



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**  
**TOWN COUNCIL OF NKURENKURU**  
**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 Nkurenkuru 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, October 2017**



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

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**1. Report on the financial statements**

**1.1 INTRODUCTION**

The accounts of the Town Council of Nkurenkuru 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 Taziwa Consulting of Windhoek has been appointed by the Auditor-General in terms of Section 26(2) of the State Finance Act, 1991 to audit the accounts of the Town Council of Nkurenkuru on behalf of the Auditor-General and under his supervision.

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 Town Council of Nkurenkuru for the year ended 30 June 2016. These financial statements comprise the following:

Annexure A: Statement of financial position; and  
Annexure B: Statement of comprehensive income.

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 87 (1) of the Local Authorities Act, 1992.

The financial statements and general information provided by the Accounting Officer are attached as Annexure A to B.

**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 qualified audit opinion.

## **4. ACKNOWLEDGEMENT**

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

## **5. KEY AUDIT FINDINGS**

### **5.1 Cash and cash equivalents**

An unexplained bank balance difference of N\$ 1 678 035 between annual financial statements and the books of accounts of the Council. Management could not explain the difference as reconciliations were incorrectly performed.

## **Recommendation**

It is recommended that the Council should ensure that bank reconciliations are performed on a monthly basis and are performed correctly.

### **5.2 Value added taxation**

VAT reconciliation performed by the auditors at the end of the financial period revealed a difference of N\$ 2 957 221 when compared with the Council's books of accounts. The Council could not explain the differences as no reconciliations were carried out. Auditors further noted an unexplained adjusting journal of N\$ 1 829 932 posted in the book of accounts.

## **Recommendation**

It is recommended that VAT reconciliations should be performed and reviewed regularly. VAT write offs should be done on disallowed VAT refunds after the audit has been carried out by the Receiver of Revenue and Council approval is sort. The Council should explain an adjusting journal of N\$ 1 829 932 reported on the basis of accounts.

### **5.3 Overstatement of property, plant and equipment**

Property, plant and equipment was overstated by N\$ 1 395 275 as some purchases were processed inclusive of VAT and subsequently the Council claimed VAT for these purchase with no corresponding adjustment done to initial accounting entries.

## **Recommendation**

It is recommended that the Council must ensure that assets are recorded at the correct values before VAT in the Council books.

### **5.4 Grants and subsidies**

Auditors could not get correspondence from the line Ministry and Road Fund Administration for contributions disbursed to the Council during the period under review of N\$ 2 000 000. Auditors were therefore unable to verify the completeness of contributions made by the line Ministry and Road Fund Administration.

Capital receipts of N\$ 20 000 000 were treated as revenue proceeds, thus overstating revenue and understating capital funds.

## **Recommendation**

It is recommended that the Council should ensure that all supporting documents to the financial statements are in place and filed appropriately and Grants should be accounted for as per International Accounting Standard (IAS) 20.

## 5.5 Circular D3/2015

The Chief Executive Officer of the Town Council of Nkurenkuru for the year under review did not submit respective statements as requested by circular D3/2015 of the Auditor-General.

### **Recommendation**

It is recommended that the Council complies with the Auditor-General Circular D3/2015 when submitting the financial statements.

## 5.6 Accounting policy and framework

The Town Council does not have an accounting policy in place and there is no accounting reporting framework.

## 5.7 FINANCIAL STATEMENTS

Council did not prepare a cash flow statement and notes to the financial statements.

### **Recommendation**

It is recommended that the Council should ensure that the financial statements are complete.

## 6. BASIS FOR QUALIFIED OPINION

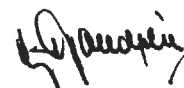
- Property, plant and equipment overstated by N\$ 1 395 275;
- Overstatement of revenue and understating capital funds by N\$ 20 000 000;
- No supporting documents to verify contributions amounting to N\$ 2 000 000;
- Bank not reconciling by N\$ 1 678 035; and
- VAT did not reconcile by N\$ 2 957 221.

## 7. QUALIFIED AUDIT OPINION:

The accounts of the Town Council of Nkurenkuru for the year ended 30 June 2016, summarised in Annexure A-B, were audited by me in terms of section 85 of the Local Authorities Act, 1992.

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the Town Council of Nkurenkuru as at 30 June 2016.

WINDHOEK, October 2017



**JUNIAS ETUNA KANDJEKE**  
**AUDITOR- GENERAL**



**TOWN COUNCIL OF NKURENKURU**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE**

<b>ASSETS</b>	<b>2016</b>	<b>2015</b>
	N\$	N\$
<b>Non-current assets</b>	<b>67 062 201</b>	<b>50 113 975</b>
Property, plant and equipment	63 483 621	38 167 146
Investments	3 578 580	11 946 829
<b>Current assets</b>	<b>4 920 248</b>	<b>5 491 977</b>
Trade and other receivables	4 807 556	5 379 285
Inventory	111 692	111 692
Cash and cash equivalents	1 000	1 000
<b>TOTAL ASSETS</b>	<b>71 982 449</b>	<b>55 605 952</b>
<b>FUNDS AND LIABILITIES</b>		
<b>Funds and Accounts</b>	<b>66 477 805</b>	<b>48 494 461</b>
Financing of capital	63 483 621	38 167 146
Accumulated funds	(15 721 711)	(8 206 110)
Funds and accounts	18 715 895	18 533 425
<b>Current liabilities</b>	<b>5 504 645</b>	<b>7 111 491</b>
Trade and other payables	1 787 197	5 384 404
Bank overdraft	3 717 448	1 727 087
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>71 982 449</b>	<b>55 605 952</b>

## ANNEXURE B

## TOWN COUNCIL OF NKURENKURU

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

	<u>2016</u>	<u>2015</u>
	N\$	N\$
INCOME	50 935 755	31 698 515
EXPENDITURE	<u>(55 047 570)</u>	<u>(34 611 312)</u>
<b>OPERATING LOSS FOR THE YEAR</b>	<b>(4 111 815)</b>	<b>(2 912 797)</b>
Investment income	<u>506 092</u>	<u>1 036 248</u>
<b>NET DEFECIT FOR THE YEAR</b>	<b>(3 605 723)</b>	<b>(1 876 549)</b>
Add: Appropriation and adjustments	<u>(3 909 879)</u>	<u>(3 567 345)</u>
<b>RETAINED DEFICIT FOR THE YEAR</b>	<b>(7 515 602)</b>	<b>(5 443 894)</b>
REVENUE ACCOUNT - Beginning of year	<u>(8 206 110)</u>	<u>(2 762 216)</u>
<b>REVENUE ACCOUNT - End of year</b>	<b><u>(15 721 712)</u></b>	<b><u>(8 206 110)</u></b>