



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF OUTJO

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2011

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Municipality of Outjo for the financial year ended 30 June 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, February 2012

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
THE MUNICIPALITY OF OUTJO
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

1. INTRODUCTION

The accounts of the Municipality of Outjo for the year ended 30 June 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 Municipality on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded off to the nearest Namibia Dollar.

2. FINANCIAL STATEMENTS

The Municipality'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 that they were only submitted on 2 November 2011 and not within three months after the end of the financial year as required 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 at Annexure A is a true reflection of the original signed by the Accounting Officer.

The financial statements also include:

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 Municipality 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 and 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 Loans in arrears

External Government loans are, as in previous years, not repaid but the repayments are provided for as arrear loan instalments. The total instalments in arrears amount to N\$ 2 215 802 (2010: N\$ 2 723 786).

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

4.2 Trade and other receivables- Provision for bad debts

The average collection period of trade receivables is 424 days (2010: 410 days). As previously reported, the Council should attend to the arrears as a matter of urgency.

Based on an average collection period of 60 days, the auditors are of the opinion that the provision for bad debts is understated by at least N\$ 1 649 906 (2010: N\$ 1 270 499).

4.3 Trade and other receivables - Cash not banked

Included in other receivables is an amount of N\$ 1 742 209 (2010: N\$ 1 742 209) for cash not banked compared to cash received by the Municipality. The alleged irregularity is currently under investigation by Nampol, but the outcome thereof and the recoverability of the amount is unknown. The auditors are of the opinion that a provision should be raised against the debtor.

4.4 VAT and P.A.Y.E. returns

Not all VAT and P.A.Y.E. returns were submitted timeously to the Directorate: Inland Revenue. No provision for penalties and interest has been made in the financial statements.

4.5 Deposit on services

Deposits for services do not cover one month's service fees.

4.6 Assessment rates

According to the valuation roll supplied to the auditors, the assessment rates were calculated wrongly. In some cases it was overcharged and in other cases it was undercharged. According to the Municipality, there is another valuation roll, but it could not be supplied to the auditors. The official valuation roll used by the auditors is dated 1994.

4.7 VAT receivable

Included in trade and other payables is an amount of N\$ 692 402 for VAT receivable. N\$ 519 263 is claims for the current financial year and N\$ 173 139 is claims for past financial years. The auditors are of the opinion that the amount of N\$ 173 139 should be provided for as bad debts.

4.8 Sale of erven

No proper documentation regarding the sale of erven could be provided for audit purposes. The auditors were therefore unable to verify sale of erven to their satisfaction.

5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Outjo Municipality 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:

	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit on 01/07/2010				(8 452 114)
General accounts				
- Non-profitable services	5 582 627	8 421 856	(2 839 229)	
- Self-supporting services	4 844 835	4 115 915	728 920	
Trade accounts				
- Electricity	1 157 940	238 663	919 277	
- Water	7 423 358	2 205 833	5 217 525	
Surplus for the year	19 008 760	14 982 267	4 026 493	4 026 493
Adjustments and utilisations (See note 11, Annexure D)				(4 425 621)
				(4 001 686)
Accumulated deficit on 30/06/2011				(8 427 307)

7. CURRENT BANK ACCOUNT

	2011	2010
	N\$	N\$
Cash-book balance at 30 June - Balance sheet	(92 727)	(242 977)
Outstanding cheques	352 033	534 657
Outstanding deposits	(41 825)	(114 163)
Balance as per bank statement	217 481	177 517

8. INVESTMENTS

The investments as at 30 June were as follows:

Institution	2011 Investment	2010 Investment
	N\$	N\$
Commercial banks	5 533 923	1 298 357
	5 533 923	1 298 357
Distribution		
Capital Reserve Fund	481 825	-
Housing/Build Together Fund	791 074	1 298 357
Ablutions Settlement Area Fund	190 407	-
Social Housing Program	2 048 777	-
Informal Settlement upgrading	2 000 000	-
Sport & Social Fund	21 840	-
	5 533 923	1 298 357

9. FUND ACCOUNTS

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

10. TRADE ACCOUNT

10.1 The results of water operations were as follows:

	Electricity		Water	
	2011	2010	2011	2010
	N\$	N\$	N\$	N\$
Surcharge/sales	1 157 940	771 960	7 420 812	5 445 631
Cost of bulk purchases	-	-	-	-
Gross surplus	1 157 940	771 960	7 420 812	5 445 631
Other expenses	(238 663)	(270 343)	(2 203 287)	(2 008 204)
Net surplus	919 277	501 617	5 217 525	3 437 427
Net surplus percentage on bulk purchases	79.4%	65.0%	70.3%	63.1%

10.2 Distribution results were as follows:

No distribution results were available as Cenored supply the electricity and the water are pumped from Municipal boreholes.

11. SELF-SUPPORTING SERVICES

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

Service	Income 2011	Expenses 2011	Surplus/ (deficit) 2011	Surplus/ (deficit) 2010
	N\$	N\$	N\$	N\$
Abattoir	9 184	4 277	4 907	2 046
Cleansing services	1 449 829	2 252 835	(803 006)	(878 815)
Sewerage and plunger	3 377 975	1 835 675	1 542 300	869 912
Sidings and industrial plots	7 847	23 128	(15 281)	(14 071)
	4 844 835	4 115 915	728 920	(20 928)

As reported in the previous year, the Council must turn the loss making services into self-supporting services.

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

There were no such expenses.

13. SUSPENSE ACCOUNTS

Suspense account balances are summarised as follows:

	2011		2010	
	Debit	Credit	Debit	Credit
	N\$	N\$	N\$	N\$
Cash not deposited	*1 742 209	-	1 742 209	-
Personnel recoverable	271 170	-	273 939	-
Group savings	-	3 950	-	-
Homes Trust Insurance	-	50 856	-	46 719
Transfer fees	-	-	-	683 118
Third party payments	-	-	-	169 276
Insurance fire damage	-	372 537	-	1 064 221
	2 013 379	427 343	2 016 148	1 963 334

* See audit comment at paragraphs 4.3 and 14.1.

14. IRREGULARITIES AND LOSSES

14.1 Cash received but not banked

The cash received and not banked reflect an amount of N\$ 1 742 209 in the suspense account in the balance sheet. This is a cumulate amount as a result of an investigation by the Municipality since 2007.

The alleged irregularity is currently under investigation by Nampol.

15. CAPITAL PROJECTS

The following were spend on capital projects:

Nature of projects/acquisitions	Financed by			Total expenditure 2011	Total expenditure 2010
	Revenue account	External loans	General capital		
	N\$	N\$	N\$	N\$	N\$
Cleansing services	-	188 857	-	188 857	47 047
Council's general expenses	9 738	172 420	-	182 158	87 210
Housing	-	-	451 223	451 223	1 266 668
Natis	11 947	-	-	11 947	-
Sewerage and plunger	-	-	-	-	13 900
Streets, roads and storm water	259 502	-	-	259 502	34 230
Town Clerk/Treasurer	13 271	-	786 707	799 978	423 322
Town planning	387 068	-	-	387 068	-
Workshop	-	-	-	-	5 130
	681 526	361 277	1 237 930	2 280 733	1 877 507

16. STUDY LOANS/BURSARIES

No bursaries were granted during the year.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

No expenses were received or paid as contributions or grants during the year under review.

18. COMPENSATION PAYMENTS

No compensation payments were made during the year under review.

19. VISITS TO FOREIGN COUNTRIES

No expenses were incurred on visits to other countries during the year under review.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the Local Authority.

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

The Municipality made the following gifts/donations:

Nature of gift/donation	Value
Donations	N\$ 6 808
Free services	10 000
Subsidies to pensioners and indigent people	528 168
	544 976

22. TRANSFER OF PROPERTY

No transfer of property has been made to/from Government for the periods under review.

23. TRADE AND OTHER RECEIVABLES/PAYABLES**23.1 Trade and other receivables at 30 June were:**

	2011	2010
	N\$	N\$
Consumers	16 789 970	13 058 954
Cash not banked	1 742 209	1 742 209
VAT receivable	692 401	1 476 390
Sundries	683 862	303 804
Provision for bad debts	19 908 442 (12 765 068)	16 581 357 (9 878 129)
Total	7 143 374	6 703 228
Analysis of services and general debtors:		
Average monthly levy	1 203 991	968 429
Debtors	16 789 970	13 058 954
Average credit terms in days	424	410

23.2 Trade and other payables at 30 June were:

	2011	2010
	N\$	N\$
Trade payables	164 220	139 935
Provisions	1 443 135	1 206 650
Amounts received in advance	265 759	321 046
Loan instalments in arrears	2 215 802	2 723 786
Sundry payables	427 343	1 963 334
Totals	4 516 259	6 354 751

24. ASSESSMENT RATES

	2011	2010
	N\$	N\$
The net proceeds from assessment rates were	1 442 702	1 324 907
Paid to the Regional Council	72 135	65 118
Tariffs per N\$1 valuation per month		
- Land	0.1100	0.1050
- Improvements	0.0160	0.0150

25. LOANS

25.1 External loans

	2011	2010
	N\$	N\$
External loans - Government	1 247 650	1 494 584
Instalment sale agreements	280 640	-
	1 528 290	1 494 584

26. SALE OF ERVEN

There were no recorded property sales.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

No properties were sold on instalment basis during the years under review.

28. TARIFF ADJUSTMENTS

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

29. APPROVALS

All overspending were approved by the Council.

30. INVENTORY AND EQUIPMENT

30.1 Motor vehicles and values thereof:

As reported previously, the auditors could not obtain satisfactory information regarding the quantity and value of the motor vehicles. The auditors were also unable to obtain information to calculate fuel consumptions of the Council's vehicles.

30.2 Inventory

Adequate systems of control over and recording of inventory were maintained.

Inventory counts are performed twice per annum.

Slow moving inventory was identified and adequate provision has been made for obsolete items.

Housekeeping is up to standard.

31. SPECIAL INVESTIGATIONS

Refer to paragraph 14.

32. GENERAL

The accounting and internal controls are not satisfactory, except where indicated otherwise in this report. Proper segregation of duties does exist. While increased management involvement does reduce risks, the risk arises that management and Council override existing controls, a potentially dangerous practice which the Municipality should vigilantly guard against. The integrity of staff in appropriate positions should however be reviewed to ensure that qualified personnel are employed in respective positions.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries were brought to the attention of the Municipality by way of a management letter and contained the following:

- Loans in arrears
- Inventories
- Provision for bad debts
- VAT and P.A. Y.E. returns
- Cash and bank
- Deposits on services
- Assessment rates
- VAT receivable
- Sale of erven
- Censored income

34. QUALIFIED AUDIT OPINION

The accounts of the Outjo Municipality for the financial year ended 30 June 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.

A qualified audit opinion is being expressed due to the following reasons:

Loans in arrears

External Government loans are not repaid but the repayments are provided for as arrear loan instalments. The total instalments in arrears amount to N\$ 2 215 802. No interest on overdue amounts due to Government has been provided for.

Trade and other receivables- Provision for bad debts

Based on an average collection period of 60 days, the auditors are of the opinion that the provision for bad debts is understated by at least N\$1 649 906.

Trade and other receivables - Cash not banked

Included in other receivables is an amount of N\$ 1 742 209 for cash not banked compared to cash received by the Municipality. The auditors are of the opinion that a provision should be raised against the debt.

VAT and P.A.Y.E. returns

Not all VAT and P.A.Y.E. returns were submitted timeously to the Directorate: Inland Revenue. No provision for penalties and interest has been made in the financial statements.

Assessment rates

According to the valuation roll supplied to the auditors, the assessment rates were calculated wrongly. In some cases it was overcharged, and in other cases it was undercharged. According to the Municipality, there is another valuation roll, but it could not be supplied to the auditors. The official valuation roll used by the auditors is dated 1994.

VAT receivable

Included in trade and other payables is an amount of N\$ 692 402 for VAT receivable. N\$ 519 263 is claims for the current financial year and N\$ 173 139 is claims for past financial years. The auditors are of the opinion that the amount of N\$ 173 139 should be provided for as bad debts.

Sale of erven

No proper documentation regarding the sale of erven could be provided for audit purposes. The auditors were therefore unable to verify sale of erven to their satisfaction.

Except for the above-mentioned remarks of the matters referred to in the preceeding paragraphs, I certify that, in my opinion, the financial statements fairly present the financial position of the Municipality at 30 June 2011 and the results of its operations and cash flow for the year then ended in the manner required by the Local Authorities Act, 1992, and the State Finance Act, 1991.

WINDHOEK, February 2012

**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

THE MUNICIPALITY OF OUTJO

BALANCE SHEET AT 30 JUNE

	Notes	2011	2010
		N\$	N\$
ASSETS			
Non-current assets		27 227 038	24 084 413
Property, plant and equipment	2	15 530 527	17 444 890
Investments	3	5 533 923	1 298 357
Loans receivable - Housing Funds		6 162 588	5 341 166
Current assets		7 244 687	6 751 292
Trade and other receivables	4	7 143 374	6 703 228
Inventories	5	100 232	46 234
Bank and cash	6	1 081	1 830
TOTAL ASSETS		34 471 725	30 835 705
FUNDS AND LIABILITIES			
Funds and reserves		27 994 966	22 454 160
Capital outlay	7	14 002 237	11 866 450
Funds and accounts	8	13 992 729	10 587 710
Non-current liabilities			
Long-term loans	9	1 867 773	1 783 817
Current liabilities		4 608 986	6 597 728
Trade and other payables	10	4 516 259	6 354 751
Bank overdraft	6	92 727	242 977
TOTAL FUNDS AND LIABILITIES		34 471 725	30 835 705

THE MUNICIPALITY OF OUTJO

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2011	2010
		N\$	N\$
INCOME		19 008 760	14 924 149
EXPENDITURE		14 982 267	13 305 442
NET OPERATING SURPLUS		4 026 493	1 618 707
APPROPRIATION ACCOUNT	11	(4 001 686)	(803 871)
NET SURPLUS AFTER APPROPRIATIONS		24 807	814 836
REVENUE ACCOUNT - Beginning of the year		(8 452 114)	(9 266 950)
REVENUE ACCOUNT - End of the year		(8 427 307)	(8 452 114)

THE MUNICIPALITY OF OUTJO

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2011 N\$	2010 N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		19 008 760	14 924 149
Cash paid to suppliers		(21 316 589)	(14 535 687)
Cash (utilised)/generated by operations	12	(2 307 829)	388 462
Increase in Fund accounts		3 380 212	5 638 521
Increase in capital outlay		2 135 787	907 330
Net cash flow from operating activities		3 208 170	6 934 313
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital revenue/(expenditure)		1 914 363	(452 709)
Increase in investments		(4 235 566)	(1 296 501)
Increase in loans receivable		(821 422)	(5 341 166)
		(3 142 625)	(7 090 376)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(decrease) in long-term liabilities		83 956	(103 293)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		149 501	(259 356)
CASH AND CASH EQUIVALENTS			
- BEGINNING OF THE YEAR		(241 147)	18 209
CASH AND CASH EQUIVALENTS			
- END OF THE YEAR		(91 646)	(241 147)

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

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 Housing/Build Together 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.

1.3.2 Capital Reserve Fund

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

1.3.3 Water Tower Restoration Fund

The purpose of this Fund is to accumulate reserves to restore the water tower.

1.3.4 Sport and Social Fund

The purpose of this Fund is to utilize available funds for sport recreational purposes for staff employed by the Municipality.

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.

THE MUNICIPALITY OF OUTJO

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

	2011	2010
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Income assets	5 741 263	439 963
Loan assets	1 866 278	8 856 066
Funds and Grants	7 922 986	8 148 861
Total	15 530 527	17 444 890
3. INVESTMENTS		
INVESTMENTS		
Commercial banks	5 533 923	1 298 357
	5 533 923	1 298 357
ALLOCATED AS FOLLOWS		
Capital Reserve Fund	481 825	-
Housing/Build Together Fund	791 074	1 298 357
Ablutions Settlement Area Fund	190 407	-
Social Housing Program	2 048 777	-
Informal Settlement Upgrading	2 000 000	-
Sport & Social Fund	21 840	-
	5 533 923	1 298 357
4. TRADE AND OTHER RECEIVABLES		
Consumers	16 789 970	13 058 954
Cash not banked	1 742 209	1 742 209
VAT receivable	692 401	1 476 390
Sundries	683 862	303 804
	19 908 442	16 581 357
Provision for bad debts	(12 765 068)	(9 878 129)
	7 143 374	6 703 228

THE MUNICIPALITY OF OUTJO

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

	2011	2010
	N\$	N\$
5. INVENTORIES		
Fuel and oil	100 232	46 234
	100 232	46 234
6. BANK AND CASH		
Current account - Municipality operating account	(92 727)	(242 977)
Petty cash	1 081	1 830
	(91 646)	(241 147)
7. CAPITAL OUTLAY		
Loans redeemed	337 988	3 277 626
Revenue contributions	5 741 263	439 963
General capital contributions	7 922 986	8 148 861
	14 002 237	11 866 450
8. FUNDS, ACCOUNTS AND RESERVES		
Capital Reserve Fund	11 197 347	12 057 315
Water Tower Restoration Fund	8 002	7 971
Sport and Social Fund	21 840	69 075
Ablutions Settlement Area Fund	190 407	90 055
Informal Settlement Upgrading Fund	2 000 000	-
Housing/Build Together Funds	6 953 663	3 121 842
Social Housing Fund	2 048 777	3 693 566
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(8 427 307)	(8 452 114)
	13 992 729	10 587 710
9. LONG-TERM LIABILITIES		
External loans - Government	1 247 650	1 494 584
Instalment sale agreements	280 640	-
Consumer deposits	339 483	289 233
	1 867 773	1 783 817

THE MUNICIPALITY OF OUTJO

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

	2011	2010
	N\$	N\$
10. TRADE AND OTHER PAYABLES		
Trade payables	164 220	139 935
Provisions	1 443 135	1 206 650
Amounts received in advance	265 759	321 046
Loan instalments in arrears	2 215 802	2 723 786
Sundry payables	427 343	1 963 334
	4 516 259	6 354 751
11. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Adjustment to provision for leave	-	115 788
Bad debts written off	(152 521)	(447 850)
Cash not deposited	-	802 461
Consolidation Funds	713 171	-
Debtor adjustments	(473 570)	(49 721)
Investment	2 237	-
Other expenses/income	(51 669)	(565 888)
Provision for bad debts	(2 886 939)	(1 812 237)
Stale cheques previous year	10 125	1 153 576
VAT dismissed	(1 162 520)	-
	(4 001 686)	(803 871)
12. CASH (UTILISED)/GENERATED BY OPERATIONS		
Net operating surplus before interest and transfers	4 026 493	1 618 707
Adjustments for:		
- Adjustments to appropriation account	(4 001 686)	(803 871)
OPERATING SURPLUS BEFORE CHANGES IN WORKING CAPITAL	24 807	814 836
CHANGES IN WORKING CAPITAL		
Increase in trade and other receivables	(440 146)	(1 105 830)
(Increase)/Decrease in inventories	(53 998)	276 213
(Decrease)/increase in trade and other payables	(1 838 492)	403 243
	(2 332 636)	(426 374)
CASH (UTILISED)/GENERATED BY OPERATIONS	(2 307 829)	388 462