



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
TOWN COUNCIL OF ONDANGWA  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

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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 2016, 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, August 2017**

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 ONDANGWA  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

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**1. INTRODUCTION**

This report on the accounts of the Town Council of Ondangwa for the year ended 30 June 2016 is presented to the National Assembly in accordance with the Section 85 set out in the Local Authorities Act, 1992. (Act No. 23 of 1992).

The firm, MAC & 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.

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 Town Council of Ondangwa for the year ended 30 June 2016. These financial statements comprise the following:

Annexure A: Statement of financial position;  
Annexure B: Statement of comprehensive income;  
Annexure C: Cash flow statement; and  
Annexure D: Notes to the financial statements

The Town Council's 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 18 October 2016 instead of three months (3 months) after the year end as required by the Act.

The financial statements and notes to the financial statements provided by the Accounting Officer are attached as Annexures A to D.

**2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements Section 86 of the Local Authorities Act, 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 sufficient and appropriate to provide a basis for the qualified audit opinion.

## **4. ACKNOWLEDGEMENT**

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

## **5. KEY AUDIT FINDINGS**

### **5.1 UNDERSTATEMENT OF LIABILITIES**

The liabilities per financial statements as at 30 June 2016 are understated by N\$ 4 508 488 through omission of some of the creditors and the related expenditure accounts are also understated by the said amount.

#### **Recommendation**

All relevant provisions and creditors should be included in the financial statements.

#### **Management comment**

The Council takes note of the Auditor's findings and has agreed, in future all relevant accruals provisions and creditors will be included in the financial statements.

### **5.2 OMITTED EQUITY INVESTMENT**

The investment in the shareholding of Local Authorities Electricity Company (Pty) Limited is not reflected in the financial statements of the Town Council.

#### **Recommendation**

The investment in Local Authorities Electricity Company (Pty) Limited should be recorded in accounting books and reflected in future financial statements of the Town Council.

#### **Management comment**

The management proposes the line ministry to assist Local Authorities on this issue because all Local Authorities operating under NORED's jurisdiction do not disclose this investment in their financial statements.

### **5.3 UNDERSTATEMENT OF PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment and the related Revenue Fund are understated by N\$ 1 627 117.

#### **Recommendation**

All property, plant and equipment should be recorded in the fixed assets register and financial statements of the Town Council.

#### **Management comment**

The Council takes note of the finding and agreed that the difference will be investigated and corrected accordingly.

#### **5.4 INVENTORIES**

The auditors did not count the physical quantities of inventories at year-end. Due to the nature of inventory records at the Council there were no alternative procedures to verify inventory quantities. The inventory reflected in the financial statements is a debit balance of N\$ 90 585 while the inventory trial balance is reflecting a credit balance of N\$ 170 261 resulting in an unexplained difference of N\$ 260 846.

##### **Recommendations**

The inventory module of the Finstel Systems should be updated regularly to enable maintaining perpetual inventory records. At each year-end the inventory counts and valuation should be done using the actual physical quantities.

##### **Management comment**

Management agrees.

#### **5.5 UNDERSTATEMENT OF VAT RECEIVABLE BALANCE**

The VAT receivable is understated by N\$ 922 122.

##### **Recommendation**

The VAT control account balance should be reconciled to the VAT returns on a regular basis.

##### **Management comment**

The management took note of that in future; the VAT control account will be reconciled on period basis.

#### **5.6 OVERSTATEMENT OF NATIS REVENUE**

Included in NATIS revenue for the year under review of N\$ 2 276 018 is N\$ 996 963 relating to the prior year. As a result, the reported revenue is overstated by the N\$ 996 963.

##### **Recommendation**

Revenue should be accounted for on an accrual basis and the prior year amounts should be posted to the appropriation account.

##### **Management comment**

Management agrees.



## **5.7 NON-COMPLIANCE TO THE AUDITOR-GENERAL CIRCULAR D3/2015**

The Chief Executive Officer of the Town Council of Ondangwa for the year under review did not submit respective statements as requested by circular D3/2015 of the Auditor-General.

### **Recommendation**

It is recommended that the Chief Executive Officer should submit all annual report statements to the Auditor-General including Circular D3/2015.

## **5.8 ACCOUNTING POLICY AND REPORTING FRAMEWORK**

The Ondangwa Town Council did not attach the accounting policy and they did not indicate the accounting Framework they used to prepare the financial statements.

### **Recommendation**

It recommended that the Council should attach the accounting policy and indicate the accounting framework used for preparation of financial statements.

## **6. BASIS FOR QUALIFIED AUDIT OPINION**


- Understatement of liabilities by N\$ 4 508 488;
- Omitted equity investment;
- Understatement of property, plant and equipment by N\$ 1 627 117;
- Lack of supporting documents for quantities of inventories at year-end;
- Understatement of VAT receivable by N\$ 922 122;
- Overstatement of NATIS revenue by N\$ 996 963;
- Non-compliance to the auditor-general circular d3/2015; and
- No accounting policy and reporting framework.

## **7. QUALIFIED AUDIT OPINION**

The accounts of the Ondangwa Town Council for the financial year ended 30 June 2016, summarised in Annexures A to D, were audited by me in terms of Section 85 of the Local Authority act, 1992, read with Section 25 (1) (b) of the State Finance Act, 1991.

Except for the effects referred to in the Basis for Qualified Audit Opinion paragraphs, in my opinion these financial statements fairly present the financial position of the Town Council as at 30 June 2016 and the results of its operations and cash flows for the year then ended.

**WINDHOEK, August 2017**

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

## ANNEXURE A

**TOWN COUNCIL OF ONDANGWA  
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE**

	Note	2016 N\$	2015 N\$
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	2	174 541 735	145 748 028
Loans receivable	3	3 042 220	2 989 343
Investments	4	33 666 569	34 982 657
		<b>11 764 028</b>	<b>19 415 686</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	5	11 672 983	11 243 478
Inventories	6	90 585	343 850
Bank and cash	7	460	7 828 358
		<b>223 014 552</b>	<b>203 135 714</b>
<b>TOTAL ASSETS</b>			
<b>FUNDS AND LIABILITIES</b>			
<b>FUNDS AND RESERVES</b>			
Capital outlay	8	153 384 986	123 298 869
Funds and accounts	9	38 440 378	50 654 866
		<b>21 156 748</b>	<b>22 449 159</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term liabilities	10	21 156 748	22 449 159
		<b>10 032 440</b>	<b>6 732 820</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		6 518 899	6 732 820
Bank overdraft		3 513 541	-
		<b>223 014 552</b>	<b>203 135 714</b>
<b>TOTAL FUNDS AND LIABILITIES</b>			

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

	Note	<b>2016</b>	<b>2015</b>
		N\$	N\$
Income		84 219 249	106 735 656
Expenditure		(63 029 013)	(107 950 645)
<b>Operating surplus/(deficit)</b>		<b>21 190 236</b>	<b>(1 214 989)</b>
Interest received		72 582	221 860
<b>Surplus/(deficit) after interest</b>		<b>21 262 818</b>	<b>(993 129)</b>
Appropriation account	12	(14 957 220)	(973 086)
<b>Net surplus/(deficit) after appropriations</b>		<b>6 305 598</b>	<b>(1 966 215)</b>
Revenue account - beginning of year		(15 998 438)	(14 032 223)
<b>Revenue account - end of year</b>		<b>(9 692 840)</b>	<b>(15 998 438)</b>

## ANNEXURE C

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

	<b>2016</b>	<b>2015</b>
	N\$	N\$
<b>Cash flow from operating activities</b>	<b>5 915 437</b>	<b>(3 284 392)</b>
Cash receipts from customers	84 219 249	106 735 656
Cash paid to suppliers and employees	(78 376 394)	(110 241 908)
Interest received	72 582	221 860
<b>Cash flows from investing activities</b>	<b>(27 530 496)</b>	<b>(20 513 603)</b>
Additions to property, plant and equipment	(28 793 707)	(18 914 199)
Increase in loans receivable	(52 877)	(39 768)
Decrease/(increase) in investments	1 316 088	(1 559 636)
<b>Cash flows from financing activities</b>	<b>10 273 620</b>	<b>34 483 569</b>
(Decrease)/increase in Fund accounts	(18 520 086)	15 569 370
Increase in Capital outlay	30 086 117	905 413
(Decrease)/increase in long-term liabilities	(1 292 411)	18 008 786
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(11 341 439)</b>	<b>10 685 574</b>
Cash and cash equivalents - beginning of year	7 828 358	(2 857 216)
<b>Cash and cash equivalents - end of year</b>	<b>(3 513 081)</b>	<b>7 828 358</b>

**TOWN COUNCIL OF ONDANGWA**

**ANNEXURE D**

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

	<b>2016</b>	<b>2015</b>
	N\$	N\$
<b>1 ACCOUNTING POLICIES</b>		
Town Council did not attach accounting policy to the Financial Statements for the year under review.		
<b>2 PROPERTY, PLANT AND EQUIPMENT</b>	<b>174 541 735</b>	<b>145 748 028</b>
Income assets	146 473 328	117 480 460
General capital assets	751 143	950 403
Loan assets	27 317 264	27 317 165
<b>3 LOANS RECEIVABLE</b>	<b>3 042 220</b>	<b>2 989 343</b>
Build Together Fund to residents of Ondangwa	3 042 220	2 989 343
<b>4 INVESTMENTS Commercial banks</b>	<b>33 666 569</b>	<b>34 982 657</b>
Capital Development Fund	24 842 986	29 254 778
Build Together Fund	5 372 774	5 727 879
Revenue Account	3 450 809	-
<b>5 TRADE AND OTHER RECEIVABLES</b>	<b>11 672 983</b>	<b>11 243 478</b>
Trade receivables	35 888 323	20 812 683
VAT receivable	5 104 480	2 853 183
Sundry debtors	638 928	2 168 132
Provision for bad debts	(29 958 748)	(14 590 520)
<b>6 INVENTORIES</b>	<b>90 585</b>	<b>343 850</b>
Stores	90 585	343 850
<b>7 BANK AND CASH</b>	<b>460</b>	<b>7 828 358</b>
Current account	-	7 827 898
Petty Cash	460	460
<b>8 CAPITAL OUTLAY</b>	<b>153 384 986</b>	<b>123 298 869</b>
Revenue contributions	146 473 328	117 480 460
General Capital contributions	751 143	950 304
Loans redeemed	6 160 515	4 868 105

## ANNEXURE D

**TOWN COUNCIL OF ONDANGWA**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30**  
**JUNE**

	<b>2016</b>	<b>2015</b>
	N\$	N\$
<b>9 FUNDS, ACCOUNTS AND RESERVES</b>	<b>38 440 378</b>	<b>50 654 866</b>
Capital Development Fund	34 760 277	53 746 023
Build Together Fund	13 372 941	12 907 281
Revenue account k	(9 692 840)	(15 998 438)
<b>10 LONG-TERM LIABILITIES</b>	<b>21 156 748</b>	<b>22 449 159</b>
External loans	21 156 748	22 449 159
<b>11 TRADE AND OTHER PAYABLES</b>	<b>10 032 440</b>	<b>6 732 820</b>
Trade payables	294 184	788 136
Provision for leave pay	2 964 991	2 964 991
Consumer deposits	1 983 116	1 830 151
Sundry creditors	1 276 608	1 149 542
Current account	3 513 541	-
<b>12 ADJUSTMENTS TO APPROPRIATION ACCOUNT</b>	<b>(14 957 220)</b>	<b>(973 086)</b>
Audit adjustment	5 800	(520 792)
Creditors written back	370 972	1 520 655
Prior year adjustments	-	355 314
Provision for bad debts	(15 368 228)	(3 332 312)
Provision for personal benefits	-	339 821
Stale cheques	34 236	664 228