



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF KALKKRAND
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 Village Council of Kalkrand 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.

WINDHOEK, August 2017

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

1. Report on the financial statements

1.1 INTRODUCTION

This report on the accounts of the Kalkrand Village Council for the financial year ended 30 June 2016 is presented to the National Assembly in accordance with provisions set out in Section 85 of the Local Authorities Act, 1992 (Act 23 of 1992).

Figures in the report are rounded to the nearest Namibia dollar and deficits are indicated in (brackets).

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

Annexure A: Balance sheet;
Annexure B: Income statement; and
Annexure C: Notes to the financial statements

The 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 financial statements, notes to the financial statements and general information provided by the Accounting Officer are attached as Annexure A – C.

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 insufficient and inappropriate to provide a basis for the audit opinion.

4. ACKNOWLEDGEMENT

The assistance and cooperation by the management and staff of the Kalkrand Village Council during the audit is appreciated.

5. KEY AUDIT FINDINGS

5.1 CAPITAL PROJECT

The auditors were unable to confirm the additions on a capital project amounting to N\$ 607 982 due to lack of supporting documents.

RECOMMENDATION

It is recommended that Council should ensure that supporting documents are submitted for audit purposes.

5.2 VALUE ADDED TAX

The auditors were unable to confirm VAT amounting to N\$ 504 064 due to lack of supporting documents.

RECOMMENDATION

It is recommended that the Council should provide the necessary documents for audit purposes.

5.3 TRAVEL AND ACCOMODATION

The auditors were unable to confirm travel and accommodation expenses amounting to N\$ 99 527 due to lack of supporting documents.

RECOMMENDATION

The Council should provide the necessary documents for audit purposes.

5.4 DEPRECIATION

The Council charge depreciation on its fixed assets, however the auditors were not provided with an approved documented policy on depreciation. The asset register does not have the date on which the assets were acquired; therefore auditors were unable to re-perform and confirm the correctness of depreciation as disclosed in the financial statements as well as the net book value of the assets.

RECOMMENDATION

It is recommended that the Council should ensure that all source documents are safeguarded and provided for audit purpose.

Furthermore, it is recommended that the Council should update its asset register to reflect the date of acquisition of the asset and net book value.

5.5 CASH AND CASH EQUIVALENTS

The audit noted that the Council does not perform monthly bank reconciliations. It was further noted that there are unknown debits on the Council's current account amounting to N\$ 88 325.

RECOMMENDATION

It is recommended that the Council should perform regular reconciliations to avoid possible misstatements of the financial statements.

5.6 BULK PURCHASES (WATER AND ELECTRICITY)

The audit revealed that the Council does not adhere to the accrual concept, which is to recognize expenditure when incurred and not when payments are made. As a result, an aggregated difference of N\$ 533 119 was found between the monthly tax invoices and the financial statements.

RECOMMENDATION

It is recommended that the Council should account for transactions on an accrual basis.

5.7 RATES AND TAXES

The audit noted that the Council did not charge the approved tariffs for rates and taxes. Therefore, rates and taxes as disclosed in the financial statements could be materially understated.

RECOMMENDATION

It is recommended that the Council should adjust the tariffs accordingly and should always ensure that tariffs are implemented correctly as per the approved government gazette.

5.8 LATE PAYMENTS OF STATUTORY DEDUCTIONS

The auditors noted that payments of statutory deductions are not made on time and no provision is made for interest and penalties on late payments.

RECOMMENDATION

It is recommended that the Council should ensure that all statutory deduction payments are done on time to avoid penalties and interest.

5.9 ACCOUNTING POLICY

The Council did not provide its accounting policy and reporting framework to the auditors.

RECOMMENDATION

It is recommended that the Council should provide its accounting policy and reporting framework for audit purpose.

5.10 CIRCULAR D3/2015

The Council did not submit respective statements as required by Circular D3/2015 of the Auditor- General.

RECOMMENDATION

It is recommended that the Council submit the additional reporting requirements as per Circular D3/2015.

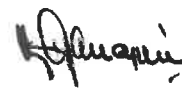
6. BASIS FOR DISCLAIMER OF AUDIT OPINION

- Unconfirmed Capital Projects amounting to N\$ 607 982;
- Unexplained difference amounting to N\$ 533 119;
- Value Added Tax amounting to N\$ 504 064 had no supporting documents;
- No supporting documents for Travel and Accommodation amounting to N\$ 99 527;
- Bank reconciliation not done;
- Non-submission of depreciation policy;
- No accounting policy and reporting framework;
- Non-submission of Circular D3/2015 of the Auditor-General; and
- Late submission of statutory deductions and non-provision for penalties and interest.

7. DISCLAIMER OF AUDIT OPINION:

The accounts of Kalkrand Village Council for the financial year ended 30 June 2016, summarized in Annexure A-C were audited by me in terms of provisions of Section 85 of the Local Authorities Act, 1992 (Act 23 of 1992).

Because of the significance of the matters described in the Basis for Disclaimer of Audit Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.



WINDHOEK, August 2017

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**VILLAGE COUNCIL OF KALKRAND
BALANCE SHEET AS AT 30 JUNE**

	Note	2016 N\$	2015 N\$
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	17 796 645	14 589 824
Investments	2	1 810 232	1 927 411
		2 103 853	1 728 879
CURRENT ASSETS			
Trade and other receivables	3	2 102 853	1 727 879
Cash	4	1 000	1 000
		21 710 730	18 246 114
TOTAL ASSETS			
FUNDS AND LIABILITIES			
FUNDS AND RESERVES			
Capital outlay	5	17 796 645	14 589 823
Funds and accounts	6	(1 036 357)	(422 803)
		4 950 442	4 079 094
CURRENT LIABILITIES			
Bank Overdraft	4	536 642	447 411
Trade and other payables	7	4 413 800	3 631 683
		21 710 730	18 246 114
TOTAL FUNDS AND LIABILITIES			

**VILLAGE COUNCIL OF KALKRAND
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE**

ANNEXURE B

	Note	2016	2015
		N\$	N\$
Income		11 599 895	8 507 904
Expenditure		(12 531 342)	(7 721 614)
Net operating (deficit)/surplus		(931 447)	786 290
Investment income earned for revenue accounts		48 280	34 046
Net (deficit)/surplus for the year		(883 167)	820 336
Appropriation account - adjustments	8	217 642	(767 616)
Net (deficit)/surplus after adjustments		(665 525)	52 720

VILLAGE COUNCIL OF KALKKRAND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE

	2016	2015
	N\$	N\$
1 Property, plant and equipment at cost	17 796 645	14 589 824
Property development, vehicles, plant and equipment	17 796 645	14 589 824
2 Investments	1 810 232	1 927 411
Build together fund	45 376	27 064
Fixed property fund	1 764 856	1 900 347
3 Trade and other receivables	2 102 853	1 727 879
Services	6 742 867	6 254 240
Build together fund	1 453 045	1 453 045
Sundry receivables	97 925	92 205
Vat	504 064	15 642
Provision for bad debts	(6 695 048)	(6 087 253)
4 Cash and cash equivalents	(535 642)	(446 411)
Cash on hand	1 000	1 000
Current bank account	(536 642)	(447 411)
5 Capital outlay	17 796 645	14 589 823
Revenue contributions	17 749 621	14 519 288
General Capital contributions	47 024	70 535
6 Funds and accounts	(1 036 357)	(422 803)
Capital reserve fund	2 264	2 264
Renewal fund	167 206	167 206
Build together fund	1 498 421	1 480 109
Fixed property fund	2 428 191	2 394 532
Local authorities act, 1992.	(5 132 439)	(4 466 914)
7 Trade and other payables	4 413 800	3 631 683
Consumer deposits	2 115	2 115
Interest and redemption	-	246 631
Suspense accounts	-	778 510
Provisions	3 663 078	2 578 427
Sundry creditors	748 607	26 000

VILLAGE COUNCIL OF KALKRAND
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE (continue)

	2016	2015
	N\$	N\$
8 Adjustments to appropriation account	217 642	(767 616)
Prior year adjustments	1 110 109	1 943 184
Prior year adjustments	(892 467)	(2 710 800)

