



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF WALVIS BAY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

Published by authority

Price (Vat excluded) N\$ 41.20
Report no: 2018/76

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 Walvis Bay for the financial year ended 30 June 2017, 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, May 2018

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
MUNICIPALITY OF WALVIS BAY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

1. INTRODUCTION

The accounts of the Municipality of Walvis Bay for the financial year ended 30 June 2017 is presented to the National Assembly in accordance with 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 of Walvis Bay on behalf of the Auditor-General and under his supervision.

I certify that I have audited the accompanying financial statements of the Municipality of Walvis Bay for the financial year ended 30 June 2017. These financial statements comprise the following:

Annexure A: Statement of financial position;
Annexure B: Abridged statement of comprehensive income;
Annexure C: Statement of cash flows; and
Annexure D: Notes to the 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 January 2018 instead of three (3 months) months after the year end as required by the Act.

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 1992, (Act 23 of 1992), 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 an audit opinion.

4. ACKNOWLEDGEMENT

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

5. AUDIT OBSERVATION AND COMMENTS

5.1 Recoverability of sundry debtors and subsidies

It was noted that sundry debtors and subsidies remained high in value, with little prospects of being recovered.

Recommendation

It is recommended that the Council should follow up these claims and try to recover it.

5.2 The Build Together loans

The Build Together loans are poorly repaid.

Recommendation

It is recommended that the Council should follow up on these repayments.

6. UNQUALIFIED AUDIT OPINION

The accounts of the Municipality of Walvis Bay for the financial year ended 30 June 2017 summarised in Annexures A to D, were audited by me in terms of Section 85 of the Local Authorities Act, 1992 (Act 23 of 1992).

I certify that, in my opinion, the financial statements fairly present the financial position of the Municipality of Walvis Bay at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with International Standards for Supreme Audit Institutions (ISSAIs) and the State Finance Act, 1991.



**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

WINDHOEK, May 2018

MUNICIPALITY OF WALVIS BAY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE

	Note	2017 N\$	2016 N\$
ASSETS			
NON-CURRENT ASSETS			
	2	1 321 575 343	1 209 174 324
Investments	3	113 369 015	189 295 197
Loans receivable	4	2 315 955	2 639 370
		<u>1 437 260 313</u>	<u>1 401 108 891</u>
CURRENT ASSETS			
Inventory		1 737 365	1 858 148
Trade and other receivables	5	374 783 080	266 376 774
Cash and bank balances		16 331 540	(4 659 242)
		<u>392 851 985</u>	<u>263 575 680</u>
TOTAL ASSETS		<u>1 830 112 298</u>	<u>1 664 684 571</u>
FUNDS AND LIABILITIES			
FUNDS AND RESERVES			
Capital outlay	6	987 748 597	967 871 190
Funds and accounts	7	740 932 270	591 590 636
		<u>1 728 680 867</u>	<u>1 559 461 826</u>
LONG-TERM LIABILITIES	8	<u>13 084 918</u>	<u>23 133 080</u>
CURRENT LIABILITIES			
Trade and other payables	9	88 346 513	82 089 665
		<u>88 346 513</u>	<u>82 089 665</u>
TOTAL FUNDS AND LIABILITIES		<u>1 830 112 298</u>	<u>1 664 684 571</u>

MUNICIPALITY OF WALVIS BAY
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

	2017	2016
Note	N\$	N\$
INCOME	403 316 662	362 473 716
EXPENDITURE	402 640 839	360 871 593
NET OPERATING SURPLUS/(DEFICIT) BEFORE INTEREST	675 823	1 602 123
INTEREST ON INVESTMENTS	-	537
NET SURPLUS/(DEFICIT) FOR THE YEAR	675 823	1 602 660
ADJUSTMENTS		
Appropriation account	10 590 332	71 409 307
Transfer to Funds	11 7 430 361	6 894 742
	8 696 516	79 906 709
ACCUMULATED FUNDS - Beginning of year	193 051 999	113 145 290
ACCUMULATED FUNDS - End of year	201 748 515	193 051 999

MUNICIPALITY OF WALVIS BAY
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE

	Note	2017 N\$	2016 N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		403 316 662	362 473 716
Cash paid to suppliers		(496 648 821)	(317 590 638)
Cash generated/(utilised) by operations	12	(93 332 159)	(44 883 078)
Investment income		-	537
Movement in Fund accounts			
- Fund accounts		140 645 118	74 252 360
- Capital outlay		19 877 407	101 083 152
Net cash flow from operating activities		67 190 366	220 219 127
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		(112 401 019)	(123 107 147)
Change in investments		75 926 182	(95 789 454)
Change in loans (Assets)		323 415	539 686
		(36 151 422)	(218 356 915)
CASH FLOW FROM FINANCING ACTIVITIES			
Change in long-term liabilities		(10 048 162)	(9 533 786)
		(10 048 162)	(9 533 786)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS			
		(20 990 782)	(7 671 574)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR			
		(4 659 242)	3 012 332
CASH AND CASH EQUIVALENTS - END OF YEAR			
		16 331 540	(4 659 242)

MUNICIPALITY OF WALVIS BAY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE

1. ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

- 1.1 These financial statements have been prepared so as to conform to the standard laid down by the Auditor-General.
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in note two. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis:
- Income is accrued when collectable and measurable. Certain direct income is accrued when received.
 - Expenditure is accrued in the year it is incurred.

2. CONSOLIDATION

The balance sheet includes the Rate and General services, Housing service, Trading service and the different funds, reserves and provisions. All inter departmental charges are set-off against each other, with the exception of assessment rates, refuse removal, electricity and water, which are treated as income and expenditure in the respective departments.

In accordance with Council Resolution 12.12 of 31 May 2011, no consolidation statements are to be prepared for entities in which Council has a significant shareholding.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Property, plant and equipment are stated:

- at historical cost, or
- at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the General Manager Finance.

3.2 Depreciation

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful life. Apart from advances from the various Council funds, assets may be acquired through:

- appropriations from income, where the full cost of the assets forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
- Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.

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

ACCOUNTING POLICIES (Continued)

3.3 All net proceeds from the sale of erven are credited to the Revolving Fund. Proceeds from the sale of houses are credited to the Housing Fund. Net proceeds from the sale of all other assets are credited either to the Replacement Fund or the Walvis Bay Housing Fund.

3.4 Capital assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

4. INVENTORY

Inventory is valued at the lower of cost, determined on the weighted average basis, and net realisable value.

5. FUNDS AND RESERVES

5.1 Revolving Fund

This fund is used for the purchase of land for housing development projects and the funding of subsequent development. The proceeds of the sale of developed erven, are credited to this fund.

5.2 Insurance Fund

External insurance cover, covers all major risks. Premiums are funded by this fund and recovered from the various user departments. Lesser risks are carried by the fund including comprehensive cover on trailers and vehicles older than five years.

5.3 Walvis Bay Housing Fund

This fund is operated in accordance with Council's housing policy. Development is undertaken on behalf of qualifying participants on conditions that financing be arranged from a financial institution, the loan of which is subsequently guaranteed by Council for a limited period of time.

5.4 Parking Areas Fund

Revenue from this Fund is generated from contributions by developers for the provision of sufficient parking in business areas.

5.5 Tariff Stabilisation Reserves

These reserves are funded by annual surpluses on sanitation and water services. The reserves are utilised towards stabilisation of tariffs in order to negate frequent adjustment of tariffs on the short-term.

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

ACCOUNTING POLICIES (Continued)

5.6 Maintenance Reserves

Annual contributions of a fixed percentage on the replacement value of buildings are made to this reserve. The net operating expenditure on the maintenance vote are annually set off against this reserve.

5.7 Hostel Loan Redemption Reserve

This reserve was initially established to accommodate loan redemption, the loan of which has subsequently been written off.

5.8 Replacement of Assets Reserve

Contributions towards the replacement of assets are made to such an extent that adequate funds should be available on the date of replacement of the specific assets.

5.9 Mayoral Relief Fund

A Trust administered on behalf of the Mayor and Councillors for application towards charitable and other identified deserving causes.

5.10 Major Repair Reserve

Annual contributions of a fixed percentage based on the budgeted contribution of the individual votes of heavy vehicles for maintenance is made to this reserve. The reserve is established to finance any unforeseen major repair expenditure.

6. PROVISIONS

Provisions are established to meet liabilities or contingencies which are known at the date of the balance sheet, but for which the amounts cannot be determined with substantial accuracy. Provision for bad debts is calculated at 10% of debtor balances, which are outstanding for more than 120 days.

7. RETIREMENT BENEFITS

Council and its members contribute to two pension funds namely:

- a) Walvis Bay Retirement Fund, which is a provident fund with fixed contributions and benefits.
 - b) Retirement Fund for Local Authorities, which is a pension fund with fixed retirement benefits.
- All permanent staff members participate in either of the funds, and contributions are calculated on the basic salaries. Current contributions are charged against operating income on the basis of current service costs.

Unfavourable experience adjustments may be written off over the lesser of the remaining period of service of employees or five years, whilst favourable adjustments are retained in the pension fund. Full actuarial valuations of the pension fund are performed at least every three years.

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

ACCOUNTING POLICIES (Continued)

8. SURPLUSES AND DEFICITS

Any surpluses arising from the operation of the Electricity service are transferred to Rate and General services.

9. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The cost of internal support services is transferred to the different services at a differential levy based on budgeted revenue and expenditure. Office and garage rental are allocated according to floor space utilised.

10. LEASED ASSETS

All leases are finance leases. The finance leases are capitalised and disclosed under "Property, plant and equipment".

11. INVESTMENTS AND INTEREST

Investments are shown at the lower of cost or market value. If a permanent decline in value occurred, the Investment is written down. Investments are made in accordance with the provision of the Financial rules of the Council.

Interests on Investments are allocated to Funds, Reserves and the Appropriation account on the average balance method.

12. INCOME RECOGNITION

12.1 Electricity and Water Billing

Water and electricity meters are read and billed monthly. Meters that cannot be read for a month are billed on average consumption. Income is recognised at the date meters are read and levies are made. Queries on readings are dealt with immediately. Electricity Services are being done by Erongo Red.

12.2 Assessment Rates

Council applies a standard site rating system, where no exception is made on the type of property used. In terms of this system assessment rates are levied on the land and improvements value of properties, and rebates are granted, in terms of the provisions of the Local Authorities Act.

Rebates are granted to property belonging to the State, and ecclesiastical institutions, as per the Local Authorities Act section 73(4). Income is recognised as the monthly levies are debited against the debtors' accounts.

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

ACCOUNTING POLICIES (Continued)

12.3 Other Services

Income from services, rental and accommodation recovered by way of debtors, is recognised when such levies are debited against the accounts. Subsidies are recognised at the end of the financial year. All other income is recognised as soon as it is received.

Established from contributions by developers for providing of sufficient parking areas in business areas.

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

2. PROPERTY, PLANT AND EQUIPMENT

	2017	2016
	N\$	N\$
Property, plant and equipment	932 274 714	832 437 182
Town development projects	389 300 629	346 737 142
Property development and equipment at book value	1 321 575 343	1 179 174 324

3. INVESTMENTS

Commercial banks	6 395 678	64 784 797
Nampost	-	17 800 000
Insurance companies	4 814 667	4 551 730
Shares in subsidiary company - EPZMC (Pty) Ltd	25 542 779	25 542 779
Shares in Erongo Regional Distributor Company (Pty) Ltd	76 615 891	76 615 891
	113 369 015	189 295 197

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

4. LOANS RECEIVABLE

	2017	2016
	N\$	N\$
Personnel loans	9 930	18 584
NBF loans	1 309	1 532
CDF loans	127 431	167 717
CLB loans	204 130	207 967
LCR Loans	969 156	996 821
Leasehold loans	60 328	71 003
Staff Economic Housing loans	943 671	1 175 746
	2 315 955	2 639 370

5. TRADE AND OTHER RECEIVABLES

Build Together loans	27 606 122	28 802 985
Interest accrued, not received	138 807	1 381 929
Services	276 207 444	185 459 858
Subsidies	4 006 204	12 062 172
Sundries	64 845 240	44 326 116
VAT	32 482 055	26 271 641
Provision for bad debts	(30 502 792)	(31 927 927)
	374 783 080	266 376 774

6. CAPITAL OUTLAY

Loans redeemed	115 131 205	107 057 929
General capital contributions	872 617 392	860 813 261
	987 748 597	967 871 190

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

7. FUNDS AND RESERVES

	2017	2016
	N\$	N\$
Capital Development Fund	1 036 661	1 036 661
Build Together Fund	54 585 391	50 298 476
Environmental Fund	757 673	757 673
Housing Fund	109 651 084	106 597 746
Insurance Fund	11 888 127	9 863 046
Parking Areas Fund	115 971	114 146
Revolving Fund	317 411 233	188 056 297
Fixed Assets Replacement Reserve	36 469 229	35 653 111
Future Repairs and Maintenance Reserve	4 509 800	3 556 664
Major Repair Reserve	2 683 832	2 341 832
Mayoral Relief Fund	74 754	262 985
Revenue account kept in compliance with Section 86(1) of the Local Authority Act, 1992.	201 748 515	193 051 999
	740 932 270	591 590 636

8. LONG-TERM LIABILITIES

From the Government of Namibia, Nedbank and NIB	24 142 359	37 218 673
Short-term portion	(11 057 441)	(14 085 593)
	13 084 918	23 133 080

9. TRADE AND OTHER PAYABLES

Trade payables	19 641 454	13 581 039
Provisions and accruals	17 507 799	14 213 538
Consumer deposits	10 817 360	10 195 282
Sundry payables	15 582 941	17 550 948
Unallocated bank transactions	13 739 518	12 463 265
Short-term portion of long-term borrowings	11 057 441	14 085 593
	88 346 513	82 089 665

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

10. ADJUSTMENTS TO APPROPRIATION ACCOUNT

	<u>2017</u>	<u>2016</u>
	N\$	N\$
ERED assets to be transferred	-	70 382 141
Prior year expenditure	(46 176)	159 614
Prior year income	96 181	5 216
Revaluation of shares in insurance company	262 936	(421 512)
VAT adjustments	277 391	1 283 848
	<u>590 332</u>	<u>71 409 307</u>

11. TRANSFERS TO INTERNAL FUNDS

Revolving Fund	7 430 361	6 894 742
	<u>7 430 361</u>	<u>6 894 742</u>

12. CASH GENERATED/(UTILISED) BY OPERATIONS

Net operating surplus/(deficit) before transfers	675 823	1 602 660
Adjustments for :		
- Adjustments to appropriation account	590 332	71 409 307
- Investment income	-	(537)
- Transfers to Funds	7 430 361	6 894 742
OPERATING INCOME BEFORE CHANGES IN WORKING CAPITAL	<u>8 696 516</u>	<u>79 906 172</u>
CHANGES IN WORKING CAPITAL		
Inventory	120 783	857 628
Trade and other receivables	(108 406 306)	(53 511 336)
Trade and other payables	6 256 848	17 630 614
	<u>(102 028 675)</u>	<u>(35 023 094)</u>
CASH GENERATED/(UTILISED) BY OPERATIONS	<u>(93 332 159)</u>	<u>44 883 078</u>

