



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
MUNICIPALITY OF MARIENTAL  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

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**REPUBLIC OF NAMIBIA**



**TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY**

I have the honour to submit herewith my report on the accounts of the Municipality of Mariental for the financial year ended 30 June 2015 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, September 2016**

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

**JUNIAS TUNA KANDJEKE  
AUDITOR-GENERAL**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF  
THE MUNICIPALITY OF MARIENTAL  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2015**

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**1. Report on the Financial Statements**

**1.1 INTRODUCTION**

The accounts of the Municipality of Mariental for the financial year ended 30 June 2015 are being reported on in accordance with the provisions set out in section 85 of the Local Authorities Act, 1992 (Act 23 of 1992).

The firm Mostert Landgrebe 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 to the nearest Namibia dollar and deficits are indicated in (brackets).

I certify that I have audited the accompanying financial statements of the Municipality of Mariental for the financial year ended 30 June 2015. These financial statements comprise of the following:

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

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 87(1) of the Local Authorities Act, 1992, except that they were only submitted on 20 May 2016 instead of three months (3 months) after the year end as required by the Act.

The financial statements, notes to the financial statements and general information provided by the Accounting Officer are attached as Annexure A- D

**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 86 of the Local Authorities Act, 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. I conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). These standards require that I comply 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 sufficient and appropriate to provide a basis for the qualified audit opinion.

### **4. ACKNOWLEDGEMENT**

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

## **5. KEY AUDIT FINDINGS**

### **5.1 Bad and doubtful debts**

The provision for bad debts is overstated by N\$ 4 417 341.

### **5.2 Investments**

The investments are overstated by N\$ 929 731.

### **5.3 Trade and other receivables**

Included in trade and other payables is interest accrued on investments amounting to N\$ 1 139 105 which must be written off.

### **5.4 Non-compliance to Section 87(2) (c)**

The additional reporting requirements as set out in the Auditor-General Circular D3/2015 was not submitted as per Section 87(2) (c) of the Local Authorities act, 1992.

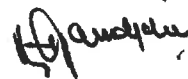
## **6. BASIS FOR QUALIFIED AUDIT OPINION**

- Provisions for bad debts overstated by N\$ 4 417 341;
- Investments are overstated with N\$ 929 731;
- Trade and other payables include accrued interest which is impaired; and.
- Non-compliance to Section 87(2) (c) of the Local Authorities act, 1992.

## **7. QUALIFIED OPINION**

The accounts of the Municipality of Mariental for the financial year ended 30 June 2015 was audited by me in terms of the provisions of Section 85 of the Local Authorities Act, 1992 read with Section 25(1) of the State Finance Act, 1991.

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Audit Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the Municipality of Mariental as at 30 June 2015, and their financial performance and cash flows for the year then ended in accordance with Section 85 of the Local Authority act, 1992, read with Section 25 (1) (b) of the State Finance Act, 1991.



**WINDHOEK, September 2016**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## ANNEXURE A

**THE MUNICIPALITY OF MARIENTAL  
BALANCE SHEET AS AT 30 JUNE**

	Note	2015 N\$	2014 N\$
<b>ASSETS</b>			
NON CURRENT ASSETS		<b>47 778 215</b>	<b>41 544 217</b>
Property, plant and equipment	2	45 823 737	39 701 523
Investments	3	1 954 478	1 842 694
CURRENT ASSETS		<b>10 512 514</b>	<b>16 378 022</b>
Trade and other receivables	4	8 447 559	12 690 642
Inventories	5	1 572 542	1 558 369
Bank and cash	6	492 413	2 129 011
<b>TOTAL ASSETS</b>		<b>58 290 729</b>	<b>57 922 239</b>
<b>FUNDS AND LIABILITIES</b>			
FUNDS AND RESERVES		<b>43 989 059</b>	<b>45 258 770</b>
Capital outlay	7	34 313 971	28 902 184
Funds and accounts	8	9 675 088	16 356 586
NON-CURRENT LIABILITIES		4 488 824	4 651 992
Long-term loans	9	4 488 824	4 651 992
CURRENT LIABILITIES		<b>9 812 846</b>	<b>8 011 477</b>
Trade and other payables	10	9 812 846	8 011 477
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>58 290 729</b>	<b>57 922 239</b>



## ANNEXURE B

**THE MUNICIPALITY OF MARIENTAL  
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE**

	<b>Note</b>	<b>2015</b>	<b>2014</b>
		N\$	N\$
INCOME		67 475 326	59 348 281
EXPENDITURE		<u>(78 450 586)</u>	<u>(60 478 071)</u>
NET OPERATING SURPLUS/(DEFICIT)		<b>(10 975 260)</b>	<b>(1 129 790)</b>
INTEREST ON INVESTMENTS		<u>1 140 127</u>	<u>942 358</u>
NET SURPLUS/(DEFICIT) AFTER INTEREST		<b>(9 835 133)</b>	<b>(187 432)</b>
APPROPRIATION ACCOUNT	<b>11</b>	<u>121 207</u>	<u>(621 083)</u>
NET SURPLUS/(DEFICIT) AFTER APPROPRIATIONS		<b>(9 713 926)</b>	<b>(808 515)</b>
REVENUE ACCOUNT - Beginning of year		<u>(325 139)</u>	<u>483 376</u>
REVENUE ACCOUNT - End of year		<u><b>(10 039 065)</b></u>	<u><b>(325 139)</b></u>

**THE MUNICIPALITY OF MARIENTAL**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE**

	<u>Note</u>	<u>2015</u>	<u>2014</u>
		N\$	N\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		67 475 326	59 348 281
Cash paid to suppliers		(72 299 100)	(60 310 217)
<b>Cash generated by operations</b>	<b>12</b>	<b>(4 823 774)</b>	<b>(961 936)</b>
Interest received		1 140 127	942 358
Increase in Fund accounts		3 032 428	803 479
Increase in Capital outlay		5 411 787	5 570 861
<b>Net cash flow from operating activities</b>		<b>4 760 568</b>	<b>6 354 762</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net capital expenditure		(6 122 214)	(5 225 927)
Decrease in investments		(111 784)	(2 501)
<b>Net cashflow from investing activities</b>		<b>(6 233 998)</b>	<b>(5 228 428)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Decrease in long-term liabilities		(163 168)	(147 510)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(1 636 598)</b>	<b>978 824</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>		<b>2 129 011</b>	<b>1 150 187</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>		<b>492 413</b>	<b>2 129 011</b>

**THE MUNICIPALITY OF MARIENTAL  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

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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 acquired with loan funds are stated at cost and no depreciation is provided thereon until the loan is fully redeemed. All other items of property, plant and equipment are stated at cost or valuation, and except fixed property, the cost or valuation of these items of property, plant and equipment is depreciated on the reducing-balance basis over their expected useful lives.

**1.3 Fund accounts**

The following Funds were maintained:

**1.3.1 Fixed Property Fund**

Proceeds from the sale of land developed by the Municipality as well as interest earned on internal loans and investments accumulate in this Fund. Costs incurred on the development of land are charged to this account.

**1.3.2 Betterment Fund**

The purpose of this Fund is to provide for future 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.

**1.3.3 Renewal Fund**

The purpose of this Fund is to provide for future replacement of assets and for additional depreciation on assets, which have permanently declined in value. Income for this account is derived from general revenue contributions as well as interest earned on investments.

**1.3.4 Capital Development Fund**

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

**THE MUNICIPALITY OF MARIENTAL  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE (Continued)**

**1.3.5 Staff Housing Fund**

The purpose of this Fund is to provide for staff housing loans. Income for this Fund is derived from interest earned on secured staff housing loans and investments.

**1.3.6 Housing Fund**

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

**1.3.7 Social Housing Service Fund**

The purpose of this Fund is to construct houses for disabled, destitute and pensioners. Income for this Fund is derived from interest earned on secured housing loans and investments.

**1.3.8 Centenary Fund**

The purpose of this fund is to provide for adequate funds to cover expenditures for the centenary celebrations. Income is derived from interest earned on investments.

**1.4 Capital redemption on loans**

Capital redemption on external and internal loans is charged against income. A similar amount is credited to the Loan Redemption account for the duration of the loans. As and when the loan is fully redeemed, the loan amount is to be transferred to the Revenue Contribution Capital Account.

**1.5 Inventory**

Fuel inventory is valued at cost on the first-in first-out basis. Consumables are valued at the average landed costs.

**2. PROPERTY, PLANT AND EQUIPMENT**

	<b>2015</b>	<b>2014</b>
	N\$	N\$
Income assets	7 424 888	7 457 478
Loan assets	17 740 814	16 131 602
Funds and Grants	14 472 508	11 618 124
Investment - Unspent funds for capital works	6 185 527	4 494 319
<b>Total</b>	<b>45 823 737</b>	<b>39 701 523</b>

## ANNEXURE D

**THE MUNICIPALITY OF MARIENTAL  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE (Continued)**

**3. INVESTMENTS**

	<b>2015</b>	<b>2014</b>
	N\$	N\$
INVESTMENTS		
Commercial banks	781 150	2 656 276
Insurance companies	243 597	213 738
Shortage on investments	929 731	-
Interest accrued on investments - Included in other receivables	-	(1 027 320)
	<b>1 954 478</b>	<b>1 842 694</b>

## ALLOCATED AS FOLLOWS

Capital Development Fund	36 089	34 025
Fixed Property Fund	134 340	126 656
Renewal Fund	381 808	359 972
Betterment Fund	1 162 511	1 096 022
Staff Housing Fund	43 728	41 227
Centenary Fund	174 229	164 264
Housing Services Fund	21 773	20 528
	<b>1 954 478</b>	<b>1 842 694</b>

**4. TRADE AND OTHER RECEIVABLES**

Services rendered and assessment rates	12 967 401	9 462 412
Interest accrued on investments	1 139 105	1 027 320
Subsidies receivable	205 061	107 009
Study loans	280 493	328 599
VAT receivable	1 371 327	2 831 691
Sundries	8 654	233 210
	<b>15 972 041</b>	<b>13 990 241</b>
Provision for bad debts	(6 567 197)	(402 600)
Consumer deposits	(957 285)	(896 999)
	<b>8 447 559</b>	<b>12 690 642</b>

**5. INVENTORIES**

Stores	554 379	714 036
Fuel and oil	1 018 163	844 333
	<b>1 572 542</b>	<b>1 558 369</b>

## ANNEXURE D

**THE MUNICIPALITY OF MARIENTAL  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE (Continued)****6. BANK AND CASH**

	<b>2015</b>	<b>2014</b>
	N\$	N\$
Current account - Municipality operating account	491 603	2 128 251
Petty cash	810	760
	<b>492 413</b>	<b>2 129 011</b>

**7. CAPITAL OUTLAY**

Loans redeemed	6 231 047	5 332 263
Revenue contributions	7 424 889	7 457 478
General capital contributions	20 658 035	16 112 443
	<b>34 313 971</b>	<b>28 902 184</b>

**8. FUNDS, ACCOUNTS AND RESERVES**

Fixed Property Fund	8 722 009	6 393 813
Betterment Fund	1 313 511	1 296 493
Renewal Fund	2 690 862	2 473 053
Capital Development Fund	6 244 526	5 788 833
Housing Services Fund	543 062	541 817
Staff Housing Fund	25 954	23 452
Centenary Fund	174 229	164 264
Revenue account kept in compliance with Section 86(1) of the Local Authority Act, 1992.	(10 039 065)	(325 139)
	<b>9 675 088</b>	<b>16 356 586</b>

**9. LONG-TERM LIABILITIES**

Loans from the Government:		
Capital outlay	4 110 548	4 273 716
Housing Fund	378 276	378 276
	<b>4 488 824</b>	<b>4 651 992</b>

**THE MUNICIPALITY OF MARIENTAL  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE (Continued)**

**10. TRADE AND OTHER PAYABLES**

	<b>2015</b>	<b>2014</b>
	N\$	N\$
Commitments by purchase and other obligations	6 413 516	5 139 797
Special program - Allocated funds	1 101 472	1 112 091
Provisions	2 243 209	1 717 210
Sundries	54 649	42 379
	<b>9 812 846</b>	<b>8 011 477</b>

**11. ADJUSTMENTS TO APPROPRIATION ACCOUNT**

Adjustment - Provision for leave pay	(420 945)	(420 945)
Cheques cancelled	484 018	483 018
Expenditure	(244 434)	(244 434)
Fuel	1 272	-
Interest adjustment	2 034	2 034
Paid unknown income	(92 425)	(92 425)
Previous year-end journals	(40 442)	-
Student loans	(63 215)	-
Subsistence and travel	317 643	-
Surplus on accounts	12 882	12 265
Tipeeg VAT 2012/2013	967 652	967 652
Tipeeg VAT 2013/2014	562 431	562 431
Unknown bank transaction	(1 600)	-
Unknown deposits	82 964	57 646
Unknown invoices	(212 885)	-
VAT adjustments	(1 844 794)	(1 948 325)
Vat journal correction in Tipeeg supplier payment	(39 226)	-
Unknown adjustments	650 277	-
	<b>121 207</b>	<b>(621 083)</b>

**THE MUNICIPALITY OF MARIENTAL  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE (Continued)**

**12. CASH GENERATED BY OPERATIONS**

	<u>2015</u>	<u>2014</u>
	N\$	N\$
Net operating deficit before interest and transfers	(10 975 260)	(1 129 790)
Adjustments for:		
- Adjustments to appropriation account	121 207	(621 083)
<b>OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL</b>	<u><b>(10 854 053)</b></u>	<u><b>(1 750 873)</b></u>
<b>CHANGES IN WORKING CAPITAL</b>		
(Increase)/decrease in trade and other receivables	4 243 083	1 413 958
Increase in inventories	(14 173)	56 849
Increase/(decrease) in trade and other payables	1 801 369	(681 870)
	<u><b>6 030 279</b></u>	<u><b>788 937</b></u>
<b>CASH GENERATED BY OPERATIONS</b>	<u><b>(4 823 774)</b></u>	<u><b>(961 936)</b></u>