



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF ONGWEDIVA
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

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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 2018, 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 2019

**REPORT OF THE AUDITOR - GENERAL
ON THE ACCOUNTS OF THE ONGWEDIVA TOWN COUNCIL
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2018**

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Ongwediva Town Council for the financial year ended 30 June 2018. These financial statements comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the annual financial statements.

In my opinion, 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 Ongwediva Town Council for the financial year ended 30 June 2018 and its financial performance and their cash flows for the year then ended.

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 my 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 my 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:

- Financial Reporting Framework used not applicable;
- The Council does not review/reassess the useful life of assets at each financial year-end;
- Depreciation charge for the year amounting to N\$ 876 512 not posted to the statement of profit or loss and other comprehensive income;
- Capital projects under construction amounting to N\$ 6 188 822 were not separately disclosed as Work in Progress in the financial statements;
- Additions to Capital project under construction as well as to Property, Plant and Equipment amounting to N\$ 6 188 822 and N\$ 12 761 213 respectively, were wrongly recognised in the income statement; and
- The Council did not disclose in the financial statements a reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the period.

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 my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

4. 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 Section 86 of the Local Authorities Act, 1992 (Act 23 of 1992) and for such internal controls as management determines 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 of overseeing the entity's financial reporting process.

5. 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 a 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 (ISSAIs), 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, I also:

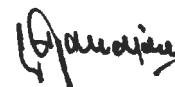
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion.
The risk of not detecting 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 in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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;
- 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 my audit;
- 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 my 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.

The accounts were submitted timeously by the Accounting Officer to the Auditor-General on the 23 September 2018 in terms of Section 87 (1) of the Local Authorities Act, 1992 (Act 23 of 1992).

WINDHOEK, July 2019



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

	Note	2018 N\$	2017 N\$
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	2	179 359 999	172 550 869
Loans Receivable		2 718 758	3 284 398
Investments	3	40 870 670	50 652 021
CURRENT ASSETS			
Trade and other receivables	4	16 878 530	11 423 662
Inventories		662 463	717 900
Bank and cash		2 405 941	2 381 258
TOTAL ASSETS		242 896 362	241 010 108
FUNDS AND LIABILITIES			
FUND AND RESERVES			
Capital outlay	5	179 359 999	172 550 869
Funds and accounts	6	47 174 823	52 249 706
CURRENT LIABILITIES			
Trade and other payables	7	16 361 540	16 209 533
TOTAL FUNDS AND LIABILITIES		242 896 362	241 010 108

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

	Note	2018 N\$	2017 N\$
Income		100 737 040	87 371 920
Expenditure		(91 273 189)	(81 036 117)
Net operating surplus		9 463 850	6 335 802
Investment interest earned		-	1 279 805
Net profit		9 463 850	7 615 607
Adjustments	8	(14 993 634)	(3 152 442)
Net surplus/(deficit) after appropriations		(5 529 784)	4 463 165

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

	Note	2018	2017
		N\$	N\$
CASH FLOW FROM OPERATIONS ACTIVITIES			
Cash generated by operations	9	1 363 697	12 180 417
Interest received		-	1 279 805
Increase in Capital outlay		454 900	(293 998)
Increase in Fund account		6 809 130	3 930 689
Net Cash Flow from Operating Activities		8 627 727	17 096 913
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		(18 950 035)	(15 237 389)
Increase in investments		565 640	(3 312 112)
Increase in loan receivables		9 781 351	182 498
Net Cash Flow from Investing Activities		(8 603 044)	(18 367 003)
Net Increase/(Decrease) In Cash and Cash Equivalents		24 683	(1 270 090)
Cash and Cash Equivalents - Beginning of Year		2 381 258	3 651 348
Cash and Cash Equivalents - End of Year		2 405 941	2 381 258

TOWN COUNCIL OF ONGWEDIVA**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

1. ACCOUNTING POLICIES**1.1 Introduction**

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

The principal accounting policies of the Town Council, which are set out below, had been consistent and comply with Generally Accepted Municipal 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 by donation, less depreciation written off over the expected useful lives as determined by the Council from time to time. Fixed assets acquired with loan funds are depreciated until the loan is repaid, unless the expected lifetime of the asset is less than the repayment period of the loan in which case the depreciation is calculated on the shortfall.

1.3 Inventory

Inventories are measured at lower cost and net realizable value. The cost of inventories should comprise all costs of purchases, cost on conversions and other cost incurred in bringing the inventories to their present location and condition.

1.4 Capital Development Fund

Revenue generated from the sale of erven was originally deposited into this fund. The purpose of this fund is to finance capital projects by means of internal loans or appropriation.

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

	2018	2017
	N\$	N\$
2. Property, plant and equipment	179 359 999	172 550 869
Income assets	177 820 347	169 471 580
General capital assets	1 539 652	172 550 869
3. Investments	40 870 670	50 652 021
Commercial banks	36 205 635	45 986 986
Equity investments	4 665 035	4 665 035
Comprising of:	40 870 669	50 652 021
Capital Development fund	28 733 085	39 276 177
Social housing fund	2 246 997	1 842 724
Build Together fund	5 225 552	4 868 085
Equity investments	4 665 035	4 665 035
4. Trade and other receivables	16 878 530	11 423 662
Services rendered and assessment rates	22 959 425	19 572 209
Vat receivables	8 247 516	3 890 191
NORED surcharges	561 376	262 601
RFA	1 086 321	753 238
Accrued interest	30 400	-
Sundry suspense account	47 232	-
Less: Provision for doubtful debts	(16 053 740)	(13 054 577)
5. Capital outlay	179 359 999	172 550 869
Revenue contribution	1 539 652	3 079 289
General capital contributions	177 820 347	169 471 580
6. Fund accounts and reserves	47 174 824	52 249 705
Capital development fund	28 973 387	28 912 751
Social housing fund	2 127 903	1 751 899
Build together fund	9 380 164	9 361 903
Revenue account	6 693 370	12 223 152

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

	2018	2017
	N\$	N\$
7. Trade and other payables	16 361 540	16 209 533
Trade payables	7 498 334	6 570 791
Leave pay	3 931 441	3 495 514
Deposits - sale of erven	521 352	339 368
Consumer deposits	1 782 853	1 771 933
Government grant	1 126 172	3 695 539
Government grant - LEDA	1 500 000	336 388
TIPEEG funds	1 388	-
8. Adjustments to appropriation account	(14 993 634)	(3 152 443)
Prior year adjustments - capital development fund	(9 197 932)	-
Investments made into SBN call account	(2 400 000)	-
Decrease/ Increase in provision for bad debts	(2 999 163)	(3 021 024)
Correction - net expenditure	(217 585)	(27 294)
Correction - net revenue	77 201	31 134
Auction proceeds	-	483 342
Correction of previous year debtors	(204 829)	(65 183)
Correction - stores	(51 326)	(553 417)
9. Cash generated by operations		
Net operating deficit before interest and transfers	9 463 850	6 335 802
Adjusted for:		
- Adjustment to appropriation account.	(14 993 634)	(3 152 442)
- Depreciation	12 140 905	11 306 700
Operating deficit before changes in working capital	6 611 121	14 490 060
Changes in working capital	(5 247 425)	(2 309 645)
Change in trade and other receivables	(5 454 868)	421 359
Change in inventories	55 437	(2 805 950)
Change in trade and other payables	152 007	74 946
Cash utilised by operations	1 363 696	12 180 415

