



REPUBLIC OF NAMIBIA



AUDIT REPORT ON THE ACCOUNTS OF THE

TOWN COUNCIL OF ONGWEDIVA

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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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 2010, 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, October 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 2010**

1. INTRODUCTION

The accounts of the Town Council of Ongwediva for the year ended 30 June 2010 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

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 the opinion of the Auditor-General 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 OBSERVATION AND COMMENTS

4.1 Inventories

The auditors did not observe the counting of the inventories to the value of N\$ 1 378 097 on 30 June 2010, 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.

4.2 Build Together advances

The list of Build Together advances reflect an amount of N\$ 4 010 325, but the control account reflect an amount of N\$ 4 438 192. No explanation for the difference of N\$ 427 867 could be provided to the auditors.

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)/ Surplus	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus on 01/07/2009				(18 765 460)
General accounts				
- Rates and general	1 099 332	9 280 836	(8 181 504)	
- Non-profitable	15 672 082	6 938 733	8 733 349	
- Self supporting	5 927 837	4 108 963	1 818 874	
Trade accounts				
- Electricity	1 718 146	140 295	1 577 851	
- Water	11 661 240	9 653 994	2 007 246	
Surplus for the year	36 078 637	30 122 821	5 955 816	5 955 816
				(12 809 644)
Adjustments and utilisations				(23 196)
Accumulated surplus on 30/06/2010				(12 832 840)

7. CURRENT BANK ACCOUNT

	2010	2009
	N\$	N\$
Cash-book balance at 30 June	4 088 623	2 941 749
Outstanding cheques	887 698	1 491 831
Outstanding deposits	(185 384)	(731 391)
Balance as per bank statement	4 790 937	3 702 189

8. INVESTMENTS

The investments as at 30 June were as follows:

Institution	2010		2009	
	Investment	Interest	Investment	Interest
	N\$	N\$	N\$	N\$
Commercial banks	15 102 306	583 804	10 697 951	803 381
	15 102 306	583 804	10 697 951	803 381

The investments were allocated as follows:

Allocation	2010	2009
	N\$	N\$
Capital Development Fund	11 538 058	7 768 140
Build Together Fund	3 564 248	2 929 811
	15 102 306	10 697 951

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	
	2010	2009
	N\$	N\$
Sales	11 307 395	9 724 254
Cost of bulk purchases	(8 216 700)	(7 340 603)
Gross surplus	3 090 695	2 383 651
Other income/(expenses)	(1 083 449)	(1 401 278)
Net (deficit)/surplus	2 007 246	982 373
Gross surplus percentages on bulk purchases	37.6%	32.5%
Net surplus percentage on bulk purchases	24.4%	13.4%
Gross surplus percentages on sales	27.3%	24.5%
Net surplus percentage on sales	17.8%	10.1%

10.2 Water distribution results, in cubic meters

	Water	
	2010	2009
	Units	Units
Sales	1 052 070	897 784
Purchases	1 150 640	1 063 896
Loss	(98 570)	(166 112)
Percentage loss on purchases	(8.6%)	(15.6%)

The distribution loss on water is now on a acceptable level.

11. SELF SUPPORTING SERVICES

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

Service	Income 2010	Expenses 2010	Surplus/ (deficit) 2010	Surplus/ (deficit) 2009
	N\$	N\$	N\$	N\$
Civic buildings	240 631	918 060	(677 429)	(627 293)
Licenses and vehicle registration	1 555 316	1 249 771	305 545	460 582
Cleansing services	2 347 265	915 376	1 431 889	1 345 246
Sewerage	1 784 624	1 025 755	758 869	911 638
	5 927 836	4 108 962	1 818 874	2 090 173

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 took place during the year under review.

15. CAPITAL PROJECTS

The following were spend on capital projects:

Nature of projects/acquisitions	Financed by	Total expenditure 2010	Total expenditure 2009
	Revenue account		
	N\$	N\$	N\$
Furniture and equipment	24 843	24 843	113 495
Vehicle	283 196	283 196	-
Town planning	-	-	1 894 215
Water reticulation at Sky location	-	-	570 783
Main Office adjustment/additions	-	-	5 488
Storm water - Reception area	1 008 729	1 008 729	-
Road construction	204 183	204 183	4 263 491
Land compensation	-	-	665 279
Open Market	-	-	11 309
Heavy equipment	998 610	998 610	-
Extension 11	397 530	397 530	915 828
Servicing other extensions	451 719	451 719	488 493
	3 365 810	3 368 810	8 928 381

The Council only implemented 39% (2009: 58%) 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\$ 898 788 (2009: N\$ 665 279) was spent as crop fields compensation payments during the year under review.

19. VISITS TO FOREIGN COUNTRIES

A one month fully sponsored visit to Kampala, Uganda, was undertaken by the Environment Health Officer from the end of June to July 2010 on invitation by Amicaal. The trip was 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

According to the Council refreshments worth N\$ 2 335 were contributed towards the graduation ceremony of Valombola Vocational Training Centre. This expense was dully approved by Council.

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:**

	2010	2009
	N\$	N\$
Services rendered and assessment rates	5 717 028	6 620 716
NATIS	47 310	312 775
VAT Provision	296 002	550 216
NORED surcharges	347 310	287 889
RFA	219 404	-
Sundry suspense account	114 702	-
	6 741 756	7 771 596
Provision for bad debts	(3 702 256)	(3 673 216)
Total	3 039 500	4 098 380
Analysis of services and general debtors:		
Average monthly levy	2 051 700	1 813 457
Debtors	5 717 028	6 620 716
Average credit terms in days	84.8	111.0
Consumer deposits	1 239 968	1 167 705
Percentage of deposits in relation to debtors	21.7%	17.6%

23.2 Trade and other payables at 30 June were:

	2010	2009
	N\$	N\$
Trade payables	1 717 330	1 746 158
Provision for leave pay	1 056 276	763 113
Consumer deposits	1 239 968	1 167 705
Totals	4 013 574	3 676 976

24. ASSESSMENT RATES

	2010	2009
	N\$	N\$
The proceeds from assessment rates were	8 164 798	7 827 927
Tariffs per N\$1 valuation per annum - Site valuation	0.0350	0.0400
Tariffs per N\$1 valuation per annum - Improvements	0.0090	0.0095

25. LOANS**25.1 External loans**

	2010	2009
	N\$	N\$
Development Bank of Namibia	-	2 772 064

25.2 Internal loans

There are no internal loans.

25.3 Due to the Town Council

	2010	2009
	N\$	N\$
Build together advances	4 438 193	2 723 370

26. SALE OF ERVEN

During the current financial year, cash proceeds to the value of N\$ 3 472 310 (2009: N\$ 2 842 963) were received for erven sold of which N\$ 3 000 000 and N\$ 472 310 were allocated to revenue and Capital Development Fund, respectively. All proceeds from the sale of erven sold at Extension 11 totalling N\$ 2 545 152 (2009: N\$ 3 848 378) were fully allocated to the revenue account under Extension 11 vote.

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 - 01/07/2009	2	N\$ 131 869	10	N\$ 266 600	11	N\$ 969 757
Additions	-	-	1	283 196	-	-
Written off	-	-	(5)	-	-	-
Sub-total	2	131 869	6	549 796	11	969 757
Depreciation	-	(18 869)	-	(75 511)	-	(130 243)
Balance - 30/06/2010	2	113 000	6	474 285	11	839 514

30.2 Inventory

Stock comprising of stationery and consumables amounted to N\$1 378 097 (2009: N\$1 229 372). 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 15.6% in 2009 to 8.6% in 2010 (2009: a decrease of 0.7% from 16.3% to 15.6%). Council now have the distribution losses under control.

Depreciation: The accounting system in use at the Council is not able to calculate depreciation on a pro rata basis as required by the Generally Accepted Accounting Practices (GAAP) and therefore depreciation, as in previous years, was calculated on an annual basis.

34. QUALIFIED AUDIT OPINION

The accounts of the Ongwediva Town Council for the financial year ended 30 June 2010, 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.

The audit opinion has been qualified due to the following reason:

- The list of Build Together advances reflect an amount of N\$ 4 010 325, but the control account reflect an amount of N\$ 4 438 192. No explanation for the difference of N\$ 427 867 could be provided.

Except for the above-mentioned issue, in my opinion, the financial statements fairly present the financial position of the Town Council at 30 June 2010 and the results of its operations and cash flows for the year then ended in the manner required by the Local Authorities Act, 1992, and the State Finance Act, 1991

WINDHOEK, October 2010

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

THE TOWN COUNCIL OF ONGWEDIVA

BALANCE SHEET AT 30 JUNE

	Notes	2010	2009
		N\$	N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	80 310 330	82 831 532
Loans receivable	3	4 438 193	2 723 370
Investments	4	15 102 306	10 697 951
Current assets			
Trade and other receivables	5	3 039 500	4 098 380
Inventories	6	1 378 097	1 229 372
Bank and cash	7	4 088 623	2 941 749
TOTAL ASSETS		108 357 049	104 522 354
FUNDS AND LIABILITIES			
Funds and reserves			
Capital outlay	8	80 310 330	82 831 532
Funds and accounts	9	24 033 145	15 241 782
Non-current liabilities			
Long-term loans	10	-	2 772 064
Current liabilities			
Trade and other payables	11	4 013 574	3 676 976
TOTAL FUNDS AND LIABILITIES		108 357 049	104 522 354

THE TOWN COUNCIL OF ONGWEDIVA

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2010</u> N\$	<u>2009</u> N\$
INCOME		35 640 934	32 526 238
EXPENDITURE		30 122 821	32 280 220
NET OPERATING SURPLUS		5 518 113	246 018
INTEREST RECEIVED		437 703	533 137
NET SURPLUS AFTER INTEREST		5 955 816	779 155
APPROPRIATION ACCOUNT	12	(23 196)	(3 591 094)
NET SURPLUS/(DEFICIT) AFTER APPROPRIATIONS		5 932 620	(2 811 939)
REVENUE ACCOUNT - Beginning of the year		(18 765 460)	(15 953 521)
REVENUE ACCOUNT - End of the year		(12 832 840)	(18 765 460)

THE TOWN COUNCIL OF ONGWEDIVA

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2010 N\$	2009 N\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		35 640 934	32 526 238
Cash paid to suppliers		(23 009 252)	(28 908 483)
Cash generated by operations	13	12 631 682	3 617 755
Interest received		437 703	533 137
Increase in Fund accounts		2 858 743	6 179 637
(Decrease)/increase in Capital outlay		(2 521 202)	3 092 363
Net cash flow from operating activities		13 406 926	13 422 892
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(3 368 810)	(8 928 381)
(Increase) in loans receivable		(1 714 823)	(1 039 121)
(Increase) in investments		(4 404 355)	(2 383 825)
		(9 487 988)	(12 351 327)
CASH FLOW FROM FINANCING ACTIVITIES			
(Decrease) in long-term liabilities		(2 772 064)	(3 200 676)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1 146 874	(2 129 111)
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR		2 941 749	5 070 860
CASH AND CASH EQUIVALENTS - END OF THE YEAR		4 088 623	2 941 749

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.

1.5 Build Together Fund

The purpose of this Fund is to provide for housing loans. Income to this Fund is transferred from the general income account, external loans from Government and interest on investments and loans.

	2010	2009
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
General capital assets	13 856 761	67 435 130
Income assets	66 453 569	15 396 402
Total	80 310 330	82 831 532

THE TOWN COUNCIL OF ONGWEDIVA

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

	2010	2009
	N\$	N\$
3. LOANS RECEIVABLE		
These loans were granted from the Build Together Fund to residents of Ongwediva	4 438 193	2 723 370
	4 438 193	2 723 370
4. INVESTMENTS		
INVESTMENTS		
Commercial banks	15 102 306	10 697 951
	15 102 306	10 697 951
ALLOCATED AS FOLLOWS		
Capital Development Fund	11 538 058	7 768 140
Build Together Fund	3 564 248	2 929 811
	15 102 306	10 697 951
5. TRADE AND OTHER RECEIVABLES		
Services rendered and assessment rates	5 717 028	6 620 716
NATIS	47 310	312 775
VAT Provision	296 002	550 216
NORED surcharges	347 310	287 889
RFA	219 404	-
Sundry suspense account	114 702	-
	6 741 756	7 771 596
Provision for bad debts	(3 702 256)	(3 673 216)
	3 039 500	4 098 380
6. INVENTORIES		
Stores	1 378 097	1 229 372
	1 378 097	1 229 372

THE TOWN COUNCIL OF ONGWEDIVA

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

	2010	2009
	N\$	N\$
7. BANK AND CASH		
Current account	4 088 623	2 941 749
	4 088 623	2 941 749
8. CAPITAL OUTLAY		
Revenue contributions	66 453 569	15 396 402
General Capital contributions	13 856 761	67 435 130
	80 310 330	82 831 532
9. FUNDS, ACCOUNTS AND RESERVES		
Capital Development Fund	28 713 954	28 272 826
Build Together Fund	8 152 031	5 734 416
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(12 832 840)	(18 765 460)
	24 033 145	15 241 782
10. LONG-TERM LIABILITIES		
Development Bank of Namibia	-	2 772 064
	-	2 772 064
11. TRADE AND OTHER PAYABLES		
Trade payables	1 717 330	1 746 158
Provision for leave pay	1 056 276	763 113
Consumer deposits	1 239 968	1 167 705
	4 013 574	3 676 976

THE TOWN COUNCIL OF ONGWEDIVA

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

	2010	2009
	N\$	N\$
12. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Correction of previous year debtors	(27 455)	(33 495)
Correction on Capital Development Fund	2 484	(3 200 000)
Correction stores	39 418	-
Expenditure corrections	(20 408)	(289 043)
Increase in provision for bad debts	(29 039)	(441 913)
VAT correction	11 804	373 356
	(23 196)	(3 591 095)
13. CASH GENERATED BY OPERATIONS		
Net operating surplus before interest and transfers	5 518 113	246 018
Adjustments for:		
- Adjustments to appropriation account	(23 196)	(3 591 095)
- Depreciation	5 890 012	5 836 018
OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL	11 384 929	2 490 941
CHANGES IN WORKING CAPITAL		
Decrease in trade and other receivables	1 058 880	27 700
(Increase) in inventories	(148 725)	(110 060)
Increase in trade and other payables	336 598	1 209 174
	1 246 753	1 126 814
CASH GENERATED BY OPERATIONS	12 631 682	3 617 755