



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF ONGWEDIVA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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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 2009, 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 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
THE TOWN COUNCIL OF ONGWEDIVA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

1. INTRODUCTION

The accounts of the Town Council of Ongwediva for the year ended 30 June 2009 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 Namibian 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

The Accounting Officer of the Municipality 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 controls 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 complies with ethical requirements and plans and performs 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 judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. 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 OBSERVATION 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 111.0 days (2008: 111.8 days). The average collection period of trade receivables, after taking the provision for bad debts into account, is 49.4 days (2008: 46.3 days). Council should attend to the arrears as a matter of urgency. Due to afore-mentioned the auditors are of the opinion that the provision for bad debts are sufficient.

4.2 Inventories

The auditors did not observe the counting of the inventories on 30 June 2009, as they were not appointed at that stage. There were no alternative practical audit procedures that they could perform to confirm the existence of the inventories on hand at year-end.

Adequate systems of control over and recording of inventory were maintained, inventory counts are performed and slow moving inventory was identified and adequate provision has been made for obsolete items.

4.3 Fixed assets - Depreciation

Although required in accordance with Generally Accepted Accounting Practice (GAAP), the accounting system does not make any provision for calculating depreciation on a pro-rata basis. As in previous years, all assets are depreciated annually instead of pro rata, practice being consistently applied since the system was introduced and implemented in 2000. Council is currently exploring various replacement products (Financial management Systems) on the market along with other Local Authorities.

4.4 Activities of the Trade Fair Centre

All costs incurred by The Trade Centre are paid directly or indirectly from the account of the Trade Centre. The Centre is wholly owned by Ongwediva Town Council and is operated as a business unit of the Council. The Council approved a new operational framework (Council Resolution CM 48.2/2008 (MCM 51.3/2008) under which the Centre is in existence and are followed diligently and are supported by relevant Council resolutions approving the payment of annual management fees by the Centre to the Council.

5. ACKNOWLEDGEMENT

The assistance and co-operation by the staff of the Ongwediva 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 surplus on 01/07/2008				(15 953 521)
General accounts				
- Rates and general	822 164	7 242 178	(6 420 014)	
- Non-profitable	14 990 978	12 057 598	2 933 380	
- Self supporting	5 938 653	3 848 480	2 090 173	
Trade accounts				
- Electricity	1 193 243	-	1 193 243	
- Water	10 114 337	9 131 964	982 373	
Surplus for the year	33 059 375	32 280 220	779 155	779 155
				(15 174 366)
Adjustments and utilizations (See Note 13, Annexure D)				(3 591 094)
Accumulated deficit on 30/06/2009				(18 765 460)

7. CURRENT BANK ACCOUNT

	2009	2008
	N\$	N\$
Cash-book balance at 30 June	2 941 749	5 070 860
Outstanding cheques	1 491 831	3 190 666
Outstanding deposits	(731 391)	(39 352)
Balance as per bank statement	3 702 189	8 222 174

8. INVESTMENTS

The investments as at 30 June were as follows:

Institution	2009		2008	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Commercial banks	10 697 951	803 381	8 314 126	1 462 517
	10 697 951	803 381	8 314 126	1 462 517

The investments were allocated as follows:

Allocation	2009	2008
	N\$	N\$
Capital Development Fund	7 768 140	6 335 003
Build Together Fund	2 929 811	1 979 123
	10 697 951	8 314 126

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	
	2009	2008
	N\$	N\$
Sales	9 724 254	8 505 487
Cost of bulk purchases	(7 340 603)	(6 885 696)
Gross surplus	2 383 651	1 619 791
Other income/(expenses)	(1 401 278)	(1 458 098)
Net (deficit)/surplus	982 373	161 693
Gross surplus percentages on bulk purchases	32.5%	23.5%
Net surplus percentage on bulk purchases	13.4%	2.3%
Gross surplus percentages on sales	24.5%	19.0%
Net surplus percentage on sales	10.1%	1.9%

10.2 Water distribution results, in cubic meters

	Water	
	2009	2008
	Units	Units
Sales	897 784	834 170
Purchases	1 063 896	997 047
Loss	(166 112)	(162 877)
Percentage loss in units	(15.6%)	(16.3%)

The distribution loss on water is abnormally high. Council should investigate these losses and implement procedures to reduce these losses.

11. SELF-SUPPORTING SERVICES

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

Service	Income 2009	Expenses 2009	Surplus/ (deficit) 2009	Surplus/ (deficit) 2008
	N\$	N\$	N\$	N\$
Civic buildings	250 350	877 643	(627 293)	(1 274 270)
Licenses and vehicle registration	1 881 242	1 420 660	460 582	121 008
Cleansing services	2 175 075	829 829	1 345 246	1 292 910
Sewerage	1 631 986	720 348	911 638	915 086
	5 938 653	3 848 480	2 090 173	1 054 734

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

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

13. SUSPENSE ACCOUNTS

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

14. IRREGULARITIES AND LOSSES

14.1 No irregularities and losses took place during the year under review.

14.2 No losses were reported during the year under review.

15. CAPITAL PROJECTS

The following were spend on capital projects:

Nature of projects/acquisitions	Financed by	Revenue Account
	Revenue account 2009	2008
	N\$	N\$
Furniture and equipment	113 495	232 156
Vehicle	-	240 435
Electricity reticulation	-	1 298 732
Town planning	1 894 215	345 914
Water reticulation at Sky location	570 783	584 442
Main Office adjustment/additions	5 488	149 999
Storm water	-	123 920
Parks and sport grounds	-	26 856
Road construction	4 263 491	2 793 812
Land compensation	665 279	499 991
Open Market	11 309	622 505
Water tower	-	45 733
Extension 11	915 828	4 358 613
Servicing other extensions	488 493	1 871 723
	8 928 381	13 194 831

The Council implemented 58% (2008: 74%) of its planned capital projects in the year under review.

16. BURSARIES

No bursaries were granted during the year under review.

17. CONTRIBUTIONS, GRANTS AND FINANCIAL AID.

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

18. COMPENSATION PAYMENTS

An amount of N\$ 665 279 (2008: N\$ 499 991) was spent as crop fields compensation payments during the year under review.

19. VISITS TO FOREIGN COUNTRIES

Two visits to foreign countries were undertaken during the year under review. A Sports Co-ordinator accompanied a youth sport team to a sports event that took place in Durban, Kwazulu Natal, South Africa from 7-11 July 2008. The Mayor and Chief Executive Officer visited Lommel Town Council, Belgium, from 14-19 April 2009 to sign a Twinning Agreement between the two Councils. All trips were dully approved by Council.

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

An amount of N\$ 25 047 (2008: N\$ 7 214) was paid as donations for 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/PAYABLES

23.1 Trade and other receivables at 30 June were:

	2009	2008
	N\$	N\$
Consumer debtors	6 620 716	5 514 591
NATIS	312 775	347 954
VAT Provision	550 216	1 134 537
NORED surcharges	287 889	360 301
	7 771 596	7 357 383
Provision for bad debts	(3 673 216)	(3 231 303)
Total	4 098 380	4 126 080
Analysis of services and general debtors:		
Average monthly levy	1 813 457	1 500 075
Consumer debtors	6 620 716	5 514 591
Average credit terms in days	111.0	111.8
Consumer deposits	1 167 705	790 277
Percentage of deposits in relation to consumer debtors	17.6%	14.3%

23.2 Trade and other payables at 30 June were:

	2009	2008
	N\$	N\$
Trade payables	1 746 158	886 524
Provision for leave pay	763 113	791 001
Consumer deposits	1 167 705	790 277
Totals	3 676 976	2 467 802

24. ASSESSMENT RATES

	2009	2008
	N\$	N\$
The proceeds from assessment rates were	7 827 927	5 424 574
Tariffs per N\$1 valuation per annum - Site valuation	0.0400	0.0400
Tariffs per N\$1 valuation per annum - Improvements	0.0095	0.0095

25. LOANS**25.1 External loans**

	2009	2008
	N\$	N\$
Development Bank of Namibia	2 772 064	5 972 740

25.2 Internal loans

There are no internal loans.

25.3 Due to the Town Council

	2009	2008
	N\$	N\$
Build together advances	2 723 370	1 684 249

26. SALE OF ERVEN

During the current financial year, cash proceeds to the value of N\$ 2 842 963 (2008: N\$ 5 650 158) were received for erven sold of which N\$ 1 895 403 and N\$ 947 560 were allocated as revenue to the vote for town planning and development and the Capital Development Fund, respectively. All proceeds from erven sold at Extension 11 totalling to N\$ 3 848 378 (2008: N\$ 6 128 066) were allocated as revenue to the vote for Extension 11.

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
		N\$		N\$		N\$
Balance - 01/07/2008	2	150 708	10	342 111	11	1 100 000
Additions	-	-	-	-	-	-
Sub-total	2	150 708	10	342 111	11	1 100 000
Depreciation	-	(18 839)	-	(75 511)	-	(130 243)
Balance - 30/06/2009	2	131 869	10	266 600	11	969 757

30.2 Inventory

Stock comprising of stationery and consumables amounted to N\$ 1 229 372 (2008: N\$ 1 119 312). Stock taking is conducted and physical stock on hand was balanced to the records at the end of the financial year under review.

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

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

Water distribution losses - Council reduced distribution losses of from 16.3% in 2008 to 15.6% in 2009 (2008: a decrease from 24% to 16%). The Council should continue to investigate the cause/s for such distribution losses and the elimination thereof, especially maintenance of water reticulation system and curbing of possible illegal bypasses/connections.

34. AUDIT OPINION

The accounts of the Ongwediva Town Council for the financial year ended 30 June 2009, 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.

I certify that, in my opinion, the financial statements fairly present the financial position of the Town Council at 30 June 2009 and the results of its operations and cash flow for the year then ended.

WINDHOEK, February 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

THE TOWN COUNCIL OF ONGWEDIVA

BALANCE SHEET AT 30 JUNE

	Notes	2009 N\$	2008 N\$
ASSETS			
Non-current assets		96 252 853	89 737 544
Property, plant and equipment	2	82 831 532	79 739 169
Loans receivable	3	2 723 370	1 684 249
Investments	4	10 697 951	8 314 126
Current assets		8 269 501	10 316 252
Trade and other receivables	5	4 098 380	4 126 080
Inventories	6	1 229 372	1 119 312
Bank and cash	7	2 941 749	5 070 860
TOTAL ASSETS		104 522 354	100 053 796
FUNDS AND LIABILITIES			
Funds and reserves		98 073 314	91 613 254
Capital outlay	8	82 831 532	79 739 169
Funds and accounts	9	15 241 782	11 874 085
Non-current liabilities			
Long-term loans	10	2 772 064	5 972 740
Current liabilities			
Trade and other payables	11	3 676 976	2 467 802
TOTAL FUNDS AND LIABILITIES		104 522 354	100 053 796

ANNEXURE B

THE TOWN COUNCIL OF ONGWEDIVA

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2009</u>	<u>2008</u>
		N\$	N\$
INCOME		32 526 238	34 354 128
EXPENDITURE		32 280 220	35 731 656
NET OPERATING SURPLUS/(DEFICIT)		246 018	(1 377 528)
INTEREST ON INVESTMENTS		533 137	1 462 517
NET SURPLUS AFTER INTEREST		779 155	84 989
APPROPRIATION ACCOUNT	12	(3 591 094)	(2 524 429)
NET DEFICIT AFTER APPROPRIATIONS		(2 811 939)	(2 439 440)
REVENUE ACCOUNT - Beginning of the year		(15 953 521)	(13 514 081)
REVENUE ACCOUNT - End of the year		(18 765 460)	(15 953 521)

THE TOWN COUNCIL OF ONGWEDIVA

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 N\$	2008 N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		32 526 238	34 354 128
Cash paid to suppliers		(34 744 501)	(51 956 717)
Cash utilised by operations	13	(2 218 263)	(17 602 589)
Interest received		533 137	1 462 517
Increase/(decrease) in Fund accounts		6 179 637	(54 163)
Increase in Capital outlay		3 092 363	7 518 952
Net cash flow from operating activities		7 586 874	(8 675 283)
CASH FLOW FROM INVESTING ACTIVITIES			
Net capital expenditure		(3 092 363)	(7 518 952)
Increase in loans receivable		(1 039 121)	(155 562)
(Increase)/decrease in investments		(2 383 825)	14 197 436
		(6 515 309)	6 522 922
CASH FLOW FROM FINANCING ACTIVITIES			
(Decrease)/increase in long-term liabilities		(3 200 676)	5 972 740
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2 129 111)	3 820 379
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		5 070 860	1 250 481
CASH AND CASH EQUIVALENTS - END OF YEAR		2 941 749	5 070 860

THE TOWN COUNCIL OF ONGWEDIVA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

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.

	2009	2008
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
General capital assets	67 435 130	16 936 043
Revenue assets	15 396 402	62 803 126
Total	82 831 532	79 739 169

THE TOWN COUNCIL OF ONGWEDIVA

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

	2009	2008
	N\$	N\$
3. LOANS RECEIVABLE		
These loans were granted from the Build Together Fund to residents of Ongwediva	2 723 370	1 684 249
	2 723 370	1 684 249
4. INVESTMENTS		
INVESTMENTS		
Commercial banks	10 697 951	8 314 126
	10 697 951	8 314 126
ALLOCATED AS FOLLOWS		
Capital Development Fund	7 768 140	6 335 003
Build Together Fund	2 929 811	1 979 123
	10 697 951	8 314 126
5. TRADE AND OTHER RECEIVABLES		
Services rendered and assessment rates	6 620 716	5 514 591
NATIS	312 775	347 954
VAT Provision	550 216	1 134 537
NORED surcharges	287 889	360 301
	7 771 596	7 357 383
Provision for bad debts	(3 673 216)	(3 231 303)
	4 098 380	4 126 080
6. INVENTORIES		
Stores	1 229 372	1 119 312
	1 229 372	1 119 312

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

	2009	2008
	N\$	N\$
7. BANK AND CASH		
Current account	2 941 749	5 070 860
	2 941 749	5 070 860
8. CAPITAL OUTLAY		
General capital assets	67 435 130	16 936 043
Revenue assets	15 396 402	62 803 126
	82 831 532	79 739 169
9. FUNDS, ACCOUNTS AND RESERVES		
Capital Development Fund	28 272 826	24 139 217
Build Together Fund	5 734 416	3 688 388
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(18 765 460)	(15 953 520)
	15 241 782	11 874 085
10. LONG-TERM LIABILITIES		
Development Bank of Namibia	2 772 064	5 972 740
	2 772 064	5 972 740
11. TRADE AND OTHER PAYABLES		
Trade payables	1 746 158	886 524
Provision for leave pay	763 113	791 001
Consumer deposits	1 167 705	790 277
	3 676 976	2 467 802

THE TOWN COUNCIL OF ONGWEDIVA

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

	2009	2008
	N\$	N\$
12. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Correction of previous year debtors	(33 494)	(74 728)
Correction on Capital Development Fund	(3 200 000)	-
Expenditure corrections	(289 043)	(583 854)
Increase in provision for bad debts	(441 913)	(381 710)
VAT correction	373 356	(1 484 137)
	(3 591 094)	(2 524 429)
13. CASH UTILISED BY OPERATIONS		
Net operating surplus/(deficit) before interest and transfers	246 018	(1 377 528)
Adjustments for:		
- Adjustments to appropriation account	(3 591 094)	(2 524 429)
OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL	(3 345 076)	(3 901 957)
CHANGES IN WORKING CAPITAL		
Decrease in trade and other receivables	27 700	1 929 869.
Increase in inventories	(110 060)	(105 245)
Increase/(decrease) in trade and other payables	1 209 173	(15 525 256)
	1 126 813	(13 700 632)
CASH UTILISED BY OPERATIONS	(2 218 263)	(17 602 589)