



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

NATIONAL ARTS COUNCIL

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

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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 National Arts Council for the financial year ended 31 March 2011, in terms of Article 127(2) of the Namibian Constitution. My report is transmitted to the Minister of Youth, National Service, Sport and Culture in terms of Section 17(1) of the National Arts Fund Act, 2005 (Act 1 of 2005) to be laid upon the Table of the National Assembly by the Minister of Youth, National Service, Sport and Culture in terms of Section 17(3)(c) of the Act.

WINDHOEK, August 2012

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL
ON THE ACCOUNTS OF THE NATIONAL
ARTS COUNCIL OF NAMIBIA
FOR THE FINANCIAL YEAR
ENDED 31 MARCH 2011**

1. INTRODUCTION

The Council was established in terms of Section 5 of the National Arts Fund of Namibia Act, 2005 (Act No. 1 of 2005), to promote and develop the arts in Namibia; to establish a Council to control and manage the fund and to provide for related matters. The Council's income is derived mainly from Government funds.

The accounts of the National Arts Council for the year ended 2011 are being reported on in accordance with the provisions set out in the State Finance Act, 2055 1991 (Act 31 of 1991) and the National Arts Fund Act 2005 (Act 1 of 2005).

The Council consists of seven (7) members; (a) the Permanent Secretary or any person in the Ministry delegated to represent the Permanent Secretary; (b) a staff member, designated by the Minister, who is responsible for the arts and who holds a rank not less than that of the Deputy Director; (c) a staff member, appointed by the Minister responsible for finance who holds a rank or grade equal to or higher than that of a Deputy Director; (d) four persons nominated for appointment by the Minister, Institutions, Organisations and individuals with vested interests in arts. The objectives of the Fund are stipulated in terms of Section 4 of the National Arts Fund of Namibia Act, 2005 (Act no. 1 of 2005) as follows:

- (a) to encourage participation of individual persons, groups, institutions and organisations in arts programmes;
- (b) to expand, improve, upgrade and develop arts activities and related educational services;
- (c) to support institutions and other bodies engaged in arts activities;
- (d) to provide and improve arts facilities especially for the socio-economically disadvantaged communities;
- (e) to grant scholarships and financial support relating to arts, to individuals;
- (f) to raise funds from any source for the promotion and development of arts; and
- (g) to finance projects and programmes relating to arts;

2. SCOPE OF THE AUDIT

2.1 The Accounting Officer of the Council is responsible for the preparation of financial statements and for ensuring the regularity of the financial transactions. It is the responsibility of the Auditor-General to form an independent opinion, based on the audit, on those statements and on the regularity of the financial transactions included in them and to report his opinion to the National Assembly.

The audit included:

- (a) examination, on a test basis, of evidence relevant to the amounts, disclosure and regularity of financial transactions included in the financial statements;
- (b) assessment of the significant estimates and judgements made by the Accounting Officer of the Council in the accounting of transactions, his determination of and decision on the relevance of

transactions to the Fund and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed; and

- (c) evaluation of the overall adequacy of the presentation of information for its inclusion in the financial statements.

2.2 The audit was planned and performed so as to obtain all the information and explanations considered necessary to provide sufficient evidence to give reasonable assurance that:

- a) the financial statements are free from material misstatement, whether caused by error, fraud or other irregularity;
- b) in all material respect, the expenditure and income have been applied to the purposes intended; and
- c) the financial transactions conform to the authorities which govern them.

3. FINANCIAL STATEMENTS

The financial statements published in this report are filed in the Office of the Auditor-General and comprise the following:

Annexure A: Balance Sheet

Annexure B: Income Statement Balance Sheet

4. AUDIT OBSERVATIONS

4.1 Good Corporate Governance

For this audit perspective the auditors looked at three (3) best corporate practices that enhance good corporate governance and also looked at the IT infrastructure and overall control environment. Based on the audit conducted to evaluate the Council conformity with the best corporate practices the following were noted:

4.1.1 Internal Audit

The National Arts Council does not have an Internal Audit unit to enhance the Council's oversight responsibilities and to evaluate the effectiveness of internal controls.

4.1.2 Strategic Plan

The Council's strategic plan was not approved and implemented at the time of the audit hence, the auditors could not evaluate its implementation.

4.1.3 Risk Management Framework

The Council did not prepare its risk assessment profile in order to effectively identify and respond to risks that the Council might be exposed to.

Management comment

No management comment was received on the management letter.

Recommendation

It is recommended that Council should adhere to good corporate governance as well as section 19(1) of the National Arts Fund 2005 (Act 1 of 2005) which state that “The administrative work pertaining to the functions of the Council or a committee of the Council shall be performed by staff members in the Ministry made available for that purpose by the Permanent Secretary.”

4.2 Overall Internal Control environment

The auditors observed with great concern that although the Council does have a draft finance policy, this policy is not approved and implemented to direct and control finance activities. This matter has been reported for the past two financial years. Furthermore, the auditors found that the Council did not have a human resource and development policy in place to direct and control the human resource function within the Council which resulted in numerous overrides of management controls.

Recommendation

The Council is urged to approve and implement policies and procedures as a matter of urgency to avoid possible fraud and error.

4.3 Presentation of annual financial statements

4.3.1 The financial statements submitted by the National Arts Council of Namibia did not comply with the Generally Accepted Accounting Practice (GAAP).

The financial statements did not include the following information:

- Comparative figures;
- Notes to the annual financial statements; and
- Cash flow statements.

Comparative figures in the Balance sheet and Income Statement are from the previous Auditor-General’s report.

4.3.2 Furthermore, it was also observed that numerous adjustments and reversals were made to the accumulated fund in the general ledger. No explanations were obtained from the Council regarding these adjustments.

4.3.3 Moreover, the auditors observed that the general ledger submitted by the Council for audit purposes was incomplete.

Recommendation

The Council is advised to familiarise itself with the requirements of Generally Accepted Accounting Practices with regards to presentation of annual financial statements and ensure compliance thereof.

The Council should also provide explanations for the adjustments made.

4.4 Cash and bank

At the time of the audit an unexplained difference amounting to N\$ 380 313 was observed between the cash-book and the general ledger.

Recommendation

It is recommended that the Council should timely reconcile the cash-book and the general ledger as required by the General Acceptable Accounting Practice.

4.5 Inventory

The Council does not have proper controls in place to account for consumables.

Recommendation

It is recommended that the Council should record all the consumable goods and ensure that it is disclosed in the annual financial statements.

4.6 General expenditure

4.6.1 Payments to the value of the N\$ 114 776 were not authorised by both persons, i.e. Board member or administrator.

4.6.2 The Council occupied office space at the National Theatre of Namibia (NTN) and paid an amount of N\$ 18 000 for the year under review. The contract entered into between the Council and the NTN could not be submitted for audit purposes.

4.7 Subsistence and Travel

From the sample selected the following was observed:

4.7.1 The employees of the Council when embarking on a trip do not complete an advance form indicating the need or reason for undertaking the trip. There was also no evidence provided to the auditors that the trips were authorised.

4.7.2 Furthermore, cash cheques are issued to the employees when making payments and no subsistence and travel claims are submitted upon the return for advances taken.

Recommendation

The Council is recommended to review its controls surrounding these account areas and put necessary mechanisms in place to prevent possible irregular practices.

4.8 Salaries

From the sample selected the auditors observed with great concern that:

- 4.8.1** The Council does not keep personnel files of employees employed at the Council;
- 4.8.2** The Council does not keep record of leave days of employees employed at the Council; and
- 4.8.3** A Board member entered into a memorandum of understanding on 16 November 2010 with the Council to assist with the coordination and facilitation of a workshop at a rate of N\$ 500 per day which took place from 27-29 January 2011. It was however, observed that the Board member continued to receive consultancy fees to the amount of N\$ 19 500 until the end of March 2011. The Board member at the time of the audit which was during March 2012 was still receiving consultancy fees. The Board member also received consultancy fees to the amount of N\$ 14 500 prior to the workshop.

4.9 Loans and salary advances

From the sample selected the following was observed:

- 4.9.1** The auditors were not provided with applications that are submitted by employees to apply for salary advances and loans.
- 4.9.2** The auditors were not provided with agreements entered into by the Council and the employees in respect of repayments of staff loans.
- 4.9.3** The Council does not keep a loan register to keep record of loans granted and amounts received.
- 4.9.4** No supporting documentation to the amount of N\$ 20 500 was availed to the auditors for audit purposes.
- 4.9.5** The amount of N\$ 4 400 was granted to the assistant who at the time did not have an employment contract with the Council. No evidence could be obtained by the auditors to confirm the repayment of this amount.
- 4.9.6** The amount of N\$ 37 700 was granted to the System Evaluation Officer and Office Administrator for the year under review. No evidence could be obtained to confirm the repayment of this amount.
- 4.9.7** A loan to the value of N\$ 3 330 was granted to the Chairperson of the Board who is an active Board member and not an employee of the Council. The auditors obtained the cheque which was counter signed by the Chairperson. The said amount was repaid in full after three months.

Recommendation

The Council is therefore recommended to review the controls relative to this account area and introduce the necessary mechanisms to prevent possible irregular practices.

4.10 The accumulated fund balance in the income statement differed by N\$ 390 990 when compared to the amount in the balance sheet.

5. ACKNOWLEDGEMENT

Courtesy is extended and assistance rendered by the staff of the National Arts Council of Namibia to the auditors during the audit, is highly appreciated.

6. QUALIFIED AUDIT OPINION

The financial statements of the National Arts Council of Namibia for the financial year ended 31 March 2011 were audited by me in accordance with the provisions of Section 17(2) (b) of the National Arts Fund Act, 2005 (Act No.1 of 2005) and Section 25(1)(b) of the State Finance Act, 1991 (Act 31 of 1991)

The opinion has been qualified due to the following reasons:

- Financial statements did not reflect the comparative figures, notes and cash flow statements.
- Unexplained difference of N\$ 380 313 was observed between the cash-book and the general ledger.
- No controls are in place to account for consumables.
- Contracts entered into between the employees and Council were not submitted for audit purposes.
- Accumulated fund balance was misstated with an amount of N\$ 390 990.

Except for my above mentioned remarks, I certify that, in my opinion the financial statements fairly present the financial position of the Council for the financial year ended 31 March 2011 and in all material respects the income and expenditure have been applied to the purposes intended and conform to the authorities that govern them.

WINDHOEK, August 2012

**JUNIAS ETUNA KANDJEKE
AUDITOR- GENERAL**

NATIONAL ARTS COUNCIL

BALANCE SHEET AS AT 31 MARCH

	2011	2010
	N\$	N\$
ASSETS		
Non-current assets	120 168	143 459
Motor Vehicle	56 261	70 327
Computer Equipment	32 513	51 691
Office Equipment	7 124	1 669
Furniture and Fittings	24 270	19 772
Current assets	546 422	52 346
Current Account	546 422	52 346
Total assets	666 591	195 805
EQUITY AND LIABILITIES		
Long-term borrowings	175 254	195 805
Accumulated Funds	175 254	195 805
Profit/ (loss) for the year	491 337	-
Total equity and liabilities	666 591	195 805

ANNEXURE B

NATIONAL ARTS COUNCIL

BALANCE SHEET AS AT 31 MARCH

	2011	2010
	N\$	N\$
INCOME	3 758 401	1 278 093
Grants received	3 727 740	1 218 000
Insurance refund	-	3 780
Interest received	30 661	56 313
GRANTS DISTRIBUTED	1 357 244	1 374 611
Grants distributed - Performing Arts	-	721 026
Grants distributed - Visual Arts	371 708	565 805
Grants distributed - Media	66 503	15 280
Grants distributed - Literature	198 052	72 500
Grants distributed - Crafts	36 407	-
Grants distributed - Music	649 537	-
Ad-hoc Funding	35 037	-
OPERATING EXPENSES	1 909 820	1 019 711
Accounting fees	-	955
Advertising and promotions	35 694	23 751
Bank Charges	24 132	13030
Board members sitting & other fees	35 862	16 700
Board member loan	-	20 247
Board Refreshments	13 975	6 262
Bursaries	424 796	224 991
Computer expenses	29 096	64 999
Courier & postage	3 194	5 131
Depreciation	30 107	33 170
Insurance	16 607	15 851
Motor vehicle expenses	8 659	2 730
Repairs and maintenance	9 861	2 466
Rent building	74 684	10 500
Office Equipment (Rental copy machine)	12 385	23 017
Petty cash (Other expenses)	4 283	4 182
Printing & Stationery	27 903	24 560
Salaries & Wages	463 650	330 703
Telephone & Fax	63 466	28 792

Travel & Accommodation	122 738	110 214
Selection committees	29 127	26 460
Sponsorships	69 166	31 000
Consulting fees	182 688	-
Finance Charges	10 661	-
General Expenses	18 568	-
Training & Workshops	198 518	-
PROFIT/(LOSS)	491 337	(1 116 229)
PREVIOUS YEAR BALANCE	74 907	1 191 136
CURRENT ACCUMULATED FUND	566 244	74 907