENTS		
Cash investments allocated to:		
-Funds	155 289 079	212 757 163
-Unspent money on capital expenditure	224 601 282	160 597 404
	<u>379 890 361</u>	<u>373 354 567</u>
4. LONG-TERM DEBTORS		
Loans granted against first mortgage bonds over fixed property	35 486 658	41 530 191
Erven loans	21 029 891	13 742 830
Staff vehicle loans	24 314 708	19 455 549
	<u>80 831 257</u>	<u>74 728 569</u>
5. INVENTORY		
Central stores	56 029 009	39 141 439
Fuel and oil	2 238 232	2 011 379
Sundry maintenance	284 382	284 383
	<u>58 551 623</u>	<u>41 437 201</u>

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

	2014	2013
	N\$	N\$
6. DEBTORS AND OTHER RECEIVABLES		
Service accounts	571 331 726	573 930 507
Accrued interest	2 409 653	2 757 642
Bursaries	3 885 216	4 367 442
Vat outstanding	47 394 160	10 448 992
Sundry debtors	42 752 509	48 920 777
	<u>667 773 264</u>	<u>640 425 361</u>
Less: Provision for bad debts	(152 705 073)	(150 887 496)
	<u>515 068 191</u>	<u>489 537 865</u>
7. FUNDS		
Capital Development Fund	974 890 933	899 021 421
Betterment Fund	1 305 773 021	1 191 463 873
Betterment Contribution Fund	92 005 482	83 525 395
Endowment Fund	30 308 125	26 176 658
Parking Provision Fund	(4 840 866)	(5 310 945)
Housing Fund	183 367 464	151 585 116
Arterial Fund	5 936 678	4 698 819
Other capital receipts	1 738 607 888	1 573 575 597
	<u>4 326 048 726</u>	<u>3 924 735 934</u>
8. RESERVES		
Maintenance	96 224 544	80 570 710
Replacement of assets	74 579 584	69 657 385
Rehabilitation – Financial size	8 577 218	5 128 350
Insurance claims	5 014 589	9 045 062
	<u>184 395 935</u>	<u>164 401 508</u>
9. ACCUMULATED LOSSES		
Unappropriated	(1 749 304 276)	(1 326 758 251)
Tariff stabilisation		
- Administration	164 479 152	94 681 726
- Sanitation services	(31 123 448)	2 291 998
- Sewerage services	(9 925 019)	(21 331 696)
- Stores levy	-	-
- Water services	33 573 501	(5 965 596)
	<u>(1 592 300 090)</u>	<u>(1 257 081 818)</u>

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

	2014 N\$	2013 N\$
10. LONG-TERM LIABILITIES		
Government and commercial banks	212 545 505	232 725 134
Hire-purchase agreements	82 902 610	74 309 043
	295 448 115	307 034 178
11. CONSUMER DEPOSITS		
Water and electricity	20 768 185	19 001 508
Miscellaneous deposits	1 260 867	683 429
	22 029 052	19 684 937
12. CREDITORS AND OTHER PAYABLES		
Trade creditors	845 473 660	742 765 234
Retention money	34 730 829	21 794 345
Suspense accounts	31 164 878	47 560 426
	911 369 367	812 120 004
13. PROVISIONS		
Normal leave	93 890 692	93 890 692
Bonus leave	29 178 500	27 083 088
Informal settlement	11 926 024	11 176 024
Bursaries	3 885 216	4 367 442
	138 880 432	136 517 246
14. BANK ACCOUNTS		
Transfer bank accounts	-	(313)
Current account	(89 491 805)	6 938 437
	(89 491 805)	6 938 124

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

	Income 2014	Expenditure 2014	Surplus/ (Deficit) 2014	Surplus/ (Deficit) 2013
	N\$	N\$	N\$	N\$
Non-profitable services	423 847 922	941 608 124	(517 760 202)	(404 356 713)
Office of the Chief Executive Officer	229 134	11 200 208	(10 971 074)	-
City Police	19 145 324	216 424 650	(197 279 326)	(262 824 917)
Information & communication technology	526 197	526 197	-	-
Infrastructure, water & technical services	1 525 226	47 444 175	(45 918 949)	(25 936 929)
Planning, urbanization and environment	27 532 431	99 828 958	(72 296 527)	(43 904 441)
Finance (excluding interest)	319 230 335	59 718 931	259 511 404	254 786 503
Electricity street lighting	-	8 614 391	(8 614 391)	(8 902 006)
Radio network	-	1 680 733	(1 680 733)	(1 811 025)
Economic and community development	7 650 590	121 947 684	(114 297 094)	(136 578 058)
Transport	48 008 685	374 222 199	(326 213 514)	(179 185 840)
Distribution Cost Centres	-	-	-	-
Self-supporting services	278 811 743	300 820 512	(22 008 769)	(37 116 767)
Sanitation	158 144 751	191 560 197	(33 415 446)	(20 740 031)
Sewerage	120 666 992	109 260 315	11 406 677	(16 376 736)
Electricity	1 311 688 595	1 258 844 695	52 843 899	99 245 365
Water	512 911 178	446 254 454	66 656 724	15 306 532
Loss for the year	2 527 259 438	2 947 527 786	(420 268 348)	(326 921 583)

