



**REPUBLIC OF NAMIBIA**



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

# **TOWN COUNCIL OF LÜDERITZ**

**FOR THE FINANCIAL YEARS ENDED 30 JUNE 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 Town Council of Lüderitz for the financial years ended 30 June 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, January 2013**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
TOWN COUNCIL OF LÜDERITZ  
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2010 AND 2011**

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**1. INTRODUCTION**

The accounts of the Town Council of Lüderitz for the years ended 30 June 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 firm Mostert Landgrebe 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. The audited financial statements are in agreement with the general ledger and are filed in the Office of the Auditor-General. The abridged balance sheets at Annexure A are true reflections of the originals signed by the Accounting Officer.

The financial statements also include:

Annexure B: Abridged income statements

Annexure C: Cash flow statements

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 and 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 comply 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 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.

#### **4. AUDIT OBSERVATION AND COMMENTS**

##### **4.1 Trade and other receivables - Provision for bad debts**

The average collection period of trade receivables, before taking the provision for bad debts into account, is 2011: 210 and 2010: 198 days (2009: 199 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 2011: 175 and 2010: 156 days (2009: 152 days). The Council should attend to the arrears as a matter of urgency. Due to this statistics, the auditors are of the opinion that the provision for bad debts is understated by 2011: N\$ 22 410 384 (2010: N\$ 15 494 219) and (2009: N\$ 13 485 232).

##### **4.2 Other receivables - Build together advances**

Included in other receivables is an amount of 2011: N\$ 6 654 061 and 2010: N\$ 5 532 126 (2009: N\$ 5 936 566) for Build Together advances. No list of these advances could be provided to the auditors and the auditors were thus unable to verify the completeness and accuracy of these advances.

##### **4.3 Other payables - VAT**

Due to a lack of proper accounting records the auditors were unable to verify the correctness of the VAT amount payable per balance sheet of 2011:N\$ 7 132 426 and 2010: N\$ 4 179 228 (2009: N\$ 163 046 receivable).

##### **4.4 Inventories**

The auditors did not observe the counting of the inventories for the years under review, at year end. There were no alternative practical audit procedures that they could perform to confirm the existence of the inventories on hand at year-end.

##### **4.5 Other payables - P.A.Y.E. and VAT**

Not all P.A.Y.E. and VAT returns were submitted timeously to the Directorate: Inland Revenue. The provisions in the financial statements might not be sufficient to cover for arrear amounts, penalties and interest thereon.

##### **4.6 Consumer deposits**

The consumer deposits are not sufficient to cover one month's service charges.

##### **4.7 External loans**

The balance sheets reflect external loans from the Government of Namibia of 2011: N\$ 6 641 671 and 2010: N\$ 7 084 294 (2009: N\$ 7 524 742). No amortisation tables were available at the Town Council, the auditors were unable to verify the completeness, existence and accuracy of these external loans.

##### **4.8 Arrear external loans**

External loans from Government are, as in previous years, not repaid but the repayments are provided for as arrear loan instalments under current liabilities. The total instalments in arrears amount to 2011: N\$ 22 294 416 and 2010: N\$ 21 225 351 (2009: (N\$ 20 124 504).

No interest on overdue amounts due to Government has been provided for.

#### **4.9 Property, plant and equipment**

As also reported in prior years, no effort has been made during the 2010 financial year to rectify the controls and shortcomings reflected on the property, plant and equipment of the Council.

The following was evident:

- No asset register was maintained by the Council
- No list of additions was available for audit purposes
- No list of disposals was available for audit purposes
- No depreciation was processed as also reported in the prior year

Due to the above-mentioned, the auditors were again unable to satisfy themselves that assets are fairly stated in the financial statements.

#### **4.10 Payroll**

No proper supporting documentation could be provided to verify the existence and correctness of the payroll for the years under review. The auditors were thus unable to verify the payroll to their satisfaction.

#### **4.11 Trade receivables**

No list of trade receivables amounted to N\$ 58 256 396 were available for audit purposes. For 2010 financial year an amount of N\$ 9 028 221 for "bulk supply" receivables was included in the trade receivables of which no supporting documents could be supplied for audit purposes. The auditors were thus unable to verify the completeness or correctness of these receivables.

#### **4.12 Investments**

No supporting documents for investments at insurance companies amounted to N\$18 243 175 for the 2011 and 2010 financial years respectively, could be provided for audit purposes. The auditors were thus unable to verify the correctness of this amount.

### **5. ACKNOWLEDGEMENT**

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

## 6. FINANCIAL RESULTS

The results of the operations of, and transactions on the Revenue account for the year were as follows:

	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus/ (deficit)</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated deficit on 01/07/2010				(16 123 732)
<b>General accounts</b>				
- Non-profitable	16 486 403	26 273 868	(9 787 465)	
- Self-supporting	5 063 240	8 124 754	(3 061 514)	
<b>Trade accounts</b>				
- Water	13 412 394	9 555 116	3 857 278	
- Electricity	41 419 631	35 016 400	6 403 231	
Deficit for the year	76 381 668	78 970 138	(2 588 470)	(2 588 470)
Adjustments and utilisations (Note 11 Annexure D)				(18 712 202)
				281 730
Accumulated deficit on 30/06/2011				<b>(18 430 472)</b>

	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus/ (deficit)</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated deficit on 01/07/2009				(9 218 007)
<b>General accounts</b>				
- Non-profitable	18 719 118	26 226 763	(7 507 645)	
- Self-supporting	4 433 815	11 037 249	(6 603 434)	
<b>Trade accounts</b>				
- Water	11 908 141	9 572 672	2 335 469	
- Electricity	37 966 122	28 216 373	9 749 749	
Deficit for the year	73 027 196	75 053 057	(2 025 861)	(2 025 861)
Adjustments and utilisations (Note 11 Annexure D)				(11 243 868)
				(4 879 864)
Accumulated deficit on 30/06/2010				<b>(16 123 732)</b>

## 7. CURRENT BANK ACCOUNT

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	N\$	N\$	N\$
Cash-book balance at 30 June	(938 558)	(1 629 697)	(7 010 869)
Outstanding cheques - Disclosed as trade payables	2 616 202	1 354 984	5 864 501
Cash-book balance at 30 June - Balance sheet	1 677 644	(274 713)	(1 146 368)
Balance as per bank statement	<b>1 677 644</b>	<b>(274 713)</b>	<b>(1 146 368)</b>

## 8. INVESTMENTS

The investments as at 30 June were as follows:

<b>Institution</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	N\$	N\$	N\$
Commercial Banks	9 836 063	17 105 913	24 590 313
Insurance companies	18 243 175	18 243 175	18 243 175
	<b>28 079 238</b>	<b>35 349 088</b>	<b>42 833 488</b>

Section 80(3) of the Act read as follows:

*"(3) A Local Authority Council may invest any unexpended portion of its funds with a bank registered in terms of the Banks Act, 1965 (Act 23 of 1965), a building society as defined in Section 1 of the Building Society Act, 1986 (Act 2 of 1986), and the Post Office Savings Bank controlled and managed by the Namibia Post Limited established by Section 2 of the Posts and Telecommunications Companies Establishment Act 1992, or such other financial institution as may be approved by the Minister.*

No such approval could be provided by the Town Council.

The investments were allocated as follows:

<b>Allocation</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	N\$	N\$	N\$
Capital Development Fund	6 063 590	4 885 720	3 663 314
Housing Fund	22 015 648	21 798 637	17 917 397
Fixed Property Fund	-	8 664 731	14 843 129
Renewal Fund	-	-	6 018 805
Revenue	-	-	390 843
	<b>28 079 238</b>	<b>35 349 088</b>	<b>42 833 488</b>

## 9. FUND ACCOUNTS

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

## 10. TRADE ACCOUNTS

### 10.1 The results of trade accounts were as follows:

	<b>Electricity</b>		<b>Water</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	N\$	N\$	N\$	N\$
Sales	32 789 036	31 139 920	12 584 071	11 175 729
Cost of sales	(28 051 425)	(23 758 940)	(7 412 461)	(7 261 075)
Gross surplus	4 737 611	7 380 980	5 171 610	3 914 654
Other expenses	1 665 620	2 368 769	(1 314 332)	(1 579 185)
<b>Net (loss)/surplus</b>	<b>6 403 231</b>	<b>9 749 749</b>	<b>3 857 278</b>	<b>2 335 469</b>
Gross surplus percentages on sales	14.4%	23.7%	41.1%	35.0%
Gross surplus percentages on cost of sales	16.9%	31.1%	69.8%	53.9%
Net surplus percentages on cost of sales	22.8%	41.0%	52.0%	32.2%
Net (loss)/surplus percentage on sales	19.5%	31.3%	30.7%	20.9%

	Electricity		Water	
	2010	2009	2010	2009
	N\$	N\$	N\$	N\$
Sales	31 139 920	30 230 872	11 175 729	11 303 382
Cost of sales	(23 758 940)	(19 389 173)	(7 261 075)	(7 546 899)
Gross surplus	7 380 980	10 841 699	3 914 654	3 756 483
Other expenses	2 368 769	(5 213 528)	(1 579 185)	(2 743 049)
<b>Net (loss)/surplus</b>	<b>9 749 749</b>	<b>5 628 171</b>	<b>2 335 469</b>	<b>1 013 434</b>
Gross surplus percentages on sales	23.7%	35.9%	35.0%	33.2%
Gross surplus percentages on cost of sales	31.1%	55.9%	53.9%	49.8%
Net surplus percentages on cost of sales	41.0%	29.0%	32.2%	13.4%
Net (loss)/surplus percentage on sales	31.3%	18.6%	20.9%	9.0%

## 10.2 Water distribution results, in cubic meters

No statistics were kept by the Town Council to calculate the distribution losses. The Town Council, in future, must record the cubic meters sold and purchase to calculate distribution losses.

## 11. SELF-SUPPORTING SERVICES

### 11.1 The result for the year under review is as follows:

	Income	Expenses	Surplus/ (deficit)	Surplus/ (deficit)
	2011	2011	2011	2010
	N\$	N\$	N\$	N\$
Sewerage	2 432 544	4 119 130	(1 686 586)	(4 473 995)
Cleaning services	1 830 611	3 485 643	(1 655 032)	(2 133 493)
Natis	800 086	519 982	280 104	4 056
	<b>5 063 240</b>	<b>8 124 755</b>	<b>(3 061 514)</b>	<b>(6 603 432)</b>

	Income	Expenses	Surplus/ (deficit)	Surplus/ (deficit)
	2010	2010	2010	2009
	N\$	N\$	N\$	N\$
Sewerage	2 472 904	6 946 901	(4 473 997)	(6 468 495)
Cleaning services	1 608 066	3 741 559	(2 133 493)	(1 993 072)
Natis	352 845	348 789	4 056	165 769
	<b>4 433 815</b>	<b>11 037 249</b>	<b>(6 603 434)</b>	<b>(8 295 798)</b>

The Council should introduce measures to reduce the losses on the loss-making services.

## 12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

There were no such expenses.

## 13. SUSPENSE ACCOUNTS

Suspense accounts are cleared on a regular basis.

#### 14. IRREGULARITIES AND LOSSES

There were no such expenses.

#### 15. CAPITAL PROJECTS

The following were spend on capital projects:

Nature of projects/acquisitions	Financial by	Total expenditure 2011	Total expenditure 2010
	Revenue account		
	N\$	N\$	N\$
General administration	2 244	2 244	-
Councillors	4 933	4 933	-
Financial Services	3 965	3 965	5 780
Human recourses	-	-	5 780
Health services	-	-	14 917
Roads and streets	4 989 098	4 989 098	2 337 425
Sub-Economic housing	-	-	3 120 282
Sewerage	-	-	3 928 342
Electricity	2 953 362	2 953 362	-
Water	-	-	5 486
	<b>7 953 602</b>	<b>7 953 602</b>	<b>9 418 012</b>

Nature of projects/acquisitions	Financed by	Total expenditure 2010	Total expenditure 2009
	Revenue account		
	N\$	N\$	N\$
General administration	-	-	152 435
Financial services	5 780	5 780	2 348
Human recourses	5 780	5 780	-
Health services	14 917	14 917	-
Roads and streets	2 337 425	2 337 425	9 867 708
Sub-Economic housing	3 120 282	3 120 282	12 330 089
Town planning	-	-	2 480
Sewerage	3 928 342	3 928 342	5 614 648
Water	5 486	5 486	-
	<b>9 418 012</b>	<b>9 418 012</b>	<b>27 969 708</b>

#### 16. BURSARIES

There were no such expenses.

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

Due to poor record keeping, the grants cannot be determined.

#### 18. COMPENSATION PAYMENTS

There were no such expenses.

#### 19. VISITS TO FOREIGN COUNTRIES

There were no such expenses.

## 20. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the local authority.

## 21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

There were no such expenses.

## 22. TRANSFER OF PROPERTY

There were no transfers of property to or from the Local Authority.

## 23. TRADE AND OTHER RECEIVABLES/TRADE AND OTHER PAYABLES

### 23.1 Trade and other receivables at 30 June were:

	2011	2010	2009
	N\$	N\$	N\$
Services, rates and taxes	58 256 396	41 305 048	28 973 448
Build Together advances	6 654 061	5 532 126	5 936 566
VAT	-	-	163 046
	64 910 457	46 837 174	35 073 060
Consumer deposits	(690 437)	(631 404)	(572 308)
Provision for bad debts	(6 841 000)	(6 789 000)	(6 737 000)
<b>Total</b>	<b>57 379 020</b>	<b>39 416 770</b>	<b>27 763 752</b>

The average collection period of trade receivables, before taking the provision for bad debts into account, is 2011: 210 and 2010: 198 days (2009: 199 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 2011: 175 and 2010: 156 days (2009: 152 days). The Council should attend to the arrears as a matter of urgency. Due to this statistics, the auditors are of the opinion that the provision for bad debts is understated by 2011: N\$ 22 410 384 and 2010: N\$ 15 494 219 (2009: N\$ 13 485 232).

Included in other receivables is an amount of 2011: N\$ 6 654 061 and 2010: N\$ 5 532 126 (2009: N\$ 5 936 566) for Build Together advances. No list of these advances could be provided to the auditors and the auditors were thus unable to verify the completeness and accuracy of these advances.

### 23.2 Trade and other payables at 30 June were:

	2011	2010	2009
	N\$	N\$	N\$
Trade payables	7 198 013	3 798 249	864 197
Loan instalments in arrear	22 294 416	21 225 351	20 124 504
VAT	7 132 426	4 179 227	-
Suspense accounts	-	-	312 029
Provisions	4 289 272	3 878 137	-
Outstanding cheques	2 616 202	1 354 985	5 864 501
<b>Totals</b>	<b>45 530 329</b>	<b>34 435 949</b>	<b>27 165 231</b>

Not all P.A.Y.E and VAT returns were submitted timeously to the Directorate: Inland Revenue. The provisions in the financial statements might not be sufficient to cover for arrear amounts, penalties and interest thereon.

**24. ASSESSMENT RATES**

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	N\$	N\$	N\$
The proceeds from assessment rates were	7 346 360	6 683 740	5 001 583
<b>Lüderitz town area</b>			
Tariffs per N\$1 valuation per annum			
- Site valuation	0.047300	0.047300	0.047300
Tariffs per N\$1 valuation per annum			
- Improvements	0.010212	0.010212	0.010212
<b>Nautilus town area</b>			
Tariffs per N\$1 valuation per annum			
- Site valuation	0.047300	0.047300	0.047300
Tariffs per N\$1 valuation per annum			
- Improvements	0.009460	0.009460	0.009460
<b>Benguela town area</b>			
Tariffs per N\$1 valuation per annum			
- Site valuation	0.016130	0.016130	0.016130
Tariffs per N\$1 valuation per annum			
- Improvements	0.004730	0.004730	0.004730

**25. LOANS**

**25.1 External loans**

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	N\$	N\$	N\$
The Government of Namibia	6 641 671	7 084 294	7 524 742
Commercial banks	921 755	417 499	600 255
	<b>7 563 426</b>	<b>7 501 793</b>	<b>8 124 997</b>

External loans from Government are, as in previous years, not repaid but the repayments are provided for as arrear loan instalments under current liabilities. The total instalments in arrears amount to N\$ 21 225 351 (2009 - N\$ 20 124 504).

No interest on overdue amounts due to Government has been provided for.

**25.2 Due to the Town Council**

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	N\$	N\$	N\$
Build Together advances			
- Included in trade and other receivables	<b>6 654 061</b>	<b>5 532 126</b>	<b>5 936 566</b>

No list of these advances could be provided to the auditors and the auditors were thus unable to verify the completeness and correctness of these advances.

**25.3 Loans written off**

No loans were written off by the Council.

**26. SALE OF ERVEN**

No list for the sale of erven could be provided to the auditors.

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

None

**28. TARIFF ADJUSTMENTS**

Tariff adjustments were duly approved and promulgated in the Government Gazette.

**29. APPROVALS**

**29.1 Excess on approved budget**

All budget excesses were approved.

**29.2 Internal loans**

There were no new internal loans.

**29.3 Revenue written off**

None

**30. INVENTORY AND EQUIPMENT**

**30.1 Motor vehicles and values thereof**

No information regarding motor vehicles could be provided to the auditors.

**30.2 Inventory**

Inventories amounted to 2011: N\$ 418 656 and 2010: N\$ 387 782 (2009: N\$ 406 992).

**31. SPECIAL INVESTIGATIONS**

None

**32. GENERAL**

There is an insufficient system of internal control at the Town Council. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does not reduce risks, it causes the risk that management and Council override existing controls, a potentially dangerous practice, which the Council should vigilantly guard against.

**33. FORMAL AND INFORMAL QUERIES**

Formal queries are embodied in this report. Informal queries were raised with the Accounting Officer. Audit differences and other comments are addressed in paragraph 4 of this report.

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

The accounts of the Town Council of Lüderitz for the financial years ended 30 June 2010 and 2011, summarised in Annexures A to D, were audited by me in terms 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:

##### **Other payables - VAT**

Due to a lack of proper accounting records, the auditors were unable to verify the correctness of the VAT amount payable per balance sheet of 2011: N\$ 7 132 426 and 2010: N\$ 4 179 228.

##### **Trade and other receivables - Provision for bad debts**

The auditors are of the opinion that the provision for bad debts is understated by 2011: N\$ 22 410 384 and 2010: N\$ 15 494 219.

##### **Build Together advances**

Included in other receivables is an amount of 2011: N\$ 6 654 061 and 2010: N\$ 5 532 126 for Build Together advances. No list of these advances could be provided to the auditors.

##### **Other payables - P.A.Y.E. and VAT**

Not all P.A.Y.E and VAT returns were submitted timeously to the Directorate: Inland Revenue. The provisions in the financial statements might not be sufficient to cover for arrear amounts, penalties and interest thereon.

##### **External loans**

The balance sheets reflect external loans from the Government of Namibia of 2011: N\$ 6 641 671 and 2010: N\$ 7 084 294. No amortisation tables were available at the Town Council.

##### **Arrear external loans**

External loans from Government are, as in previous years, not repaid but the repayments are provided for as arrear loan instalments under current liabilities. The total instalments in arrears amount to 2011: N\$ 22 294 416 and 2010: N\$ 21 225 351.

No interest on overdue amounts due to Government has been provided for.

##### **Property, plant and equipment**

No proper asset register or other supporting documentation could be provided for audit purposes.

##### **Payroll**

No proper supporting documentation could be provided to verify the existence and correctness of the payroll for the years under review.

##### **Trade receivables**

No list of trade receivables amounted to N\$ 58 256 396 were available for audit purposes. For the 2010 financial year an amount of N\$ 9 028 221 for "bulk supply" receivables was included in the trade receivables of which no supporting documents could be supplied for audit purposes.

**Investments**

No supporting documents for investments at insurance companies amounted to N\$ 18 243 175 for the 2011 and 2010 financial years respectively, could be provided for audit purposes.

**General**

There is sufficient system of internal control at the Town Council. Proper segregation of duties is not possible due to the small number of staff employed. While increased management involvement does not reduce risk, it causes the risk that management and council override existing controls, a potentially dangerous practice, which the council should vigilantly guard against.

**WINDHOEK, January 2013**

**JUNIAS ETUNA KANDJEKE  
AUDITOR- GENERAL**

## TOWN COUNCIL OF LÜDERITZ

## BALANCE SHEETS AT 30 JUNE

	Notes	2011 N\$	2010 N\$	2009 N\$
<b>ASSETS</b>				
<b>Non current assets</b>				
		174 181 379	172 688 549	170 754 938
Property, plant and equipment	2	146 102 141	137 339 461	127 921 450
Investments	3	28 079 238	35 349 088	42 833 488
<b>Current assets</b>				
		59 476 120	39 805 491	28 171 726
Trade and other receivables	4	57 379 020	39 416 770	27 763 752
Inventories	5	418 656	387 782	406 992
Bank and cash	6	1 678 444	939	982
<b>TOTAL ASSETS</b>		<b>233 657 499</b>	<b>212 494 040</b>	<b>198 926 664</b>
<b>FUNDS AND LIABILITIES</b>				
<b>Funds and reserves</b>				
		182 563 744	170 281 585	162 490 068
Capital outlay	7	125 146 374	115 219 363	104 115 698
Funds and accounts	8	57 417 370	55 062 222	58 374 370
<b>Non-current liabilities</b>				
Long-term liabilities	9	7 563 426	7 501 793	8 124 997
<b>Current liabilities</b>				
		43 530 329	34 710 662	28 311 599
Trade and other payables	10	43 530 329	34 435 949	27 165 231
Bank overdraft	6	-	274 713	1 146 368
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>233 657 499</b>	<b>212 494 040</b>	<b>198 926 664</b>

## TOWN COUNCIL OF LÜDERITZ

## INCOME STATEMENTS FOR THE YEARS ENDED 30 JUNE

	<b>Note</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
		N\$	N\$	N\$
INCOME		76 381 668	73 017 173	67 205 067
EXPENDITURE		(78 970 138)	(75 053 057)	(93 260 610)
NET OPERATING DEFICIT		(2 588 470)	(2 035 884)	(26 055 543)
INTEREST ON INVESTMENTS		-	10 023	1 208 625
NET DEFICIT AFTER INTEREST		(2 588 470)	(2 025 861)	(24 846 918)
APPROPRIATION ACCOUNT	11	281 730	(4 879 864)	404 162
		(2 306 740)	(6 905 725)	(24 442 756)
REVENUE ACCOUNT				
- Beginning of year		(16 123 732)	(9 218 007)	15 224 749
REVENUE ACCOUNT - End of year		<b>(18 430 472)</b>	<b>(16 123 732)</b>	<b>(9 218 007)</b>

## TOWN COUNCIL OF LÜDERITZ

## CASH FLOW STATEMENTS FOR THE YEARS ENDED 30 JUNE

	Notes	2011 N\$	2010 N\$	2009 N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Cash receipts from customers		76 381 668	73 017 173	67 205 067
Cash paid to suppliers		(87 587 152)	(84 296 011)	(94 796 446)
Cash utilised by operations	12	(11 205 484)	(11 278 838)	(27 591 379)
Interest received		-	10 023	1 208 625
Increase in Fund accounts		4 661 888	3 593 577	6 031 428
Increase in Capital outlay		9 927 011	11 103 665	29 699 156
Net cash flow from operating activities		3 383 415	3 428 427	9 347 830
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Net capital expenditure		(8 762 680)	(9 418 011)	(28 667 093)
Decrease in investments		7 269 850	7 484 400	18 009 898
		(1 492 830)	(1 933 611)	(10 657 195)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
(Decrease)/increase in long-term loans		61 633	(623 204)	153 562
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		1 952 218	871 612	(1 155 803)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>				
		(273 774)	(1 145 386)	10 417
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>				
	6	<b>1 678 444</b>	<b>(273 774)</b>	<b>(1 145 386)</b>

**TOWN COUNCIL OF LÜDERITZ****NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE**

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

The annual financial statements set out in Annexures A to C were prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent in all material aspects with those applied in the previous year.

**1.2 Property, plant and equipment**

Property, plant and equipment are stated at cost or valuation where assets have been acquired by grant or by donation. Assets are depreciated over their estimated useful life's.

**1.3 Internal Funds**

The following Funds were created by the Town Council:

**1.3.1 New Development Fund**

The purpose of this Fund is to make provision for future capital development projects of the Council. Income is obtained from the Revenue Account as well as a cash donation from Government.

**1.3.2 Housing Fund**

The purpose of this Fund is to provide for housing loans. Income for this Fund 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 housing loans is charged to the Fund.

**1.3.3 Capital reserve fund**

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

**1.3.4 Betterment fund**

The purpose of this fund is to provide for future improvements of municipal assets. Part of the proceeds of the sale of land as well as interest earned on internal loans and investments are allocated to this fund.

**1.3.5 Renewal fund**

Its purpose is to provide for replacement of assets and for additional depreciation on assets which abnormally decreased in value. Income for this account is derived from general revenue contributions as well as interest earned on investments.

**1.3.6 Capital Redemption Fund**

Capital redemptions on external and internal loans are charged against income. A similar amount is credited to the Loan Redemption Fund for the duration of the loan. As and when the loan is fully redeemed the Loan Redemption Fund is transferred to the Revenue Contribution.

## TOWN COUNCIL OF LÜDERITZ

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

	2011	2010	2009
	N\$	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>			
Total	<b>146 102 141</b>	<b>137 339 461</b>	<b>127 921 450</b>
<b>3. INVESTMENTS</b>			
INVESTMENTS			
Commercial Banks	9 836 063	17 105 913	24 590 313
Insurance companies	18 243 175	18 243 175	18 243 175
	<b>28 079 238</b>	<b>35 349 088</b>	<b>42 833 488</b>
ALLOCATED AS FOLLOWS			
Capital Development Fund	6 063 590	4 885 720	3 663 314
Housing Fund	22 015 648	21 798 637	17 917 397
Fixed Property Fund	-	8 664 731	14 843 129
Renewal Fund	-	-	6 018 805
Revenue	-	-	390 843
	<b>28 079 238</b>	<b>35 349 088</b>	<b>42 833 488</b>
<b>4. TRADE AND OTHER RECEIVABLES</b>			
Services, rates and taxes	58 256 396	41 305 048	28 973 448
Build Together advances	6 654 061	5 532 126	5 936 566
VAT	-	-	163 046
	64 910 457	46 837 174	35 073 060
Consumer deposits	(690 437)	(631 404)	(572 308)
Provision for bad debts	(6 841 000)	(6 789 000)	(6 737 000)
	<b>57 379 020</b>	<b>39 416 770</b>	<b>27 763 752</b>
<b>5. INVENTORIES</b>			
Materials	<b>418 656</b>	<b>387 782</b>	<b>406 992</b>

## TOWN COUNCIL OF LÜDERITZ

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

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	N\$	N\$	N\$
<b>6. CASH AND BANK BALANCES</b>			
Current account	1 677 644	(274 713)	(1 146 368)
Petty cash	800	939	982
	<b>1 678 444</b>	<b>(273 774)</b>	<b>(1 145 386)</b>
<b>7. CAPITAL OUTLAY</b>			
Loans redeemed	14 804 596	12 831 188	11 145 534
Revenue contributions	91 454 663	83 501 060	74 083 049
General Capital contributions	18 887 115	18 887 115	18 887 115
	<b>125 146 374</b>	<b>115 219 363</b>	<b>104 115 698</b>
<b>8. FUNDS AND ACCOUNTS</b>			
Internal loans overstated in Fund accounts	(902 006)	(902 006)	(902 042)
Accumulated Leave Fund	-	-	3 266 710
Bonus Leave Reserve Fund	-	-	265 702
Capital Development Fund	13 034 851	12 314 656	11 531 316
Housing Fund	28 858 538	27 527 199	24 056 846
Fixed Property Fund	24 429 099	23 053 881	21 477 015
Renewal Fund	10 427 360	9 192 224	7 896 830
Revenue account kept in compliance with Section 86(1) of the Local Authority Act, 1992.	(18 430 472)	(16 123 732)	(9 218 007)
	<b>57 417 370</b>	<b>55 062 222</b>	<b>58 374 370</b>
<b>9. LONG-TERM LIABILITIES</b>			
The Government of Namibia	6 641 671	7 084 294	7 524 742
Commercial banks	921 755	417 499	600 255
	<b>7 563 426</b>	<b>7 501 793</b>	<b>8 124 997</b>

## TOWN COUNCIL OF LÜDERITZ

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

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	N\$	N\$	N\$
<b>10. TRADE AND OTHER PAYABLES</b>			
Trade payables	7 198 013	3 798 249	864 197
Loan instalments in arrear	22 294 416	21 225 351	20 124 504
VAT	7 132 426	4 179 227	-
Suspense accounts	-	-	312 029
Provisions	4 289 272	3 878 137	-
Outstanding cheques	2 616 202	1 354 985	5 864 501
	<b>43 530 329</b>	<b>34 435 949</b>	<b>27 165 231</b>
<b>11. ADJUSTMENTS TO APPROPRIATION ACCOUNT</b>			
Prior year adjustments	281 730	(4 879 864)	404 162
	<b>281 730</b>	<b>(4 879 864)</b>	<b>404 162</b>
<b>12. CASH UTILISED BY OPERATIONS</b>			
Net operating deficit before transfers	(2 588 470)	(2 035 884)	(26 055 543)
Adjustments for:			
- Adjustments to appropriation account	281 730	(4 879 864)	404 162
<b>OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL</b>	<b>(2 306 740)</b>	<b>(6 915 748)</b>	<b>(25 651 381)</b>
<b>CHANGES IN WORKING CAPITAL</b>			
Increase in trade and other receivables	(17 962 250)	(11 653 018)	(3 587 020)
Decrease/(increase) in inventories	(30 874)	19 210	(36 912)
Increase in trade and other payables	9 094 380	7 270 718	1 683 934
	(8 898 744)	(4 363 090)	(1 939 998)
<b>CASH UTILISED BY OPERATIONS</b>	<b>(11 205 484)</b>	<b>(11 278 838)</b>	<b>(27 591 379)</b>