



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF ONDANGWA
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 Ondangwa 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.

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, July 2018

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

1. Report on the Financial Statements

1.1 INTRODUCTION

This report on the accounts of the Town Council of Ondangwa for the year ended 30 June 2017 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).

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

I certify that I have audited the accompanying financial statements of the Town Council of Ondangwa for the year ended 30 June 2017. 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 financial statements were submitted by the Accounting Officer to the Auditor-General 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 Annexures A to D.

2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENT

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 Town Council of Ondangwa during the audit is appreciated.

5. KEY AUDIT FINDINGS

5.1 Private security

The Council could not provide a service level agreement amounting to N\$ 976 699 for audit purpose.

Recommendation

It is recommended that the Council should ensure that all documents requested are provided for audit purposes.

Management Comments

The Council take note of the auditors finding and has agreed, therefore in future all relevant documents would be presented for auditing purpose.

5.2 Interest received

A difference of N\$ 418 478 was observed between the transactions with the ledger and bank statements on interest received on the current account.

Recommendation

It is recommended that the Council should perform monthly bank reconciliation.

Management Comments

The Council take note of the finding and agrees.

5.3 Fixed assets - Additions

The auditors observed during the audit that invoices amounting to N\$ 20 003 194 relating to work in progress were recorded in the fixed asset register as additions to the fixed asset instead of work.

Recommendation

It is recommended that the Council record work in progress as addition to the fixed assets until the project is completed and capitalised.

Management Comments

Noted.

5.4 Depreciation

The auditors observed that the Council does not have a depreciation policy in place. Depreciation is as such not disclosed in the financial statements.

Recommendation

It is recommended that the Council ensures that a depreciation policy is drafted and approved as a matter of urgency.

Management Comments

Noted with thanks.

5.5. Accounting policy and reporting framework

The Council did not indicate the accounting framework they used to prepare the financial statements.

Recommendation

It recommended that the Council indicates the accounting framework used for preparation of financial statements.

Management Comments

The management took note of that.

5.6. Non-compliance to the Auditor-General Circular D3/2015

The Council did not provide the annual financial statements and accounts in compliance to the Auditor-General Circular D3/2015.

Recommendation

It is recommended that the Council complies with the Auditor-General Circular D3/2015 when submitting the financial statements.

Management Comments

Management noted and agrees.

6. BASIS FOR QUALIFIED AUDIT OPINION


- Non-submission of supporting documents for private security amounting to N\$ 976 699;
- A difference of N\$ 418 478 on interest received;
- Work in progress recorded as additions to the fixed assets;
- No depreciation policy;
- No accounting policy and reporting framework; and
- Non-compliance to the Auditor-General Circular D3/2015.

7. QUALIFIED AUDIT OPINION

The accounts of the Town Council of Ondangwa 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 No.23 of 1992).

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 2017 and the results of its operations and cash flows for the year then ended.

WINDHOEK, June 2018


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

ANNEXURE A

TOWN COUNCIL OF ONDANGWA
STATEMENT OF FINANCIAL POSITION AT 30 JUNE

	Note	2017	2016
		N\$	N\$
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	2	188 750 444	174 541 735
Loans receivable		3 100 880	3 042 220
Investments	3	22 972 243	33 666 569
		214 823 567	211 250 524
CURRENT ASSETS			
Trade and other receivables	4	13 495 461	11 672 983
Inventories		-	90 585
Cash and Bank	5	11 184 928	460
		24 680 389	11 764 028
TOTAL ASSETS		239 503 956	223 014 552
FUNDS AND LIABILITIES			
FUNDS AND RESERVES			
Capital outlay	6	169 295 385	153 384 986
Funds and accounts	7	44 451 203	38 440 378
		213 746 588	191 825 364
NON-CURRENT LIABILITIES			
Long-term liabilities		19 455 060	21 156 748
		19 455 060	21 156 748
CURRENT LIABILITIES			
Trade and other payables	8	6 302 308	10 032 440
		6 302 308	10 032 440
TOTAL FUNDS AND LIABILITIES		239 503 956	223 014 522

TOWN COUNCIL OF ONDANGWA

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

	Note	2017 N\$	2016 N\$
Income		99 745 613	84 219 249
Expenditure		(65 159 980)	(63 029 013)
Net operating profit		34 585 633	21 190 236
Investment income earned for revenue account		672 882	72 582
Net profit for the year after interest		35 258 515	21 262 818
Appropriation account			
Revenue account adjustment	9	(2 897 722)	(14 957 220)
Net surplus after appropriations		32 360 793	6 305 598
Revenue account - beginning of year		(9 692 840)	(15 998 438)
Revenue account - end of year		22 667 953	(9 692 840)

ANNEXURE C

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

	2017	2016
	N\$	N\$
Cash flow from operating activities	30 411 849	5 915 437
Cash receipts from customers	99 745 613	84 219 249
Cash paid to suppliers and employees	(70 006 646)	(78 376 394)
Interest received	672 882	72 582
Cash flows from investing activities	(3 573 043)	(27 530 496)
Additions to property, plant and equipment	(14 208 709)	(28 793 707)
Increase in loans receivable	(58 660)	(52 877)
Decrease/(increase) in investments	10 694 326	1 316 088
Cash flows from financing activities	(12 141 258)	10 273 620
(Decrease)/increase in Fund accounts	(26 349 968)	(18 520 086)
Increase in Capital outlay	15 910 398	30 086 117
(Decrease)/increase in long-term liabilities	(1 701 688)	(1 292 411)
Net (decrease)/increase in cash and cash equivalents	14 697 548	(11 341 439)
Cash and cash equivalents - beginning of year	(3 513 081)	7 828 358
Cash and cash equivalents - end of year	11 184 467	(3 513 081)

**TOWN COUNCIL OF ONDANGWA
NOTES TO THE ANNUAL 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, except where otherwise stated.

The principal accounting policies of the Town Council, which are set out below, have been consistently applied. The financial statements have been prepared in accordance with the requirements of the Namibian Local Authorities Act, 1992 (Act No. 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 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 of cost and net realizable value. The cost of inventories comprises all costs of purchases, cost on conversions and other costs incurred in bringing the inventories to their present location and condition.

1.4 Capital Development Fund

Revenue generated from the sale of erven is credited to the Capital Development Fund. The purpose of this Fund is to finance capital projects by means of internal loans or appropriation.

ANNEXURE D

TOWN COUNCIL OF ONDANGWA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (Continued)

	2017	2016
	N\$	N\$
2 PROPERTY, PLANT AND EQUIPMENT	188 750 444	174 541 735
Income assets	160 881 197	146 473 328
General capital assets	551 983	751 143
Loan assets	27 317 264	27 317 264
3 INVESTMENTS	22 972 243	33 666 569
Capital Development Fund	7 967 440	24 842 986
Build Together Fund	6 421 080	5 372 774
Investments	8 583 723	3 450 809
4 TRADE AND OTHER RECEIVABLES	13 495 460	11 672 983
Consumer Debtors	39 886 085	35 888 323
Sundry Debtors	675 444	638 928
VAT	5 223 299	5 104 480
Provision for bad debts	(32 289 368)	(29 958 748)
5 CASH AND BANK BALANCES	11 184 928	460
Current bank account	11 184 468	-
Petty cash	460	460
6 CAPITAL OUTLAY	169 295 385	153 384 986
Revenue contributions	160 881 197	146 473 328
General Capital contributions	551 983	751 143
Loans redeemed	7 862 205	6 160 515
7 FUNDS AND ACCOUNTS	44 451 203	38 440 378
Capital Development Fund	7 967 440	34 760 277
Build Together Fund	13 815 809	13 372 941
Revenue account	22 667 954	(9 692 840)

TOWN COUNCIL OF ONDANGWA
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (Continued)

	2017	2016
	N\$	N\$
8 TRADE AND OTHER PAYABLES	6 302 308	10 032 440
Trade payables	197 588	294 184
Provision for leave pay	3 665 934	2 964 991
Consumer Deposits	2 230 612	1 983 116
Sundry Creditors	208 174	1 276 608
Current account	-	3 513 541
9 ADJUSTMENT TO APPROPRIATION ACCOUNT	(2 897 723)	(14 957 220)
Audit adjustment	(160 343)	5 800
Creditors written back	-	370 972
Prior year adjustments	294 184	-
Provision for bad debts	(2 330 621)	(15 368 228)
Provision for personal benefits	(700 943)	-
Stale cheques	-	34 236

