



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF ONGWEDIVA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

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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 2016, 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, February 2017

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF ONGWEDIVA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

1. REPORT ON THE FINANCIAL STATEMENTS

1.1 INTRODUCTION

The accounts of the Town Council of Ongwediva for the year ended 30 June 2016 are being reported on in accordance with the provisions set out in the Local Authorities Act, 1992 (Act 23 of 1992).

The firm Strategies Chartered Accountants 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.

I certify that I have audited the accompanying financial statements of the Town Council of Ongwediva for the year ended 30 June 2016. These financial statements comprise the following:

Annexure A: Balance Sheet;
Annexure B: Income Statement;
Annexure C: Cash Flow statement;
Annexure D: Notes to the Annual Financial Statements;

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 27 (1) of the Local Authorities Act, 1992, except that they were only submitted on 07 October 2016 instead of three months (3 months) after the year end as required by the Act.

2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 86 of the Local Authorities Act, 1992 and relevant legislation, and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

3. AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs). These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Powers and duties

Section 25(1) (c) of the State Finance Act, 1991, provides that the Auditor-General should satisfy himself that:

- (a) All reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;

- (b) All reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and
- (c) The expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, Section 26(1) (b)(iv) of the State Finance Act, 1991, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinion.

4. ACKNOWLEDGEMENT

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

5. UNQUALIFIED AUDIT OPINION

The accounts of the Town Council of Ongwediva for the year ended 30 June 2016, summarised in Annexure A-C, were audited by me in terms of section 85 of the Local Authorities Act, 1992 read with Section 25(i)(b) of the State Finance, 1991.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Town Council of Ongwediva as at 30 June 2016, and their financial performance and cash flows for the year then ended, in accordance with the State Finance Act, 1991.

WINDHOEK, February 2017



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

6. FINANCIAL RESULTS

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

	Revenue	Expenditure	Surplus/ (Deficit)	Balance
	N\$	N\$	N\$	N\$
Accumulated surplus/(deficit) 01/07/2015				(840 092)
General services				
Rates and general	3 574 192	(16 559 285)	(12 985 093)	
Non-profitable services	31 362 175	(23 597 435)	7 764 740	
Self-supporting	26 584 134	(23 732 503)	2 851 631	
Trading accounts				
Electricity	2 905 690	-	2 905 690	
Water	29 797 035	(24 346 082)	5 450 953	
Total	94 223 226	(88 235 305)	5 987 921	
Surplus for the year				5 987 921
Adjustments for appropriation account (Note 11 Annexure D)				2 612 157
Total Accumulated deficit 30/06/2016				7 759 986

7. CURRENT BANK ACCOUNT

	2016	2015
	N\$	N\$
Cash-book balance at 30 June – Balance Sheet	3 651 347	4 315 854
Add: Outstanding cheques	794 660	1 617 556
Less: Outstanding deposits	(209 550)	(191 785)
Bank balance	4 236 457	5 741 625

8. INVESTMENTS

The investments as at 30 June were as follows:

	2016	2015
	N\$	N\$
Commercial Banks	42 674 874	42 440 954
Investments in Equity	4 665 035	-
	47 339 909	42 440 954

Investments held at year-end were allocated as follows:

Distribution	2016	2015
	N\$	N\$
Capital Development Fund	36 784 139	37 296 869
Social Housing Fund	1 382 932	-
Build Together Fund	4 507 803	5 144 085
Investments in equities	4 665 035	
	47 339 909	42 440 954

9. FUNDS AND ACCOUNTS

The position of the funds and accounts at year end is shown in note 9 in Annexure D.

10. TRADE ACCOUNTS

10.1 The results of water and electricity operations were as follows:

	Water	
	2016	2015
	N\$	N\$
Sales	29 216 871	25 065 346
Cost of bulk purchases	(20 719 415)	(17 255 464)
Gross profit	8 497 456	7 809 882
Net (expenditure)/Income	(3 046 504)	(2 934 675)
Net Surplus	5 450 952	4 875 207
Gross surplus percentage on bulk purchases	41.01%	45.26%
Net surplus percentage on bulk purchases	26.31%	28.25%
Gross surplus percentage on sales	29.08%	31.16%
Net surplus percentage on sales	18.66%	19.45%

10.2 Water Distribution Losses

	Water	
	2016	2015
	N\$	N\$
Sales	1 444 519	1 388 449
Purchases	(1 513 065)	(1 442 754)
Excess/(loss)	(68 546)	(54 305)
Percentage excess/(loss) in units	(4.53%)	(3.76%)

11. SELF-SUPPORTING EXTERNAL SERVICES

11.1. The results for the year under review were as follows:

	Income	Expenses	Surplus/(deficit)	Surplus/(deficit)
	2016	2016	2016	2015
	N\$	N\$	N\$	N\$
	241 943	3 077 454	(2 835 511)	(2 449 906)
Civic Buildings	4 601 122	1 976 407	2 624 715	2 094 612
Cleaning services	21 741 069	18 678 642	3 062 427	1 879 370
Sewerage				
	26 584 134	23 732 503	2 851 631	1 524 076

12. FRUITLESS, UNAUTHORISED OR AVOIDABLE EXPENDITURE

No fruitless or unauthorised expenditure came to light during the audit.

13. SUSPENSE ACCOUNT

Suspense accounts are cleared on a regular basis.

14. IRREGULARITIES AND LOSSES

There were no irregularities or losses during the period under review.

15. CAPITAL PROJECTS

Capital expenditure for the year was as follows:

Nature of project	Revenue account 2016	Revenue Account 2015
	N\$	N\$
Rescue equipment	62 807	193 668
Vehicle	512 028	919 398
Road construction	347 826	873 869
Upgrading of Open market	-	35 918
Upgrading OTC offices	-	617 065
Township establishments	408 860	1 267 722
Upgrading of cemetery	-	41 001
Upgrading of Mayor's park	-	21 388
Construction of Ongwediva Fire Station	3 471 057	1 412 604
Furniture and equipment	348 408	302 289
Service construction at Extention 12	1 028 759	1 932 309
Construction of water reticulation at Sky Phase 3	-	64 393
Installation of streetlights along Ongwediva – Oshakati Main Road	-	33 223
Installation of traffic lights at corner of Ongwediva – Oshakati and Sam Nujoma Roads	-	5 411
Storm water provisions	-	79 800
Provision of electricity at reception area	-	3 217 391
Construction on new mini open market at Oshikoto	477 636	40 100
Sewerage and water pumps	105 815	470 000
Provision of water and sewer at Efdi Proper	-	97 149
Service provision at Extension Efdi	4 560 666	-
Service provision at Extension 15	2 053 193	-
Replacement of pump line	135 909	-
Construction of steel water tower at Sky	-	195 419
Development of recreation park	-	1 545 900
Upgrading of tennis court	-	4 819
Rehabilitation and expansion of oxidation ponds	9 124 011	1 362 455
	22 636 975	14 733 291

The Council implemented 85% (2015: 67%) of its planned capital projects in the financial year under review.

16. BURSARIES

No bursaries were granted during the year.

17. CONTRIBUTIONS/GRANTS AND FINANCIAL AID

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

18. COMPENSATION PAYMENTS

An amount of N\$ 6 003 671 (2015: N\$ 7 767 958) was spent as crop fields compensation payments during the financial year under review.

19. VISITS TO FOREIGN COUNTRIES

The foreign trip at a total cost of N\$ 17 334 undertaken by the Chief Executive Officer to Jiangxi Province, China, from 7 – 11 September 2015 was duly approved by the Minister in accordance with the Council resolutions. Similarly, the foreign trip at a cost of N\$ 20 932 undertaken by the Deputy Mayor and Local Development and Tourism Officer to Witzenberg, South Africa, from 13 - 17 September 2015 was duly approved by the Minister in accordance with the Council resolution.

20. GIFTS/DONATIONS TO THE LOCAL AUTHORITY

A donation of building material worth N\$ 9 519 made to the Sky Phase 3 and Reception 3 based project by the Council was duly approved by the Minister in accordance with the Council resolution.

21. CLAIMS AGAINST THE LOCAL AUTHORITIES

No claims against the Council took place during the financial year under review.

22. TRANSFER OF PROPERTY TO/FROM THE GOVERNMENT

No property was transferred to/from others during the year under review.

23. TRADE AND OTHER RECEIVABLES/TRADE AND OTHER PAYABLES

23.1 Debtors on 30 June comprise the following:

	2016	2015
	N\$	N\$
Consumers	15 060 591	11 972 817
VAT receivable	2 846 660	1 152 211
NORED Surcharges	280 955	726 225
Road Fund Administration	393 157	790 560
Staff corporate wear	69 902	-
	18 651 265	14 641 813
Less Provision for doubtful debts	(10 033 553)	(8 117 974)
Totals	8 617 712	6 523 839

23.2 Creditors on 30 June comprise the following:

	2016	2015
	N\$	N\$
Trade payables	8 361 846	5 920 021
Government grant	631 668	5 934 012
Government grant – LEDA	500 000	212 060
TIPEEG funds	981 778	2 163 807
Provision for leave pay	3 066 424	2 703 047
Consumer deposits	1 742 453	1 727 445
Amounts not fully paid – Sale of erven	850 418	665 254
Totals	16 134 587	19 325 646

24. ASSESSMENT RATES

	2016	2015
	N\$	N\$
Net proceeds from assessment rates were	21 311 955	19 506 245
Tariffs per N\$1 valuation per month (Residential)		
-Land	0.0273	0.0260
-Improvements	0.0070	0.0067

25. LOANS

26.1 External loans:

There were no external loans.

26.2 Internal loans

There are no internal loans.

26.3 Due to the Town Council

	2016	2015
	N\$	N\$
Build Together advances	3 466 896	3 648 295

27. SALE OF ERVEN

During the current financial year under review, cash proceeds to the value of N\$ 1 327 869 (2015: N\$ 5 048 812) were received for ervens sold which were fully allocated to the revenue account. A total amount of N\$ 692 037 (2015: N\$ 364 233) is excluded from the sale of erven and is shown as amounts not fully paid – sale of erven. Moreover, amounts of N\$ 506 873 not fully paid in previous years were fully paid during the year under review and were included in the cash proceeds of N\$ 1 834 742.

28. LOCAL AUTHORITY PROPERTY SOLD ON AN INSTALMENT BASIS

Erven were sold on both cash and instalment basis during the financial year under review. The latter amounted to N\$ 692 037 (2015: N\$ 364 233).

29. TARIFF ADJUSTMENTS

Tariff adjustments were duly approved and promulgated in the Government Gazette.

30. APPROVALS

Over-expenditure on the approved budget was approved at City Council meetings as and when necessary.

31. STOCK AND EQUIPMENT

31.1. Motor vehicles

	LDV's, Combi's Sedan and 4x4 Vehicles		Other	
	N\$	N\$	N\$	N\$
On hand as at 01/07/2015	14	2 462 185	12	1 337 719
Additions	1	512 028	-	-
	15	2 974 213	12	1 337 719
Less: Depreciation	-	(669 970)	-	(242 313)
Less: Withdrawal	-	-	-	-
	-	-	-	-
On hand 30/06/2016	15	2 304 243	12	1 095 406

For all Council vehicles, log books are kept and maintained on regular basis so as to determine kilometres travelled and fuel consumption that would ensure effective and accurate record keeping and a coordinated vehicle usage thereof.

31.2. Inventory

Stock comprising of stationary and consumables amounted to N\$ 1 139 259 (2015: N\$ 1 133 639). Stock taking was conducted and physical stock on hand was balanced on the records at the end of the financial year under review.

32. SPECIAL INVESTIGATIONS

There were no special investigations conducted during the year.

33. SUBSIDIES FORM GOVERNMENT (TRANSFERRED FROM MINISTRY OF URBAN AND RURAL DEVELOPMENT PROJECTS)

Purpose of subsidy	Balance at 01/07/2015	Received during the year	Spent during the year	Balance at 30/06/16
	N\$	N\$	N\$	N\$
Construction of Mini Open Market at Oshiko area	212 060	500 000	(212 060)	500 000
Rehabilitation and expansion of Oxidation ponds	4 433 177	5 000 000	(9 433 177)	-
Provision of water, sewer and electricity at Industrial Area, Extension 12	2 163 807	-	(1 182 029)	981 778
Compensation funds	-	4 000 000	(4 000 000)	-
Construction of Ongwediva Fire Station	1 500 836	-	(1 500 836)	-
Construction of services at Extension Efidu	-	5 737 500	(5 244 660)	492 840
Construction of services at Extension 15	-	2 500 000	(2 361 172)	138 828
Total	8 309 880	17 737 500	(23 933 934)	2 113 446

34. FORMAL AND INFORMAL QUERIES

No formal queries are embodied in this report.

**TOWN COUNCIL OF ONGWEDIVA
BALANCE SHEET AT 30 JUNE**

	Notes	2016 N\$	2015 N\$
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2	168 620 180	156 403 608
Investments	3	47 339 909	42 440 954
Loans Receivable	4	3 466 896	3 648 295
CURRENT ASSETS			
Debtors and other receivables	5	8 617 712	6 523 838
Inventories	6	1 139 259	1 133 639
Bank and cash	7	3 651 347	4 315 854
Total assets		232 835 303	214 466 188
FUNDS AND LIABILITIES			
FUND AND RESERVES			
Capital outlay	8	168 620 180	156 403 608
Funds and accounts	9	48 080 536	38 736 933
CURRENT LIABILITIES			
Trade and other payables	10	16 134 587	19 325 647
Total funds and liabilities		232 835 303	214 466 188

**TOWN COUNCIL OF ONGWEDIVA
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE**

		<u>2016</u>	<u>2015</u>
		N\$	N\$
INCOME		92 933 133	77 218 996
EXPENDITURE		<u>(88 235 305)</u>	<u>(73 747 975)</u>
NET OPERATING SURPLUS		4 697 828	3 471 021
INVESTMENT INTEREST EARNED		<u>1 290 093</u>	<u>1 430 632</u>
NET PROFIT		5 987 921	4 901 653
ADJUSTMENTS	11	<u>2 612 157</u>	<u>(1 229 451)</u>
NET SURPLUS/(DEFICIT) after		8 600 078	3 672 202
APPROPRIATION ACCOUNT AT THE BEGINNING OF THE YEAR		<u>(840 092)</u>	<u>(4 512 294)</u>
APPROPRIATION ACCOUNT AT END OF THE YEAR		<u>7 759 986</u>	<u>(840 092)</u>

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

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
		N\$	N\$
CASH FLOW FROM OPERATIONS ACTIVITIES			
Cash receipts by customers		92 933 133	77 218 996
Cash paid to suppliers		(80 493 299)	(65 425 591)
Cash (utilised)/ generated by operations	12	12 439 834	11 793 405
Interest received		1 290 093	1 430 632
Increase in Capital outlay		12 216 572	5 638 610
Increase in Fund account		743 525	637 171
Net cash flow from operating activities		26 690 024	19 499 818
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(27 354 531)	(19 428 679)
Increase in investments		(22 636 975)	(14 733 291)
Increase in loan receivables		(4 898 955)	(4 891 791)
		181 399	196 403
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(664 507)	71 139
CASH AND CASH EQUIVALENTS			
-BEGINNING OF YEAR		4 315 854	4 244 715
CASH AND CASH EQUIVALENTS - END OF YEAR		3 651 347	4 315 854

TOWN COUNCIL OF ONGWEDIVA
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. ACCOUNTING POLICIES

1.1 Basis of presentation

The annual financial statements set out in Annexures A to D were prepared on the historical cost basis and incorporate the following principal accounting policies, which are consistent with all material aspects with those applied in the previous year.

1.2 Property, plant and equipment

- (i) Property, plant and equipment is stated
- at historical cost; or
 - at valuation (based on the market price at the date of transfer) where assets have been acquired by grant or donations.
- (ii) Depreciation
The loans redeemed are considered tantamount to a provision for depreciation.

Apart from advances from various internal funds and external loans, assets may also be acquired through:

- Appropriations from revenue, in which case the total cost of the asset is a direct and immediate charge against revenue and no further provision for depreciation is required.

1.3. Funds

The following funds were maintained:

1.3.1 Housing Fund

The purpose of this fund is to provide for housing loans. Income for the Fund is derived from interest earned or secured housing loans and investments as well as from profits made on the resale of Housing Scheme houses. Interest paid on the external housing loans is charged to this fund.

1.3.2 Capital Reserve Fund

The purpose of this Fund is to build a general capital reserve to ensure a stable financial position. Income from this Fund is derived from general revenue contributions and interest earned on internal loans and investments.

1.3.3 Fixed Property Fund

Proceeds from the sale of land has been developed by the Council accumulate in this Fund. Costs incurred on the development off land and charged on this Fund.

1.3.4 Renewal Fund

The purpose of this fund is to provide for future replacement of assets and for additional depreciation on assets which have permanently declined in value. Income for this Fund is derived from general revenue contributions as well as interest on investments.

TOWN COUNCIL OF ONGWEDIVA

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

	2016 N\$	2015 N\$
2. PROPERTY, PLANT AND EQUIPMENT		
Income assets	164 001 254	150 245 045
General capital assets	4 618 926	6 158 563
Total	168 620 180	156 403 608
3. INVESTMENTS		
Commercial Banks	42 674 874	42 440 954
Equity Investments	4 665 035	-
	47 339 909	42 440 954
Comprising of:		
Capital Development fund	36 784 139	37 296 869
Social Housing Fund	1 382 932	-
Build Together fund	4 507 803	5 144 085
Equity investments	4 665 035	-
	47 339 909	42 440 954
4. LOANS RECEIVABLES		
These loans were granted from the Build Together Fund to residents of Ongwediva	3 466 896	3 648 295
5. TRADE AND OTHER RECEIVABLES		
Services rendered and assessment rates	15 060 591	11 972 817
VAT Receivables	2 846 660	1 152 211
NORED surcharges	280 955	726 225
RFA	393 157	790 560
Sundry suspense account	69 902	-
Sub total	18 651 265	14 641 813
Less: Provision for doubtful debts	(10 033 553)	(8 117 975)
	8 617 712	6 523 838
6. INVENTORIES		
Stores	1 139 259	1 133 639
	1 139 259	1 133 639
7. BANK AND CASH		
Current account	3 651 347	4 315 854
	3 651 347	4 315 854

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

	2016	2015
	N\$	N\$
8. CAPITAL OUTLAY		
Revenue contribution	4 618 926	6 158 563
General capital contributions	164 001 254	150 245 045
	168 620 180	156 403 608
9. FUND ACCOUNTS AND RESERVES		
Capital Development Fund	29 983 283	29 983 283
Social Housing Fund	1 357 516	-
Build Together Fund	8 979 751	9 593 742
	40 320 550	39 577 025
Revenue account kept in compliance with Section 86 (1) of the Local Authorities Act, 1982	7 759 986	(840 092)
	48 080 536	38 736 933
10. TRADE AND OTHER PAYABLES		
Trade payables	8 361 846	5 920 021
Leave pay	3 066 424	2 703 047
Deposits – sale of ervens	850 418	665 254
Consumer deposits	1 742 453	1 727 445
Government grant	631 668	5 934 012
Government grant – LEDA	500 000	212 060
TIPEEG Funds	981 778	2 163 808
	16 134 587	19 325 647
11. ADJUSTMENTS TO APPROPRIATION		
Decrease/ Increase in provision for bad debts	(1 915 579)	(1 592 940)
Correction – net expenditure	(31 602)	42 004
Correction of previous year debtors	(65 625)	(133 850)
Correction – stores	(40 072)	455 335
Investments in equities	4 665 035	-
	2 612 157	(1 229 451)

TOWN COUNCIL OF ONGWEDIVA
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE (continued)

	2016	2015
	N\$	N\$
12. CASH GENERATED BY OPERATIONS		
Net operating deficit before interest and transfers	4 697 828	3 471 021
Adjusted for:		
- Adjustment to appropriation account.	2 612 157	(1 229 451)
- Depreciation	10 420 403	9 094 680
OPERATING DEFICIT BEFORE CHANGES IN WORKING CAPITAL	17 730 388	11 336 250
CHANGES IN WORKING CAPITAL		
Change in trade and other receivables	(5 620)	(538 838)
Change in inventories	(2 093 874)	(16 107)
Change in trade and other payables	(3 191 060)	1 012 100
CASH UTILISED BY OPERATIONS	(5 290 554)	457 155
	(12 439 834)	11 793 405

