



**REPUBLIC OF NAMIBIA**



**ONDANGWA  
TOWN COUNCIL**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
TOWN COUNCIL OF ONDANGWA  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

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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 2018, 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, February 2019**

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 2018**

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**1. ADVERSE AUDIT OPINION**

I certify that I have audited the financial statements of the Town Council of Ondangwa for the financial year ended 30 June 2018. These financial statement comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, because of the significance of matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly the financial position of the Town Council of Ondangwa for the financial year ended 30 June 2018 and its financial performance and their cash flows for the year then ended.

**2. BASIS FOR AUDIT OPINION**

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. The adverse audit opinion is expressed due to the following:

- The Town Council does not have a fair presentation framework in place;
- Late submission of VAT returns and no provision for penalties in the financial statement;
- Bank overdraft of N\$ 12 135 283 is disclosed despite a positive bank balance;
- The Council has prepared the cash flow statement using both direct and indirect method;
- Non recognition of sales of erven as revenue amounting to N\$ 4 187 727 but regarded it as liabilities under Fund and Reserves in the Capital Development Fund;
- Non- submission of supporting documents for NORED charges amounting to N\$ 3 125 590;
- Assets amounting to N\$ 6 867 224 are fully depreciated and carried at nil book value, while economic benefits are still being derived from the assets;
- The Council does not have depreciation policy; and

- A difference of N\$ 479 365 was noted between the VAT account in the general ledger and the annual financial statement.

### **3. KEY AUDIT MATTERS**

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no key audit matters identified in respect of the financial Statement for Town Council of Ondangwa.

### **4. OTHER INFORMATION**

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

### **5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with legislation, and for such internal control as management deems it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

## **6. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (COMPLIANCE)**

### **NON-COMPLIANCE TO PUBLIC PROCUREMENT ACT, 2015 (NO. 15 OF 2015)**

#### **Key Audit Findings**

##### **7.1 Annual procurement plan**

The auditors discovered that the Council failed to prepare an annual procurement plan in accordance with Section 25 (4) (a) of the Public Procurement Act, 2015 (No.15 of 2015), which states that the Council should engage in procurement planning, plan each step of the procurement process and prepare annual procurement plan.



## **7.2 Procurement committee**

The auditors discovered that the Council failed to ensure that the procurement committee documents its minutes in detail as stated in Section 25 (1) (c) of the Public Procurement Act, 2015 (No. 15 of 2015), which states that the Council should ensure that the proceedings of the internal structures are properly recorded and kept in a safe and secure place in the prescribed manner.

## **7.3 Bid evaluation committee**

The auditors discovered that the Council did not ensure that the bid evaluation committee record minutes of all meetings as stated in Section 25 (5) and Section 26 (5) (b) of the Public Procurement Act, 2015 (No. 15 of 2015).

## **7.4 Commencement of evaluation of bids**

The auditors were unable to ascertain themselves whether the bid evaluation committee complied with regulation 7 (2) and (3) of the Public Procurement Regulations stipulating the number of days within which the bid evaluation committee should commence with an evaluation and the duration thereof due to a lack of minutes.

## **7.5 Conflict of interest**

The absence of minutes in the bid evaluation committee resulted in the auditors not being able to confirm if members of the bid evaluation committee complied with Section 66 (1) (a) and (b) of the Public Procurement Act, 2015 (No. 15 of 2015) which stipulates the disclosure of conflict of interest and the procedures followed with regard to withdrawal of members.

## **7.6 Non-notification of unsuccessful bids**

The auditors noted that Council did not notify the unsuccessful bidders in accordance with Section 55 (4) (b) of the Public Procurement Act, 2015 (No. 15 of 2015) on the awarding of bid no W/RFQ-W/04/1/2017/18.

## **7.7 Change of procurement method**

The auditors observed that PMU changed the method of procurement from request of quotation to restricted bidding for bid no (W/RFQ-NDTC/013/05/2017/18). The change in procurement method resulted in Council not complying to Section 31 (1) (c) and (3) of the Public

Procurement Act, 2015 (No. 15 of 2015) stipulating that restricted bidding should be for specialised services and a minimum of five suppliers should be solicited.

#### **7.8 Publishing of awarded contract**

The auditors observed that the Council did not publish the awarding of bid no W/ONB-NDTC/032-03/2017/18 in the media as stated in Section 55 (8) of the Public Procurement Act, 2015 (No. 15 of 2015).

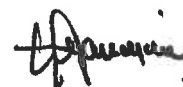
#### **7.9 Examination and evaluation of bids**

The auditors observed that Council did not inform bidders of the corrections of arithmetical errors made to bidding documents by the bid evaluation committee as stated in Section 52 (5) of the Public Procurement Act, 2015 (No. 15 of 2015) for the following bids W/RFFQ-W/04/1/2017/18, and W/ONB-NDTC/032-03/2017/18

#### **Conclusion on the Subject Matter**

The Office of the Auditor-General has conducted a compliance audit of the Town Council of Ondangwa on the implementation of the Public Procurement Act, 2015 (No. 15 of 2015) and evaluated compliance with all Sections of the Public Procurement Act, 2015 (No. 15 of 2015). The evidence obtained during the audit revealed non-compliance to the Public Procurement Act, 2015 (No. 15 of 2015).

**WINDHOEK, February 2019**



**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

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

	Note	2018 N\$	2017 N\$
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	2	194 053 181	188 750 444
Loans receivable		3 096 304	3 100 880
Investments	3	65 636 793	22 972 243
<b>CURRENT ASSETS</b>			
Trade and other receivables	4	18 935 681	13 495 461
Cash and bank balances	5	460	11 184 928
<b>TOTAL ASSETS</b>		<b>281 722 419</b>	<b>239 503 956</b>
<b>FUNDS AND LIABILITIES</b>			
<b>FUNDS AND RESERVES</b>			
Capital outlay	6	176 992 539	169 295 384
Funds and accounts	7	66 483 447	44 451 203
<b>NON-CURRENT LIABILITIES</b>			
Long-term liabilities		17 060 643	19 455 060
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	9 050 508	6 302 308
Bank overdraft		12 135 283	-
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>281 722 419</b>	<b>239 503 956</b>

## ANNEXURE B

## TOWN COUNCIL OF ONDANGWA

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

	Note	<b>2018</b>	<b>2017</b>
		N\$	N\$
Income		116 290 459	99 745 613
Expenditure		<u>(97 137 139)</u>	<u>(65 159 980)</u>
<b>Net operating profit</b>		<b>19 153 320</b>	<b>34 585 633</b>
Investment income earned for revenue account		256 322	672 882
<b>Net profit for the year after interest</b>		<b>19 409 642</b>	<b>35 258 515</b>
Appropriation account			
Revenue account adjustment	9	<u>(10 639 201)</u>	<u>(2 897 722)</u>
<b>Net surplus after appropriations</b>		<b>8 770 441</b>	<b>32 360 793</b>
Revenue account - beginning of year		22 667 953	(9 692 840)
<b>Revenue account - end of year</b>		<b>31 438 394</b>	<b>22 667 953</b>

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

	<b>2018</b>	<b>2017</b>
	N\$	N\$
<b>Cash flow from operating activities</b>	<b>6 078 420</b>	<b>30 411 849</b>
Cash receipts from customers	116 290 459	99 745 613
Cash paid to suppliers and employees	(110 468 360)	(70 006 646)
Interest received	256 321	672 882
<b>Cash flows from investing activities</b>	<b>(47 962 712)</b>	<b>(3 573 043)</b>
Additions to property, plant and equipment	(5 302 738)	(14 208 709)
Increase in loans receivable	4 576	(58 660)
Decrease/(increase) in investments	(42 664 550)	10 694 326
<b>Cash flows from financing activities</b>	<b>18 564 542</b>	<b>(12 141 258)</b>
(Decrease)/increase in Fund accounts	13 261 803	(26 349 968)
Increase in Capital outlay	7 697 154	15 910 398
(Decrease)/increase in long-term liabilities	(2 394 415)	(1 701 688)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(23 319 750)</b>	<b>14 697 548</b>
Cash and cash equivalents - beginning of year	11 184 467	(3 513 081)
<b>Cash and cash equivalents - end of year</b>	<b>(12 135 283)</b>	<b>11 184 467</b>

**TOWN COUNCIL OF ONDANGWA  
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE 2018**

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**1. ACCOUNTING POLICIES**

**1.1 Introduction**

The annual financial statements set out in Annexures A to D were prepared on the historical cost basis and incorporate the following principle accounting policies, which are consistent in all material aspects with those applied in the previous year.

**1.2 Property plant and equipment**

Property plant and equipment with loan funds are stated at cost and no depreciation is provided thereon until the loan is fully redeemed. All other items of property, plant and equipment are stated at cost or valuation, and except fixed property, the cost or valuation of these items of property plant and equipment is depreciated on the reducing-balance basis over their expected useful lives.

**1.3 Fixed assets and depreciation**

Fixed assets are stated at cost or a valuation where assets have been acquired by grant or donation, less depreciation written off over expected useful lives as determined by Council from time to time. Fixed assets acquired with loan funds are not depreciated until the loan is repaid, unless the expected lifetime of the asset is less than the repayment of the loan in which case depreciation is calculated on the shortfall.

**1.4 Fund accounts**

The following Funds were maintained;

**Capital Development fund**

The purpose of this Fund is to make provision for future capital development of the Council income is also derived from interest on investments, and sale of erven.

**Housing Fund- Build together**

The purpose of the Fund is to provide for housing loans. Income for the fund is derived from interest earned on secure housing loans and investments.

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

	<b>2018</b>	<b>2017</b>
	N\$	N\$
<b>2. PROPERTY, PLANT AND EQUIPMENT</b>	<b>194 053 181</b>	<b>188 750 444</b>
Income assets	173 704 929	160 881 197
General capital assets	348 252	551 983
Loan assets	20 000 000	27 317 264
<b>3. INVESTMENTS</b>	<b>65 636 793</b>	<b>22 972 243</b>
Capital Development Fund	20 878 021	7 967 440
Build Together Fund	9 058 819	6 421 080
Revenue	35 699 954	8 583 723
<b>4. TRADE AND OTHER RECEIVABLES</b>	<b>18 935 681</b>	<b>13 495 460</b>
Consumer Debtors	55 422 172	39 886 085
Sundry Debtors	1 018 831	675 444
VAT	6 123 778	5 223 299
Provision for bad debts	(43 629 099)	(32 289 368)
<b>5. CASH AND BANK BALANCES</b>	<b>460</b>	<b>11 184 928</b>
Current bank account	-	11 184 468
Petty cash	460	460
<b>6. CAPITAL OUTLAY</b>	<b>176 992 539</b>	<b>169 295 384</b>
Revenue contributions	173 704 930	160 881 197
General Capital contributions	348 252	551 983
Loans redeemed	2 939 357	7 862 205

## ANNEXURE D

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

	<b>2018</b>	<b>2017</b>
	N\$	N\$
<b>7. FUNDS AND ACCOUNTS</b>	<b>66 483 447</b>	<b>44 451 203</b>
Capital Development Fund	20 878 021	7 967 440
Build Together Fund	14 167 032	13 815 809
Revenue account	31 438 394	22 667 954
<b>8. TRADE AND OTHER PAYABLES</b>	<b>9 050 508</b>	<b>6 302 308</b>
Trade payables	1 977 986	197 588
Provision for leave pay	4 264 767	3 665 934
Consumer Deposits	2 576 872	2 230 612
Sundry Creditors	230 883	208 174
<b>9. ADJUSTMENT TO APPROPRIATION ACCOUNT</b>	<b>(10 639 201)</b>	<b>(2 897 722)</b>
Debtors adjustment	1 126 845	(160 343)
Creditors written back	(363 311)	-
Prior year adjustments	-	294 184
Provision for bad debts	(11 339 731)	(2 330 621)
Provision for personal benefits	(598 834)	(700 943)
Stale cheques	535 829	-