



**REPUBLIC OF NAMIBIA**



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

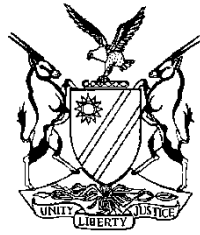
# **TOWN COUNCIL OF KATIMA MULILO**

**FOR THE FINANCIAL YEARS ENDED 30 JUNE 2012**

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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 Town Council of Katima Mulilo for the financial year ended 30 June 2012, 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, April 2014**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF  
THE TOWN COUNCIL OF KATIMA MULILO  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2012**

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**1. INTRODUCTION**

The above accounts of the Town Council of Katima Mulilo for the year ended 30 June 2012 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Local Authorities Act, 1992 (Act 23 of 1992).

The firm BDO of Windhoek has been appointed in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the Town Council 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 Town Council's financial statements were submitted to the Auditor-General by the Accounting Officer in compliance with Section 87(1) of the Local Authorities Act, 1992, except the statements were not submitted within the three month period as allowed by the Act. The audited financial statements are in agreement with the general ledger and are filed in the Office of the Auditor-General. The abridged balance sheet on Annexure A, is a true reflection of the original. The following annexures are also attached to this report:

Annexure B: Abridged income statement

Annexure C: Cash flow statement

Annexure D: Notes to the financial statements

**3. SCOPE OF THE AUDIT**

***Management's responsibility for the financial statements***

The Accounting Officer of the Town Council is responsible for the preparation and fair presentation of these financial statements and for ensuring the regularity of the financial transactions. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

***Auditor's responsibility***

It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements based on the regularity of the financial transactions included in them and to report his opinion to the National Assembly. The said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm complies with ethical requirements, plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including on 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 controls 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 overall presentation of the financial statements.

#### 4. AUDIT OBSERVATIONS AND COMMENTS

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

##### 4.1 Stock control (\*)

No inventories for store materials are reflected in the financial statements of the Council. The auditors were unable to calculate stock on hand at 30 June 2012 due to poor record keeping at the Town Council.

##### 4.2 Provision for bad debts/Accounts receivable (\*)

The Council's basis for provision of bad debts disclosed in the financial statements could not be ascertained. It is also noted that the bad debts provision remained the same as that of prior year, raising more questions regarding how it is determined.

Debtors outstanding for 90 days and more as per the age analysis amounted to N\$ 55 734 215, thus representing a material difference to the amount provided for.

Furthermore, there is an unexplained difference of N\$ 15 316 736 between the debtors' age analysis and the annual financial statements. Enquiries with the Council revealed that the debtors' age analysis is not accurate. There are numerous ghost accounts included in the debtors age analysis which do not exist.

During the 2011/2012 financial year, an exercise was carried out to rectify the problem. The exercise has yet to be reviewed to determine if it was successful.

The Council's effectiveness on bad debt recovery policies should be reviewed and improved on.

	2012	2011
	N\$	N\$
Consumer accounts debt outstanding	57 568 458	59 575 421
Provision for bad debts	25 938 570	25 938 570
Percentage increase / (decrease) in outstanding debts	(3%)	27%
Percentage increase / (decrease) in provision for bad debts	0%	0%
Percentage provision vs. Debt	45%	44%

The magnitude of this under-provisions, highlight serious concerns on the debt collection controls and measures over the assets of the Council. As a result of the above, the current valuation of accounts receivables is materially misstated in the annual financial statements.

##### 4.3 Consumer deposits (\*)

The current consumer deposits of N\$ 87 814 (2011: N\$ 88 069) as disclosed in the financial statements are insufficient to cover for the enormous debts outstanding. The current balance represents 0% of total debt due.

In addition, numerous debtors' accounts still reflected deposits of prior years and were not updated to the new rates.

The Council should ensure that consumer deposits are collected from consumers and be reviewed on an annual basis to ensure the adequacy thereof.

#### **4.4 VAT Payable (\*)**

The auditors' reconciliation on the VAT account indicates a difference of N\$ 2 585 065. Furthermore, the auditors' reasonability test on the VAT input indicates a difference of N\$ 946 062.

The Council submitted VAT returns for 2009/02 to 2012/06 periods after the June 2012 financial year-end. The Council did not provide for interest and penalties of late submission of VAT returns.

#### **4.5 Property, plant and equipment (\*)**

Certain purchases of fixed assets were recorded in the fixed asset register at the amount including VAT, hence overstating the additions to fixed assets for the year under review. Also, the Council could not provide supporting documentation of purchases of fixed assets amounting to N\$ 1 487 684. Additions to the amount of N\$ 369 800 could only be substantiated by quotations.

Furthermore, assets were not adequately insured. Depreciation in respect of prior years was not corrected. The auditors could thus not ascertain the existence, accuracy, completeness and valuation of assets.

#### **4.6 Build Together Fund (\*)**

The Build Together Fund is administered by the Town Council on behalf of the Ministry of Regional, Local Government and Housing and it should be considered significant as weaknesses were identified with regards thereof. This weakness was recorded in prior years also and as a result, the auditors could not rely on the opening balances of the Build Together Fund.

Furthermore supporting documentation could not be provided for the current year movements.

#### **4.7 Income (\*)**

The Council could not resolve audit differences in respect of sale of erven to the amount of N\$ 349 633. Furthermore, the Council could not provide the auditors with lists or supporting documentation in respect of the following income accounts:

Sundry income (overstated) – N\$ 879 489

Permission To Occupy (P.T.O) income (overstated) – N\$ 1 401 343

#### **4.8 Expenditure (\*)**

The Council could not provide supporting documentation in respect of the following expenditure account:

Advertising (overstated) – N\$ 33 132

Contractual refuse removal (overstated) – N\$ 197 026

Electricity departmental (overstated) – N\$ 1 120 494

Materials and stores (overstated) – N\$ 125 318

Printing and stationery (overstated) – N\$ 107 140

Security (overstated) – N\$ 107 542

Training (overstated) – N\$ 195 320

Travel and accommodation (overstated) – N\$ 8 734

Repair and maintenance: buildings (overstated) – N\$ 181 783

Repair and maintenance: vehicles (overstated) – N\$ 146 911

Repair and maintenance: sewerage system (overstated) – N\$ 212 863

A material difference of N\$ 490 634 was found between the total of the invoices for the year and the bulk water expense account.

Furthermore, the expenditure accounts for the votes Town Treasurer, Streets and stormwater and Health services do not add up accurately. The following differences were identified between the vote expense accounts and the total expenses per the annual financial statements:

Town Treasurer – N\$ 200 000  
Streets and storm water – N\$ 381 963  
Health services – (N\$ 2 880)

#### **4.10 Appropriation account (\*)**

The Council could not provide the auditors with the reconciliation of the unappropriated income. Furthermore, the appropriation account has been overstated in the annual financial statements by N\$ 496 728. No explanation could be given for the journals posted to this account.

#### **4.11 Housing Fund loans (\*)**

The Council could not provide the auditors with a listing of outstanding loan balances amounting to N\$ 2 227 056. Furthermore, no supporting documentation could be provided to enable the auditors to ascertain the existence, completeness, accuracy and valuation of this account balance.

#### **4.12 Provisions for leave pay**

The balance of the leave pay provision remained unchanged at N\$ 749 818 from the previous year. The Council could not provide a listing and this provision could thus not be audited.

#### **4.13 Bank and cash and trade payables**

On the bank reconciliation of June 2012 appears outstanding cheques to the amount of N\$ 1 501 086 which was not cleared from the bank account, and cancelled subsequently.

These cheques should thus have been reallocated to trade payables. As a result, the trade payables are incomplete and the bank balance understated as at year-end.

#### **4.14 Non-compliance with recommendations**

Many of the above mentioned problem areas have already been highlighted in previous audit reports and again highlighted when finalising the audit, however none of the recommendations have been implemented.

#### **4.15 Internal controls**

There is no sufficient system of internal control at the Town Council for the year under review. Proper segregation of duties is not possible due to the small number of staff employed.

### **5. ACKNOWLEDGEMENT**

The assistance and co-operation given by the staff of the Town Council during the audit is highly appreciated.

## 6. FINANCIAL RESULTS

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

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
<b>Accumulated surplus 01/07/2011</b>				3 454 758
<b>General accounts</b>				
Rates and general	18 941 780	26 451 324	(7 509 545)	
Non-profitable services	215 199	2 983 157	(2 767 958)	
Self-supporting services	6 047 117	3 343 281	2 703 836	
<b>Trade accounts</b>				
Water	12 842 690	12 551 641	291 050	
	38 046 786	45 329 403	(7 282 617)	
Deficit for the year				(7 282 617)
Adjustments and appropriations (See Note 7, Annexure D)				(24 330)
Unexplained difference*				(496 728)
<b>Accumulated deficit 30/06/2012</b>				<b>(4 348 917)</b>

\*Also refer to paragraph 4.10

## 7. CURRENT BANK ACCOUNT

The favourable bank statement balance on the current bank account amounted to N\$ 123 447 (2011: N\$ 354 888). Cheques not presented for payment amounted to N\$ 2 986 818 (2011: N\$ 1 687 408), resulting in an unfavourable cash-book balance of N\$ 2 863 371 (2011: N\$ 1 332 519). Outstanding cheques were overstated as explained in paragraph 4.13.

## 8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June 2012 were as follows:

Institution	Investments		Interest	
	2012	2011	2012	2011
	N\$	N\$	N\$	N\$
<b>Invested at:</b>				
Commercial banks	4 834 064	2 776 455	13 624	11 185
<b>Distribution</b>				
Capital Reserve Fund	389 308	387 024	-	-
Shack Dwellers Fund	-	-	-	-
Build Together Fund	4 443 490	2 347 931	-	-
Government Contribution Fund	-	-	-	-
Revenue Fund	1 266	41 500	-	-
	4 834 064	2 776 455	13 624	11 185

No information could be obtained on Council's investment share in Nored.

## 9. FUND ACCOUNTS

The position of the Fund and accounts is shown in note 5 at annexure D.

## 10. TRADE ACCOUNTS

### 10.1 Operating results

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

	<b>2012</b>	<b>2011</b>
	N\$	N\$
Sales	12 377 559	20 091 657
Cost of sales	(9 892 693)	(9 567 616)
Gross profit	2 484 866	10 524 041
Other income/ (expenses)	(2 193 816)	(1 052 468)
<b>NET PROFIT/ (LOSS)</b>	<b>291 050</b>	<b>9 471 573</b>
Gross profit on cost of sales	25%	110%
Net profit percentage on cost of sales	3%	99%

### 10.2 Distribution losses

No distribution results for water were available for the year under review. The Council is urged to re-implement the auxiliary registers which enabled them to provide for water distribution losses for previous years.

## 11. SELF-SUPPORTING EXTERNAL SERVICES

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

	<b>Income</b>	<b>Expenses</b>	<b>Surplus/ (deficit)</b>	<b>Surplus/ (deficit)</b>
	<b>2012</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>
			N\$	N\$
Cleansing services	3 362 844	1 733 361	1 629 483	1 779 027
Sewerage	2 684 273	1 609 920	1 074 353	905 539
	<b>6 047 117</b>	<b>3 343 281</b>	<b>2 703 836</b>	<b>2 684 566</b>

## 12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No unauthorized or avoidable expenditure was identified during the year under review.

## 13. SUSPENSE ACCOUNTS

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

## 14. IRREGULARITIES AND LOSSES

14.1 No irregularities were reported.

14.2 No losses were reported.



## 15. CAPITAL PROJECTS

Capital expenditure for the 2012 financial year amounted to N\$ 6 880 768 (2011: N\$ 2 960 081) and comprises the following:

	<b>Revenue Account</b>	<b>Total expenditure 2012</b>	<b>Total expenditure 2011</b>
	N\$	N\$	N\$
Council – General expenses	12 272	12 272	-
Town administration	33 922	33 922	70 774
Town Treasurer	135 004	135 004	20 829
Town planning	825 300	825 300	201 819
Streets and storm water	4 223 038	4 223 038	1 877 257
Water	1 024 168	1 024 168	23 969
Community services	228 469	228 469	478 068
Building & housing	398 595	398 595	287 265
	<b>6 880 768</b>	<b>6 880 768</b>	<b>2 960 081</b>

## 16. STUDY LOANS/BURSARIES

No bursaries or loans were granted during the year.

## 17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

No contributions, grants and financial aid were made during the year.

## 18. COMPENSATION PAYMENTS

No compensation payments were made by the Council during the year.

## 19. VISITS TO FOREIGN COUNTRIES

No foreign visits were undertaken during the year under review.

## 20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims for losses were received during the year.

## 21. GIFTS AND DONATIONS BY THE LOCAL AUTHORITY

An amount of N\$ 73 868 (2011: N\$ 20 000) was paid as donations during the year under review

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

No property was transferred to/or from the Government.

## 23. DEBTORS/CREDITORS

23.1 Debtors on 30 June 2012 comprise the following:

	2012	2011
	N\$	N\$
Services, rates and taxes	57 568 458	59 575 421
Housing Fund receivables	2 227 056	2 558 921
	59 795 514	62 134 342
Less: Provision for bad debts	(25 938 570)	(25 938 570)
	<b>33 856 944</b>	<b>36 195 772</b>

The average collection period of trade receivables, before taking the provision for bad debts into account, is 661 days (2011: 593 days). The council should attend to the arrears as a matter of urgency.

23.2 Creditors on 30 June 2012 comprise the following:

	2012	2011
	N\$	N\$
Trade creditors and other accruals	30 571 123	24 874 287
Provision for leave pay	749 819	749 819
Consumer deposits	87 814	88 069
VAT	1 323 767	1 150 921
	<b>32 732 523</b>	<b>26 863 096</b>

## 24. ASSESSMENT RATES

Net surplus from assessment rates amounted to N\$ 5 223 929 (2011: N\$ 3 843 074).

The gazetted tariffs were as follows:

N\$ 0.078048 (2011: N\$ 0.04852) per dollar on site values per year and N\$ 0.0045078 (2011: N\$0.00451) per dollar on improvements per year.

## 25. LOANS

### 25.1 External loan

No external loans were advanced or received during the year under review.

### 25.2 Internal loans

No internal loans were advanced or received during the year under review.

### 25.3 Housing loans

Housing loans advanced to buyers under the Build Together Scheme is disclosed as N\$ 2 227 056 (2011: N\$ 2 558 921) in the financial statements.

## 26. SALE OF ERVEN

The sale of erven listing differed with the financial statements by N\$ 349 633.

## **27. PROPERTY SOLD ON AN INSTALMENT BASIS**

No property was sold on an instalment basis for the year under review.

## **28. TARIFF ADJUSTMENTS**

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

## **29. APPROVALS**

Approvals for all over-expenditure were obtained.

## **30. STOCK AND EQUIPMENT**

### **30.1 Motor vehicles**

There was no auxiliary register for the year under review. Auditors could only obtain a list of vehicles registered under the Council's name.

### **30.2 Inventory**

No inventory on store materials were recorded or disclosed in the annual financial statements for the financial year although inventories did exist.

## **31. SPECIAL INVESTIGATIONS**

No special investigations were carried out during the year.

## **32. GENERAL**

### **32.1 Internal controls**

There is no sufficient system of internal control at the Town Council for the year under review. Proper segregation of duties is not possible due to the small number of staff employed.

## **33. FORMAL AND INFORMAL QUERIES**

**33.1** Formal queries are embodied in this report.

**33.2** Informal queries addressed to the Chief Executive Officer consist of:

- Lack of supporting documentation
- Various issues on property, plant and equipment.
- Value added tax
- Weakness in internal controls
- Stock
- Debtors and provision for doubtful debts
- Advances / housing loan debtors
- Annual financial statements not submitted within prescribed period
- Meetings not held as prescribed by the Act.

### **34. DISCLAIMED AUDIT OPINION**

The accounts of the Town Council of Katima Mulilo for the financial year ended 30 June 2012, summarized in Annexure A to D, were audited by me in terms of the provisions of Section 85 of the Local Authorities Act, 1992, read with Section 25 (1) (b) of the State Finance Act, 1991.

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

- Inventories value at year end could not be verified because alternative procedures could not be performed and stock was omitted from the financial statements;
- Provision for bad debts of N\$ 25 938 570 is inadequate and a material difference of N\$ 15 316 736 existed between the debtors age analysis and the financial statement balance. Furthermore, the Council revealed that the debtors age analysis is not accurate;
- Consumer deposits represent 0.0% of the total debt and is therefore inadequate;
- The special funds were not properly administered and statements were not prepared and recalculated indicating as to how the closing balances were determined;
- The leave pay provision as per the annual financial statements could not be substantiated. Furthermore, the leave pay provision remained unchanged since prior year, raising more questions on how it is determined;
- There was no sufficient system of internal controls or proper accounting records on which the auditors could rely;
- There is a material difference of N\$ 2 585 065 between the auditors' VAT reconciliation and the annual financial statements. Furthermore, there is a difference of N\$ 946 062 between the input VAT as per the VAT reasonability test and the VAT returns;
- The balance as per the Receiver of Revenue statement differs materially to the financial statements and VAT returns in respect of the 2009/02 to 2012/06 periods were only submitted subsequent to year end;
- No listing of housing fund loans could be provided. No supporting documentation could be provided to ascertain the existence, completeness, and accuracy of the balance;
- No supporting documentation could be provided for sundry income, permission to occupy (P.T.O) income and various expenditure accounts;
- There is a material difference of N\$ 490 634 between the Namwater supplier invoices for bulk water purchases and the annual financial statements;
- Purchases of fixed assets were recorded inclusive of VAT and additions could not be verified to supporting documentation to the amount of N\$ 1 487 684. Depreciation in respect of prior year were not corrected;
- Differences were identified between the vote expense accounts and the total per the financial statements;
- Unexplained difference of N\$ 496 728 existed on the appropriation account;
- Outstanding cheques as per the bank reconciliation of N\$ 1 501 086 did not clear through the bank account and was cancelled subsequently. Consequently, the trade payables are incomplete and the bank balance understated at year end.

**WINDHOEK, April 2014**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## TOWN COUNCIL OF KATIMA MULILO

## BALANCE SHEET AS AT 30 JUNE 2012

	Notes	2012 N\$	2011 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	14 414 484	9 731 082
Investments	3	4 834 064	2 776 455
<b>Current assets</b>			
Accounts receivable	4	33 856 944	36 195 772
Cash and cash equivalents		2 000	2 000
<b>TOTAL ASSETS</b>		<b>53 107 492</b>	<b>48 705 309</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Funds and accounts	5.1	14 414 484	9 731 082
Accumulated funds	5.2	(4 348 917)	3 454 758
Funds and accounts	5.3	7 446 031	7 323 854
<b>Current liabilities</b>			
Accounts payable	6	32 732 523	26 863 096
Bank overdraft		2 863 371	1 332 519
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>53 107 491</b>	<b>48 705 309</b>

## ANNEXURE B

## TOWN COUNCIL OF KATIMA MULILO

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 N\$	2011 N\$
INCOME		38 046 786	38 278 549
EXPENDITURE		(45 329 403)	(34 865 830)
<b>OPERATING PROFIT FOR THE YEAR</b>		<b>(7 282 617)</b>	<b>3 412 719</b>
Interest earned		-	-
<b>NET PROFIT FOR THE YEAR</b>		<b>(7 282 617)</b>	<b>3 412 719</b>
Add : Appropriation and adjustments	7	(521 059)	19 859 959
RETAINED PROFIT FOR THE YEAR		(7 803 676)	23 272 678
30 June 2011		3 454 759	(19 817 920)
<b>30 June 2012</b>		<b>(4 348 917)</b>	<b>3 454 759</b>

## TOWN COUNCIL OF KATIMA MULILO

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	<u>Note</u>	<u>2012</u>	<u>2011</u>
		N\$	N\$
<b>Cash flow from operating activities</b>			
Cash receipts from customers		38 046 786	38 278 549
Cash paid to suppliers		(37 642 206)	(40 507 882)
<b>Cash generated from operations</b>	7	<b>404 580</b>	<b>(2 229 333)</b>
Investment income		-	-
<b>Net cashflow from operating activities</b>		<b>404 580</b>	<b>(2 229 333)</b>
<b>Cash flow from investing activities</b>			
Decrease / (Increase) in capital expenditure		-	(1 291 528)
(Increase)/ Decrease in investment		-	1 063 615
<b>Net cashflow from investing activities</b>		-	<b>(227 913)</b>
<b>Cash flow from financing activities</b>			
Increase in funds and accounts		4 805 580	1 424 289
<b>Net cashflow from financing activities</b>		<b>4 805 580</b>	<b>1 424 289</b>
Net increase in cash and cash equivalents		(1 530 851)	(1 032 957)
Cash and cash equivalents at the beginning of the year		(1 330 519)	(297 562)
<b>Cash and cash equivalents at the end of the year</b>		<b>(2 861 370)</b>	<b>(1 330 519)</b>

## TOWN COUNCIL OF KATIMA MULILO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**1. ACCOUNTING POLICIES**

The annual financial statements compiled in accordance with the historical convention method modified by the restatement of the financial instruments to fair value, except where otherwise stated.

The principal accounting policies of the Town Council, which are set out below, has been consistent and comply with Namibian Statements of Generally Accepted Accounting Practices. The financial statements have been prepared in accordance with the requirements of the Namibian Local Authorities Act.

**1.1 Property, plant and equipment**

Fixed assets are stated at cost or at valuation where assets have been acquired by grant or donation, less depreciation written off over the expected useful lives as determined by the Council from time to time. Fixed assets acquired with loan funds are not depreciated until the loan is repaid, unless the expected lifetime of the asset is less than the repayment period of the loan, in which case depreciation is calculated on the shortfall.

**1.2 Inventories**

Inventories are measured at lower of cost and net realizable value. The cost of inventories should comprise all cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

	<u>2012</u>	<u>2011</u>
	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Consists of :</b>		
Property development, vehicles, plant and equipment	<u>14 414 484</u>	<u>9 731 082</u>
<b>Financed by :</b>		
Capital	616 065	-
Revenue account	13 798 418	9 731 082
	<u>14 414 483</u>	<u>9 731 082</u>
<b>3. INVESTMENTS</b>		
Commercial banks and building societies	<u>4 834 064</u>	<u>2 776 455</u>
The investments were allocated as follows:		
Build Together Fund	4 443 490	2 347 931
Capital Development Fund	389 308	387 024
Revenue Fund	1 266	41 500
Total	<u>4 834 064</u>	<u>2 776 455</u>



## TOWN COUNCIL OF KATIMA MULILO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	<b>2012</b>	<b>2011</b>
	N\$	N\$
<b>4. TRADE AND OTHER RECEIVABLES</b>		
Consumers	57 568 458	59 575 421
Build Together Fund- Debtors	2 227 056	2 558 921
	<b>59 795 514</b>	<b>62 134 342</b>
<i>Less :</i>		
Provision for doubtful debts	(25 938 570)	(25 938 570)
	<b>33 856 944</b>	<b>36 195 772</b>
<b>5. FUNDS AND ACCOUNTS</b>		
<b>5.1 Financing of capital</b>		
Contribution- General capital	604 246	780 487
Revenue contributions	13 810 237	8 950 594
	<b>14 414 484</b>	<b>9 731 081</b>
<b>5.2 Accumulated Funds</b>	<b>(4 348 917)</b>	<b>3 454 758</b>
<b>5.3 Internal funds</b>		
Capital Development Fund	389 308	387 024
Build Together Fund	7 056 723	6 936 830
	<b>7 446 031</b>	<b>7 323 854</b>
	<b>17 511 598</b>	<b>20 509 693</b>
<b>6. TRADE AND OTHER PAYABLES</b>		
Trade payables	30 571 123	24 874 287
Provision for personnel benefits	749 818	749 818
VAT control account	1 323 767	1 150 921
Consumer deposits	87 814	88 069
	<b>32 732 523</b>	<b>26 863 095</b>
<b>7. ADJUSTMENTS AND APPROPRIATIONS</b>		
Prior year expenditure adjustments	-	2 576 707
Creditors written off	-	17 283 252
Investments adjustments	-	-
Prior year income adjustments	(24 330)	-
Unexplained difference	(496 728)	-
	<b>(521 059)</b>	<b>19 859 959</b>

## TOWN COUNCIL OF KATIMA MULILO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	<u>2012</u>	<u>2011</u>
	N\$	N\$
<b>8. CASH UTILISED IN OPERATIONS</b>		
Net operating profit	(7 282 617)	3 412 719
Adjustments (appropriations)	(521 059)	19 859 959
<b>8.1 Operating income before changes in working capital</b>	<b>(7 803 676)</b>	<b>23 272 678</b>
<b>Changes in working capital</b>		
(Increase)/decrease in trade and other payables	5 869 428	(12 867 425)
Decrease/(increase) in inventories	-	-
Increase in trade and other receivables	2 338 828	(12 634 586)
	<u><b>8 208 256</b></u>	<u><b>(25 502 011)</b></u>
	<u><b>404 580</b></u>	<u><b>(2 229 333)</b></u>