



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 2013

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 2013, 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 2013

**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 2013**

1. INTRODUCTION

The accounts of the Town Council of Ongwediva for the year ended 30 June 2013 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, 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 Property, plant and equipment - completeness

A donated vehicle valued at N\$ 1 219 879 is not included in the financial statements resulting in understatement of the property, plant and equipment and the related appropriation account.

4.2 Investments in equities

For the second consecutive year, 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.

4.3 Sale of erven

Instalments (deposits) received on the intended sale of erven were credited to the revenue account instead of the liability account resulting in overstatement of revenue and understatement of the related liability.

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 01/07/2012				(5 693 572)
General accounts				
Rates and general	2 732 407	10 805 603	(8 073 196)	
Non-profitable rates	29 489 741	22 473 624	7 016 117	
Self-supporting	18 422 242	17 636 155	786 087	
Trade accounts				
Electricity	2 249 273	-	2 249 273	
Water	19 116 509	17 920 910	1 195 599	
Surplus/(deficit)	72 010 172	68 836 292	3 173 880	3 173 880
Adjustments and appropriations (Note 11, Annexure D)				(2 519 692)
				(820 274)
Accumulated deficit 30/06/2013				(3 339 966)

7. CURRENT BANK ACCOUNT

	2013	2012
	N\$	N\$
Cash-book balance at 30 June	4 543 345	4 277 674
Outstanding cheques	5 440 344	1 988 194
Outstanding deposits	(88 817)	(194 355)
Balance as per bank statement	9 894 872	6 071 513

8. INVESTMENTS

The investments as at 30 June are as follows:

Institution	2013		2012	
	Investments	Interest	Investments	Interest
	N\$	N\$	N\$	N\$
Commercial banks	48 469 587	1 876 954	40 797 135	1 384 831
	48 469 587	1 876 954	40 797 135	1 384 831

The investments are allocated as follows:

Allocation	2013	2012
	N\$	N\$
Capital Development Fund	38 434 616	32 056 077
Build Together Fund	10 034 971	8 741 058
	48 469 587	40 797 135

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	
	2013	2012
	N\$	N\$
Sales	15 860 334	12 991 940
Cost of sales	(13 363 720)	(10 014 591)
Gross surplus	2 496 614	2 977 349
Other expenses	(1 301 014)	(1 284 981)
Net surplus	1 195 600	1 692 368
Gross surplus percentage on cost of sales	18.7%	29.7%
Net surplus percentage on cost of sales	8.9%	16.9%
Gross surplus percentage on sales	15.7%	22.9%
Net surplus percentage on sales	7.5%	13.0%

10.2 Water distribution results, in cubic meters

	Water	
	2013	2012
	Units	Units
Sales	1 223 376	1 154 293
Purchases	(1 295 637)	(1 166 958)
Loss	(72 261)	(12 665)
Percentage loss on purchases	(5.6%)	(1.1%)

The Council is urged to put measures in place to reduce water losses.

11. SELF-SUPPORTING SERVICES

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

Service	Income	Expenses	Surplus/ (deficit)	Surplus/ (deficit)
	2013	2013	2013	2012
	N\$	N\$	N\$	N\$
Civic buildings	258 613	1 941 496	(1 682 883)	(1 040 588)
Cleansing services	2 867 560	1 668 207	1 199 353	1 332 548
Sewerage	15 296 069	14 026 452	1 269 617	3 133 973
	18 422 242	17 636 155	786 087	3 425 933

12. FRUITLESS, UNAUTHORIZED OR AVOIDABLE EXPENDITURE

The audit did not reveal any fruitless, unauthorized 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 reported during the year under review.

15. CAPITAL PROJECTS

The following were spend on capital projects:

Nature of projects/acquisition	Financed by	Total expenditure	Total expenditure
	Revenue account	2013	2012
	N\$	N\$	N\$
Erven development at Ext. 14	1 588 933	1 588 933	4 902 266
Township establishment Efidi	372 886	372 886	-
Furniture and equipment	161 709	161 709	507 094
Heavy equipment	-	-	590 700
Open market upgrading	-	-	31 823
Road construction	8 957 064	8 957 064	1 832 343
Provision of services at other extensions	8 950	8 950	12 681 605
Sewerage and water pumps	-	-	121 454
Skip containers	-	-	128 397
Township establishment - Oshiko	-	-	819 411
Upgrading OTC Offices and cemetery	218 120	218 120	29 938
Upgrading of parking facilities	434 673	434 673	-
Vehicle	263 484	263 484	510 142
Water, sewerage and roads at Extension 2	429 858	429 858	-
Provision of electricity at Extension 2	1 278 122	1 278 122	-
Sewerage and water reticulation at Reception 2 and 3	1 902 329	1 902 329	-
Storm water provision at Maroela Mall	1 714 982	1 714 982	-
Provision of water and sewer at Efidi Property	4 787 329	4 787 329	-
Provision of services at low cost housing- Oshiko	1 190 356	1 190 356	-
Construction of steel water tower at Sky	2 404 179	2 404 179	-
Rehabilitation and expansion of oxidation ponds	1 700 474	1 700 474	-
Water loss management	-	-	60 507
	27 413 448	27 413 448	22 215 680

The Council implemented 61% (2012: 61%) of its planned capital projects in the year under review. The Council is urged to improve on project implementation.

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\$ 3 718 273 (2012: N\$ 4 300 286) was spent as crop fields compensation payments during the year under review.

19. VISITS TO FOREIGN COUNTRIES

The Mayor visited Indonesia at a total cost of N\$ 27 509 to attend the Indonesia Trade Expo in Jakarta. The trip was approved by the Minister.

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:

	2013	2012
	N\$	N\$
Consumer debtors	8 532 227	7 815 686
VAT receivable	2 329 284	2 009 336
NORED surcharges	557 692	552 163
Accrued interest	-	82 074
Subtotal	11 419 203	10 459 259
Provision for bad debts	(5 668 967)	(4 922 353)
Total	5 750 236	5 536 906

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

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

	2013	2012
	N\$	N\$
Trade payables	3 173 428	4 609 184
Provision for leave pay	1 661 604	1 590 028
Consumer deposits	1 497 203	1 412 481
Government grant – unutilised portion	148 851	-
TIPEEG funds – unutilised portion	16 578 030	11 028 543
Total	23 059 116	18 640 236

24. ASSESSMENT RATES

	2013	2012
	N\$	N\$
The proceeds from assessment rates	11 409 849	9 885 990
Tariffs per N\$1 valuation per annum - Site valuation	0.0340	0.0315
Tariffs per N\$1 valuation per annum - Improvements	0.0087	0.0081

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

	2013	2012
	N\$	N\$
Build Together Fund advances	4 141 616	4 262 137

26. SALE OF ERVEN

During the current financial year, cash proceeds amounting to N\$ 6 738 979 (2012: N\$ 7 332 058) of which the full amount was allocated to sale of erven account. This revenue is qualified, refer to item 4.3.

27. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

Erven were sold on both cash and instalment basis during the year under review. The Council could not provide the breakdown of sales split between cash and instalment 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	
	Quantity	Value	Quantity	Value	Quantity	Value
Balance - 01/07/2012	3	N\$ 462 380	9	N\$ 463 242	12	N\$ 2 064 658
Additions	-	-	1	263 484	-	-
Sub-total	3	462 380	10	726 726	12	2 064 658
Depreciation	-	(53 365)	-	(143 761)	-	(242 313)
Balance - 30/06/2013	3	409 015	10	582 965	12	1 822 345

30.2 Inventory

Inventory comprising of stationery and consumables amounted to N\$ 1 402 578 (2012: N\$ 1 342 117).

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

Formal queries are embodied in this report.

33.2 Informal queries

Informal queries were addressed to the Chief Executive Officer.

34. QUALIFIED AUDIT OPINION

The accounts of the Ongwediva Town Council for the financial year ended 30 June 2013, 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 reasons:

- Understatement of property, plant and equipment and the related appropriation account.
- Omitted investments in equities.
- Overstatement of proceeds on sale of erven and understatement of the related liability.

Except for the effect on the financial statements of the matters referred to in the preceding paragraph, in my opinion these financial statements fairly present the financial position of the Town Council at 30 June 2013 and the results of its operations and cash-flows for the year then ended.

WINDHOEK, December 2013

**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

TOWN COUNCIL OF ONGWEDIVA

BALANCE SHEET AT 30 JUNE

	Notes	2013 N\$	2012 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	2	120 891 562	100 863 632
Loans receivable	3	4 141 616	4 262 137
Investments	4	48 469 587	40 797 135
		11 696 159	11 156 697
Current assets			
Trade and other receivables	5	5 750 236	5 536 906
Inventories	6	1 402 578	1 342 117
Cash and cash equivalents	7	4 543 345	4 277 674
		185 198 924	157 079 601
TOTAL ASSETS			
FUNDS AND LIABILITIES			
Funds and reserves			
Capital outlay	8	120 891 562	100 863 632
Funds and accounts	9	41 248 246	37 575 733
Current liabilities			
Trade and other payables	10	23 059 116	18 640 236
		185 198 924	157 079 601
TOTAL FUNDS AND LIABILITIES			

TOWN COUNCIL OF ONGWEDIVA

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	<u>Note</u>	<u>2013</u> N\$	<u>2012</u> N\$
INCOME		70 482 085	60 105 714
EXPENDITURE		<u>(68 836 291)</u>	<u>(59 145 268)</u>
NET OPERATING SURPLUS		1 645 794	960 446
INTEREST RECEIVED		<u>1 528 086</u>	<u>1 224 868</u>
NET SURPLUS AFTER INTEREST		3 173 880	2 185 314
APPROPRIATION ACCOUNT	11	<u>(820 274)</u>	<u>(1 079 820)</u>
NET SURPLUS AFTER APPROPRIATIONS		2 353 606	1 105 494
REVENUE ACCOUNT - Beginning of year		<u>(5 693 572)</u>	<u>(6 799 066)</u>
REVENUE ACCOUNT - End of year		<u>(3 339 966)</u>	<u>(5 693 572)</u>

TOWN COUNCIL OF ONGWEDIVA

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2013 N\$	2012 N\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		70 482 085	60 105 714
Cash paid to suppliers and employees		(58 125 958)	(52 049 880)
Cash generated by operations	12	12 356 127	8 055 834
Interest received		1 528 086	1 224 868
Net cash generated by operating activities		13 884 213	9 280 702
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in Fund accounts		1 318 907	3 690 191
Increase in Capital outlay		20 027 930	15 290 229
Net cash generated by financing activities		21 346 837	18 980 420
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(27 413 448)	(22 215 680)
Decrease in loans receivable		120 521	223 275
Increase in investments		(7 672 452)	(7 920 753)
Net cash utilised by investing activities		(34 965 379)	(29 913 158)
INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		265 671	(1 652 036)
CASH AND CASH EQUIVALENTS			
- AT THE BEGINNING OF THE YEAR		4 277 674	5 929 710
- AT THE END OF THE YEAR		4 543 345	4 277 674

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 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 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 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.

	<u>2013</u>	<u>2012</u>
	N\$	N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Income assets	111 653 722	90 086 153
General capital assets	9 237 840	10 777 479
Total	<u><u>120 891 562</u></u>	<u><u>100 863 632</u></u>

TOWN COUNCIL OF ONGWEDIVA

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

	<u>2013</u>	<u>2012</u>
	N\$	N\$
3. LOANS RECEIVABLE		
These loans were granted from the Build Together Fund to residents of Ongwediva	4 141 616	4 262 137
	4 141 616	4 262 137
4. INVESTMENTS		
Commercial banks	48 469 587	40 797 135
	48 469 587	40 797 135
ALLOCATED AS FOLLOWS:		
Capital Development Fund	38 434 616	32 056 076
Build Together Fund	10 034 971	8 741 059
	48 469 587	40 797 135
5. TRADE AND OTHER RECEIVABLES		
Consumer debtors	8 532 227	7 815 686
VAT receivable	2 329 284	2 009 336
NORED surcharges	557 692	552 163
Accrued interest	-	82 074
Subtotal	11 419 203	10 459 259
Provision for bad debts	(5 668 967)	(4 922 353)
	5 750 236	5 536 906
6. INVENTORIES		
Stores	1 402 578	1 342 117
	1 402 578	1 342 117

TOWN COUNCIL OF ONGWEDIVA

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

	<u>2013</u>	<u>2012</u>
	N\$	N\$
7. CASH AND CASH EQUIVALENTS		
Current account	4 543 345	4 277 674
	4 543 345	4 277 674
8. CAPITAL OUTLAY		
Revenue contributions	111 653 722	90 086 153
General Capital contributions	9 237 840	10 777 479
	120 891 562	100 863 632
9. FUNDS, ACCOUNTS AND RESERVES		
Capital Development Fund	29 983 283	29 983 283
Build Together Fund	14 604 929	13 286 022
Subtotal	44 588 212	43 269 305
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	(3 339 966)	(5 693 572)
Grand total	41 248 246	37 575 733
10. TRADE AND OTHER PAYABLES		
Trade payables	3 173 428	4 609 185
Provision for leave pay	1 661 604	1 590 028
Consumer deposits	1 497 203	1 412 481
Government grant - unutilised portion	148 851	-
TIPEEG funds – unutilised portion	16 578 030	11 028 542
	23 059 116	18 640 236

TOWN COUNCIL OF ONGWEDIVA

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

	2013	2012
	N\$	N\$
11. ADJUSTMENTS TO APPROPRIATION ACCOUNT		
Bad debts recovered	-	6 184
Correction of previous year debtors	17 633	(32 183)
Correction - stores	(57 943)	4 391
Expenditure corrections	(39 393)	6 600
Prior year adjustment	6 044	-
Increase in provision for bad debts	(746 615)	(1 009 871)
Stores material auctioned	-	(39 168)
VAT correction	-	(15 773)
	(820 274)	(1 079 820)
12. CASH GENERATED BY OPERATIONS		
Net operating surplus before interest and transfers	1 645 794	960 446
Adjustments for:		
- Adjustments to appropriation account	(820 274)	(1 079 820)
- Depreciation	7 385 518	6 925 451
OPERATING SURPLUS BEFORE CHANGES IN WORKING CAPITAL	8 211 038	6 806 077
CHANGES IN WORKING CAPITAL		
Increase in trade and other receivables	(213 330)	(1 200 020)
Increase in inventories	(60 461)	(121 128)
Increase in trade and other payables	4 418 880	2 570 905
	4 145 089	1 249 757
CASH GENERATED BY OPERATIONS	12 356 127	8 055 834