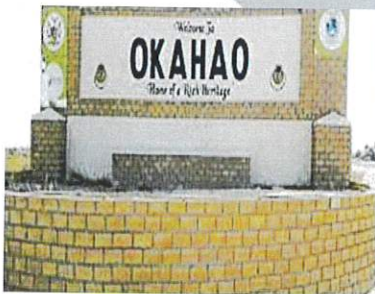




REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

TOWN COUNCIL OF OKAHAO

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Published by authority

Price (Vat excluded) N\$ 52.00

Report no: 60/2022

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 Okahao for the financial year ended 30 June 2019 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 2022

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF OKAHAO
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

SECTION A: FINANCIAL AUDIT

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Town Council of Okahao for the financial year ended 30 June 2019. These financial statements comprise the statement of financial position, statement of surplus or deficit, statement of changes in net assets or equity, statement of cash flow for the year then ended, and a summary of significant accounting policies.

Because of the significance of matters discussed in the Basis for Adverse Audit Opinion paragraph, the financial statements do not present fairly the financial position of the Town Council of Okahao for the financial year ended 30 June 2019 and its financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

2. BASIS FOR ADVERSE 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 the audit 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 the 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:

2.1 FINANCIAL REPORTING FRAMEWORK

The Council did not adopt an appropriate Financial Reporting Framework (i.e. International Public Sector Accounting Standards (IPSAS) as per circular by the Minister of Urban and Rural Development) in preparing its Financial Statements. It is recommended that the Council should implement an approved financial reporting framework as per the instructions of the Ministry of Urban and Rural Development.

2.2 FINANCIAL POLICY AND PROCEDURES

It was observed that the Council does not have financial accounting procedures/guidelines/manuals in place. Therefore, there is no adequate approved documentation of day-to-day financial procedures implemented at the Council. It is recommended that the Council should draft, approve and implement sound financial accounting procedures/guidelines/manuals.

2.3 STATEMENTS OF CASH FLOW

A difference amounting to N\$ 9 997 016 between amount recalculated by auditors of N\$ 8 778 827 and amount computed by the client of N\$ 1 218 189 has been observed. The Council is advised to confirm the audit finding and provide clarity to the mentioned differences observed.

2.4 LEAVE DAYS

Total leave days due for each employee at the end of each cycle for the 30 June 2019 financial year could not be recalculated, as there are no updated leave records provided in the leave file. It is recommended that the Council file a record of days due at the end of each cycle in the employees leave file.

2.5 MOTOR VEHICLE ALLOWANCE

It was observed that there are no proof of payment of purchase of vehicles filed in the personnel files of management, in addition the, Council is paying high car allowance per year to management contrary to what is recommended according to the Ministerial Directive (Circular) of 26 April 2018 Car Allowance for the managers of a Town Council. It is recommended that the Council file all necessary documents in personnel files of employees and pay allowance as it directed by the Ministry of Urban and Rural Development. This audit finding requires management attention and action.

2.6 ACCOUNTS RECEIVABLES WRITTEN OFF (BAD DEBTS)

The Council did not submit supporting evidence for Bad debts amounting to N\$ 19 264. Therefore, the occurrence, accuracy and completeness of accounts receivables could not be verified. It is recommended that Council should ensure that supporting documents are filled and provided for audit purposes.

2.7 PROVISION FOR BAD DEBTS

The Council expensed off the total provision amounting to N\$ 5 940 730 in 2019 financial year, in the statement of financial performance instead of N\$ 1 611 426 which is the movement between the current and prior year. It is recommended that the Council should ensure that correct accounting treatment is applied in compliance with the standard requirements to recognise the transactions and events in the financial statements.

2.8 INVENTORY

The Council wrongly classified inventory as trade receivables with an amount of N\$ 242 060. This is a recurring audit finding from prior years. It is recommended that Council correctly classifies its inventory.

2.9 BUILD TOGETHER LOAN

The Council did not determine the long-term portion of Build Together receivable loan amounting to N\$ 4 397 478 which have a loan period of 20 years. It is recommended that the Council ensure to determine the long-term portion of Build Together receivables which has a loan period of 20 years.

2.10 VAT RECEIVABLE

A difference amounting to N\$ 815 552 between the re-performed reconciliation and the financial statements was observed. It is recommended that the Council reconciles the monthly VAT Returns to the accounting records of the Council.

2.11 5% RATES AND TAXES

The Council did not accrue the 5% rates and taxes of N\$ 271 573 due to the Omusati Regional Council for 2019, therefore payables and expenditure are understated. It is recommended that the Council should ensure that all amounts due at year end are raised to ensure that expenditure are recorded in the correct accounting period and payables reflects the true amount outstanding.

2.12 TRANSACTION IN RECORDED IN THE WRONG ACCOUNTING PERIOD

The Council recorded invoices amounting to N\$ 399 558 which were wrongly recorded in the 2020 financial period instead of the 2019 financial period. It is recommended that the Council should ensure that transactions are recorded in the correct accounting period to avoid possible misstatements.

2.13 JOURNAL ENTRIES (EHAO EXPO EXPENDITURE)

The Council did not provide journal entries for transactions amounting to N\$ 1 552 125 for Ehao Expenditure. It is recommended that the Council should ensure that all supporting documents are provided for audit purposes.

2.14 EXPENDITURE

The Council understate the total expenditures for the year 2019 in the annual financial statement by an amount of N\$ 5 522 964 due to incorrect classification of appropriation income. It is recommended that the Council ensures that adjustments are done in compliance with IPSAS 3 paragraph 53 (a) – (b), which states that the prior period errors should be disclosed in the annual financial statement.

2.15 LEGAL COST

The Council did not provide further information regarding legal matters related to transactions amounting to N\$ 112 231; therefore, the occurrence, accuracy and completeness of accounts receivables could not be verified. It is recommended that Council should ensure that supporting documents are filled and provided for audit purposes.

2.16 WORK IN PROGRESS (WIP)

The Council still does not have a work-in-progress assets register. No reconciliation of work in progress was provided to substantiate the amount of N\$ 11 728 367 as presented in the 2019 financial year.

Furthermore, the closing balance N\$ 11 728 367 of work-in-progress in the 2019 financial year was reflected as acquisition of PPE (WIP) in the statement of cash flow while it includes an opening balance of N\$ 216 120 related to the construction of the social house.

It is recommended that the Council should ensure that it maintains a register of assets under construction.

2.17 PROPERTY, PLANT AND EQUIPMENT

Capital projects with a cost amounting to N\$ 2 036 012 that were completed during the accounting period were not transferred to property, plant and equipment. The Council is recommended to monitor the progress of assets that are under construction and ensuring that completed assets are transferred to property, plant and equipment on a timely basis.

2.18 VALUE ADDED TAX (VAT)

The Council recorded transactions amounting to N\$ 1 701 11.43 VAT inclusive. This resulted in capital expenses being overstated with an amount of N\$ 221 886.71 and the VAT account being understated with the same amount. It is recommended that the Council should ensure that expenses that are vatable are recorded VAT exclusive and the VAT portion is recorded in the VAT control account.

2.19 PHYSICAL ASSETS VERIFICATION

Although the fixed assets register contains system generated ID numbers, these numbers are not marked on the physical assets. As reported in the 2017 and 2018 audits, the audit could once again not confirm the completeness and existence of items of property, plant and equipment due to improper records to trace assets, to and from the fixed asset register. It is recommended that the Council should ensure that the fixed asset register is updated with sufficient unique asset identification numbers/details that are also marked on the physical asset, especially for movable items.

2.20 ASSET UNDER-CONSTRUCTION

Expense incurred on the construction of road in extension 2 (upgrading to bitumen) amounting to N\$ 2 096 326 was transferred to property, plant and equipment in 2019 prior to its completion. The Project was completed on 09 October 2019 as per the completion certificate. It is recommended that the Council should only transfer assets under construction when they are completed and are in the condition and location as intended by the Council.

2.21 INCORRECT CLASSIFICATION

The Council incorrectly classified the Ehao fence constructed at a cost of N\$ 751 102.06 as Plant and Machinery instead of classifying it as Land and Buildings. It is recommended that the Council should ensure that items of the same nature and function are grouped together in the financial statements and correct depreciation is charged.

2.22 SUBDIVIDING AND ZONING OF ERVEN

The general valuation roll, new township as well as subdividing and rezoning of erven amounting to N\$ 2 767 838 was incorrectly recorded as property, plant and equipment under construction (work in progress).

IPSAS 12: Inventories paragraph 18 states that the cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Paragraph 22 of IPSAS 12 further provides examples of costs relating to landscaping, drainage, pipe laying for utility connection, etc. as costs that can be regarded as fixed or variable, for allocation to cost of conversion. It is recommended that the Council should ensure that all cost incurred in bringing the inventories to their present location and condition are added to the cost of inventories and correctly allocated to land held for sale.

2.23 VALUATION OF LAND AND BUILDING

A class of land and buildings valued at an amount of N\$ 18 274 159 disclosed in financial statement, the land value is not separated from those of buildings.

In terms of IAS16 paragraph 58 and IPSAS 17 paragraph 74, Land and Buildings are separable assets and accounted for separately, even when they are acquired together. Land has an unlimited useful life and therefore not depreciated. Buildings have a limited useful life and therefore are depreciable assets.

It is recommended that the Council should separate the cost of land from the cost of buildings.

2.24 INVESTMENT IN NORED

The auditors could not confirm the existence and valuation of investment as disclosed in the 2020 financial statements amounting to N\$ 20 990 854; due to the unavailable shareholder's agreement or share certificate, showing the correct value of equity acquired. The Council is recommended to provide sufficient and appropriate evidence to substantiate the existence and valuation of equity investment in NORED.

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 the audit of the financial statements as a whole, and in forming an audit 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 the Town Council of Okahao.

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. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (COMPLIANCE)

The financial statements for the financial year ended 30 June 2019 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 85 of the Local Authorities Act, 1992 (Act No. 23 of 1992).

6. 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.

7. 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 to it in the audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the audit opinion. My conclusions are based on the audit evidence obtained up to the date of the audit 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 the 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 the auditor's 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.

8. SECTION B: COMPLIANCE AUDIT AND AUDIT OF PERFORMANCE INFORMATION

8.1 AUDIT OF KEY PERFORMANCE INFORMATION

I conducted an audit on performance information of Okahao Town Council for the Strategic period 2018 to 2021, consecutively with the audit of financial statements for the year ended 30 June 2019.

8.2 DESCRIPTION OF THE SUBJECT MATTER INFORMATION AND SCOPE

A Performance Management System (PMS) is a systematic process for achievement and improvement in obtaining results from an organization and its staff members managing performance within an agreed framework consisting of objectives, outputs, key performance indicators (KPIs) and timeliness.

The primary function of the PMS is to enable Council to achieve success in fulfilling its mandate and provide improvements in service delivery to the public.

The scoping of the key performance indicators was performed by looking at the high-level statements, which are indicated in the mandate of the Council as provided for in the Local Authorities Act, Act No. 23 of 1992 and its' Strategic Plan. Key performance indicators were selected based on what would be significant to the intended users and their usefulness in assessing the entity's achievements in terms of its service performance objectives.

8.3 AUDIT OBJECTIVE

The objective of the Key Performance Indicator (KPI) audit is to provide assurance whether the reported performance information measured against key performance indicators is useful, reliable and evidence-based. Key performance indicators also provide the basis for the Council to inform the Parliament, the public and other stakeholders about its strategic priorities, programs and projects.

8.4 AUDIT CRITERIA

The audit was mainly concentrated on two (2) criteria, namely:

- Usefulness of reported performance information in terms of measurability and relevancy of indicators, as well as consistency of use of indicators throughout the period under review; and
- Reliability of reported performance information in terms of whether the actual reported performance did occur and was reported accurately.

8.5 SUMMARY OF METHODS APPLIED

I reviewed the Strategic Plan for the strategic periods 2017 to 2021 and comprised of a review of the Strategic Plan, documentation review and interviews with senior and top management.

8.6 KEY AUDIT FINDINGS

The following documents were requested for audit, however, they were not provided:

8.6.1 Annual Report for 2019/20

8.6.2 Performance Agreements for:

- Chief Executive Officer;
- Manager: Finance & ICT; and
- Manager: Technical Services & Infrastructure.

8.6.3 Evidence to support activity on the following selected objectives and their key performance indicators:

Strategic Objective	Key Performance Indicators
Ensure good governance and effective service delivery	% increase in Customer Satisfaction
	# of statutory Council meetings held
	% made in the development of HR policies
	# of performance accountability reports submitted
Ensure an enabling environment and high-performance culture	# of employees signed Performance Agreements
	% reduction of staff turn-over
	# of staff trained
	# of Annual Plan reviewed
Ensure a sound procurement management	% made in the implementation of the annual procurement plan as per the Public Procurement Act
	# of audit queries on stock management reduced
Ensure a sound fleet & asset management system	% reduction in the operational cost of fleet
	# of assets registered
Promote and create conducive conditions for local economic development	% made in the development of Investment Policy and strategy
	% made in the implementation of the local economic development (LED) strategy
	# of local investments and business initiative implemented
Facilitate Capacity building for local SMEs	# of capacity building programmes for SME facilitated

Strategic Objective	Key Performance Indicators
Promote Tourism Activities and infrastructure in the town	# of tourism attraction sites developed or upgraded
	# of tourism attraction events hosted
	# of Marketing and promotions events attended/hosted
	% made in the development and/or reviewing of the marketing materials
Accelerate the delivery of serviced urban land and housing	# of new township proclaimed
	# of plots serviced
	# of houses constructed
	% made in the construction of the social house
	% made in the establishment of the reception area
Enhance the revenue base and collection	% made in the formalization of erf 355 (Omakeendali)
	# of new revenue sources identified and operationalized
	% increase in revenue collected
Ensure sound financial management	% made in the construction of a new modern town hall
	% reduction in the budget variances
	# of reduction of qualified audit opinions in the annual audit report
Facilitate integrated urban infrastructural development	# of financial accountability reports submitted
	% made in the development of urban infrastructural master plan
	% made in the development of building regulation
	% made in the development of endowment and betterment policy
Ensure the upgrading and maintenance of urban infrastructure	# of urban infrastructure developed
	% made in the development of the preventative maintenance plan (civic building & infrastructure)
	# of Urban Infrastructure upgraded and maintained
Enhance disaster and risk management response capacity	Distance (km) of existing gravel roads upgraded to bitumen standards
	% made in the development of disaster and risk management plan
	% made in the implementation of disaster and risk management plan
	# of specialized trainings attended
	# of education and awareness campaigns undertaken
	# of drilling exercises conducted

8.7 INSUFFICIENT SUPPORTING DOCUMENTATION

The non-submission of documentation posed a significant limitation on the auditors to ascertain whether reported performance information is useful (i.e. measurable and relevant) and reliable in terms of whether the actual reported performance did occur.

8.8 CONCLUSION ON SUBJECT MATTER

Because of the significance of the key audit findings section of my report, I have not been able to obtain sufficient appropriate evidence to form a conclusion on the Key Performance Information of the Council. Accordingly, I do not express a conclusion.

9. ACKNOWLEDGEMENTS

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

WINDHOEK, July 2022



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

TOWN COUNCIL OF OKAHAO

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

ASSETS	Note	2019 N\$	2018 N\$
Non-current assets		113 006 156	101 763 715
Property plant and equipment	2	101 277 789	101 498 448
Work in Progress	3	11 728 367	265 267
Current assets		34 751 943	36 886 889
Cash and cash equivalents	5	123 391	162 422
Trade and other receivables	6	24 394 459	17 750 578
Investments	4	10 234 093	18 973 889
TOTAL ASSETS		147 758 099	138 650 604
FUNDS AND OTHER LIABILITIES			
Funds and accounts		141 453 466	134 083 319
Capital Fund	8	141 453 466	134 083 319
Current liabilities		6 304 633	4 567 285
Trade and other payables	7	6 304 633	4 567 285
TOTAL EQUITY AND LIABILITIES		147 758 099	138 650 604

ANNEXURE B

TOWN COUNCIL OF OKAHAO

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		N\$	N\$
INCOME	9	32 897 384	34 781 053
EXPENDITURE	11	(32 444 231)	(33 025 788)
OPERATING PROFIT FOR THE YEAR		453 153	1 755 265
Investment income	10	6 749 779	4 603 272
NET SURPLUS FOR THE YEAR		7 202 932	6 358 537

TOWN COUNCIL OF OKAHAO
STATEMENT OF CHANGES IN NET ASSETS/EQUITY FOR THE YEAR ENDED
30 JUNE 2019

	2019	2018
	N\$	N\$
Opening Balance	134 083 319	127 724 782
Adjustments	167 215	-
Profit/Loss for the year	134 250 534	127 724 782
Closing balance	7 202 932	6 358 537
	141 453 466	134 083 319

TOWN COUNCIL OF OKAHAO
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
Note	N\$	N\$
	15 506 960	14 279 173
Cash flow from operating activities		
Cash receipts from customers	32 893 264	34 781 053
Cash paid to suppliers and employees	(24 046 336)	(24 957 415)
Interest received	6 749 779	4 603 272
Finance cost paid	(93 867)	(147 737)
Discount received	4 120	-
	9 167 963	(366 649)
Cash flow from investing activities		
Additions to property plant and equipment	(2 560 404)	(101 382)
Additions to Work in progress	11 728 367	(265 267)
	(2 134 945)	2 750 116
@Net(decrease)/Increase in cash and cash equivalents	36 886 888	34 136 772
Cash and cash equivalents - beginning of year	34 751 943	36 886 888
Cash and cash equivalents - end of year		

@Is not equivalent to the sum of Cash flow from operating activities and investing activities (see Finding 2.3)

TOWN COUNCIL OF OKAHAO**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019****1. ACCOUNTING POLICIES****1.1 INTRODUCTION**

The annual financial statements are prepared on the historical cost basis and incorporate the following principal and accounting policies which have been consistent in all material respects.

1.2 PROPERTY, PLANT AND EQUIPMENT

Land and buildings are recorded at cost and are considered to be investment properties. Accordingly, land and buildings are depreciated at a very low rate. This is because all of the buildings are used for administration purposes only.

Motor vehicle, furniture and fittings, office equipment and building equipment are stated at cost and depreciated on the straight line method at the following rates per annum:

Office Equipment	3 years (33%)
Computer Equipment	3 years (33%)
Motor Vehicle	5 years (20%)
Furniture, Fixture & Fitting	5 years (20%)
Plant & Machineries	5 years (20%)
Land and Building	50 years (2%)
Capital Infrastructures	50 years (2%)

1.3 REVENUE

Revenue represents subsidy from Central Government for Development Collection from Water, Leasehold fee, Properties Rate and Taxes, and Properties sales.

1.2 PROVISION FOR BAD DEBT

Provision for Bad Debt was made as a percentage of the Account Receivable. Thus, a provision was made of 25% of the Account Receivable for the year.

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (Continued)

	2019	2018
	N\$	N\$
2. PROPERTY PLANT AND EQUIPMENT		
Land and Building	18 274 159	18 445 876
Capital Infrastructure	82 289 287	81 817 866
Plant and Machineries	267 335	529 574
Furniture, Fixtures & Fittings	39 291	73 977
Motor Vehicles	314 165	575 230
Computer Equipment	23 475	24 367
Office Equipment	70 077	31 558
	101 277 789	101 498 448
3. WORK IN PROGRESS		
WIP - Sewer and Water reticulation Ext 9	496 029	-
WIP - Sewer and Water reticulation Ext 9	5 666 989	-
WIP - Construction of Roads	-	8 258
WIP - Construction of Sewer, Streetlight, Storm water Ext 3	-	40 889
WIP - Construction of Social House	397 385	216 120
WIP - Subdivision and Rezoning of Ervens	706 285	-
WIP - Establishment of new Township (Extension)	2 061 553	-
WIP - Constructions of Ehao Entrance & Toilets	331 320	-
WIP - Constructions of Ehao Exhibition stalls	457 561	-
WIP - Constructions of Ehao Fence	751 102	-
WIP - Constructions of Ehao Statute	10 000	-
WIP - Construction of Ehao Traditional House	49 120	-
WIP - Constructions of Ehao Electrical Services	801 023	-
	11 728 367	265 267
4. INVESTMENTS ACCOUNTS		
Capital Project Call Account	352 566	2 347 512
Operational Call Account	54 046	438 868
Cash - Plus Investment Account	6 313 793	12 642 739
Ehao Call Account	21 473	-
Build Together - Call Account	3 845	3 836
Build Together - Receipt Account	3 488 370	3 540 934
	10 234 093	18 973 889

TOWN COUNCIL OF OKAHAO**ANNEXURE E****NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (Continued)**

	2019	2018
	N\$	N\$
5. CASH AND CASH EQUIVALENTS		
Operational Current Account	64 328	72 158
Capital Project current	8 433	3 378
Build Together - Disbursement Account	2 972	3 677
Social House Current	43 835	80 981
Petty Cash	3 195	1 932
Petty Cash - Box	628	296
	123 391	162 422
6. TRADE AND OTHER RECEIVABLES		
Account Receivables - Other	107 605	107 605
Account Receivable	23 865 025	17 326 653
Provision for doubtful debts	(5 940 730)	(4 329 304)
Account receivables - Build Together	4 397 478	4 031 173
VAT Control Account	1 664 176	464 888
Collateral deposit control Account	12 365	12 365
Inventory	216 790	54 338
Inventory - Electricity	25 270	28 670
Advances	14 741	14 183
Top - up Control Account	26 117	33 884
Building plans Control Account	5 622	6 123
	24 394 459	17 750 578

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (Continued)

	2019	2018
	N\$	N\$
7. TRADE AND OTHER PAYABLES		
Water deposit Account	447 638	397 056
Account Payable	2 686 207	1 574 617
Provision for bonus	552 384	555 830
provision for leaves days	1 990 340	1 829 470
Accrued expenses	545 492	133 562
Advance payment by Customers	82 571	-
Staff Saving Fund	-	76 750
	6 304 632	4 567 285
8. CAPITAL FUND		
Retain Earnings	126 630 908	120 388 241
Retain earnings - Build Together	7 619 627	7 336 541
Profit for the Year	7 202 931	6 358 537
	141 453 466	134 083 319
9. INCOME		
ADMINISTRATIVE GRANT		
Income - Subsidy for Capital Projects	11 416 584	6 718 271
Income - Subsidy for Operation	-	3 204 027
ADMINISTRATIVE INCOME		
Income from Open Market Rental	61 616	88 054
Income from New Water Connection	124 545	65 918
Income from Fitness Certificates	126 887	161 961
Income from Photocopies and Faxes	3 005	1 167
Income from Leasehold/PTO	431 005	386 980
Income from Sales of Erven (POP)	1 528 535	9 891 558
Income from Disconnection & Re-Connection Fees	175 927	193 348
Income from Rental	685 910	654 588
Income from Sewerage Basic	1 526 347	1 334 221
Income from Sewerage Connection	139 705	38 916
Income from Building Plan Approval	107 417	66 206
Income from Sales of Electricity	17 260	148 600

TOWN COUNCIL OF OKAHAO**ANNEXURE E****NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (Continued)**

	2019	2018
	N\$	N\$
9. INCOME (continued)		
ADMINISTRATIVE INCOME		
Income from Administration Fee	94 350	196 800
Income from Meat Inspection	8 353	9 883
Income from Disposal of Impounded Animals	710	30 859
Income from Water Sales	5 668 356	4 028 228
Income from Property Rates and Taxes	5 431 472	3 674 121
Income from Advertisement Bills Boards	85 483	58 220
Income from Valuation Certificate	45 160	2 400
Income from Fire Brigade Services	136 557	64 086
Income from Management of Impounding Facility	9 168	23 186
Income from Baobab Heritage Site	25 944	57 097
Income from Business Registration	81 535	770
Income from Refusal Removal	1 531 418	1 236 681
Income from Water Basic	1 377 580	1 246 104
Income from Gala Dinner	75 497	-
Income from Pledges and Sponsorships	275 250	-
Income from Exhibition Stands	49 800	-
Income from Tickets Sales	104 060	-
Income From Fundraising Activities	11 511	-
OTHER INCOME		
Income - Other	516 422	214 509
Income from Royalties/Surcharges	466 456	541 387
Income from Tender Fees	28 900	14 000
Discount Received	4 120	7 450
Donations Received from Miss Okahao - Beauty Pageant	-	21 515
Income Sale of Tickets from Miss Okahao - Beauty Pageant	-	11 505
Donations Received	-	8 200
Income from Technical Business Centre	278 322	206 909

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (Continued)

	2019	2018
	N\$	N\$
9. INCOME (continued)		
OTHER INCOME		
Divided Received	-	135 882
Income from Sales of Trade Fair Promotional Items	14 180	6 627
Income from Social House	129 068	30 820
Income from Ehao Expo	102 969	-
	32 897 384	34 781 054
10. INVESTMENT INCOME		
Interest Received on Capital Project Account	53 257	128 100
Interest Received on Operational Account	16 661	57 090
Income Received from Investment - Cash Plus	671 054	915 455
Interest Received on Overdue Account	5 633 726	3 140 857
Income from Penalties	13 414	42 263
Interest Received - Ehao	1 691	-
Interest Received - Building together Accounts	120 430	136 479
Interest on Building Together Loan	239 546	183 028
	6 749 779	4 603 272
11. EXPENDITURE		
PERSONNEL COST		
Salaries & wages	9 585 838	9 588 621
Contract Employee	782 443	645 087
Bonus/ 13 th Cheque	1 166 692	555 830
Employer Contribution to Pension	1 401 024	1 397 767
Employer Contribution to Medical Aid	1 233 070	1 107 999
Leave Gratuities	2 158 789	1 829 470
Employer Contribution to SSC Compensation Fund	338	41 284
Employer Contribution to Social security	35 187	36 103
Separation Gratuity	66 221	-
Job Attachment - Student Trainees	25 200	17 300
	16 454 802	15 219 461

TOWN COUNCIL OF OKAHAO**ANNEXURE E****NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (Continued)**

	2019	2018
	N\$	N\$
11. EXPENDITURE (continued)		
GENERAL EXPENSES		
Miss Okahao - Beauty Pageant Expenses	-	107 039
Sitting Allowance	1 050	2 450
5% Contribution to Regional Council	-	132 478
Trade Fair Promotional Materials	44 547	49 873
Ehao Cultural Expo	139 135	-
Entrepreneurship Development Cell Programme	1 437	-
Insurance - Council Properties	319 402	340 500
Claims Against Council	5 683	2 000
Homesteads Compensation	2 560 150	6 114 690
Grants/Donation	13 206	5 653
Cleaning Materials	39 415	23 191
Street Name tags and Sign Board	19 392	-
Office Equipment	-	10 067
Protective Clothing	198	12 898
Stationery	107 160	56 145
Fuel and Lubricants	503 058	427 673
Repair, Spare Parts & Servicing Maintenance- Vehicle	443 726	316 700
Vehicle License Fee	139 215	86 407
Legal Cost	303 520	229 371
Professional services Capital Projects	-	180 000
Advertising Other Media	34 952	96 882
Printing and Distribution	2 333	12 679
Entertainment Official	49 519	54 240
Entertainment : Mayor	-	33 377
Maintenance - Computer Equipment	102 849	96 560
Maintenance - Building	35 597	90 624
Repairs and Maintenance - Motor Vehicle	-	15 148
Maintenance - Office Equipment	-	9 977
Maintenance - Water Pipes & Meters	95 931	65 910
Maintenance - Furniture and Fittings	5 746	8 556
Maintenance - Sewer Pump Machine & manhole	78 049	221 791

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (Continued)

	2019	2018
	N\$	N\$
11. EXPENDITURE (continued)		
GENERAL EXPENSES (continued)		
Security Services	557 071	543 919
Training Courses/Workshop/Conference	50 002	70 683
Travel and Subsistence Domestic	208 471	356 686
Travel and Subsistence Overseas	-	19 077
Electricity Consumption	818 891	681 888
Internet, Email Cost and Subscription	58 674	55 198
P/Bag Rental, Postage and Courier	62 670	67 146
Refusal Removal	588 756	578 369
Telephone, Cellphones and Fax	139 847	141 354
Sub Division of ERF	-	332 119
Bulk Water Supply	3 986 261	3 282 206
Transfer Cost	-	4 430
Management - Impounding Facility	45 095	53 506
Property Rental Others	-	1 035
Establishment of New Township	-	1 309 635
Software license Fee	90 137	88 973
Cost of Sales - Electricity	33 400	192 969
Travel Air Domestic	39 641	6 352
Doubtful Debts	5 940 730	4 329 304
Sport and Recreational Activities	74 920	93 705
Consulting Fees	-	25 000
Medicine	1 054	7 165
Refuse Bins	43 293	15 163
General Office Expense	10 556	19 786
Maintenance Plant and Machinery	70 721	-
Interest paid on Overdue Account	157 039	-

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (Continued)

ANNEXURE E

	2019	2018
	N\$	N\$
11. EXPENDITURE (continued)		
GENERAL EXPENSES (continued)		
Laundry Expense	-	212
Quality Assurance test for Water	-	5 163
Photocopy Machine Services	12 718	11 681
Appropriation Account	(5 522 964)	(5 726 120)
Membership Fee and subscription	52 500	60 750
Transfer Duty	34 353	33 841
Ehao General Expense	496 126	-
Bad debt - Building together	19 264	-
DEPRECIATION		
Depreciation - Computer Equipment	30 147	57 052
Depreciation - Furniture, Fixtures & Fittings	34 687	39 344
Depreciation - Land and Building	397 113	234 805
Depreciation - Motor Vehicles	261 065	289 102
Depreciation - Office Equipment	17 792	31 398
Depreciation - Plants and Machineries	262 240	442 106
Depreciation - Capital Infrastructure	1 778 021	1 100 710
FINANCE COSTS		
Bank Charges - Operational Account	90 149	143 709
Bank Charges - Capital Projects Account	1 928	1 448
Bank Charges - Ehao	210	-
Bank Charges - Build Together	1 581	2 580
	32 444 231	33 025 789

TOWN COUNCIL OF OKAHAO
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (Continued)

	2019	2018
	N\$	N\$
12. CASH RECEIVED FROM CUSTOMERS AND GOVERNMENT		
Income from Subsidy for Capital projects	11 416 584	6 718 271
Income from Subsidy for Operation	-	3 204 027
Income from Open Market Rental	61 616	88 054
Income from New Water Connection	124 545	65 918
Income from Fitness Certificates	126 887	161 961
Income from Photocopies and Faxes	3 005	1 167
Income from Leasehold/PTO	431 005	386 980
Income from Purchase of Property	1 528 535	9 891 558
Income from Disconnection & Re - Connection Fees	175 927	193 348
Income from Rental	685 910	654 588
Income from Sewerage Basic	1 526 347	1 334 221
Income from Sewerage Connection	139 705	38 916
Income from Building Plan Approval	107 417	66 206
Income from Sales of Electricity	17 260	148 600
Income from Administration Fee	94 350	196 800
Income from Meat inspection	8 353	9 883
Income from Disposal of Impounded Animals	710	30 859
Income from Water Sales	5 668 356	4 028 228
Income from Property Rates and Taxes	5 431 472	3 674 121
Income from Advertisement Billboards	85 483	58 220
Income from valuation Certificate	45 160	2 400
Income from Fire Brigade services	136 557	64 086
Income from Management of Impounding Facility	9 168	23 186
Income from Baobab Heritage Site	25 944	57 097
Income from Business Registration	81 535	770
Income from Refuse removal	1 531 418	1 236 681
Income from Water Basic	1 377 580	1 246 104
Income from Gala Dinner	75 497	-
Income from Pledges and Sponsorships	275 250	-
Income from Exhibition Stands	49 800	-
Income from Ticket Sales	104 060	-
Income from Fundraising Activities	11 511	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2019 (Continued)

	2019	2018
	N\$	N\$
13. CASH RECEIVED FROM CUSTOMERS AND GOVERNMENT(continued)		
Income - Other	516 422	214 509
Income from Royalties/Surcharges	466 456	541 387
Income from Tender Fees	28 900	14 000
Discount Received	-	7 450
Donations Received from Miss Okahao – Beauty Pageant	-	21 515
Income from Sale of Tickets from Miss Okahao - Beauty Pageant	-	11 505
Donations Received from Miss Okahao – Beauty Pageant	-	8 200
Income from Technical Business Centre	278 322	206 909
Dividends Received	-	135 882
Income From Sales of Trade Fair Promotional Items	14 180	6 626
Income from Social House	129 068	30 820
Income from Ehao Expo	102 969	-
	32 893 264	34 781 053

