



REPUBLIC OF NAMIBIA



AUDIT REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF ONGWEDIVA

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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 2014, 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, December 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF
THE TOWN COUNCIL OF ONGWEDIVA
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2014**

1. INTRODUCTION

The accounts of the Town Council of Ongwediva for the year ended 30 June 2014 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 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.

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 his Office. The abridged balance sheet at Annexure A is a true reflection of the original. The following annexures are also attached to this report:

Annexure B:	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 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 OBSERVATIONS AND COMMENTS

4.1 Investments in equities

The investments by the Town Council in the shareholding of Namfair (Pty) Limited, Local Authorities Electricity Company (Pty) Limited and Ongwediva Medipark Investments (Pty) Limited are not reflected in the financial statements.

5. ACKNOWLEDGEMENT

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

6. FINANCIAL RESULTS

The results of the various operations and transactions on the Revenue Account for the year are as follows:

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated deficit 01/07/2013				(3 339 966)
General accounts				
Rates and general	2 648 327	12 011 635	(9 363 308)	
Non-profitable services	32 491 843	31 577 290	914 553	
Self-supporting	25 885 220	26 443 073	(557 853)	
Trade accounts				
Electricity	3 856 730	1 780 085	2 076 645	
Water	27 308 018	19 973 664	7 334 354	
	92 190 138	91 785 747	404 391	404 391
Adjustments and appropriations (Note 11, Annexure D)				(2 935 575)
				(1 576 718)
Accumulated deficit 30/06/2014				(4 512 293)

7. CURRENT BANK ACCOUNT

	2014	2013
	N\$	N\$
Cash-book balance at 30 June	4 244 714	4 543 345
Outstanding cheques	648 936	5 440 344
Outstanding deposits	(180 696)	(88 817)
Balance as per bank statement	4 712 954	9 894 872

8. INVESTMENTS

The investments as at 30 June are as follows:

Institution	2014		2013	
	Investments	Interest	Investments	Interest
	N\$	N\$	N\$	N\$
Commercial banks	37 549 163	1 636 822	48 469 587	1 876 954
	37 549 163	1 636 822	48 469 587	1 876 954

The investments are allocated as follows:

Allocation	2014	2013
	N\$	N\$
Capital Development Fund	33 007 915	38 434 616
Build Together Fund	4 541 248	10 034 971
	37 549 163	48 469 587

9. FUND ACCOUNTS

The position of internal Funds and accounts as at year-end is as shown in Note 9 at Annexure D.

10. TRADE ACCOUNTS

10.1 The results of water operations are as follows:

	Water	
	2014	2013
	N\$	N\$
Sales	23 468 701	15 860 334
Cost of sales	(14 964 417)	(13 363 720)
Gross surplus	8 504 284	2 496 614
Other expenses	(1 169 930)	(1 301 014)
Net surplus	7 334 354	1 195 600
Gross surplus percentage on cost of sales	56.8%	18.7%
Net surplus percentage on cost of sales	49.01%	8.9%
Gross surplus percentage on sales	36.2%	15.7%
Net surplus percentage on sales	31.3%	7.5%

10.2 Water distribution results, in cubic meters

	Water	
	2014	2013
	Units	Units
Sales	1 386 636	1 223 376
Purchases	(1 374 986)	(1 295 637)
Surplus/(Loss)	11 650	(72 261)
Surplus/(loss) as a percentage of purchases	0.8%	(5.6%)

The Council managed to eliminate water distribution losses.

11. SELF-SUPPORTING SERVICES

11.1 The results for the year under review are as follows:

Service	Income	Expenses	Surplus/ (deficit)	Surplus/ (deficit)
	2014	2014	2014	2013
	N\$	N\$	N\$	N\$
Civic buildings	225 413	3 198 276	(2 972 863)	(1 682 883)
Cleansing services	3 512 819	2 199 142	1 313 677	1 199 353
Sewerage	22 146 988	21 045 655	1 101 333	1 269 617
	25 885 220	26 443 073	(557 853)	786 087

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

The audit did not reveal any fruitless, unauthorised or avoidable expenditure that were 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 were noted during the year under review.

15. CAPITAL PROJECTS

The following were spend on capital projects:

Nature of projects/acquisition	Financed by	Total expenditure 2014	Total expenditure 2013
	Revenue account		
	N\$	N\$	N\$
Erven development at Ext. 14	-	-	1 588 933
Township establishment Efdi	-	-	372 886
Furniture and equipment	370 108	370 108	161 709
Upgrading of cemetery	906 991	906 991	-
Upgrading of open market	726 369	726 369	-
Road construction	7 246 052	7 246 052	8 957 064
Provision of services at other extensions	-	-	8 950
Sewerage and water pumps	60 870	60 870	-
Skip container equipment	203 317	203 317	-
Upgrading of Mayor's Park	204 311	204 311	-
Upgrading OTC Offices and cemetery	207 833	207 833	218 120
Upgrading of OTC parking facilities	653 103	653 103	434 673
Vehicles	1 570 434	1 570 434	263 484
Water, sewerage and roads at Extension 2	61 371	61 371	429 858
Provision of electricity at Extension 2	44 142	44 142	1 278 122
Sewer and water reticulation at Reception 2 and 3	376 707	376 707	1 902 329
Storm water provision at Maroela Mall	1 472 439	1 472 439	1 714 982
Provision of water and sewer at Efdi Proper	7 510 680	7 510 680	4 787 329
Provision of services at low cost housing - Oshiko	128 554	128 554	1 190 356
Construction of steel water tower at Sky	1 423 543	1 423 543	2 404 179
Rehabilitation and expansion of oxidation ponds	5 185 169	5 185 169	1 700 474
Service construction at Extension 12	6 485 670	6 485 670	-
Tractor	393 100	393 100	-
Construction of water reticulation at Sky Phase 3	1 451 335	1 451 335	-
Trailer	141 725	141 725	-
Installation of streetlights along Ongwediva – Oshakati Main Road	1 470 686	1 470 686	-
Installation of traffic lights at corner of Ongwediva – Oshakati and Sam Nujoma Roads	265 258	265 258	-
	38 559 767	38 559 767	27 413 448

The Council implemented 84% (2013: 61%) 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\$ 10 845 515 (2013: N\$ 3 718 273) was spent as crop fields compensation payments during the year under review.

19. VISITS TO FOREIGN COUNTRIES

There were no visits to foreign countries during the year under review.

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

No donations were granted by the Council during 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 are as follows:

	2014	2013
	N\$	N\$
Consumer debtors	11 221 780	8 532 227
VAT receivable	1 393 239	2 329 284
NORED surcharges	388 634	557 692
Staff	29 112	-
Subtotal	13 032 765	11 419 203
Provision for bad debts	(6 525 034)	(5 668 967)
Total	6 507 731	5 750 236

Consumer debtors are in respect of all services rendered by the Council.

23.2 Trade and other payables at 30 June are as follows:

	2014	2013
	N\$	N\$
Trade payables	8 889 149	3 173 428
Provision for leave pay	1 987 254	1 661 604
Consumer deposits	1 521 483	1 497 203
Government grant – Unutilised portion	1 014	148 851
Government grant – LEDA	120 175	-
TIPEEG funds – Unutilised portion	5 312 593	16 578 030
Deposits – Sale of erven	481 878	-
Total	18 313 546	23 059 116

24. ASSESSMENT RATES

	2014	2013
	N\$	N\$
The proceeds from assessment rates	14 834 855	11 409 849
Tariffs per N\$1 valuation per annum - Site valuation	0.0340	0.0340
Tariffs per N\$1 valuation per annum - Improvements	0.0087	0.0087

25. LOANS

25.1 External loans

There are no external loans.

25.2 Internal loans

There are no internal loans.

25.3 Due to the Town Council

	2014	2013
	N\$	N\$
Build Together Fund advances	3 844 698	4 141 616

26. SALE OF ERVEN

During the current financial year, cash proceeds amounting to N\$ 5 255 473 (2013: N\$ 6 738 979) of which the full amount was allocated to sale of erven account. Deposits received on sale of erven amounting to N\$ 481 878 are included under current liabilities since they are refundable if the sale cannot be completed.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

Erven were sold on both cash and instalment basis during the year under review. The latter amounted to N\$ 481 878 as reflected in item 26 above herein.

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	
	Quantity	Value	Quantity	Value	Quantity	Value
Balance - 01/07/2013	3	N\$ 409 015	10	N\$ 582 965	12	N\$ 1 822 345
Additions	-	-	2	1 570 434	-	-
Sub-total	3	409 015	12	2 153 399	12	1 822 345
Disposals	(1)	(1)	(2)	(2)	-	-
Depreciation	-	(53 365)	-	(422 993)	-	(242 313)
Balance - 30/06/2014	2	355 650	10	1 730 404	12	1 580 032

30.2 Inventory

Inventory comprising of stationery and consumables amounted to N\$ 594 801 (2013: N\$ 1 402 578).

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 were addressed to the Chief Executive Officer.

34. QUALIFIED AUDIT OPINION

The accounts of the Town Council of Ongwediva for the financial year ended 30 June 2014, 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.

A qualified audit opinion is being expressed due to the following reason:

- Omitted investments in equities.

Except for the effect on the financial statements of the matter referred to in the preceding paragraph, in my opinion these financial statements fairly present the financial position of the Town Council at 30 June 2014 and the results of its operations and cash-flows for the year then ended.

WINDHOEK, December 2014

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

TOWN COUNCIL OF ONGWEDIVA

BALANCE SHEET AT 30 JUNE

	Notes	2014 N\$	2013 N\$
ASSETS			
Non-current assets			
		192 158 859	173 502 765
Property, plant and equipment	2	150 764 998	120 891 562
Loans receivable	3	3 844 698	4 141 616
Investments	4	37 549 163	48 469 587
Current assets			
		11 347 246	11 696 159
Trade and other receivables	5	6 507 731	5 750 236
Inventories	6	594 801	1 402 578
Cash and cash equivalents	7	4 244 714	4 543 345
TOTAL ASSETS		203 506 105	185 198 924
FUNDS AND LIABILITIES			
Funds and reserves			
		185 192 559	162 139 808
Capital outlay	8	150 764 998	120 891 562
Funds and accounts	9	34 427 561	41 248 246
Current liabilities			
Trade and other payables	10	18 313 546	23 059 116
TOTAL FUNDS AND LIABILITIES		203 506 105	185 198 924

TOWN COUNCIL OF ONGWEDIVA

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2014	2013
		N\$	N\$
INCOME		90 819 850	70 482 085
EXPENDITURE		<u>(91 785 746)</u>	<u>(68 836 291)</u>
NET OPERATING (DEFICIT)/ SURPLUS		(965 896)	1 645 794
INTEREST RECEIVED		<u>1 370 287</u>	<u>1 528 086</u>
NET SURPLUS AFTER INTEREST		404 391	3 173 880
APPROPRIATION ACCOUNT	11	<u>(1 576 718)</u>	<u>(820 274)</u>
NET (DEFICIT)/SURPLUS AFTER APPROPRIATIONS		(1 172 327)	2 353 606
REVENUE ACCOUNT - Beginning of year		<u>(3 339 966)</u>	<u>(5 693 572)</u>
REVENUE ACCOUNT - End of year		<u>(4 512 293)</u>	<u>(3 339 966)</u>

TOWN COUNCIL OF ONGWEDIVA

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2014	2013
		N\$	N\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		90 819 850	70 482 085
Cash paid to suppliers and employees		(89 371 422)	(58 125 958)
Cash generated by operations	12	1 448 428	12 356 127
Interest received		1 370 287	1 528 086
Net cash generated by operating activities		2 818 715	13 884 213
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease)/Increase in Fund accounts		(5 648 357)	1 318 907
Increase in Capital outlay		29 873 436	20 027 930
Net cash generated by financing activities		24 225 079	21 346 837
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(38 559 767)	(27 413 448)
Decrease in loans receivable		296 918	120 521
Decrease/(Increase) in investments		10 920 424	(7 672 452)
Net cash utilised by investing activities		(27 342 425)	(34 965 379)
(DECREASE) /INCREASE IN CASH AND CASH EQUIVALENTS		(298 631)	265 671
CASH AND CASH EQUIVALENTS			
- AT THE BEGINNING OF THE YEAR		4 543 345	4 277 674
- AT THE END OF THE YEAR		4 244 714	4 543 345

TOWN COUNCIL OF ONGWEDIVA

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

1. ACCOUNTING POLICIES**1.1 Introduction**

The annual financial statements are compiled in accordance with the historical cost convention as modified by the restatement of the financial instruments to fair value, except where otherwise stated.

The principal accounting policies of the Town Council, which are set out below, have been consistently applied and comply with Namibian Statements of Generally Accepted Accounting Practice. 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 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.

1.3 Inventory

Inventories are measured at the lower of cost and net realisable value. The cost of inventories comprises all cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

1.4 Capital Development Fund

The purpose of this Fund is to finance capital projects by means of internal loans or appropriation.

	2014	2013
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Income assets	143 066 797	111 653 722
General capital assets	7 698 201	9 237 840
Total	150 764 998	120 891 562

3. LOANS RECEIVABLE

These loans were granted from the Build Together Fund to residents of Ongwediva.

	3 844 698	4 141 616
	3 844 698	4 141 616

TOWN COUNCIL OF ONGWEDIVA

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

	2014	2013
	N\$	N\$
4. INVESTMENTS		
INVESTMENTS		
Commercial banks	37 549 163	48 469 587
	37 549 163	48 469 587
ALLOCATED AS FOLLOWS:		
Capital Development Fund	33 007 914	32 056 076
Build Together Fund	4 541 249	8 741 059
	37 549 163	40 797 135
5. TRADE AND OTHER RECEIVABLES		
Consumer debtors	11 221 780	8 532 227
VAT receivable	1 393 239	2 329 284
NORED surcharges receivable	388 634	557 692
Staff	29 112	-
Subtotal	13 032 765	11 419 203
Provision for bad debts	(6 525 034)	(5 668 967)
	6 507 731	5 750 236
6. INVENTORIES		
Stores	594 801	1 402 578
	594 801	1 402 578
7. CASH AND CASH EQUIVALENTS		
Current account	4 244 714	4 543 345
	4 244 714	4 543 345
8. CAPITAL OUTLAY		
Revenue contributions	143 066 797	111 653 722
General Capital contributions	7 698 201	9 237 840
	150 764 998	120 891 562

TOWN COUNCIL OF ONGWEDIVA

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

	2014	2013
	N\$	N\$
9. FUNDS, ACCOUNTS AND RESERVES		
Capital Development Fund	29 983 283	29 983 283
Build Together Fund	8 956 572	14 604 929
Subtotal	38 939 855	44 588 212
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(4 512 294)	(3 339 966)
Grand total	34 427 561	41 248 246
10. TRADE AND OTHER PAYABLES		
Trade payables	8 889 149	3 173 428
Provision for leave pay	1 987 254	1 661 604
Consumer deposits	1 521 483	1 497 203
Deposits – Sale of erven	481 878	-
Government grant - Unutilised portion	1 014	148 851
Government grant - LEDA	120 175	-
TIPEEG funds – unutilised portion	5 312 593	16 578 030
	18 313 546	23 059 116
11. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Increase in provision for bad debts	(856 067)	(746 615)
Correction of previous year debtors	(79 440)	17 633
Correction - Stores	(827 734)	(57 943)
Expenditure corrections	(14 046)	(39 393)
Prior year adjustment	6 050	6 044
Stores material auctioned	194 519	-
	(1 576 718)	(820 274)

TOWN COUNCIL OF ONGWEDIVA

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

	<u>2014</u>	<u>2013</u>
	N\$	N\$
12. CASH GENERATED BY OPERATIONS		
Net operating (deficit)/surplus before interest and transfers	(965 896)	1 645 794
Adjustments for:		
- Adjustments to appropriation account	(1 576 718)	(820 274)
- Assets written off	240	-
- Depreciation	8 686 090	7 385 518
OPERATING SURPLUS BEFORE CHANGES IN WORKING CAPITAL	<u>6 143 716</u>	<u>8 211 038</u>
CHANGES IN WORKING CAPITAL		
Increase in trade and other receivables	(757 495)	(213 330)
Decrease/(Increase) in inventories	807 777	(60 461)
(Decrease)/Increase in trade and other payables	(4 745 570)	4 418 880
	<u>(4 695 288)</u>	<u>4 145 089</u>
CASH GENERATED BY OPERATIONS	<u>1 448 428</u>	<u>12 356 127</u>