



REPUBLIC OF NAMIBIA



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

Published by authority:

Price (Vat excluded) N\$ 32.00

Report no: 2018/77

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 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.

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, May 2018

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

1.1 Report on the Financial Statements

1. INTRODUCTION

This report on the accounts of the Village Council of Leonardville for the year ended 30 June 2017 is presented to the National Assembly in accordance with the Section 85 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 Village Council of Leonardville for the financial 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, (Act No. 23 of 1992), except that they were only submitted on 23 November 2017 instead of three months (3 months) after the year end as required by the Act.

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 No. 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 insufficient and inappropriate to provide a basis for the audit opinion.

4. ACKNOWLEDGEMENTS

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

5. KEY AUDIT FINDINGS

5.1 Fixed asset register

The auditors discovered once again during the audit that, the Council's fixed asset register is incomplete. As a result, the auditors were unable to confirm the existence and completeness of the fixed asset register.

Furthermore, the Council's assets are not marked with an unique identification number.

Recommendation

It is recommended that the Council should ensure that the fixed asset register is updated as a matter of urgency, and further ensure that all fixed assets of the Council are marked with a unique identification numbers.

5.2 Depreciation

Due to the absence of a depreciation policy, the Council does not depreciate assets. Thus, the carrying value of fixed assets owned by the Council are unknown. Therefore, auditors were unable to ascertain themselves of the completeness and accuracy of the fixed assets.

Recommendation

It is recommended that the Council should ensure that a depreciation policy is drafted, approved and implemented as a matter of urgency and that fixed assets are depreciated according to the applicable policy.

5.3 Wrong classification

Work-in-Progress, amounting to N\$ 468 868.22 relating to the sewerage network was wrongly classified as a fixed asset while the project is incomplete.

Recommendation

It is recommended that Council should ensure that assets are correctly classified.

5.4 Non - submission of supporting of documents

Supporting documents for the financial year ended 30 June 2017 amounting to N\$ 56 427 were not provided for audit purposes.

Recommendation

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

5.5 Bank Reconciliation

An unexplained adjustment amounting to N\$ 470 257 was observed in the cash book.

Recommendation

The Council should ensure that all documents supporting journal entries and its approval are provided for audit purposes. The Council is recommended to investigate the reason for such high value adjustment and explain the adjustment to the bank reconciliation.

5.6 Government Subsidy

Government subsidy from Ministry of Urban and Rural Development (MURLD) amounting to N\$ 1 095 642 could not be verified in the bank statements.

Recommendation

The Council is recommended to ensure that government subsidy is fairly presented in the financial statements.

5.7 Government Gazette

It was found that the Council failed to update approved electricity tariffs timeously, resulting in the understatement of electricity sales amounting to N\$ 72 068 for the financial year under review.

Recommendation

The Council is recommended to ensure that gazetted rates are implemented from its effective date.

5.8 Lease agreements

It was discovered that the Council does not prepare lease agreements for leasing of its residential properties between the Council and customers.

Recommendation

The Council is recommended to ensure that lease agreements are prepared and signed by both parties when entering into rental agreements.

5.9 Non-submission of supporting documents

Supporting documents for sale of cattle and letting of town lands amounting to N\$ 139 892 were not provided at the time of the audit.

Recommendation

The Council is recommended to ensure that all documents requested are provided for audit purposes.

5.10 Value added tax (VAT)

VAT reconciliation performed by the auditors revealed a difference of N\$ 241 617 between the VAT statements and financial statements.

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.

5.11 Strategic plan

The auditors discovered that the Council does not have a strategic plan in place.

Recommendation

It is recommended that the Council should prepare a strategic plan as a matter of urgency.

5.12 Non-compliance to the Auditor-General Circular D3/2015

The Council did not provide the annual financial statements and accounts in compliance to the 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.

5.13 Cash flow statement

The Council did not provide the cash flow statement in accordance with the financial reporting framework. In addition the financial statements were not accompanied with notes to the financial statements.

Recommendation

It is recommended that the Council comply with the applicable financial reporting framework.

5.14 Accounting policy and reporting framework

The Council did not attach the accounting policy and they did not indicate the accounting framework they used to prepare the financial statements.

Recommendation

It is recommended that the Council should attach accounting policy and indicate the accounting framework used for preparation of the financial statements.

Management comment to all key audit finding

Due to the challenge the Council was facing in the past as most employees on administration were unqualified as well as under staff, administrative work has not been done properly as well as filing.

Lack of training on how to utilise the operating system has also been a challenge and the Council is currently in the process of gathering funds to send staff members for Finstel training. Employing of qualified staff has improved on audit report however, the current staff still lack experience on various levels of operations.

6. BASIS FOR DISCLAIMER OF AUDIT OPINION


- Fixed asset register is incomplete;
- Assets not marked with a unique identification numbers;
- No depreciation policy in place;
- Wrong classification amounting to N\$ 468 868 relating to the sewerage network;
- No supporting documents submitted amounting to N\$ 56 427 relating to property, plant and equipment;
- An unexplained adjustment amounting to N\$ 470 257;
- Government subsidy from MURLD amounting to N\$ 1 095 642 not verified;
- Electricity sales understated by N\$ 72 068;
- No supporting documents provided amounting to N\$ 139 892 for sale of cattle and letting of town lands;
- VAT difference of N\$ 241 617;
- The Council does not have a strategic plan;
- Non-compliance to the Auditor-General Circular D3/2015;
- Non presentation of cash flow statement and notes to the financial statements; and
- No accounting policy and reporting framework.

7. DISCLAIMER OF AUDIT OPINION

The accounts of the Village Council of Leonardville for the financial year ended 30 June 2017, summarized per Annexure A to B have been audited in terms of Section 87 (1) of the Local Authorities Act,1992 (Act No. 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 appropriate audit evidence to provide a basis for an opinion. Accordingly, I do not express an opinion of the financials statements of the Village Council of Leonardville as at 30 June 2017.

WINDHOEK, May 2018


JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

VILLAGE COUNCIL OF LEONARDVILLE
STATEMENT OF FINANCIAL POSITION AT 30 JUNE

	2017	2016
	N\$	N\$
ASSETS		
NON CURRENT ASSETS	34 332 977	31 573 309
Property, plant and equipment	31 760 497	28 893 907
Investments	2 572 480	2 679 402
CURRENT ASSETS	6 884 883	9 273 671
Trade and other receivables	6 741 776	7 931 244
Stock	143 000	378 000
Cash and Bank	107	964 427
TOTAL ASSETS	41 217 860	40 846 980
FUNDS AND LIABILITIES		
FUNDS AND RESERVES	35 373 205	34 867 691
Capital outlay	33 795 057	32 909 643
Funds and accounts	1 578 148	1 958 048
NON-CURRENT LIABILITIES	357 561	406 644
Long-term liabilities	357 561	406 644
CURRENT LIABILITIES	5 487 096	5 572 645
Trade and other payables	5 487 094	5 572 645
TOTAL FUNDS AND LIABILITIES	41 217 860	40 846 980

ANNEXURE B

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

	2017	2016
	N\$	N\$
INCOME	8 255 771	4 346 719
EXPENDITURE	(8 073 410)	(7 397 422)
NET OPERATING PROFIT	182 361	(3 050 703)
INVESTMENT INCOME EARNED FOR REVENUE ACCOUNT	75 509	104 379
NET PROFIT FOR THE YEAR AFTER INTEREST	257 870	(2 946 324)
APPROPRIATION ACCOUNT		
REVENUE ACCOUNT ADJUSTMENT	(1 175 369)	133 271
NET SURPLUS AFTER APPROPRIATIONS	(917 499)	(2 813 053)
REVENUE ACCOUNT - Beginning of year	421 713	3 234 766
REVENUE ACCOUNT - End of year	(495 786)	421 713