



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
TOWN COUNCIL OF KATIMA MULILO  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014**

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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 2014, 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, July 2016**

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

**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 2014**

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**1. Report on the Financial Statements**

**1.1 INTRODUCTION**

This report on the accounts of the Town Council of Katima Mulilo for the financial year ended 30 June 2014 is presented to the National Assembly in accordance with the terms of Article 127(2) of the Constitution of the Republic of Namibia and provisions set out in the State Finance Act, 1991 (Act 31 of 1991) read with the Local Authorities Act, 1992 (Act 23 of 1992).

Figures in the report are rounded to the nearest Namibia dollar and deficits are indicated in (brackets).

The firm MAC and Associates 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.

I certify that I have audited the accompanying financial statements of the Town Council of Katima Mulilo for the financial year ended 30 June 2014. These financial statements comprise the following statements submitted for the year then ended:

- Annexure A: Balance sheet
- Annexure B: Income statement
- Annexure C: Cash flow statement
- Annexure D: Notes to the financial statements

The 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 financial statements and notes to the financial statements 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 87(1) of the Local Authorities Act, (Act 23 of 1992) 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 insufficient and inappropriate to provide a basis for the audit opinion.

#### **4. ACKNOWLEDGEMENT**

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

#### **5. KEY AUDIT FINDINGS**

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

Consultants fees incurred as part of capital expenditure were not capitalised (not in asset register) though included in the capital spending per operating votes resulting in understatement of the reported property plant and equipment by N\$ 4 793 472. Assets are also not adequately insured.

##### **5.2 Recognition of land sales**

Deposits received on the intended sale of erven were credited to the revenue account instead of the liability account resulting in overstatement of revenue and understatement of the related liability.

##### **5.3 Penalties and interest on Value Added Taxation (VAT) – unsupported adjustment**

There were no supporting documents for recognition of penalties and interest amounting to N\$ 2 997 663 as well as set-off of the said penalties and interest against the VAT receivable. As a result, the auditors were unable to verify the validity of the adjustment and the accuracy of the related balances.

##### **5.4 Omitted investment in equity**

The investment in the shares of the Local Authorities Electricity Company (Pty) Limited (shareholder in NORED) is not reflected in the financial statements.

##### **5.5 Housing fund debtors**

The Build Together loan advances balance per general ledger amounts to N\$ 3 371 787 while the related loans trial balance (supporting list) has an amount of N\$ 1 192 316 resulting in an overstatement of N\$ 2 179 471.

## **5.6 Inventories**

No inventories for store materials are reflected in the financial statements of the Council. The auditors were unable to verify the inventory on hand at 30 June 2014 due to inadequate record keeping at the Town Council.

## **5.7 Understatement of provision for doubtful debts**

The provision made by the Town Council for bad and doubtful debts as per the financial statements is N\$ 37 978 521 (2013: N\$ 42 329 515). The auditors review and considering the slow debt collection on consumer accounts indicate and under-provision of N\$ 1 666 870.

The Town Council should review its provision for bad and doubtful debts at year-end and ensure that it is adequate.

## **5.8 Understatement of liabilities**

Liabilities amounting to N\$ 4 052 600 are not reflected in the financial statements.

## **5.9 Investment bank balance – unexplained difference**

At year end there was an unexplained difference of N\$ 1 497 901 between the Capital Call account as per annual financial statements of N\$ 13 256 308 and the balance as confirmed by the bank of N\$ 11 758 407.

## **5.10 Bank reconciliation – unexplained difference**

There is an unexplained difference of N\$ 1 482 874 on the bank reconciliation statement.

## **5.11 Unsupported adjustments posted to the appropriation account**

There were no supporting documents for material adjustments posted to the appropriation account.

## **5.12 Misstatement of Namwater amount payable and related bulk water purchases**

- Payments of Namwater ring-fenced debt amounting to N\$ 1 071 739 were debited to expenses resulting in overstatement of expenses.
- The bulk water purchases is overstated by N\$ 2 588 532 due to inclusion of interest charged on the outstanding debt.

## **5.13 Overstatement of consulting fees**

The consulting fees are overstated by N\$ 842 069 due to the inclusion of prior year expenditure.

## **5.14 Going concern**

The auditors draw attention to the balance sheet dated 30 June 2014 of the Town Council which indicated that as at that date, the current liabilities exceeded its current assets and the accumulated deficit amounts to N\$ 37 545 396 (2013: N\$ 18 982 938). These conditions indicate the existence of material uncertainty which may cast doubt on the Town Council's ability to continue as a going concern unless central Government provides funding for future operation.

## 6. FINANCIAL RESULTS

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

	<b>Revenue</b>	<b>Expenditure</b>	<b>Surplus/ (Deficit)</b>	<b>Balance</b>
	N\$	N\$	N\$	N\$
Accumulated deficit at 01/07/2013				(18 982 939)
<b>General accounts</b>				
- Rates and general	40 477 807	48 655 341	(8 177 534)	
- Non-profitable services	685 929	5 306 364	(4 620 435)	
- Self-supporting services	19 032 648	12 974 294	6 058 354	
<b>Trade accounts</b>				
- Water	20 315 770	17 931 576	2 384 194	
Deficit for the year	80 512 154	84 867 575	(4 355 421)	(4 355 421)
Adjustments and utilisations (See note 9, Annexure D)				(23 338 360)
				(14 207 037)
Accumulated deficit at 30/06/2014				<b>(37 545 397)</b>

## 7. CURRENT BANK ACCOUNT

	<b>2014</b>	<b>2013</b>
	N\$	N\$
Cashbook balance at 30 June	(6 080 900)	(3 464 200)
Unexplained difference	1 482 874	(391 013)
Outstanding cheques	5 034 469	3 922 874
Outstanding deposits	(141 080)	-
Debits on the bank statement not recorded in the cashbook	(30 158)	-
Balance as per bank statement	<b>265 205</b>	<b>67 661</b>

## 8. INVESTMENTS

The investments as at 30 June are as follows:

<b>Institution</b>	<b>2014</b>		<b>2013</b>	
	<b>Investment</b>	<b>Interest</b>	<b>Investment</b>	<b>Interest</b>
	N\$	N\$	N\$	N\$
Commercial banks	15 654 814	799 323	18 456 871	-



The investments were allocated as follows:

<b>Allocation</b>	<b>2014</b>	<b>2013</b>
	N\$	N\$
Capital Reserve Fund	389 308	-
Revenue	14 919 763	18 041 124
Built Together Fund	345 743	415 747
	<b>15 654 814</b>	<b>18 456 871</b>

## 9. FUND ACCOUNTS

The position of the Fund accounts and reserves at year-end is as shown in note 7 of Annexure D.

## 10. TRADE ACCOUNT

### 10.1 The results of water operations are as follows:

	<b>Water</b>	
	<b>2014</b>	<b>2013</b>
	N\$	N\$
Sales	18 507 227	16 852 122
Purchases	(11 680 766)	(6 249 024)
Gross surplus	6 826 461	10 603 098
Other expenses	(4 442 266)	(4 029 201)
<b>Net surplus</b>	<b>2 384 195</b>	<b>6 573 897</b>
Gross surplus percentages on purchases	58.4%	169.7%
Gross surplus percentages on sales	20.4%	105.2%

### 10.2 Water distribution results, in cubic meters

No distribution results for water are available for the year under review.

## 11. SELF-SUPPORTING SERVICES

### 11.1 The results for the year under review are as follows:

<b>Service</b>	<b>Income 2014</b>	<b>Expenses 2014</b>	<b>Surplus 2014</b>	<b>Surplus 2013</b>
	N\$	N\$	N\$	NS
Cleansing services	4 898 082	(2 838 430)	2 059 652	1 166 939
Sewerage	14 134 566	(10 135 864)	3 998 702	10 850 412
	<b>19 032 648</b>	<b>(12 974 294)</b>	<b>6 058 354</b>	<b>12 017 351</b>

## 12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

The Council paid N\$ 1 309 214 to a consultant to complete and file VAT and PAYE returns on its behalf. The consultant charged 18% on input VAT claimable, which is excessive and not reflective of the work done. This expenditure is avoidable. No other fruitless and unauthorised expenditure were noted.

### 13. SUSPENSE ACCOUNTS

Suspense accounts are cleared on a regular basis.

### 14. IRREGULARITIES AND LOSSES

The auditors did not find any irregularities and losses that took place during the year under review.

### 15. CAPITAL PROJECTS

The following were spend on capital projects:

Nature of projects/acquisitions	Financed by	Financed by	Total expenditure 2014	Total expenditure 2013
	Capital Res. Fund	Revenue account		
	N\$	N\$	N\$	N\$
Council General Expenses	-	-	-	75 446
Town Clerk	-	63 928	63 928	74 148
Town Administration	-	12 175	12 175	18 761
Town Treasurer	-	442 773	442 773	57 015
Town Planning	-	1 059 332	1 059 332	758 980
Health Services	-	12 222	12 222	437 397
Community Services	-	110 655	110 655	1 703 725
Streets and Storm Water	-	2 948 751	2 948 751	5 216 433
Buildings and Housing	-	5 216 438	5 216 438	-
Cleansing Services	-	148 439	148 439	42 500
Sewerage Services	-	8 485 433	8 485 433	3 704 466
Water	-	1 758 027	1 758 027	1 587 103
	-	<b>20 258 173</b>	<b>20 258 173</b>	<b>13 675 974</b>

Property, plant and equipment are qualified as explained on item 4.1.

### 16. BURSARIES

The Council approved and granted education grants amounting to N\$ 40 000 (2013: N\$ Nil).

### 17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

	2014	2013
	N\$	N\$
Contribution from Government	17 499 996	17 320 000

### 18. COMPENSATION PAYMENTS

No compensation payments were paid during the year.

### 19. VISITS TO FOREIGN COUNTRIES

There were no visits to foreign countries during the year under review.

### 20. CLAIMS AGAINST THE LOCAL AUTHORITY

No claims were made against the Council during the year under review.

## 21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

An amount of N\$ 8 000 (2013: N\$ 32 500) was paid as donations during the year under review.

## 22. TRANSFER OF PROPERTY

No properties were transferred to/from the Government during the year under review.

## 23. TRADE AND OTHER RECEIVABLES/PAYABLES

### 23.1 Trade and other receivables at 30 June are as follows:

	2014	2013
	N\$	N\$
Services rendered and assessment rates	49 334 733	45 357 216
Housing Fund receivables	3 371 787	3 466 764
VAT receivable	1 462 940	492 475
Sundry debtors	424 200	455 960
	54 593 660	49 772 415
Provision for bad debts	(37 978 522)	(42 329 516)
Total	16 615 138	7 442 899

### 23.2 Trade and other payables at 30 June are as follows:

	2014	2013
	N\$	N\$
Trade payables	53 159 956	31 576 563
Provision for leave pay	2 858 869	2 543 513
Consumer deposits	79 040	79 115
Total	56 097 865	34 199 191

## 24. ASSESSMENT RATES

	2014	2013
	N\$	N\$
The proceeds from assessment rates	19 053 834	9 460 486
Residential:		
Tariffs per N\$1 valuation per annum - Site valuation	0.074	0.063
Tariffs per N\$1 valuation per annum – Improvements	0.007	0.006
Business:		
Tariffs per N\$1 valuation per annum - Site valuation	0.144	0.092
Tariffs per N\$1 valuation per annum – Improvements	0.015	0.009

**25. LOANS**

**25.1 External loans**

The external loan amount of N\$ 579 179 is not disclosed in the financial statements.

**25.2 Internal loans**

There are no internal loans.

**25.3 Due to the Town Council**

	<b>2014</b>	<b>2013</b>
	N\$	N\$
Build Together advances	3 371 787	3 466 764

**26. SALE OF ERVEN**

During the current financial year, cash proceeds amounting to N\$ 4 584 824 (2013: N\$ 13 320 670) were received in respect of sale of erven and were allocated to the revenue account. As reported on item 4.2, deposits received for purchase of erven were recognised as revenue instead of a liability.

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

The Council's policy is to sell erven on both cash and instalment basis. The Council was unable to provide the breakdown between cash and instalment sales owing to lack of reconciliation.

**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.

**30. INVENTORY AND EQUIPMENT**

**30.1 Motor vehicles**

The Town Council could not provide the auditors with any information in this regard.

**30.2 Inventory**

No inventory on store materials were recorded or disclosed in the financial statements.

**31. SPECIAL INVESTIGATIONS**

No special investigations were carried out during the year under review.

**32. GENERAL**

There is no sufficient system of accounting and internal controls 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**

Formal queries are embodied in this report.

#### **33.2 Informal queries**

Informal queries were addressed to the Chief Executive Officer.

- Slow debit collection,
- Incorrect depreciation application;
- Inadequate consumer deposits;
- Excessive consulting fees;
- Unexplained items on the bank reconciliation; and
- Omitted bank account.

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

The accounts of the Town Council of Katima Mulilo for the financial year ended 30 June 2014, 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:

- Understatement of property, plant and equipment by N\$ 4 793 472;
- Incorrect recognition of land sales;
- Penalties and interest on VAT - unsupported adjustment;
- Omitted investment in equity;
- Overstatement of Build Together loan advances;
- Omission of inventories;
- Understatement of provision for doubtful debts;
- Understatement of liabilities;
- Investment bank balance – unexplained difference;
- Bank reconciliation – unexplained difference;
- Unsupported adjustments posted to the appropriation account;
- Misstatement of Namwater debt and the related bulk water purchases; and
- Overstatement of consulting fees.

**WINDHOEK, July 2016**

  
**JUNIAS ETUNA KANDJEKE**  
**AUDITOR-GENERAL**

## TOWN COUNCIL OF KATIMA MULILO

## BALANCE SHEET AT 30 JUNE 2014

	Note	2014 N\$	2013 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>52 529 819</b>	<b>45 020 189</b>
Property, plant and equipment	2	36 875 005	26 174 010
Investments	3	15 654 814	18 846 179
<b>Current assets</b>		<b>16 617 138</b>	<b>7 444 899</b>
Trade and other receivables	4	16 615 138	7 442 899
Cash and cash equivalents	5	2 000	2 000
<b>TOTAL ASSETS</b>		<b>69 146 957</b>	<b>52 465 088</b>
<b>FUNDS, ACCOUNTS AND LIABILITIES</b>			
<b>Funds and reserves</b>		<b>6 968 192</b>	<b>14 801 698</b>
Capital outlay	6	36 875 005	26 174 010
Accumulated funds	7	(37 545 396)	(18 982 938)
Funds and accounts	7	7 638 583	7 610 626
<b>Current liabilities</b>		<b>62 178 765</b>	<b>37 663 390</b>
Trade and other payables	8	56 097 865	34 199 191
Bank overdraft	5	6 080 900	3 464 199
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>69 146 957</b>	<b>52 465 088</b>

## ANNEXURE B

## TOWN COUNCIL OF KATIMA MULILO

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 N\$	2013 N\$
INCOME		79 713 276	73 264 049
EXPENDITURE		(84 867 575)	(56 149 129)
<b>NET OPERATING (DEFICIT)/SURPLUS</b>		<b>(5 154 299)</b>	<b>17 114 920</b>
INVESTMENTS INCOME		798 879	525 721
<b>NET (DEFICIT)/SURPLUS AFTER INTEREST</b>		<b>(4 355 420)</b>	<b>17 640 641</b>
APPROPRIATION ACCOUNT	9	(14 207 037)	(32 274 662)
<b>NET DEFICIT AFTER APPROPRIATIONS</b>		<b>(18 562 457)</b>	<b>(14 634 021)</b>
REVENUE ACCOUNT - Beginning of year		(18 982 938)	(4 348 917)
<b>REVENUE ACCOUNT - End of year</b>		<b>(37 545 395)</b>	<b>(18 982 938)</b>

## TOWN COUNCIL OF KATIMA MULILO

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 N\$	2013 N\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		79 713 276	73 264 049
Cash paid to suppliers		(86 348 177)	(60 543 078)
<b>Cash (utilised)/generated by operations</b>	10	<b>(6 634 901)</b>	<b>12 720 971</b>
Investments income		798 879	525 721
<b>Net cash flows from operating activities</b>		<b>(5 836 022)</b>	<b>13 246 692</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in Funds		27 957	164 594
Increase in Capital Outlay		10 700 995	11 759 527
<b>Net cash flows from financing activities</b>		<b>10 728 952</b>	<b>11 924 121</b>
<b>CASH FLOWS TO INVESTING ACTIVITIES</b>			
Net capital expenditure		(10 700 995)	(11 759 527)
Decrease/(Increase) in investments		3 191 364	(14 012 115)
<b>Net cash flows from investing activities</b>		<b>(7 509 631)</b>	<b>(25 771 642)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(2 616 701)</b>	<b>(600 829)</b>
<b>CASH AND CASH EQUIVALENTS</b>			
- BEGINNING OF YEAR		(3 462 199)	(2 861 370)
<b>CASH AND CASH EQUIVALENTS</b>			
- END OF YEAR	5	<b>(6 078 900)</b>	<b>(3 462 199)</b>



## TOWN COUNCIL OF KATIMA MULILO

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

The annual financial statements are compiled in accordance with the historical cost convention, except where otherwise stated.

The principal accounting policies of the Town Council, which are set out below, have been consistently applied and are in accordance with the requirements of the Namibian Local Authorities Act.

**1.2 Property, plant and equipment**

Property, plant and equipment 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. Property, plant and equipment 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.

	<u>2014</u>	<u>2013</u>
	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Consists of :</b>		
Infrastructure, land and buildings, motor vehicles, office equipment, furniture and fittings and computer equipment, plant and other equipment.	<u>36 875 005</u>	<u>26 174 010</u>
<b>Financed by :</b>		
General capital	352 132	493 706
Revenue account	36 522 873	25 680 304
	<u>36 875 005</u>	<u>26 174 010</u>
<b>3. INVESTMENTS</b>		
Fixed deposits and money on call	<u>15 654 814</u>	<u>18 846 179</u>
<b>Allocated as follows:</b>		
Build Together Fund	345 742	415 747
Capital Reserve Fund	389 308	389 308
Revenue Fund	14 919 764	18 041 124
	<u>15 654 814</u>	<u>18 846 179</u>

## ANNEXURE D

## TOWN COUNCIL OF KATIMA MULILO

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014  
(continued)

	2014 N\$	2013 N\$
<b>4. TRADE AND OTHER RECEIVABLES</b>		
Services rendered and assessment rates	49 334 733	45 357 216
VAT receivable	1 462 940	492 475
Sundry debtors	424 200	455 960
Build Together advances	3 371 787	3 466 764
	<b>54 593 660</b>	<b>49 772 415</b>
Provision for bad debts	(37 978 522)	(42 329 516)
	<b>16 615 138</b>	<b>7 442 899</b>
<b>5. CASH AND BANK BALANCES</b>		
Current account	(6 080 900)	(3 464 199)
Petty cash	2 000	2 000
	<b>(6 078 900)</b>	<b>(3 462 199)</b>
<b>6. CAPITAL OUTLAY</b>		
General Capital	352 132	493 706
Revenue contributions	36 522 873	25 680 304
	<b>36 875 005</b>	<b>26 174 010</b>
<b>7. FUNDS, ACCOUNTS AND RESERVES</b>		
Build Together Fund	7 249 275	7 221 319
Capital Development Fund	389 308	389 307
<b>Subtotal</b>	<b>7 638 583</b>	<b>7 610 626</b>
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(37 545 396)	(18 982 938)
	<b>(29 906 813)</b>	<b>(11 372 312)</b>

## TOWN COUNCIL OF KATIMA MULILO

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014  
(continued)

	2014	2013
	N\$	N\$
<b>8. TRADE AND OTHER PAYABLES</b>		
Trade payables	53 159 956	31 576 563
Provision for leave pay	2 858 869	2 543 513
Consumer deposits	79 040	79 115
	<b>56 097 865</b>	<b>34 199 191</b>
<b>9. APPROPRIATIONS AND ADJUSTMENTS</b>		
Opening balance adjustment	20 000	-
Movement in provision for bad debts	(4 350 994)	16 390 946
Movement in provision for leave pay	315 355	1 793 695
Bank reconciliation adjustment	(866 577)	(1 619 603)
Namwater liability recognised	17 283 252	(6 290 464)
Prior year income adjustments	1 057 622	(1 499 893)
Stale cheques written back	(681 101)	-
Corrections to daily report	1 469 480	-
Unexplained difference	-	23 499 981
	<b>14 207 037</b>	<b>32 274 662</b>
<b>10. CASH UTILISED BY OPERATIONS</b>		
NET OPERATING (DEFICIT)/SURPLUS	(5 154 299)	17 114 919
ADJUSTMENT FOR:		
- Appropriations and adjustments	(14 207 037)	(32 274 662)
<b>OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL</b>	<b>(19 361 336)</b>	<b>(15 159 743)</b>
CHANGES IN WORKING CAPITAL		
Increase in trade and other payables	21 898 674	1 466 669
(Increase)/Decrease in trade and other receivables	(9 172 239)	26 414 045
	<b>12 726 435</b>	<b>27 880 714</b>
<b>CASH (UTILISED)/GENERATED BY OPERATIONS</b>	<b>(6 634 901)</b>	<b>12 720 971</b>

