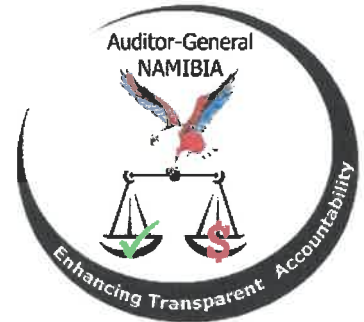




REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
VILLAGE COUNCIL OF LEONARDVILLE
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

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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 2018, 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, July 2019

**REPORT OF THE AUDITOR - GENERAL
ON THE ACCOUNTS OF THE VILLAGE COUNCIL OF LEONARDVILLE
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

1. DISCLAIMER AUDIT OPINION

I have audited the financial statements of the Leonardville Village Council for the financial year ended 30 June 2018. These financial statements comprise the balance sheet, income statement, cash flow statement and notes to the annual financial statements for the year then ended, and a summary of significant accounting policies.

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.

2. BASIS FOR DISCLAIMER AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions; my responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics.

I believe that the audit evidence I have obtained is not sufficient and appropriate to provide a basis for my opinion. A disclaimer audit opinion is being expressed due to the following:

- No financial reporting framework;
- The cash flow is overstated with an amount of N\$ 42 280*;
- A difference of N\$ 7 650 088 observed between the opening balances;
- Wrong account classification amounting to N\$ 288 502;
- Recognition of expenditure on cash accounting basis;
- The Councils biological assets are not accounted for in stock register;
- Fixed assets register is not complete and updated;
- The Council does not have a depreciation policy;
- The Councils bank reconciliation is not performed from the Finstel cash book ;
- No reconciliation performed on build together debtors;
- Non supporting document for value added tax amounting to N\$ 495 611.49;
- A difference of N\$ 48 670.81 observed between the trial balance and financial statements;
- Unapproved 2% salary increment;
- The Council does not make use of staff record and leave cards;
- An amount of N\$ 272 148 for leave provision could not be confirmed;
- The Council does not have a strategic plan in place;
- No segregation of duties in the accounting department;
- 4 years - Vacant position of the CEO; and
- No compliance to Public Procurement Act, 2015 (No. 15 of 2015).

3. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

I draw attention to Annexure B in the financial statements, which indicates that the Village Council incurred a net loss of N\$ 1 513 806 during the year ended 30 June 2018 and, as of that date, the Village Council's current liabilities exceeded its current assets by N\$ 1 395 536.

4. KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have nothing to report in this regard.

5. OTHER INFORMATION

Management is responsible for the other information. My opinion on the financial statements does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit of otherwise appears to be materially misstated. I have nothing to report in this regard.

6. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible of overseeing the entity's financial reporting process.

7. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the financial statements as a whole free from material misstatement, whether due to fraud or error and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit, I also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit 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
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention, in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.
- From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

8. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

NON-COMPLIANCE TO PUBLIC PROCUREMENT ACT (ACT NO. 15 OF 2015)

The auditors observed that the Council did not implement the Public Procurement Act, (Act No 15 of 2015) for the financial year under review.

Conclusion on the Subject Matter

The evidence obtained during the audit portrays non-compliance to the Public Procurement Act, (Act No. 15 of 2015).

9. ACKNOWLEDGEMENTS

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

WINDHOEK, July 2019



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**VILLAGE COUNCIL OF LEONARDVILLE
STATEMENT OF FINANCIAL POSITION AT 30 JUNE**

		2018	2017
ASSETS	Note	N\$	N\$
NON - CURRENT ASSETS			
		35 038 384	34 332 977
Property, plant and Equipment		33 886 968	31 760 497
Investments		1 151 416	2 572 480
CURRENT ASSETS			
		2 217 663	6 884 883
Trade and other Receivables	2	1 780 632	6 741 776
Bank account/ petty cash	3	271 031	107
Inventories		166 000	143 000
		37 256 047	41 217 860
FUNDS AND LIABILITIES			
FUNDS AND RESERVES			
		33 775 819	35 373 203
Capital outlay	4	33 582 908	33 795 055
Funds and accounts	5	192 911	1 578 148
NON-CURRENT LIABILITIES			
		304 059	357 561
Long term liabilities		304 059	357 561
CURRENT LIABILITIES			
		3 176 168	5 487 096
Trade and other payable	6	3 176 168	5 487 096
TOTAL FUNDS AND LIABILITIES		37 256 047	41 217 860

ANNEXURE B

VILLAGE COUNCIL OF LEONARDVILLE

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

		2018	2017
	Note	N\$	N\$
INCOME		7 348 475	8 255 771
EXPENDITURE		(8 905 101)	(8 073 410)
NET OPERATING SURPLUS		(1 556 626)	182 361
INTEREST RECEIVED		42 820	75 509
NET SURPLUS AFTER INTERST		(1 513 806)	257 870
APPROPRIATION ACCOUNT	7	615 859	(1 175 369)
NET SURPLUS AFTER APPROPRAITIONS		(897 946)	(917 499)
REVENUE ACOCUNT - Beginning of year		(495 786)	421 713
REVENUE ACCOUNT - End of year		(1 393 732)	(495 786)

**VILLAGE COUNCIL OF LEONARDVILLE
STATEMENT OF CASH FLOW AT 30 JUNE**

	2018
	N\$
CASH FLOW FROM OPERAING ACTIVITIES	
	1 946 380
Cash receipts from customers	7 348 475
Cash paid to suppliers	(5 402 095)
Investment income (interest)	*42 280
	1 988 660
Cash flow from investing activities	(1 201 191)
Additions to property , plant and equipment	(2 126 470)
(Decrease)/Increase in investments	925 279
CASH FLOW FROM FINANCING ACTIVITIES	
	(257 155)
(Decrease) increase in Fund account	8 494
Increase in Capital outlay	(212 149)
(Decrease) increase in long term liabilities	(53 501)
Total Cash Movement	**488 033
NET DECREASE /INCREASE IN ASH AND CASH EQUIVALENTS	488 033
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	(217 002)
CASH AND CASH EQUIVALENTS - END OF YEAR	271 031

*Total cash movement initially excluded an amount of N\$ 42 280 at the movement in investment income under cash flow from operating activities. The exclude of this amount further affected the Total Cash Movement. **

The amount was added and an audit observation has been made at the basis for audit opinion.

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

1. ACCOUNTING POLICIES

Introduction

The annual financial statements set in our Annexures A to D were prepared on the historical cost basis and incorporated the following principle accounting policies, which are consistent in all material aspects with those applied in the previous year.

Property, plant and equipment

Property, plant and equipment with loan funds are stated at cost and no depreciation is provided on the loan until is fully redeemed. All other items of property, plant and equipment are stated at cost or valuation, and except fixed property, the cost of valuation of these items of property plant and equipment is depreciated on the reducing balance basis over their expected useful lives.

Inventory

Inventories are measured at weighted average

Fund accounts

The housing fund was maintained;

Housing Fund- Build together

The purpose of the Fund is to provide for housing loans. Income for finds is derived from interest earned on the secure housing loans and investments.

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

	2018
	N\$
2. TRADE AND OTHER RECEIVABLES	
Temporary advance revenue	5 418 796
Services	559 848
House Fund	6 850
VAT	495 611
	<u>6 481 106</u>
Less: Provision for bad debts	<u>(4 700 474)</u>
	<u>1 780 632</u>
3. CASH AND CASH EQUIVALENTS	271 031
Current bank account	270 924
Petty cash	107
4. CAPITAL OUTLAY	33 582 908
Revenue contributions	16 781 744
Loans redeemed	531 337
General Capital contributions	16 269 827
5. FUNDS AND ACCOUNTS	
Housing Fund	324 465
Capital Reserve Fund	<u>1 262 177</u>
	1 586 642
Revenue account kept in compliance with Section 86(1) of the Local Authorities Act, 1992.	<u>(1 393 731)</u>
	<u>192 911</u>

NB! The comparative figures for 2017 are excluded – it was not prepared by the client during the 2017 audit year. It was observed during the 2017 audit.

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

	2018
	N\$
6. TRADE AND OTHER PAYABLES	3 176 167
Trade payables	2 000 066
Deposits	7 393
Government loans instalment in arrears	896 560
Provision for leave	272 148
Temporary advances revenue	-
Provision for bad debts	-
Bank overdraft	-
Temporary advances capital	-
7. ADJUSTMENT TO APPROPRIATION ACCOUNT	615 860
Movement in leave pay provision	(209 713)
Adjustment	(142 290)
Adjustment bank account	-
Provision for bad debts	(2 700 474)
Income correction	3 668 337
Loans written back	-
VAT	-