



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF ONDANGWA
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 Ondangwa 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, June 2015

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. INTRODUCTION

The accounts of the Town Council of Ondangwa for the year ended 30 June 2014 are being reported on in accordance with the provisions set out in the State Finance Act, 1991 (Act 31 of 1991) and the Local Authorities Act, 1992 (Act 23 of 1992).

The firm Mostert Landgrebe of Windhoek has been appointed in terms of Section 26(2) of the State Finance Act, 1991, to audit the accounts of the 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. The audited financial statements are in agreement with the general ledger and are filed in the office of the Auditor-General. The abridged balance sheet at Annexure A is a true reflection of the original signed by the Accounting Officer.

The financial statements also include:

Annexure B: Abridged income statement

Annexure C: Cash flow statement

Annexure D: Notes to the financial statements

3. SCOPE OF THE AUDIT

Management's Responsibility for the Financial Statements

The Accounting Officer of the 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 and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly. The said firm conducted the audit in accordance with International Standards on Auditing. Those standards require that the firm comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

4. AUDIT OBSERVATIONS AND COMMENTS

4.1 Recoverability of debtors – Bad and doubtful debts

The average collection period of trade receivables, before taking the provision for bad debts into account, is 132 days (2013: 138 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 36 days (2013: 50 days). The Council should attend to the arrears as a matter of urgency.

4.2 Inventories

The auditors did not observe the counting of the inventories on 30 June 2014. There were no alternative practical audit procedures that they could perform to confirm the existence of the inventories on hand at year-end.

4.3 Property, plant and equipment

Prior years fixed assets were included as additions on the fixed asset register due to the fact that the auditors could not do a satisfaction test.

4.4 Capital statements

The income statements reflect an amount of N\$ 28 933 186 for capital projects. The purchases according to the capital statements is N\$ 40 163 328. The difference of N\$ 11 230 142 could not be explained by the Town Council.

4.5 Consumer deposits

The consumer deposits is not sufficient to cover one month's service charges.

4.6 Value Added Tax returns

The auditors could not find significant proof that all returns have timeously been submitted.

4.7 Trade and other receivables - Trade debtors

The auditors could not verify the Trade Debtors of N\$ 15 509 671 to their satisfaction as no proper age analysis could be provided, therefore not all tests could be performed.

5. ACKNOWLEDGEMENT

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

6. FINANCIAL RESULTS

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

	Revenue	Expenditure	Deficit	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit on 01/07/2013				(3 821 217)
General accounts				
- Rates and general	30 399 383	45 029 005	(14 629 622)	
- Self supporting	7 811 572	7 550 819	260 753	
Trade accounts				
- Electricity	2 334 514	4 852 212	(2 517 698)	
- Water	21 348 178	15 515 921	5 832 257	
Deficit for the year	61 893 647	72 947 957	(11 054 310)	(11 054 310)
Adjustments and utilisations				843 304
Accumulated deficit on 30/06/2014				(14 032 223)

7. CURRENT BANK ACCOUNT

	2014	2013
	N\$	N\$
Cash-book balance at 30 June	(2 857 676)	8 407 832
Outstanding cheques	3 938 725	1 710 974
Outstanding deposits	(109 360)	2 209 257
Difference	-	(1 443)
Balance as per bank statement	971 689	12 326 620

8. INVESTMENTS

The investments as at 30 June were as follows:

Institution	2014		2013	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Commercial banks	33 423 021	1 338 178	28 462 022	1 001 110
	33 423 021	1 338 178	28 462 022	1 001 110

The investments were allocated as follows:

Allocation	2014	2013
	N\$	N\$
Capital Development Fund	28 095 554	22 950 136
Build Together Fund	5 327 467	5 511 886
	33 423 021	28 462 022

9. FUND ACCOUNTS

The position of the Funds and accounts at year-end was as shown in Note 9 in Annexure D.

10. TRADE ACCOUNT

10.1 The results of water operations were as follows:

	Water	
	2014	2013
	N\$	N\$
Sales	21 141 748	21 512 937
Cost of sales	(12 194 918)	(10 066 068)
Gross surplus	8 946 830	11 446 869
Other income/(expenses)	(3 114 573)	(3 958 908)
Net (deficit)/surplus	5 832 257	7 487 961
Gross surplus percentages on purchases	73.4%	113.7%
Net surplus percentage on purchases	47.8%	74.4%
Gross surplus percentages on sales	42.3%	53.2%
Net surplus percentage on sales	27.6%	34.8%

10.2 Water distribution results, in cubic meters

Distribution results was not available at the Council.

11. SELF SUPPORTING SERVICES

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

Service	Income 2014	Expenses 2014	Surplus/ (deficit) 2014	Surplus/ (deficit) 2013
	N\$	N\$	N\$	N\$
Civic buildings	1 418 458	750 081	668 377	(1 200 598)
Cleansing services	3 872 515	2 788 137	1 084 378	1 165 657
Sewerage	2 520 599	4 012 601	(1 492 002)	1 091 215
	7 811 572	7 550 819	260 753	1 056 274

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

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

13. SUSPENSE ACCOUNTS

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

14. IRREGULARITIES AND LOSSES

No irregularities and losses were detected during the year under review.

15. CAPITAL PROJECTS

The following were spent on capital projects:

Nature of projects/acquisitions	Financed by		Total expenditure 2014	Total expenditure 2013
	Revenue account	External loans		
	N\$	N\$	N\$	N\$
Town administration	9 560	-	9 560	17 590
Town treasurer	53 282	-	53 282	7 939
Town clerk	29 499	-	29 499	13 515
Streets	11 738 159	-	11 738 159	8 498 966
Electricity	1 934 935	-	1 934 935	-
Council general expenses	55 996	-	55 996	599 072
Town engineer	-	-	-	11 727
Town planning	15 618 376	-	15 618 376	15 713 065
Health services	-	-	-	18 217
Cleansing services	154 611	-	154 611	866 086
Corporate services	1 307 536	-	1 307 536	1 153 717
Civic buildings	1 633 443	-	1 633 443	46 012
Water	997 405	-	997 405	54 000
Loan assets	-	-	-	395 137
Vehicles	3 440 335	3 566 425	7 006 760	-
Sewerage	3 190 191	-	3 190 191	-
	40 163 328	3 566 425	43 729 753	27 395 043

The income statements reflect an amount of N\$ 11 230 142 less on the capital projects than the additions on the capital statements.

16. BURSARIES

No bursaries were granted during the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID

	2014	2013
	N\$	N\$
Contribution from Government	11 000 000	-

18. COMPENSATION PAYMENTS

No compensation payments were made during the year under review.

19. VISITS TO FOREIGN COUNTRIES

No visits to foreign countries were undertaken during the year under review.

20. CLAIMS AGAINST THE LOCAL AUTHORITY

There were no claims against the local authority during the year under review.

21. GIFTS/DONATIONS BY THE LOCAL AUTHORITY

There were no donations made by die Council 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/TRADE AND OTHER PAYABLES

23.1 Trade and other receivables at 30 June were:

	2014	2013
	N\$	N\$
Trade receivables	15 509 671	15 742 811
NATIS	261 978	-
VAT Provision	4 599 241	-
Sundry debtors	339 051	712 544
Provision for bad debts	20 709 941 (11 258 208)	16 455 355 (9 997 684)
Total	9 451 733	6 457 671
Analysis of services and general debtors:		
Average monthly levy	3 571 901	3 471 530
Debtors	15 509 671	15 742 811
Average credit terms in days	132	138
Consumer deposits	1 683 799	1 470 963
Percentage of deposits in relation to debtors	10.9%	9.3%

23.2 Trade and other payables at 30 June were:

	2014	2013
	N\$	N\$
Trade payables	1 532 264	1 315 194
Provision for leave pay	3 304 813	1 803 322
Consumer deposits	1 683 799	1 470 963
Government grant	69 852	2 975
Totals	6 590 728	4 592 454

24. ASSESSMENT RATES

	2014	2013
	N\$	N\$
The proceeds from assessment rates were	10 651 800	9 507 822
Tariffs per N\$1 valuation per annum - Site valuation (Residential)	0.04087000	0.04087000
Tariffs per N\$1 valuation per annum - Improvements (Residential)	0.00915095	0.00915095
Tariffs per N\$1 valuation per annum - Site valuation (Business)	0.09742510	0.09742510
Tariffs per N\$1 valuation per annum - Improvements (Business)	0.01017000	0.01017000

25. LOANS

25.1 External loans

The balances due to the Government of Namibia were as follows:

	2014	2013
	N\$	N\$
External loans	4 440 373	2 679 275

25.2 Internal loans

There are no internal loans.

25.3 Due to the Town Council

	2014	2013
	N\$	N\$
Build Together advances	2 949 575	2 848 382

26. SALE OF ERVEN

No statistics were available.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

No erven were sold on an instalment basis for the year under review. The Council's policy is to sell all erven on a cash basis.

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 and values thereof:

	Sedan		LDV's, 4x4's and Combi's		Other	
	Number	Value	Number	Value	Number	Value
Balance - 01/07/2012	2	N\$ 395 139	7	1 443 830	10	4 360 275
Correction	-	-	(1)	(415 452)	(3)	(214 320)
Additions	-	-	4	1 306 508	5	4 655 759
Sub-total	2	395 139	10	2 334 886	12	8 801 714
Depreciation	-	-	-	(199 526)	-	(629 634)
Balance - 30/06/2013	2	395 139	10	2 135 360	12	8 172 080

30.2 Inventory

Stock comprising of stationery and consumables amounted to N\$ 675 326 (2013: N\$ 675 326).

31. SPECIAL INVESTIGATIONS

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

32. GENERAL

The accounting and internal controls applied by the Council are satisfactory.

33. FORMAL AND INFORMAL QUERIES

33.1 Formal queries are embodied in this report.

33.2 Informal queries were addressed to Chief Executive Officer

34. QUALIFIED AUDIT OPINION

The accounts of the Town Council of Ondangwa 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.

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

- The provision for bad debts are overstated by N\$ 2 794 479.
- A difference of N\$ 11 230 142 could not be explained by the Town on capital projects.
- Trade Debtors of N\$ 15 509 671 could not be verified by the auditors.

Except for the effects of any adjustments which might have been necessary as referred to in the preceding paragraphs, in my opinion these financial statements fairly present the financial position of the Town Council at 30 June 2014 and the result of its operations and cash flows for the year then ended.

WINDHOEK, June 2015

JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

TOWN COUNCIL OF ONDANGWA

BALANCE SHEET AS AT 30 JUNE

	Notes	2014	2013
		N\$	N\$
ASSETS			
NON CURRENT ASSETS			
		163 206 425	126 596 653
Property, plant and equipment	2	126 833 829	95 286 249
Loans receivable	3	2 949 575	2 848 382
Investments	4	33 423 021	28 462 022
CURRENT ASSETS			
		10 127 519	15 541 290
Trade and other receivables	5	9 451 733	6 457 671
Inventories	6	675 326	675 326
Bank and cash	7	460	8 408 293
TOTAL ASSETS		173 333 944	142 137 943
FUNDS AND LIABILITIES			
FUNDS AND RESERVES			
		159 445 167	134 734 883
Capital outlay	8	122 393 456	92 732 478
Funds and accounts	9	37 051 711	42 002 405
NON-CURRENT LIABILITIES			
Long-term liabilities	10	4 440 373	2 553 771
CURRENT LIABILITIES			
		9 448 404	4 849 289
Trade and other payables	11	6 590 728	4 849 289
Bank overdraft	7	2 857 676	-
TOTAL FUNDS AND LIABILITIES		173 333 944	142 137 943

TOWN COUNCIL OF ONDANGWA

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2014</u>	<u>2013</u>
		N\$	N\$
INCOME		60 656 243	85 485 460
EXPENDITURE		<u>72 947 957</u>	<u>88 041 343</u>
NET OPERATING DEFICIT		(12 291 714)	(2 555 883)
INTEREST RECEIVED		<u>1 237 404</u>	<u>3 147 140</u>
NET (DEFICIT)/SURPLUS AFTER INTEREST		(11 054 310)	591 257
APPROPRIATION ACCOUNT	12	<u>843 304</u>	<u>(560 086)</u>
NET (DEFICIT)/SURPLUS AFTER APPROPRIATIONS		(10 211 006)	31 171
REVENUE ACCOUNT - Beginning of year		<u>(3 821 217)</u>	<u>(3 852 388)</u>
REVENUE ACCOUNT - End of year		<u>(14 032 223)</u>	<u>(3 821 217)</u>

TOWN COUNCIL OF ONDANGWA

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2014</u>	<u>2013</u>
		N\$	N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		60 656 243	85 485 460
Cash paid to suppliers		<u>(73 357 276)</u>	<u>(80 563 641)</u>
Cash (utilised)/generated by operations	13	(12 701 033)	4 921 819
Interest received		1 237 404	3 147 140
Increase in Fund accounts		5 260 312	4 214 063
Increase in Capital outlay		<u>29 660 978</u>	<u>17 624 520</u>
Net cash flow from operating activities		<u>23 457 661</u>	<u>29 907 542</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(31 547 580)	(26 635 828)
Increase in loans receivable		(101 193)	(518 860)
(Increase)/decrease in investments		<u>(4 960 999)</u>	<u>4 293 415</u>
		<u>(36 609 772)</u>	<u>(22 861 273)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(decrease) in long-term liabilities		<u>1 886 602</u>	<u>(125 504)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(11 265 509)	6 920 765
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		<u>8 408 293</u>	<u>1 487 528</u>
CASH AND CASH EQUIVALENTS - END OF YEAR		<u>(2 857 216)</u>	<u>8 408 293</u>

TOWN COUNCIL OF ONDANGWA

NOTES TO THE ANNUAL 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 convention modified by the restatement of the financial statements to fair value, except where otherwise stated.

The principal accounting policies of the Town Council, which are set out below, had 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, 1992 (Act 23 of 1992), as amended.

1.2 Property, plant and equipment

Property, plant and equipment are stated at cost or valuation where assets have been acquired by grant or by donation. Assets are depreciated over their estimated useful life's.

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 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 cost 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.

	<u>2014</u>	<u>2013</u>
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Income assets	118 431 495	88 113 922
General capital assets	1 085 169	2 559 808
Loan assets	7 317 165	4 612 519
	<u>126 833 829</u>	<u>95 286 249</u>

3. LOANS RECEIVABLE

These loans were granted from the Build Together Fund to residents of Ondangwa

	<u>2 949 575</u>	<u>2 848 382</u>
	<u>2 949 575</u>	<u>2 848 382</u>

TOWN COUNCIL OF ONDANGWA

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

	<u>2014</u>	<u>2013</u>
	N\$	N\$
4. INVESTMENTS		
INVESTMENTS		
Commercial banks	33 423 021	28 462 022
	33 423 021	28 462 022
ALLOCATED AS FOLLOWS		
Capital Development Fund	28 095 554	22 950 136
Build Together Fund	5 327 467	5 511 886
	33 423 021	28 462 022
5. TRADE AND OTHER RECEIVABLES		
Trade receivables	15 509 671	15 742 811
NATIS	261 978	-
VAT Provision	4 599 241	-
Sundry debtors	339 051	712 544
	20 709 941	16 455 355
Provision for bad debts	(11 258 208)	(9 997 684)
	9 451 733	6 457 671
6. INVENTORIES		
Stores	675 326	675 326
	675 326	675 326
7. BANK AND CASH		
Current account	(2 857 676)	8 407 833
Petty Cash	460	460
	(2 857 216)	8 408 293
8. CAPITAL OUTLAY		
Revenue contributions	118 431 494	88 113 818
General Capital contributions	1 085 070	2 559 813
Loans redeemed	2 876 892	2 058 847
	122 393 456	92 732 478

TOWN COUNCIL OF ONDANGWA

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

	2014	2013
	N\$	N\$
9. FUNDS, ACCOUNTS AND RESERVES		
Capital Development Fund	38 692 965	33 886 944
Build Together Fund	12 390 969	11 936 678
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(14 032 223)	(3 821 217)
	37 051 711	42 002 405
10. LONG-TERM LIABILITIES		
External loans	4 440 373	2 553 771
	4 440 373	2 553 771
11. TRADE AND OTHER PAYABLES		
Trade payables	1 532 264	1 315 194
VAT control	-	256 835
Provisions	3 304 813	1 803 322
Consumer deposits	1 683 799	1 470 963
Sundry creditors	69 852	2 975
	6 590 728	4 849 289
12. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Provision for bad debts	(1 260 524)	(2 008 227)
VAT control	6 070 702	-
Stale cheques	(3 747 976)	-
Creditors written back	12 852 592	1 613 572
Provision for personal benefits	(1 501 491)	(16 115)
Unexplained difference	(11 569 999)	(149 316)
	843 304	(560 086)

TOWN COUNCIL OF ONDANGWA

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

	<u>2014</u>	<u>2013</u>
	N\$	N\$
13. CASH (UTILISED)/GENERATED BY OPERATIONS		
Net deficit before interest and transfers	(12 291 714)	(2 555 883)
Adjustments for:		
- Adjustments to appropriation account	843 304	(560 086)
- Depreciation	-	9 136 812
OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL	<u>(11 448 410)</u>	<u>6 020 843</u>
CHANGES IN WORKING CAPITAL		
(Increase)/decrease in trade and other receivables	(2 994 062)	3 052 819
Change in inventories	-	3 507
Increase/(decrease) in trade and other payables	1 741 439	(4 155 350)
	<u>(1 252 623)</u>	<u>(1 099 024)</u>
CASH (UTILISED)/GENERATED BY OPERATIONS	<u>(12 701 033)</u>	<u>4 921 819</u>