



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF ONGWEDIVA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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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 Ongwediva 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, April 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
TOWN COUNCIL OF ONGWEDIVA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

1. REPORT ON THE FINANCIAL STATEMENTS

1.1 INTRODUCTION

The accounts of the Town Council of Ongwediva for the year ended 30 June 2017 are being reported on in accordance with the provisions set out in the Local Authorities Act, 1992 (Act 23 of 1992).

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

I certify that I have audited the accompanying financial statements of the Town Council of Ongwediva for the year ended 30 June 2017. These financial statements comprise the following:

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

The financial statements were submitted on time by the Accounting Officer to the Auditor-General on 25 September 2017, in compliance with Section 27 (1) of the Local Authorities Act, 1992 (Act 23 of 1992).

2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 86 of the Local Authorities Act, 1992 (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, (Act 31 of 1991) provides that the Auditor-General should satisfy himself that:

- (a) All reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;
- (b) All reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and
- (c) The expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, Section 26(1) (b)(iv) of the State Finance Act, 1991, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinion.

4. ACKNOWLEDGEMENT

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

5. KEY AUDIT FINDINGS

5.1 GOOD CORPORATE GOVERNANCE

The audit revealed that there is no internal audit function and no audit committee established within the Council.

Recommendation

It is recommended that the Council make use of an internal audit function, in order for an effective evaluation of the internal controls of the Council.

5.2 INTERNAL CONTROL

The audit revealed that the Council does not have a documented and approved risk management framework and that no risk assessment procedures are performed.

Recommendation

It is recommended that the Council develop a risk management framework which will guide the Council on how to identify and respond to risks. It is further recommended that the Council perform risk assessment procedures in order to avoid the risk of fraud and error.

6. UNQUALIFIED AUDIT OPINION

The accounts of the Town Council of Ongwediva for the year ended 30 June 2017, summarised in Annexure A-D, were audited by me in terms of section 85 of the Local Authorities Act, 1992 (Act 23 of 1992).

In my opinion, the financial statements presents fairly, in all material respects, the financial position of the Town Council of Ongwediva as at 30 June 2017, and their financial performance and cash flows for the year then ended.

WINDHOEK, April 2018



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

6 FINANCIAL RESULTS

The results of the various operations and transactions on the Revenue Account for the financial year under review are as follows:

	Revenue	Expenditure	Surplus/ (deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus 01/07/2016 as from General Services				7 759 987
Rates and general	3 497 074	18 445 035	(14 947 961)	
Non-profitable	29 810 185	22 288 586	7 521 599	
Self-supporting	16 729 530	13 658 564	3 070 966	
Trade Services				
Electricity supply	4 169 964	1 172 997	2 996 967	
Water supply	34 444 972	25 470 935	8 974 037	
Total	88 651 725	81 036 117	7 615 608	
Surplus for the year				7 615 608
Adjustments and appropriations (Note 11, Annexure D)				(3 152 443)
Accumulated surplus as at 30/06/2017				12 223 152

7 CURRENT BANK ACCOUNT

	2017	2016
	N\$	N\$
Cash book balance at 30 June	2 381 258	3 651 347
Outstanding cheques	1 097 678	794 660
Outstanding deposits	(145 094)	(209 550)
Balance as per bank statement	3 333 842	4 236 457

8 INVESTMENTS

The investments as at 30 June were as follows:

	2017		2016	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Commercial banks	45 986 986	1 424 812	42 674 874	1 449 633
Investments in equities	4 665 035	-	4 665 035	-
Total	50 652 021	1 424 812	47 339 909	1 449 633

Investments held at year-end were allocated as follows:

Distribution	2017	2016
	N\$	N\$
Capital Development Fund	39 276 177	36 784 139
Social Housing Fund	1 842 724	1 382 932
Build Together Fund	4 868 085	4 507 803
Investments in equities	4 665 035	4 665 035
Total	50 652 021	47 339 909

As recommended by the Auditors, monetary investments by Council in Namfair (Pty) Limited, Local Authorities Electricity Company (Pty) Limited and Ongwediva Medipark Investments (Pty) Limited, respectively, were reflected in the financial statements.

9 FUNDS AND ACCOUNTS

The position of the funds and accounts at year end is shown in note 9 in Annexure D.

10 TRADE ACCOUNTS

10.1 The results of water operations were as follows:

	Water	
	2017	2016
	N\$	N\$
Sales	32 169 003	29 216 871
Cost of bulk purchases	(20 235 366)	(20 719 415)
Gross surplus	11 933 637	8 497 456
Other net income / (expenses)	(3 822 639)	(3 046 504)
Net surplus	8 110 998	5 450 952
Gross surplus percentage on bulk purchases	58.97%	41.01%
Net surplus percentage on bulk purchases	40.08%	26.31%
Gross surplus percentage on sales	37.10%	29.08%
Net surplus percentage on sales	25.21%	18.57%

10.2 Water Distribution Losses

	Water	
	2017	2016
	N\$	N\$
Sales	1 448 968	1 444 519
Purchases	(1 326 595)	(1 513 065)
Excess/(loss)	122 373	(68 546)
Percentage excess/(loss) in units	9.22%	(4.53%)

As commended in the previous year, Council managed to eliminate water distribution losses from 4.53% in 2016 (2015: 3.76% to 0.8% in 2014).

11 SELF-SUPPORTING EXTERNAL SERVICES

11.1 The results for the year under review were as follows:

Service	Income 2017	Expenses 2017	Surplus/(deficit) 2017	Surplus/(deficit) 2016
	N\$	N\$	N\$	N\$
Civic buildings	256 634	2 969 720	(2 713 086)	(2 835 511)
Cleaning services	5 298 044	2 427 185	2 870 859	2 624 715
Sewerage	11 174 853	8 261 659	2 913 194	3 062 427
Total	16 729 531	13 658 564	3 070 967	2 851 631

Note: Council should put measures in place to ensure all services are self-supporting.

12 FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No fruitless, unauthorized or avoidable expenditure was incurred during the year under review.

13 SUSPENSE ACCOUNT

These accounts are properly maintained, controlled and reconciled on a regular basis.

14 IRREGULARITIES AND LOSSES

There were no irregularities or losses during the period under review.

15 CAPITAL PROJECTS

Capital expenditure for the year was as follows:

	Financed by	
	Revenue account 2017	Revenue account 2016
	N\$	N\$
Rescue equipment	-	62 807
Vehicle	-	512 028
Road construction	644 923	347 826
Township establishment	694 978	408 860
Construction of Ongwediva Fire Station	2 144 429	3 471 057
Furniture and equipment	741 268	348 408
Service construction at Extension 12	-	1 028 759
Provision of electricity at Reception Area	242 100	-
Construction on New Mini Open Market at Oshiko	158 612	477 636
Sewerage and water pumps	100 000	105 815
Service provision at Efdi	3 908 120	4 560 666
Electricity provision at Efdi	930 898	-
Service provision at Extension 15	95 360	2 053 193
Replacement of pump line	1 711 278	135 909
Development of Recreational Park	39 326	-
Service construction at Benjamin Shiteni	1 609 049	-
Rehabilitation and expansion of oxidation ponds	2 217 048	9 124 011
Total	15 237 389	22 636 975

The Council implemented 58% (2016: 85%) of its planned capital projects in the financial year under review.

16 BURSARIES

No bursaries were granted during the year.

17 CONTRIBUTIONS/GRANTS AND FINANCIAL AID

No contributions grants or financial aid were granted during the financial year under review.

18 COMPENSATION PAYMENTS

An amount of N\$ 1 643 492 (2016: N\$ 6 003 671) was spent as crop fields compensation payments during the financial year under review.

19 VISITS TO FOREIGN COUNTRIES

The foreign trip at a total cost of N\$ 26 309 undertaken by the Mayor to Nanchang City, Jiangxi Province, China, from 25-28 November 2016 was duly approved by the Minister in accordance with the Council resolution.

20 GIFTS/DONATIONS BY THE LOCAL AUTHORITY

A donation of building materials worth N\$ 5,000 made to Omusheshe Combined School and Ongwediva Control Primary School whereas a donation of gardening tools worth N\$ 5,000 made to Ongwediva Youth Active Group by Council were duly approved by the Minister in accordance with the Council resolution.

21 CLAIMS AGAINST THE LOCAL AUTHORITIES

No claims against the Council took place during the financial year under review.

22 TRANSFER OF PROPERTY TO/FROM THE GOVERNMENT

No property was transferred to/from others during the year under review.

23 TRADE AND OTHER RECEIVABLES/TRADE AND OTHER PAYABLES

23.1 Trade and other receivables as at 30 June comprised the following:

	2017	2016
	N\$	N\$
Consumers	19 572 209	15 060 591
VAT receivable	3 890 191	2 846 660
NORED Surcharges	262 601	280 955
Roads Fund Administration (RFA)	753 238	393 157
Staff corporate wear	-	69 902
	24 478 239	18 651 265
Less: Provision for doubtful debts	(13 054 577)	(10 033 553)
Total	11 423 662	8 617 712

Consumer amounts outstanding consisted of all services rendered by Council.

23.2 Trade and other payables as at 30 June comprised the following:

	2017	2016
	N\$	N\$
Trade payables	6 570 791	8 361 846
Government grant	3 695 539	631 668
Government grant – LEDA	336 388	500 000
TIPEEG funds	-	981 778
Provision for leave pay	3 495 514	3 066 424
Consumer deposits	1 771 933	1 742 453
Amounts not fully paid – Sale of erven	339 368	850 418
Total	16 209 533	16 134 587

24 ASSESSMENT RATES

	2017	2016
	N\$	N\$
The proceeds from assessment rates were	23 192 676	21 311 955
Tariffs per N\$ 1 valuation per annum – Site valuation	0.0287	0.0273
Tariffs per N\$ 1 valuation per annum – Improvements	0.0074	0.0070

25 LOANS

25.1 External loans:

There were no external loans.

25.2 Internal loans

There are no internal loans.

25.3 Due to the Town Council

	2017	2016
	N\$	N\$
Build Together advances	3 284 398	3 466 896

26 SALE OF ERVEN

During the financial year under review, cash proceeds to the value of N\$ 2 168 776 (2016: N\$ 1 327 869) were recognized as erven sold and were fully allocated to sale of erven account. A total amount of N\$ 339 368 (2016: N\$ 692 037) is excluded from the sale of erven and is shown as amounts not fully paid - sale of erven as recommended by the auditors in 2013. Moreover, amounts of N\$ 623 813 (2016: N\$ 506 873) not fully paid in previous years were fully paid during the year under review and were included in the cash proceeds of N\$ 2 168 776 (2016: N\$ 1 327 869).

27 LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

Erven were sold on both cash and instalment basis during the financial year under review. The latter amounted to N\$ 339 368 (2016: N\$ 692 037) as reflected in item 26 above herein.

28 TARIFF ADJUSTMENTS

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

29 APPROVALS

All budget excesses were approved.

30 STOCK AND EQUIPMENT

30.1 Motor vehicles

	Sedan vehicles		4 x 4 passenger Vehicles		LDV and combi's		Other	
	No	Value	No	Value	No	Value	No	Value
		N\$		N\$		N\$		N\$
On hand 01/07/2016	2	248 919	7	1 593 099	6	462 225	12	1 095 406
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Less: Depreciation		(53 365)		(506 883)		(109 722)		(242 313)
On hand 30/06/2017	2	195 554	7	1 086 216	6	352 503	12	853 093

For all Council vehicles, log books are kept and maintained on regular basis so as to determine kilometres travelled and fuel consumption that would ensure effective and accurate records keeping and a coordinated vehicle usage thereof.

30.2 Inventory

Stock comprising of stationery and consumables amounted to N\$ 717 900 (2016: N\$ 1 139 259). Stock taking was conducted and physical stock on hand was balanced to the records at the end of the financial year under review.

31 SPECIAL INVESTIGATIONS

There were no special investigations conducted during the year.

32 SUBSIDIES FROM GOVERNMENT (TRANSFERRED FROM MINISTRY OF URBAN AND RURAL DEVELOPMENT PROJECTS)

Purpose of the subsidy	Balance at 01/07/2016	Received during the year	Spent during the year	Balance at 30/06/2017
	N\$	N\$	N\$	N\$
Construction of Mini Open Market at Oshiko Area	500 000	-	(163 611)	336 389
Provision of water, sewer and electricity at Industrial Area, Extension 12	981 778	-	(981 778)	-
Construction of services at Extension Efidí	492 840	-	(492 840)	-
Construction of services at Extension 15	138 828	-	(138 828)	-
Construction of services	-	10 000 000	(8 397 044)	1 602 956
Excess funds transferred	-	2 092 584	-	2 092 584
Total	2 113 446	12 092 584	(10 174 101)	4 031 929

**TOWN COUNCIL OF ONGWEDIVA
BALANCE SHEET AT 30 JUNE**

	Note	2017 N\$	2016 N\$
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2	226 487 288	219 426 985
Investments	3	172 550 869	168 620 180
Loans Receivable	4	50 652 021	47 339 909
		3 284 398	3 466 896
CURRENT ASSETS			
Debtors and other receivables	5	14 522 820	13 408 318
Inventories	6	11 423 662	8 617 712
Bank and cash	7	717 900	1 139 259
		2 381 258	3 651 347
TOTAL ASSETS		241 010 108	232 835 303
FUNDS AND LIABILITIES			
FUND AND RESERVES			
Capital outlay	8	224 800 575	216 700 716
Funds and accounts	9	172 550 869	168 620 180
		52 249 705	48 080 536
CURRENT LIABILITIES			
Trade and other payables	10	16 209 533	16 134 587
		16 209 533	16 134 587
TOTAL FUNDS AND LIABILITIES		241 010 108	232 835 303

**TOWN COUNCIL OF ONGWEDIVA
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE**

	Note	2017 N\$	2016 N\$
INCOME		87 371 920	92 933 133
EXPENDITURE		<u>(81 036 117)</u>	<u>(88 235 305)</u>
NET OPERATING SURPLUS		6 335 803	4 697 828
INVESTMENT INTEREST EARNED		<u>1 279 805</u>	<u>1 290 093</u>
NET PROFIT		7 615 608	5 987 921
ADJUSTMENTS	11	<u>(3 152 442)</u>	<u>2 612 157</u>
NET SURPLUS/(DEFICIT) after appropriations		4 463 166	8 600 078
APPROPRIATION ACCOUNT AT THE BEGINNING OF THE YEAR		7 759 987	(840 092)
APPROPRIATION ACCOUNT AT END OF THE YEAR		<u>12 223 153</u>	<u>7 759 986</u>

TOWN COUNCIL OF ONGWEDIVA
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2017 N\$	2016 N\$
CASH FLOW FROM OPERATIONS ACTIVITIES			
Cash receipts by customers		87 371 920	92 933 133
Cash paid to suppliers		(75 191 503)	(80 493 299)
Cash (utilised)/ generated by operations	12	12 180 415	12 439 834
Interest received		1 279 805	1 290 093
Increase in Capital outlay		(293 998)	12 216 572
Increase in Fund account		3 930 689	743 525
Net cash flow from operating activities		17 096 912	26 690 024
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(15 237 389)	(22 636 975)
Increase in investments		(3 312 112)	(4 898 955)
Increase in loan receivables		182 498	181 399
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1 270 091)	(664 507)
CASH AND CASH EQUIVALENTS			
-BEGINNING OF YEAR		3 651 348	4 315 854
CASH AND CASH EQUIVALENTS - END OF YEAR		2 381 257	3 651 347

TOWN COUNCIL OF ONGWEDIVA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. ACCOUNTING POLICIES

1.1 Introduction

The annual financial statements are compiled in accordance with the historical convention modified by the restatement of the financial statements to fair value, except where otherwise stated.

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 by 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 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 the depreciation is calculated on the shortfall.

1.3 Inventory

Inventories are measured at lower cost and net realizable value. The cost of inventories should comprise all costs of purchases, cost on conversions and other cost incurred in bringing the inventories to their present location and condition.

1.4 Capital Development Fund

Revenue generated from the sale of erven was originally deposited into this fund. The purpose of this fund is to finance capital projects by means of internal loans or appropriation.

ANNEXURE D

TOWN COUNCIL OF ONGWEDIVA

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

	2017	2016
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT	172 550 869	168 620 180
Income assets	169 471 580	164 001 254
General capital assets	3 079 289	4 618 926
3. INVESTMENTS	50 652 021	47 339 909
Commercial Banks	45 986 986	42 674 874
Equity Investments	4 665 035	4 665 035
Comprising of:	50 652 021	47 339 909
Capital Development fund	39 276 177	36 784 139
Social Housing Fund	1 842 724	1 382 932
Build Together fund	4 868 085	4 507 803
Equity investments	4 665 035	4 665 035
4. LOANS RECEIVABLES		
These loans were granted from the Build Together Fund to residents of Ongwediva	3 284 398	3 466 896
5. TRADE AND OTHER RECEIVABLES	11 423 662	8 617 712
Services rendered and assessment rates	19 572 209	15 060 591
VAT Receivables	3 890 191	2 846 660
NORED surcharges	262 601	280 955
RFA	753 238	393 157
Sundry suspense account	-	69 902
Sub total	24 478 239	18 651 265
Less: Provision for doubtful debts	(13 054 577)	(10 033 553)
6. INVENTORIES	717 900	1 139 259
Stores	717 900	1 139 259
7. BANK AND CASH	2 381 258	3 651 347
Current account	2 381 258	3 651 347
8. CAPITAL OUTLAY	172 550 869	168 620 180
Revenue contribution	3 079 289	4 618 926
General capital contributions	169 471 580	164 001 254

TOWN COUNCIL OF ONGWEDIVA

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

	2017	2016
	N\$	N\$
9. FUND ACCOUNTS AND RESERVES	52 249 705	48 080 536
Capital Development Fund	28 912 751	29 983 283
Social Housing Fund	1 751 899	1 357 516
Build Together Fund	9 361 903	8 979 751
	40 026 553	40 320 550
Revenue account	12 223 152	7 759 986
10. TRADE AND OTHER PAYABLES	16 209 533	16 134 587
Trade payables	6 570 791	8 361 846
Leave pay	3 495 514	3 066 424
Deposits – sale of ervens	339 368	850 418
Consumer deposits	1 771 933	1 742 453
Government grant	3 695 539	631 668
Government grant – LEDA	336 388	500 000
TIPEEG Funds	-	981 778
11. ADJUSTMENTS TO APPROPRIATION	(3 152 442)	2 612 1574
Decrease/ Increase in provision for bad debts	(3 021 024)	(1 915 579)
Correction – net expenditure	(27 294)	(31 602)
Correction - net revenue	31 134	-
Auction proceeds	483 342	-
Correction of previous year debtors	(65 183)	(65 625)
Correction – stores	(553 417)	(40 072)
Investments in equities	-	4 665 035
12. CASH GENERATED BY OPERATIONS		
Net operating deficit before interest and transfers	6 335 802	4 697 828
Adjusted for:		
- Adjustment to appropriation account.	(3 152 442)	2 612 157
- Depreciation	11 306 700	10 420 403
OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL	14 490 060	17 730 388
CHANGES IN WORKING CAPITAL	(2 309 645)	(5 290 554)
Change in trade and other receivables	421 359	(5 620)
Change in inventories	(2 805 950)	(2 093 874)
Change in trade and other payables	74 946	(3 191 060)
CASH UTILISED BY OPERATIONS	12 180 415	(12 439 834)