



**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 2013**

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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 2013, 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 2013**

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**1. INTRODUCTION**

The above accounts of the Town Council of Katima Mulilo for the year ended 30 June 2013 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 an 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 the stock on hand at 30 June 2013 due to poor record keeping at the Town Council.

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

The Council provides for bad debts older than older than 120 days. As per the auditor's calculation, the Council has adequately provided for bad debts in the current year. The Council however provided for 93% of total debt which is a major concern. It is highly probable that the Council will not recover most of this debt which would negatively impact the Council's cash flow.

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

	2013	2012
	N\$	N\$
Consumer accounts debt outstanding	45 357 216	57 568 458
Provision for bad debts	42 329 516	25 938 570
Percentage decrease in outstanding debts	(21%)	(3%)
Percentage increase in provision for bad debts	63%	0%
Percentage provision vs. Debt	93%	45%

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

The current consumer deposits of N\$ 79 115 (2012: N\$ 87 814) as disclosed in the financial statements are insufficient to cover for the enormous debts outstanding. The current balance represents 0.17% of total debt due.

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' reasonability test on the VAT input indicates a difference of N\$ 1 943 675. It seems as if Council under claims input VAT.

The statement received from the Receiver of Revenue indicates that the Receiver of Revenue owes the Town Council N\$ 1 438 560, whereas the financial statements reflect a receivable balance of N\$ 492 474. The Receiver of Revenue transfers amounts receivable from the VAT account to the PAYE account. As per the Receiver of Revenue, an amount of N\$ 582 507 for PAYE in respects of penalties and interest is outstanding.

Moreover, Council did not provide for interest and penalties of late submission of VAT returns.

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

There is a material difference of N\$ 1 794 679 between the additions as per the fixed asset register and the additions as per the vote statements.

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. Furthermore, the Council could not provide supporting documentation of purchases of fixed assets amounting to N\$ 583 973.

Assets are also not adequately insured.

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

The Council could not provide us with the listing and other supporting documentation to support the balance of N\$ 3 466 764 as per the financial statements.

#### **4.7 Bank (\*)**

On the bank reconciliation of June 2013 appears outstanding cheques to the amount of N\$ 2 200 316 which are invalid. N\$ 1 156 898 of the outstanding cheques were cleared before year end. This amount were transfers but have been recorded as cheques. The remaining N\$ 1 043 417 consists of stale and cancelled cheques. As a result, the bank balance and the accounts payable balance as per the financial statements have been materially misstated.

#### **4.8 Income (\*)**

The Council could not provide the auditors with a list or supporting documentation for the full balance in respect of the following income account:

Site rental: Informal settlement- N\$ 1 413 527

Nored surcharges: N\$ 903 599

#### **4.9 Expenditure (\*)**

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

Amount tested:

Contractual labour - N\$ 150 586

Internship programme - N\$ 327 728

Materials and stores - N\$\$ 536 830

A material difference of N\$ 1 094 313 was found between the total of the invoices for the year and the bulk water expense account.

#### **4.10 Trade payables (\*)**

The auditors found a total of N\$ 1 975 225 of unrecorded liabilities. The trade payables are thus materially understated.

#### **4.11 Provision for leave pay (\*)**

The auditors' recalculated balance based on days limited to 40 days revealed that the provision for leave pay as per the financial statements has been overstated by N\$ 1 695 383. This is the result of leave days outstanding per employee exceeding the allowed 40 days.

#### 4.12 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.

#### 4.13 Appropriation account

The Council could not provide the auditors with an explanation or support for an opening balance adjustment of N\$ 23 499 981.

#### 4.14 Going concern

The auditors draw attention to the balance sheet dated 30 June 2013 of the Town Council which indicated that as at that date, the current liabilities exceeded its current assets. Furthermore, the Housing Fund made a temporary advance to revenue to the amount of N\$ 3 338 808 (2012: N\$ 386 177) and the accumulated deficit amounts to N\$ 18 982 938 (2012: N\$ 4 348 917). These conditions indicate the existence of material uncertainties which may cast doubt on the Town Council's ability to continue as a going concern unless central Government provides funding for future operation.

#### 4.15 Internal control

	<b>2013</b>	<b>2012</b>
	N\$	N\$
Services, rates and taxes	45 357 216	57 568 458
Housing Fund receivables	3 466 764	2 227 056
VAT	492 474	-
Sundry debtors	455 960	-
	49 772 414	59 795 514
Less: Provision for bad debts	(42 329 516)	(25 938 570)
	<b>7 442 898</b>	<b>33 856 944</b>

### 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 deficit 01/07/2012</b>				(4 348 917)
<b>General accounts</b>				
Rates and general	36 099 934	31 714 636	4 385 298	
Non-profitable services	575 117	5 911 022	(5 335 905)	
Self-supporting services	19 751 807	7 734 456	12 017 351	
<b>Trade accounts</b>				
Water	17 362 912	10 789 015	6 573 897	
	73 789 770	56 149 129	17 640 641	17 640 641
Surplus for the year				13 291 724
Adjustments and appropriations (Note8, Annexure D)				(32 274 663)
<b>Accumulated deficit 30/06/2013</b>				<b>(18 982 939)</b>

## 7. CURRENT BANK ACCOUNT

The favourable bank statement balance on the current bank account amounted to N\$ 67 661 (2012: N\$ 123 447). Cheques not presented for payment amounted to N\$ 3 922 874 (2012: N\$ 2 986 818), resulting in an unfavourable cash-book balance of N\$ 3 464 200 (2012: N\$ 2 863 371). Outstanding cheques were overstated as explained in paragraph 4.7.

## 8. INVESTMENTS AND INTEREST PROCEEDS

The investments as at 30 June 2013 were as follows:

Institution	Investments		Interest	
	2013	2012	2013	2012
	N\$	N\$	N\$	N\$
<b>Invested at:</b>				
Commercial banks	18 456 871	4 834 064	-	13 624
<b>Distribution</b>				
Capital Reserve Fund	-	389 308	-	-
Shack Dwellers Fund	-	-	-	-
Build Together Fund	415 747	4 443 490	-	-
Revenue Fund	18 041 124	1 266	-	-
	18 456 871	4 834 064	-	13 624

## 9. FUND ACCOUNTS

The position of the Fund and accounts is shown in Note 5, 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>2013</b>	<b>2012</b>
	N\$	N\$
Sales	16 852 122	12 377 559
Cost of sales	(6 249 024)	(9 892 693)
Gross profit	10 603 098	2 484 866
Other income/ (expenses)	(4 029 201)	(2 193 816)
<b>NET PROFIT/ (LOSS)</b>	<b>6 573 897</b>	<b>291 050</b>
Gross profit on cost of sales	170%	25%
Net profit percentage on cost of sales	105%	3%

### 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 2013</b>	<b>Expenses 2013</b>	<b>Surplus/ (deficit) 2013</b>	<b>Surplus/ (deficit) 2012</b>
	N\$	N\$	N\$	N\$
Cleansing services	3 526 692	2 359 753	1 166 939	1 629 483
Sewerage	16 225 115	5 374 703	10 850 412	1 074 353
	<b>19 751 807</b>	<b>7 734 456</b>	<b>12 017 351</b>	<b>2 703 836</b>

## 12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No unauthorized or avoidable expenditure was indentified 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 2013 financial year amounted to N\$ 13 675 974 (2012: N\$ 6 880 758) and comprises the following:

	<b>Revenue account</b>	<b>Total expenditure 2013</b>	<b>Total expenditure 2012</b>
	N\$	N\$	N\$
Council – General expenses	75 446	75 446	12 272
Town Clerk	74 148	74 148	-
Town administration	18 761	18 761	33 922
Town Treasurer	57 015	57 015	135 004
Town Planning	758 980	758 980	825 300
Health Services	437 397	437 397	-
Streets and storm water	5 216 433	5 216 433	4 223 038
Water	1 587 103	1 587 103	1 024 168
Community services	1 703 725	1 703 725	228 469
Sewerage services	3 704 466	3 704 466	-
Cleaning services	42 500	42 500	-
Building and housing	-	-	398 595
	<b>13 675 974</b>	<b>13 675 974</b>	<b>6 880 768</b>

Also refer to paragraph 4.5 explaining the difference between the additions as per the fixed assets register and the vote statements.

## 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\$ 32 500 (2012: N\$ 73 868) 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 2013 comprise the following:

	2013	2012
	N\$	N\$
Services, rates and taxes	45 357 216	57 568 458
Housing Fund receivables	3 466 764	2 227 056
VAT	492 474	-
Sundry debtors	455 960	-
	49 772 414	59 795 514
Less: Provision for bad debts	(42 329 516)	(25 938 570)
	<b>7 442 898</b>	<b>33 856 944</b>

The average collection period of trade receivables, before taking the provision for bad debts into account, is 357 days (2012: 661 days). The Council should attend to the arrears as a matter of urgency.

23.2 Creditors on 30 June 2013 comprise the following:

	2013	2012
	N\$	N\$
Trade creditors and other accruals	31 576 561	30 571 123
Provision for leave pay	2 543 513	749 819
Consumer deposits	79 115	87 814
VAT	-	1 323 767
	<b>34 199 189</b>	<b>32 732 523</b>

## 24. ASSESSMENT RATES

Net surplus from assessment rates amounted to N\$ 9 460 486 (2012: N\$ 5 223 929).

The gazetted tariffs were as follows:

N\$ 0.052401 (2012: N\$ 0.078048) per dollar on site values per year and N\$ 0.0048684 (2012: N\$ 0.0045078) 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\$ 3 466 764 (2012: N\$ 2 227 056) in the financial statements.

## 26. SALE OF ERVEN

The proceeds of erven and plots sold were:

	<b>2013</b>	<b>2012</b>
Ervens sold	N\$ 13 320 670	N\$ 5 636,512

## 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

There were over-expenditure recorded in some votes during the year.

## 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:

- Stock
- Provision for bad debts/Accounts receivable
- Consumer deposits
- VAT accounting
- Consumer deposits

- Property, plant and equipment
- Build Together advances
- Bank
- Income
- Expenditure
- Unrecorded liabilities
- Provision for leave pay
- Annual financial statements not submitted within prescribed period

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

The accounts of the Town Council of Katima Mulilo for the financial year ended 30 June 2013, 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;
- Consumer deposits represent 0.17% of the total debt and is therefore inadequate;
- The auditors' recalculated balance revealed that the provision for leave pay as per the financial statements has been materially overstated by N\$ 1 695 383;
- There was no sufficient system of internal controls or proper accounting records on which the auditors could rely;
- There is a difference of N\$ 1 943 675 between the input VAT as per the VAT reasonability test and the VAT returns. Also, the statement received from the Receiver of Revenue indicates that the Receiver of Revenue owes the Town Council N\$ 1 438 560, whereas the financial statements reflect a receivable balance of N\$ 492 474. The Receiver of Revenue transfers amounts receivable from the VAT account to the PAYE account. As per the Receiver of Revenue, an amount of N\$ 582 507 for PAYE in respects of penalties and interest is outstanding. Furthermore, the Council did not provide for penalties and interest for late submission of VAT returns.
- No supporting documentation could be provided for site rental and Nored charges and various expenditure accounts;
- There is a material difference of N\$ 1 094 313 between the Namwater supplier invoices for bulk water purchases and the financial statements;
- There is a material difference of N\$ 1 794 679 between the additions as per the fixed assets register and the additions as per the vote statements. Furthermore, purchases of fixed assets were recorded inclusive of VAT and additions amounting to N\$ 583 973 could not be verified to supporting documentation;
- Outstanding cheques as per the bank reconciliation of N\$ 1 043 417 did not clear through the bank account and were identified as stale and cancelled. Transfers of N\$ 1 156 898 which cleared through the bank prior to year end were recorded as cheques. Consequently, the trade payables are incomplete and the bank balance is understated at year end;
- The Council could not provide the auditors with the listing and other supporting documentation to support the Build Together balance of N\$ 3 466 764 as per the financial statements.
- The Council provided for 93% of total debt which is a major concern. It is highly probable that the Council will not recover most of this debt which would negatively impact the Council's cash flow;
- Council could not provide the auditors with an explanation or support for an opening balance adjustment of N\$ 23 499 981;
- The auditors found a total of N\$ 1 975 225 of unrecorded liabilities; and

- The auditors draw attention to the balance sheet dated 30 June 2013 of the Town Council which indicated that as at that date, the current liabilities exceeded its current assets. Furthermore, the Housing Fund made a temporary advance to revenue to the amount of N\$ 3 338 808 (2012: N\$ 386 177) and the accumulated deficit amounts to N\$ 18 982 938 (2012: N\$ 4 348 917). These conditions indicate the existence of material uncertainties which may cast doubt on the Town Council's ability to continue as a going concern unless Central Government provides funding for future operation.

**WINDHOEK, April 2014**

**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

## TOWN COUNCIL OF KATIMA MULILO

## ANNEXURE A

## BALANCE SHEET AS AT 30 JUNE

	Notes	2013 N\$	2012 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	26 174 010	14 414 484
Investments	3	18 846 179	4 834 064
<b>Current assets</b>			
Accounts receivable	4	7 442 899	33 856 944
Cash and cash equivalents		2 000	2 000
<b>TOTAL ASSETS</b>		<b>52 465 088</b>	<b>53 107 492</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Funds and accounts	5.1	26 174 010	14 414 484
Accumulated funds	5.2	(18 982 939)	(4 348 917)
Funds and accounts	5.3	7 610 626	7 446 031
<b>Current liabilities</b>			
Accounts payable	6	34 199 191	32 732 523
Bank overdraft		3 464 199	2 863 371
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>52 465 088</b>	<b>53 107 491</b>

## TOWN COUNCIL OF KATIMA MULILO

## ANNEXURE B

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

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	<u>Note</u>	<u>2013</u>	<u>2012</u>
		N\$	N\$
INCOME		73 264 049	38 046 786
EXPENDITURE		<u>(56 149 129)</u>	<u>(45 329 403)</u>
<b>OPERATING PROFIT FOR THE YEAR</b>		<b>17 114 919</b>	<b>(7 282 617)</b>
Interest earned		525 721	-
<b>NET PROFIT FOR THE YEAR</b>		<u><b>17 640 640</b></u>	<u><b>(7 282 617)</b></u>
Add : Appropriation and adjustments	7	<u>(32 274 662)</u>	<u>(521 059)</u>
RETAINED PROFIT FOR THE YEAR		(14 634 022)	(7 803 676)
30 June 2012		<u>(4 348 917)</u>	<u>3 454 759</u>
<b>30 June 2013</b>		<u><b>(18 982 939)</b></u>	<u><b>(4 348 917)</b></u>

## TOWN COUNCIL OF KATIMA MULILO

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2013 N\$	2012 N\$
<b>Cash flow from operating activities</b>			
Cash receipts from customers		73 264 049	38 046 786
Cash paid to suppliers		(60 543 078)	(37 642 206)
<b>Cash generated from operations</b>	8	<b>12 720 971</b>	<b>404 580</b>
Investment income		525 721	-
<b>Net cash flow from operating activities</b>		<b>13 246 692</b>	<b>404 580</b>
<b>Cash flow from investing activities</b>			
Decrease / (Increase) in capital expenditure		(11 759 527)	-
(Increase)/ Decrease in investment		(14 012 115)	-
<b>Net cash flow from investing activities</b>		<b>(25 771 641)</b>	<b>-</b>
<b>Cash flow from financing activities</b>			
Movement in funds and accounts		11 924 121	4 805 580
<b>Net cash flow from financing activities</b>		<b>11 924 121</b>	<b>4 805 580</b>
Net increase in cash and cash equivalents		<b>(600 829)</b>	<b>(1 530 851)</b>
Cash and cash equivalents at the beginning of the year		<b>(2 861 370)</b>	<b>(1 330 519)</b>
Cash and cash equivalents at the end of the year		<b>(3 462 199)</b>	<b>(2 861 370)</b>



## TOWN COUNCIL OF KATIMA MULILO

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

**1. ACCOUNTING POLICIES**

The annual financial statements are 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>2013</u>	<u>2012</u>
	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Consists of :</b>		
Property development, vehicles, plant and equipment	<u>26 174 010</u>	<u>14 414 484</u>
<b>Financed by :</b>		
Capital	493 706	616 065
External loans	-	-
Loans redeemed	-	-
Revenue account	<u>25 680 304</u>	<u>13 798 418</u>
	<u><b>26 174 010</b></u>	<u><b>14 414 483</b></u>

## ANNEXURE D

## TOWN COUNCIL OF KATIMA MULILO

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

	2013	2012
	N\$	N\$
<b>3. INVESTMENTS</b>		
Commercial banks and building societies	<b>18 846 179</b>	<b>4 834 064</b>
The investments were allocated as follows:		
Build Together Fund	415 747	4 443 490
Capital Development Fund	389 308	389 308
Revenue Fund	18 041 124	1 266
Total	<b>18 846 179</b>	<b>4 834 064</b>
<b>4. TRADE AND OTHER RECEIVABLES</b>		
Consumers	45 357 216	57 568 458
Sundry debtors	455 960	-
Build Together Fund – Debtors	3 466 764	2 227 056
	<b>49 279 941</b>	<b>59 795 514</b>
<i>Less :</i>		
Provision for doubtful debts	(42 329 516)	(25 938 570)
VAT control account	492 474	-
	<b>7 442 899</b>	<b>33 856 944</b>
<b>5. FUNDS AND ACCOUNTS</b>		
<b>5.1 Financing of capital</b>		
Contribution- General capital	493 706	604 246
Revenue contributions	25 680 304	13 810 237
	<b>26 174 010</b>	<b>14 414 484</b>
<b>5.2 Accumulated Funds</b>	<b>(18 982 939)</b>	<b>(4 348 917)</b>
<b>5.3 Internal Funds</b>		
Capital Development Fund	389 307	389 308
Build Together Fund	7 221 319	7 056 723
	<b>7 610 626</b>	<b>7 446 031</b>
	<b>14 801 698</b>	<b>17 511 598</b>

## ANNEXURE D

## TOWN COUNCIL OF KATIMA MULILO

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

	<b>2013</b>	<b>2012</b>
	N\$	N\$
<b>6. TRADE AND OTHER PAYABLES</b>		
Trade payables	31 576 563	30 571 123
Provision for personnel benefits	2 543 513	749 818
VAT control account	-	1 323 767
Consumer deposits	79 115	87 814
	<b>34 199 191</b>	<b>32 732 523</b>
<b>7. ADJUSTMENTS AND APPROPRIATIONS</b>		
Bad debts provision	16 390 946	-
Leave provision	1 793 695	-
Bank reconciliation adjustment	(1 619 603)	-
Namwater written back	(6 290 464)	-
Prior year income adjustments	(1 499 893)	(24 330)
Unexplained difference	23 499 981	(496 728)
	<b>32 274 662</b>	<b>(521 059)</b>
<b>8 CASH UTILISED IN OPERATIONS</b>		
Net operating profit	17 114 919	(7 282 617)
Adjustments (appropriations)	(32 274 662)	(521 059)
<b>8.1 Operating income before changes in working capital</b>	<b>(15 159 743)</b>	<b>(7 803 676)</b>
<b>Changes in working capital</b>		
(Increase) / decrease in trade and other payables	1 466 669	5 869 428
Decrease/ (increase) in inventories	-	-
Decrease in trade and other receivables	26 414 045	2 338 828
	<b>27 880 713</b>	<b>8 208 256</b>
	<b>12 720 971</b>	<b>404 580</b>