



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF LEONARDVILLE
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014 AND 2015**

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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 Leonardville for the financial year ended 30 June 2014 and 2015, 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, September 2016

**REPORT OF THE AUDITOR-GENERAL
ON THE ACCOUNTS OF THE VILLAGE COUNCIL OF LEONARDVILLE
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2014 AND 2015**

1. REPORT ON THE FINANCIAL STATEMENTS

1.1 INTRODUCTION

The accounts of the Village Council of Leonardville for the financial years ended 30 June 2014 and 2015 are being reported on in accordance with Section 85 set out in 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 Village Council of Leonardville for the financial years ended 30 June 2014 and 2015. These financial statements comprise the following:

Annexure A: Balance Sheet
Annexure B: Income Statement
Annexure C: Notes to the Financial Statements

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 (Act 23 of 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 85(1) of the Local Authorities Act, (Act 23 of 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 States 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 was sufficient and appropriate to provide a basis for the audit opinion.

4. ACKNOWLEDGEMENTS

The assistance and co-operation given by the staff members of the Village Council of Leonardville during the audit is appreciated.

5. KEY AUDIT FINDINGS

5.1 Non submission of supporting documents

Supporting documents for general expenditure amounting to N\$ 104 388 (2014), N\$ 366 190 (2015) and bulk electricity expenditure amounting to N\$ 295 949 (2014) were not provided to the auditors at the time of the audit.

Recommendation

The Council is recommended to ensure that supporting documents for all transactions are properly filed and provided for audit purpose.

5.2 Councillors Allowances

The auditors could not confirm the Councillors allowances amounting to N\$ 122 475 (2014) and N\$ 159 217 (2015) due to non-submission of documents.

Recommendation

The Council is recommended to provide all documents requested by the auditors for audit purpose.

5.3 Subsistence and Travel allowance

The Council does not make use of advance forms prior to undertaking official trips. Claim forms are used to process advance payments prior to travelling. Claim forms are not completed upon return from official trips undertaken.

Recommendation

The Council is recommended to ensure that employees complete advance payment forms prior to undertaking trips, and claim forms upon return.

5.4 Gazetted Rates

The Council does not make use of the updated Gazetted rates when charging services rendered thus the auditors could not confirm the accuracy of revenue for self-supporting services.

Recommendation

The Council is recommended to use the updated Gazetted rates.

5.5 Recording of expenditure

The auditors observed that the Council records expenditure transactions on a cash basis of accounting implying that transactions are recorded when payment is made and not when the obligation to pay arises.

Recommendation

The Council is recommended to ensure that transactions are recorded when they are invoiced and not when payment takes place.

5.6 Provision for bad debts

Due to the absence of a debtors policy, the auditors were unable to recalculate the provision for bad debts amounting to N\$ 200 000.

Furthermore, it was noted that this amount of N\$ 200 000 remained constant and the same as from the 2010/2011 financial year even though there was an increase in receivables.

Recommendation

The Council is recommended to ensure that debtor's policy is drafted and approved as a matter of urgency.

5.7 Value Added Tax (VAT)

VAT returns were not submitted on time and the Council did not make provision for penalties and interest that could be incurred as a result of late submission.

Recommendation

The Council is recommended to ensure that VAT accounts are reconciled and that VAT returns are submitted on time.

5.8 Fixed Assets

The Council's fixed assets are not marked with unique identification numbers, thus the auditors were unable to confirm the existence and completeness of fixed assets.

Recommendation

The Council is recommended to ensure that all the fixed assets are marked with a unique identification number.

5.9 Depreciation

The Council does not have a depreciation policy in place and the Council assets are not depreciated.

Recommendation

The Council is recommended to ensure that a depreciation policy is drafted and approved as a matter of urgency.

5.10 Non-compliance to Section 87(2) (c)

The additional reporting requirements set in the Auditor-General Circular D3/2015 were not complied with.

Recommendation

The Council is advised to comply with the additional reporting requirements as set out in Circular D3/2015 of the Auditor-General

6. BASIS OF QUALIFIED OPINION

My opinion has been qualified due to the following:

- Non submission of supporting documents for general expenditure amounting to N\$ 104 388 (2014), N\$ 366 190 (2015) and bulk electricity expenditure amounting to N\$ 295 949;
- Documents for gazetted rates could not be provided;
- Non-existence of debtors policy and depreciation policy; and
- Non provision for VAT penalties.

7 QUALIFIED AUDIT OPINION

The accounts of the Village Council of Leonardville for the financial years ended 30 June 2014 and 2015 have been audited in terms of section 87(1) of the Local Authorities Act,1992 (Act 23 of 1992) and Section 25(1) (b) of the State Finance Act, 1991 (Act 31 of 1991).

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Leonardville Village Council, and their financial performance and cash flows for the years then ended in accordance with the State Finance Act, 1991.



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, September 2016

ANNEXURE A

**VILLAGE COUNCIL OF LEONARDVILLE
BALANCE SHEET AT 30 JUNE**

	Note	2015 N\$	2014 N\$	2013 N\$
ASSETS				
NON CURRENT ASSETS				
		29 082 621	25 042 996	19 430 138
Property, plant and equipment	2	23 808 966	19 176 528	14 521 160
Investments	3	5 273 655	5 866 468	4 908 978
CURRENT ASSETS				
		6 899 511	6 137 636	4 870 183
Trade and other receivables	4	6 024 634	5 624 037	4 720 147
Stock		495 000	495 000	350 013
Cash and Bank	5	379 877	18 599	23
TOTAL ASSETS		35 982 132	31 180 632	24 300 321
FUNDS AND LIABILITIES				
FUNDS AND RESERVES				
		32 697 442	28 165 521	21 368 309
Capital outlay	6	27 960 287	21 043 033	13 990 271
Funds and accounts	7	4 737 155	7 122 488	7 378 038
NON-CURRENT LIABILITIES				
		451 675	492 988	530 889
Long-term liabilities	8	451 675	492 988	530 889
CURRENT LIABILITIES				
		2 833 015	2 522 123	2 401 123
Trade and other payables	9	2 833 015	2 522 123	2 345 215
Bank overdraft	5	-	-	55 908
TOTAL FUNDS AND LIABILITIES		35 982 132	31 180 632	24 300 321

VILLAGE COUNCIL OF LEONARDVILLE
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

	Note	2015 N\$	2014 N\$	2013 N\$
INCOME		4 491 941	4 365 190	8 887 338
EXPENDITURE		(7 255 898)	(5 183 388)	(6 902 004)
NET OPERATING PROFIT/(DEFICIT)		(2 763 957)	(818 198)	1 985 334
INVESTMENT INCOME EARNED FOR REVENUE ACCOUNTS		148 309	160 548	107 878
NET PROFIT FOR THE YEAR AFTER INTEREST		(2 615 648)	(657 650)	2 093 212
APPROPRIATION ACCOUNT	10	192 292	371 733	(26 690)
REVENUE ACCOUNT ADJUSTMENT				
NET SURPLUS AFTER APPROPRIATIONS		(2 423 356)	(285 917)	2 066 522
REVENUE ACCOUNT - Beginning of year		5 658 122	5 944 039	3 877 517
REVENUE ACCOUNT - End of year		3 234 766	5 658 122	5 944 039

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

1. ACCOUNTING POLICIES

1.1 Basis of presentation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, marketable securities and investment properties where appropriate.

1.2 Property, plant and equipment and depreciation

All plant and equipment are initially recorded at cost. Cost includes all costs directly attributable to bringing the assets to working condition for their intended use. All other plant and equipment are stated at historical cost or valuation where applicable.

No depreciation is calculated on property, plant and equipment.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

1.3 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money marked instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current liabilities.

1.4 Internal Funds

The following Funds were created by the Town Council:

1.4.1 Fixed Property Fund

Proceeds from the sale of land, that has been developed by the Village Council are accumulate in this Fund. Costs incurred on the development of land are charged to this Fund.

**VILLAGE COUNCIL OF LEONARDVILLE
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE (Continued)**

1.4.2 Housing Fund

The purpose of this Fund is to provide for housing loans. Income to this Fund is transferred from the general income account, external loans from Government and interest on investments and loans.

2. PROPERTY, PLANT AND EQUIPMENT

	2015	2014	2013
	N\$	N\$	N\$
Property development, vehicles, plant and equipment	23 808 966	19 176 528	14 521 160
Total	23 808 966	19 176 528	14 521 160

3. INVESTMENTS

Commercial Banks	5 273 655	5 866 468	4 908 978
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The investments were allocated as follows:

Capital unspent loan monies			
Housing Fund	571 379	542 994	-
Capital Reserve Fund	99 280	283 054	525 144
Revenue	-	2 680 927	262 630
Investments	4 602 996	2 359 493	4 121 204
Total	5 273 655	5 866 468	4 908 978

4. TRADE AND OTHER RECEIVABLES

Temporary advance revenue	200 652	-	
Services	3 728 617	2 784 422	2 388 413
House Fund	631 078	638 318	646 226
VAT suspense	1 664 287	2 401 297	1 685 508
	6 224 634	5 824 037	4 720 147
Provision for bad debts	(200 000)	(200 000)	(200 000)
	6 024 634	5 624 037	4 520 147

**VILLAGE COUNCIL OF LEONARDVILLE
NOTES TO THE ANNUAL FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE**

ANNEXURE C

	2015	2014	2013
	N\$	N\$	N\$
5. CASH AND BANK BALANCES			
Current bank account	379 842	18 075	(55 908)
Petty cash	35	524	23
	<u>379 877</u>	<u>18 599</u>	<u>(55 885)</u>
6. CAPITAL OUTLAY			
Revenue contributions	12 975 029	11 999 088	11 319 560
Loans redeemed	383 721	342 408	304 507
General Capital contributions	14 601 537	8 701 537	2 366 204
	<u>27 960 287</u>	<u>21 043 033</u>	<u>13 990 271</u>
7. FUNDS AND ACCOUNTS			
Housing Fund	1 202 457	1 181 312	1 171 370
Capital Reserve Fund	299 932	283 054	262 630
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	3 234 766	5 658 122	5 944 038
	<u>4 737 155</u>	<u>7 122 488</u>	<u>7 378 038</u>

ANNEXURE C

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

	2015	2014	2013
	N\$	N\$	N\$
8. LONG-TERM LIABILITIES			
External Loans	451 675	492 988	530 889
	<u>451 675</u>	<u>492 988</u>	<u>530 889</u>
9. TRADE AND OTHER PAYABLES			
Trade payables	1 005 156	980 597	889 591
Deposits	4 998	4 998	4 778
Government loans installment in arrears	1 559 774	1 474 093	1 388 411
Provision for leave	62 435	62 435	62 435
Temporary advances	200 652	-	-
	<u>2 833 015</u>	<u>2 522 123</u>	<u>2 345 215</u>
ADJUSTMENTS TO APPROPRIATION			
10. ACCOUNT			
Adjustment on investments	192 292	371 733	(26 690)

