



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
TOWN COUNCIL OF NKURENKURU
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

Published by authority

Price (Vat excluded) N\$ 22.00

Report no: 25/2018

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 2017, 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, February 2018

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 TOWN COUNCIL OF NKURENKURU
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

1. Report on the financial statements

1.1 INTRODUCTION

This report on the accounts of the Town Council of Nkurenkuru for the financial year ended 30 June 2017 are presented to the National Assembly in accordance with the provisions set out in the Local Authorities Act, 1992 (Act No. 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 Town Council of Nkurenkuru for the year ended 30 June 2017. 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 - 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 Non-submission of supporting documents

Supporting documents for general expenditure amounting to N\$ 155 739, work in progress N\$ 526 044 and revenue trading N\$ 101 928 for the financial year under review were not provided *at the time of the audit*. However, some copies of documents provided to the auditors were not satisfactory to the auditor's discretion. In addition, the audit of copies of documents introduces a serious audit risk.

Impact

The non-submission of financial records contravenes the State Finance Act. 1991 (Act No. 31 of 1991). Section 26 (1) (b) (i) and (ii) which clearly states that the Auditor-General or any competent person employed in the Office of the Auditor-General:

- (i) Shall have access to all books Vouchers, other documents, money stamps, securities forms having a face or potential value equipment stores and other movable goods owned or leased by the state or the statutory institution concerned in the possession or under the control of any person and which the Auditor-General deems necessary for an investigation, examination and audit in terms of this Act;
- (ii) May also request such particulars accounts and statements as he or she deems necessary for such an investigation and audit.

Recommendation

It is recommended that the Council should ensure that all documents requested are provided for audit purposes.

5.2 Land Compensation

For the selected sample, it was discovered that the Council paid N\$ 553 081 more on disturbance allowance to the beneficiaries due to wrong percentages used during the evaluation phase.

According to the compensation policy for communal land provided by the Council. Part D (5) (i) to (iv) determination of compensation for disturbance states that disturbance allowance shall be fifteen percent (15 %) of total compensation if such amount does not exceed N\$ 100 000; 5% of the amount exceeding N\$ 100 000; 3% percent of the amount exceeding N\$ 500 000 if it does not exceed N\$ 1 000 000 and 1% of the amount which exceeds N\$ 1 000 000.

Impact

The overpayment on disturbance allowance resulted in the loss of revenue by the Council.

Furthermore the incorrect disturbance compensation contravenes Part D (5) (i) to (iv) of the compensation policy for the communal land for determination of compensation for disturbance.

Recommendation

The Council is recommended to ensure that all compensations are in line and comply with compensation policy and guidelines for communal land.

Management comments

Council is busy liaising with the Ministry of Land Reform on this observation who have assisted us in compilation of the land compensation assessment for the period under review. The concern is well noted and we will ensure that we will comply with the compensation policy guidelines

5.3 Bank Confirmation

A bank account with a closing balance of N\$ 70 939 was confirmed by the bank, but not disclosed in the financial statements for the year under review.

Impact

The non-disclosure of bank accounts could result in cash and bank being misstated in the financial statements.

Recommendation

It is recommended that the Council should ensure that all bank accounts held in its name are disclosed in the financial statements and cash and cash equivalent is fairly presented.

Management comments

This account in question was opened for and created for Nkurenkuru Expo on the 22nd of November 2016. This account was opened at Standard bank together with a signatory right from Expo-Nkuru as per Council Resolution NO: CM036/04/2016 (vi) who assisted the Council in running the administration of Nkurenkuru Expo 2017. The omission is not deliberately, we have taken note of the observation and it will be rectified accordingly.

5.4 Bank Reconciliation

According to the bank reconciliation re-performed by the auditors, a difference of N\$ 1 012 189 was discovered as the Council disclosed an overdraft in the financial statements despite a positive bank balance as at year end.

Impact

The differences on the bank reconciliation resulted in cash and cash equivalent being misstated in the financial statements.

Recommendation

It is recommended that the Council should ensure that cash and cash equivalent is fairly presented in the financial statements.

Management comments

No management comment was provided.

5.5 Provision for bad debts

The auditors were unable to confirm the provision for bad debts amounting to N\$ 11 225 132 as the Council's credit policy is silent on how to provide for provision for bad debts.

Impact

Provision for bad debts might be misstated in the financial statements.

Recommendation

The Council is recommended to ensure that the credit policy makes provision for bad debts.

Management comments

Council has taken note of the observation raised and Council will revise the credit control policy to provide for the provision of bad debts.

5.6 Value added taxation

VAT reconciliation performed by the auditors revealed a difference of N\$ 1 359 803 between the financial statements and the VAT returns.

Impact

Receivables could result in being understated.

Recommendations

It is recommended that the Council should ensure that VAT reconciliation is correctly performed and variances are followed up with the receiver of revenue.

Management comments

The difference of an amount for N\$1 359 803 is as a result of the Ministry of Finance's reviewing of the Council's record since 2011. Council will reconciling its VAT returns on a monthly basis.

5.7 Differences between Trial Balance and Financial Statements

Differences amounting to N\$ 142 020 pertaining to inventory N\$ 51 349 and general expenditure N\$ 90 671 was observed between the trial balance and Financial Statements

Impact

Inventory and general expenditure are overstated in the financial statements.

Recommendations

It is recommended that the Council should ensure that the financial statements are fairly presented and agree to the general ledger and trial balance.

Management comments

This was indeed an error and the Council will rectify it during the preparation of the financial statement ending 30 June 2018.

5.8 Circular D3/2015

The Council did not provide the annual financial statements and accounts in compliance to the Auditor General Circular D3/2015.

Impact

The financial statements are not complete and fairly presented in the absence Auditor-General Circular D3/2015.

Recommendation

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

5.9 Financial statements

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

Impact

The financial statements are not complete and fairly presented in the absence of a cash flow statement and notes to the financial statements.

Recommendation

It is recommended that the Council should ensure that cash flow statement and notes are prepared when submitting the financial statements.

Management comments

Councils financial statements are compiled in accordance with Section 87 (1) and (2) of the Local Authorities Act, (Act No. 23 of 1992) as amended. Should there be any format or advice from the Auditor-General's office with regards to the preparation of a cash flow statements, Council will welcome it heartedly and will make sure that it is compiled accordingly.

6. BASIS FOR QUALIFIED AUDIT OPINION

- Non submission of supporting documents amounting to N\$ 783 711;
- Overpayment of N\$ 553 081 on disturbance allowance for land compensation;
- Undisclosed bank account with a closing balance of N\$ 70 939;
- Bank reconciliation differences amounting to N\$ 1 012 189;
- Provision for bad debts not in policy;
- VAT reconciliation difference amounting to N\$ 1 359 803;
- Differences in the financial statements for the year under review;
- Non compliance to the Auditor-General Circular D3/2015;
- Non preparation of cash flow statements and notes to the financial statements; and

7. QUALIFIED AUDIT OPINION:

The accounts of the Town Council of Nkurenkuru for the year ended 30 June 2017, 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 2017.

WINDHOEK, February 2018



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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

ASSETS	2017	2016
	N\$	N\$
Non-current assets	70 736 601	67 062 201
Property, plant and equipment	69 061 375	63 483 621
Investments	1 675 226	3 578 580
Current assets	7 561 936	4 920 248
Trade and other receivables	7 449 244	4 807 556
Inventory	111 692	111 692
Cash and cash equivalents	1 000	1 000
TOTAL ASSETS	78 298 537	71 982 449
FUNDS AND LIABILITIES		
Funds and Accounts	72 556 423	66 477 805
Financing of capital	69 061 375	63 483 621
Accumulated funds	*(15 310 888)	(15 721 711)
Funds and accounts	18 805 936	18 715 895
Current liabilities	5 742 114	5 504 645
Trade and other payables	5 736 784	1 787 197
Bank overdraft	5 330	3 717 448
TOTAL EQUITY AND LIABILITIES	78 298 537	71 982 449

Note (*) See par 5.7

ANNEXURE B

TOWN COUNCIL OF NKURENKURU
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

	2017	2016
	N\$	N\$
INCOME	35 213 278	50 935 755
EXPENDITURE	(35 765 196)	(55 047 570)
OPERATING LOSS FOR THE YEAR	(551 918)	(4 111 815)
Investment income	847 627	506 092
NET DEFECIT FOR THE YEAR	*295 709	(3 605 723)
Add: Appropriation and adjustments	(26 905)	(3 909 879)
RETAINED DEFICIT FOR THE YEAR	*268 804	(7 515 602)
REVENUE ACCOUNT - Beginning of year	(15 721 712)	(8 206 110)
REVENUE ACCOUNT - End of year	*(15 452 908)	(15 721 712)

Note (*) See par 5.7

