

**NATIONAL COUNCIL**

**REPORT OF THE NATIONAL COUNCIL STANDING  
COMMITTEE ON PUBLIC ACCOUNTS AND ECONOMY  
ON THE ENGAGEMENT WITH RELEVANT  
STAKEHOLDERS ON THE POOR FINANCIAL REPORTING  
OF LOCAL AUTHORITIES OF OKAKARARA, RUNDU,  
GIBEON AND EENHANA.**

**22 AUGUST 2022 – 07 SEPTEMBER 2022**

*November 2022*

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## **ENGAGEMENT COMPOSITION**

### **Members of the Committee**

1. Hon. Peter K Kazongominja – Chairperson
2. Hon. Leonard Shikulo – Vice Chairperson
3. Hon. Lonia Kaishungu-Shinana – Member
4. Hon. Sebastiaan I. !Gobs – Member
5. Hon. Harald J. Kambrude – Member
6. Hon. Abner Shikongo – Member
7. Hon. George Garab – Member

### **Secretariat**

1. Mr. Himuvi Mbingeneeko, Committee Clerk
2. Helena Subasubani, Committee Clerk
3. Mr. August Mathupi, Legal Officer
4. Mr. Immanuel Kooper, Deputy Director- Information Department

### **Office of the Auditor-General**

1. Mr. B Mogotsi, Auditor
2. Mr. Ellis Tulaire, Auditor

### **Ministry of Finance**

1. Hon. Maureen Hinda-Mbuende – Deputy Minister: Ministry of Finance
2. Ms. Julia K. Ambole, Internal Auditor
3. Ms. Delilah Verukuavi Mbakera, PA to the Deputy Minister

### **Ministry of Urban and Rural Development (MURD)**

Ms. Uasutua Kahuure, Auditor

## **ABBREVIATIONS**

PAC	Public Accounts Committee
LA	Local Authorities
MURD	Ministry of Urban and Rural Development
OAG	Office of the Auditor-General
MoF	Ministry of Finance
OMAs	Offices, Ministries and Agencies
IPSAS	International Public-Sector Accounting Standards
NHE	National Housing Enterprise
CEO	Chief Executive Officer
EFT	Electronic Funds Transfer
GAAP	Generally Acceptable Accounting Practices
GL	General Ledger
ML	Management Letter
NORED	Northern Regional Electricity Distributor
OAG	Office of the Auditor General
VAT	Value Added Tax
DM	Deputy Minister
HR	Human Resources
OTC	Okakarara Town Council
RTC	Rundu Town Council
MPs	Members of Parliament
PMS	Performance Management Systems

## **EXECUTIVE SUMMARY**

In terms of Article 74(2) of the Constitution (Act 1 of 1990), the National Council has the power to investigate and report to the National Assembly on any subordinate legislation, reports and documents which under law must be tabled in the National Assembly and which are referred to it by the National Assembly.

In order to exercise the above mentioned powers and functions, the National Council established Standing Committees, among others the Standing Committee on Public Accounts and Economy, herein referred to it as “the Committee” in terms of Article 74(2) of the Constitution.

One of the duties of the Standing Committee on Public Accounts and Economy is to examine all reports of the Auditor-General on Offices/Ministries/Agencies as and when referred to the National Council by the National Assembly for advice. In this case reports of regional councils and local authorities.

The National Council Standing Committee on Public Accounts and Economy conducted public hearings on audited reports of the Auditor-General for various local authorities and regional councils from 23 October 2021 to 05 November 2021.

During and after the public hearings the Committee noted with concern the deteriorating state of unfavourable audit outcomes attributed to poor financial control and lack of accountability among the following local authorities: Gibeon (2016-2018), Okakarara (2016), Rundu (2016-2017) and Eenhana (2018).

The Committee further noted that the unfavourable audit outcomes show that various key role players have been slow in implementing the recommendations of both the Committee and the Auditor-General.

In view of the above, the National Council’s Standing Committee on Public Accounts and Economy resolved to engage key role players such as the Ministry of Finance, Ministry of Urban and Rural Development, Auditor-General, CEOs and local authorities’ councillors of Okakarara, Rundu, Gibeon and Eenhana, and the Constituency Councillor of each of these jurisdictions.

The Committee was of the opinion that engaging the above-mentioned key players will lead towards a better understanding of the root causes leading to poor financial reporting at the above-mentioned local authorities.

Moreover, the engagement served as a platform affording the local authorities of Okakarara, Rundu, Gibeon and Eenhana the opportunity to ventilate the issues or challenges holding them back from scoring unqualified audit reports.

The engagement meetings between the stakeholders and the selected local authorities took place from 22 August 2022 to 07 September 2022 at the offices of the respective local authorities. After the engagement collective recommendations and remedial measures intended to improve public finance management at the identified local authorities were adopted by the stakeholders and are contained in this report.

It is the Committee and its stakeholders' firm believe that the observations, lessons learned, and recommendations adopted can also be used as a template for addressing similar challenges faced by local authorities across the country.

## **ENGAGEMENT METHODOLOGY / MODALITIES**

### **Day One of the engagement with a local authority**

**STEP 1:** The Committee Chairperson introduced the findings one by one.

**STEP 2:** The Auditor-General elaborate the nature of each finding as introduced by the Chairperson.

**STEP 3:** The Auditor-General explain the implications of each finding, in accounting terms as well as in layman terms as much as possible.

**STEP 4:** The Accounting Officer was given an opportunity to explain the cause of each finding and also explain the challenges faced by the institution with regard to each finding. Explanations should be supported by documentary evidence.

**STEP 5:** The Committee Chairperson give an opportunity various stakeholders (MPs, MoF, MURD, Regional Councillor & Local Authority Councillors) to share their views vis-à-vis discussions under STEP 1 to STEP 4.

**STEP 6:** The Accounting Officer and the Auditor-General responds to discussions under STEP 5.

**STEP 7:** The Committee Chairperson entertained more interventions from the stakeholders.

**STEP 8:** The stakeholders convened separately (i.e., only MPs, MoF, MURD, OAG) to review the discussions under STEP 1 to STEP 7.

**STEP 9:** The stakeholders (only MPs, MoF, MURD, OAG) develop and adopt long-term and short-term measures / remedies to be recommended to the local authority's management and political leadership.

### **Day Two of the engagement with a local authority**

**STEP 10:** The stakeholders (only MPs, MoF, MURD, OAG) share the measures agreed upon under STEP 9 with the local authority's management and political leadership

## **INTRODUCTION**

The National Council's Standing Committee on Public Accounts and Economy engaged key role players such as the Ministry of Finance, Ministry of Urban and Rural Development, Auditor-General, Chief Executive Officers (CEOs) and local authorities' councillors of Okakarara, Rundu, Gibeon and Eenhana, and the Constituency Councillor of each of these jurisdictions from the 22<sup>nd</sup> August 2022 to 7<sup>th</sup> September 2022.

This report contains information obtained during meetings and discussions with the Ministry of Finance, Ministry of Urban and Rural Development, Auditor-General, Chief Executive Officers (CEOs) and local authorities' councillors of Okakarara, Rundu, Gibeon and Eenhana, and the Constituency Councillors from the jurisdictions under which the above Local Authorities (LA) are located.

The report contains findings of the Auditor-General, responses of the local authorities, stakeholders' evaluations and recommendations to specific findings for each local authority. The report ends with a conclusion followed by general recommendations that are directed to local authorities in general and relevant stakeholders.



# **ENGAGEMENT MEETING WITH GIBEON VILLAGE COUNCIL**

## **OBSERVATIONS FROM THE AUDIT REPORT FOR THE FINANCIAL YEARS ENDED 30 JUNE 2016, 2017 AND 2018**

### **2.1 Main Concern**

#### **QUESTION 1: AUDIT OPINION**

Council was asked what remedies were put in place to address the adverse opinion.

#### **Response of the Council**

According to the Council, the challenge in the past was the filing system which was not properly done. Furthermore, the staff complement in Finance Department is not fully fledged. Council did not have a substantive Chief Executive Officer.

#### **Evaluation**

The Committee took note of the Council's response. However, the Committee noted with concern that supporting documents requested for the year under review (2016, 2017, 2018) were not available. Furthermore, from the responses of Council it was observed that there were no remedies in place to improve performance and audit opinion. The Committee, further noted with concern that the financial statements for subsequent years (2019, 2020, 2021, 2022) are still outstanding contrary to the provisions of section 87(1) of the Local Authorities Act, 1992 (as amended), which requires submission of financial statements annually and within three months after the end of each financial year.

#### **Recommendation**

The Committee recommends that Council must develop a strategic plan, as per the Circular dated 25 November 2021 issued by the Minister of Urban and Rural Development, directing all local authorities to adopt and implement the Performance Management System (PMS).

The strategic plan must be cascaded into annual plans and performance agreements and further be used to measure the performance of the CEO.

The Committee recommends that Council take a resolution requesting MURD to assist the Village Council with secondment of staff to assist the Council with the running of the affairs of Council until such time a substantive CEO is appointed or a staff member acting as CEO is capacitated.

The Committee further recommends that Council addresses the going concern by developing alternative sources of income and strengthen the debt collection measures by government institutions.

## **2.2 Main Concern**

### **QUESTION 2: ACCUMULATED DEFICIT**

The Committee asked Council to explain why it disclosed accumulated deficit under assets for the financial year 2016.

#### **Response of the Council**

According to the Accounting Officer assets were not depreciated in the asset register and new assets were not added to the register.

#### **Evaluation**

The Committee took note of the Council's response.

#### **Recommendation**

The Committee recommends that Council capacitates the Senior Accountant to do proper books of account.

## **2.3 Main Concern**

### **QUESTION 3: UNEXPLAINED DIFFERENCE OF ADDITIONS TO ASSETS AMOUNTING TO N\$ 1 961 160 (2016) BETWEEN THE ASSET REGISTER AND THE CASH FLOW STATEMENT**

The auditors explained that supporting documents for the construction of a road and the new Village Council building were not added to the asset register.

Therefore, Council was asked to provide supporting documents related to the two items.

#### **Response of the Council**

According to the Council, the Accountant will provide the required supporting documentation to the Committee after the engagement meeting.

#### **Evaluation**

The Committee took note of the Council's response. However, at the time of compiling this report, Council did not provide the supporting documentation as promised during the engagement meeting.

#### **Recommendation**

The Committee recommends that Council safeguard and ensure that all records are availed upon request.

## **2.4 Main Concern**

### **QUESTION 4: OVERSTATEMENT OF ADDITIONS TO ASSETS**

The Committee asked whether Council was benefitting as a VAT vendor/registration.

It further requested Council to explain why expenditure are processed inclusive of VAT in the General Ledger.

### **Response of the Council**

According to the Accounting Officer, Council is benefitting from the VAT registration. The Accounting Officer further indicated that expenditures were processed VAT inclusive as the FINSTEL is programmed to automatically split the VAT.

### **Evaluation**

The Committee took note of the Council's response.

### **Recommendation**

The Committee recommends that Council train the Senior Accountant on how to capture invoices correctly on the system.

## **2.5 Main Concern**

### **QUESTION 5: DEPRECIATION NOT CHARGED TO INCOME STATEMENT**

The auditors explained that the depreciation was not being charged while Council's assets such as its building was losing value.

### **Response of the Council**

According to Council, there is no depreciation policy in place.

### **Evaluation**

The Committee noted that Council has no depreciation policy in place. Furthermore, the Committee is concerned with the competence of the consultant who prepared the financial statements and failed to charge depreciation on income statement.

### **Recommendation**

The Committee recommends that Council must ensure that it has all the necessary policies in place, including an approved depreciation policy, and they are always adhered to.

## **2.6 Main Concern**

### **QUESTION 6: UNEXPLAINED SALARY DIFFERENCES BETWEEN THE GENERAL LEDGER AND THE FINAL EARNING REPORTS AMOUNTING TO N\$ 127 559 (2018), N\$ 69 382 (2017) AND N\$ 243 928 (2016)**

The auditors explained that figures signed by the Council and those figures uploaded by Accountant could cause the difference related to salaries.

Council was asked to explain and provide evidence to the Committee the differences between final earnings report and the general ledger for the years under review.

### **Response of the Council**

According to the Council, the Accountant will provide the required supporting documentation to the Committee after the engagement meeting.

### **Evaluation**

The Committee took note of the Council's response. However, upon verification the Committee noted that the previous finding is still applicable within the current salary final earning reports and the General Ledger.

### **Recommendation**

The Committee recommends that Council reconcile the salary final earning reports and the general ledger as a matter of urgency.

### **2.7 Main Concern**

#### **QUESTION 7: NON-DISCLOSURE OF INTEREST RECEIVED IN THE CASH FLOW STATEMENTS AMOUNTING TO N\$ 74 678 (2018) AND N\$ 107 621 (2017)**

The auditors noted the non-disclosure of interest in cash flow statements over the years.

The Committee, therefore, asked Council to provide the list of investments made.

The Committee further wanted to know why interest on those investments were not disclosed.

### **Response of the Council**

According to the Accounting Officer, the Consultants omitted to disclose the interest on an account owned by the Gibeon Village Council, but which is managed by MURD.

### **Evaluation**

The Committee took note of the Council's response.

### **Recommendation**

The Committee recommends that Council capture interest received on investment as part of their Financial Statements.

### **2.8 Main Concern**

#### **QUESTION 8: DEBTORS WITH CREDIT BALANCES**

The auditors explained that credit balances happen because for Councillors and staff, there is automatic deduction every month or it could also happen when there are overcharging.

The auditors further remarked that if Councillors are the ones owing Council, then enforcing of credit/debtors' policy would not work.

Auditors have started verifying during audits whether Councillors pay their debts owed to the Village Council.

Council was asked to provide a breakdown of credit balances.

**Response of the Council**

According to the Council, some staff members owing the Council arranged for deductions from their salaries for payment of municipal services. These deductions continue until debtors become creditors due to over deductions.

**Evaluation**

The Committee took note of the Council’s response. However, the Committee noted with concern that Council did not have a debtors and creditors policy in place for the years under review (2016-2018) up until the time of engagement meeting, which means Council operated without these important policies for almost seven (7) years.

**Recommendation**

The Committee recommends that Council should as a matter of urgency develop and implement debtors and credit policies.

**2.9 Main Concern**

**QUESTION 9: NON-SUBMISSION OF SUPPORTING DOCUMENTS AMOUNTING TO N\$ 7 438 431 (2018), NS 6 976 989 (2017) AND NS 4 541 933 (2016)**

The auditors explained that supporting documents that were not submitted were mostly vouchers.

Council was requested to avail the missing vouchers.

**Response of the Council**

According to the Council, the Accountant will provide the required supporting documentation to the Committee after the engagement meeting.

**Evaluation**

The Committee took note of the Council’s response. However, Council failed to provide any of the missing vouchers up until the time of compiling this report.

**Recommendation**

The Committee recommends that Council maintain a proper filing system to safeguard and ensure that vouchers are availed upon request.

## **2.10 Main Concern**

### **QUESTION 10: UNCONFIRMED BANK OVERDRAFT AMOUNTING TO NS 7 842 788 (2018), N\$ 5 650 955 (2017) AND NS 5 373 523 (2016)**

The auditors explained that proof of where the overdraft was obtained was not provided at the time of audit.

The auditors further remarked that overdraft was a bad sign for investors.

Council was therefore asked to provide proof that Council had no overdraft.

#### **Response of the Council**

According to the Council, Council do not have any overdraft. Council further explained that in the past staff members used to print cheques that were never taken to the bank to be cashed and bank reconciliation was not performed.

#### **Evaluation**

The Committee took note of the Council's response.

#### **Recommendation**

The Committee recommends that Council should ensure that financial statements are correctly prepared as true reflection of Council's financial position.

## **2.11 Main Concern**

### **QUESTION 11: MISSTATEMENT OF REPAIR AND MAINTENANCE AMOUNTING TO N\$ 4 033 202 (2016)**

The Committee asked Council to explain why the Maintenance Account in the General Ledger was not disclosed and also wanted to know to whom a tender worth N\$ 4 million was awarded to.

#### **Response of the Council**

According to the Accounting Officer, Council is only aware of the tender of N\$ 2 201 226.50 which was granted to AB Construction for road works.

#### **Evaluation**

The Committee took note of the Council's response.

#### **Recommendation**

The Committee recommends that Council follow procurement procedure and account for the N\$ 4 million during the next audit.

## **2.12 Main Concern**

### **QUESTION 12: MISSTATEMENT OF EXPENDITURE AMOUNTING TO N\$ 2 025 885 (2017) AND N\$ 1 781 503 (2016)**

During the stakeholders meeting the auditors noted that there were no supporting documents for N\$ 3 million spent.

They further noted that there was a consultation fee of N\$ 1.2 million, that had no supporting documents and this amount also excluded consultancy fee for capital projects.

Hence, Council was asked to provide supporting documents for the consultation fee of N\$ 1.2 million.

During the meeting Council was also requested to provide the following information:

- Breakdown of income and expenditure (e.g. telephone in 2016 was so much, etc.);
- Breakdown of debts (e.g. is it for water or electricity or some other items);
- Age analysis;
- Breakdown of Build Together Programme (e.g. how many houses are there, how many beneficiaries are alive or deceased);
- A report on the status of the Build Together Fund (e.g. current balance, repayment records, status of loans, and contracts);
- Record of municipal debts of deceased clients; and
- Council's Asset Register.

### **Response of the Council**

According to the Council, it might be that Council at that time had different consultants for different projects.

### **Evaluation**

The Committee took note of the Council's response. However, Council failed to provide supporting documents for the consultation fee of N\$ 1.2 million as promised during the stakeholder's engagement meeting.

### **Recommendation**

The Committee recommends that Council should always seek Council approval by resolution whenever consultants are hired.

Furthermore, the Committee recommends that Council update the Asset Register regularly.

## **ADDITIONAL ISSUES RAISED DURING THE ENGAGEMENT MEETING**

### **2.13 Main Concern**

#### **CEO / STAFF QUALIFICATIONS AND PERFORMANCE**

The Committee wanted to know the qualification of the Acting CEO.

It further asked Council to provide a list of all staff with their qualifications.

The Committee further wanted to know when Council was planning to appoint a substantive CEO.

#### **Response of the Council**

According to the Council, only one person has qualifications for position occupied.

Council is unable to appoint a substantive CEO due to an ongoing arbitration case for that post.

#### **Evaluation**

The Committee took note of the Council's response.

#### **Recommendation**

The Committee recommends that Village Council must professionally develop staff on accounting standards.

The Committee further recommends Council must follow up on the arbitration and apply the Local Authorities Act for the appointment of the new CEO.

The Committee also recommends that proper restructuring of office staff be done and staff be positioned correctly as per their qualifications.

### **2.14 Main Concern**

#### **FORWARDING OF COUNCIL'S MINUTES TO THE MINISTER**

Council was asked when last it had meetings and whether it forward its minutes to the minister of MURD as per the Local Authorities Act.

#### **Response of the Council**

According to the Council, last meeting was held in June 2022 and minutes were not forwarded to the Minister.

#### **Evaluation**

The Committee took note of the Council's response. However, the Committee wants to draw the Council's attention to provisions of section 15 of the Local Authorities Act, 1992 which requires the CEO and in his/her absence, the Chairperson of the Management Committee to cause minutes to be kept of all the proceedings in the meetings. Such Minutes must be submitted to the Minister or Regional Council after confirmation of such Minutes within seven (7) days.



## **Recommendation**

The Committee recommends that Council adheres to the provisions of the Act, which requires the keeping of minutes of meetings of the Council and submission of such Minutes to the Minister or regional council.

## **2.15 Main Concern**

### **NON-SUBMISSION OF FINANCIAL STATEMENTS**

Council was asked why it is not submitting financial statements to the Office of the Auditor-General as required by the Local Authorities Act.

What is the commitment from Council when the financial statements for the 2019/2020, 2020/2021 and 2021/2022 would be ready?

### **Response of the Council**

According to the Council, no financial statements were prepared, because the consultant passed on in the meantime, and training on the International Public –Sector Accounting Standard (IPSAS) Framework provided did not cover practical aspects. Furthermore, a property Asset Register is necessary to generate reports from Finstel.

### **Evaluation**

The Committee took note of the Council's response. However, the Committee noted that Council can only use Finstel to generate salary payments, pay creditors and process receipts as opposed to using the financial system fully to generate financial reports.

Furthermore, the Council continues to contravene section 87(1) of the Local Authorities Act, 1992 requiring them to submit financial statements within three (3) months after the end of the financial year and/or request for extension from the Auditor General.

Additionally, the Committee noted that Council do not make use of audit fees exemption to capacitate its own staff within the finance department.

### **Recommendation**

The Committee recommends that Council must always adhere to section 87(1) of the Local Authorities Act, 1992.

Furthermore, the Committee recommends that Council ensure that funds earmarked for audit fees is utilised to capacitate its staff in the finance department as per Circular of the Auditor General on audit fees exemption.

The Committee further recommends that Council must write to Auditor General to request for extension to submit all outstanding financial statements by 30th November 2022 and must state reasons or challenges for non-submission, and Council must provide monthly progress report to the line Ministry.

Furthermore, the Committee recommends that Council uses the approved reporting framework (IPSAS) when preparing the annual financial statements for the following years: 2019/2020, 2020/2021, 2021/2022.

## **2.16 Main Concern**

### **HANDLING OF CASH**

Council was asked about the measures in place regarding the handling of revenue collected.

#### **Response of the Council**

According to the Council, there is no proper verification done on cash received daily and for cash that is banked.

#### **Evaluation**

The Committee took note of the Council's response. However, the Committee noted with great concern the lack proper procedures related to the handling of cash received on daily basis.

#### **Recommendation**

The Committee recommends that Council put in place control measures to handle revenue collected and all transactions on cash handling must get the final signature of the accountant.

Furthermore, the Committee recommends that Council improve methods of banking the cash received in a safe and secure manner.

The Committee also recommends that Council must ensure that third party payments filter to their cash book.

# **ENGAGEMENT MEETING WITH OKAKARARA TOWN COUNCIL**

## **OBSERVATIONS FROM THE AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

### **3.1 Main Concern**

#### **QUESTION 1: AUDIT OPINION**

Council was asked what filing remedies it has put in place and whether there were any meetings held after the public hearing the previous year.

#### **Response of the Council**

According to the Council, training was offered to the staff and filing system has been put in place. However, no meeting took place after the hearing, as Council was awaiting the Management Letter from the Office of the Auditor General.

#### **Evaluation**

The Committee took note of the Accounting Officer's response. However, from the responses of Council it was observed that there were no substantive remedies in place to improve performance and audit opinion. Furthermore, the Committee noted that Council do not submit the quarterly accountability report to the line ministry, as required by a ministerial circular issued to all local authorities on 5<sup>th</sup> March 2015.

#### **Recommendation**

The Committee recommends that Council must develop a strategic plan, as per the Circular dated 25<sup>th</sup> November 2021 issued by the Minister of Urban and Rural Development, directing all local authorities to adopt and implement the performance management system (PMS).

Additionally, the strategic plan must be cascaded into annual plans and performance agreements and further be used to measure the performance of the CEO.

The Committee further recommends that Council must provide monthly progress report to the line Ministry containing remedial steps taken to improve performance and audit opinion, while also submitting the quarterly accountability report to the line ministry as per the ministerial circular dated 5<sup>th</sup> March 2015.

The Committee recommends that Council safeguard and ensure that all records are availed upon request.

The Committee further recommends that Council addresses the going concern by developing alternative sources of income and strengthen the debt collection measures by government institutions.

The Committee also recommends that Council calls a special council meeting to discuss the audit report and management letter and adopt remedial action to improve performance and audit opinion.

### **3.2 Main Concern**

#### **QUESTION 2: UNEXPLAINED SUSPENSE ACCOUNT WITH A DEBIT BALANCE AMOUNTING TO N\$ 3 100 379**

Council was asked whether it has tried to clear the suspense account.

#### **Response of the Council**

According to the Council, Council cannot provide a list of transactions on the suspense account due to non-availability and traceability of records. However, the account amounting to N\$ 3 100 379 has been cleared by transferring the funds to an unappropriated surplus account in 2017 financial year.

#### **Evaluation**

The Committee took note of the Council's response. However, the Committee is not satisfied with the CEO's response that Council did not have any records available of what was put in the suspense account as all suspense account transactions were initiated by Council. The Committee further noted that the journal was passed without a Council's resolution.

#### **Recommendation**

The Committee recommends that Council must perform monthly reconciliation of all their transactions.

### **3.3 Main Concern**

#### **QUESTION 3: UNEXPLAINED DIFFERENCE OF N\$ 3 664 788 BETWEEN THE COMPUTED EXPECTED INTEREST ON ARREARS INCOME AND THE ACTUAL INTEREST PER GENERAL LEDGER**

Council was asked to explain why interest was wrongly calculated on the Build Together arrears.

#### **Response of the Council**

According to the Council, there was discrepancy between the computed interest and the provision in the gazetted tariff interest which was 0.02%, creating the unexplained interest.

#### **Evaluation**

The Committee took note of the Council's response. However, the Committee is concerned with what caused the delay in the implementation of correct gazetted tariffs.

#### **Recommendation**

The Committee recommends that Council must always ensure that the approved rates are implemented.

### **3.4 Main Concern**

#### **QUESTION 4: OMISSION OF TRANSACTIONS IN THE FINANCIAL STATEMENTS AMOUNTING TO N\$ 8 000 000 FOR GOVERNMENT SUBSIDY, AND A PAYMENT OF N\$ 729 829 FROM THE COUNCIL'S OPERATIONAL BANK ACCOUNT NOT RECORDED BOTH IN THE CASH BOOK AND FINANCIAL STATEMENTS**

The Committee asked Council to explain the omissions.

The Committee further asked Council to explain how the subsidy of N\$ 8 million was spent.

The Committee also asked Council to provide the balance and signatories of the bank account with funds not disclosed in the financial statements.

#### **Response of the Council**

According to the Council, it does not know why the amounts mentioned above were omitted from the financial statements. However, the N\$ 8 million was received from the line ministry for land compensation.

From the subsidy of N\$ 8 million received from MURD for land compensation, an amount of N\$ 7 658 059.52 was paid to beneficiaries as compensation for giving up their land to the Town Council, while N\$ 268 130 was used to pay salaries of Council employees.

Furthermore, the N\$ 729 829.10 was a payment made to Cango Construction cc.

#### **Evaluation**

The Committee took note of the Council's response. However, the Committee was not provided with authorisation from the Minister (MURD) in line with section 84(1) of the Local Authorities Act, 1992 (as amended) for funds earmarked for compensation to be diverted for salaries (N\$ 268 130). Therefore, the Committee regard this as unauthorised expenditure. Furthermore, the Committee was not provided with documentary proof that the N\$ 268 130 was indeed utilised to pay salaries.

The Committee further noted that Council provided an uncertified copy of the invoice amounting to N\$ 729 829.10 from Cango Construction cc with no date, no signatures as documentary proof, which is unacceptable to the Committee. The Committee also noted that there is an unexplained difference of N\$ 163 384.48 between the invoiced amount and the contract in place.

#### **Recommendation**

The Committee recommends that Council must pass journals to correct both omissions. Furthermore, the Committee recommends that Council must always obtain ministerial authorisation prior to diverting funds for unintended purposes.

The Committee recommends that MURD should investigate the unauthorised spending by the Council.

The Committee further recommends that Council must always provide authentic documentary proof to the Committee upon request.

### **3.5 Main Concern**

#### **QUESTION 5: OMISSION OF STATUTORY LIABILITIES IN RESPECT OF IMPORT VAT, EMPLOYEE TAX AND VAT AMOUNTING TO N\$ 2 566 478 AND CAPITAL EXPENDITURES AMOUNTING TO N\$ 2 591 874 NOT REFLECTING IN THE FINANCIAL STATEMENTS; LACK OF BANK RECONCILIATIONS; OMISSION OF INVENTORIES**

Liability - import tax of over N\$ 800 000 – the auditors wanted to know what was imported.

#### **Response of the Council**

According to the Council, it cannot explain why the omission occurred. However, the items imported were a Front Loader Tractor and a Tipper Truck. Council has submitted Value Added Tax (VAT) returns and have received a good standing certificate after the VAT outstanding account was cleared.

The inventory sheet and asset register are in place and Council have appointed a Finstel administrator to assist Council.

Other statutory deductions are fine, except the employees' tax deductions that are outstanding.

#### **Evaluation**

The Committee took note of the Council's response. However, the Committee is concerned with the habit of the consultant and the Council in omitting relevant balances with significant amounts in the financial statements.

#### **Recommendation**

The Committee recommends that Council must pass journal entries to correct the omissions. The Committee further recommends that Council should always ensure that all financial transactions relating to a particular year are captured and included in the financial statements.

### **3.6 Main Concern**

#### **QUESTION 6: LACK OF BANK RECONCILIATIONS**

The Committee requested for an update on the current status of the bank reconciliation and proof thereof.

### **Response of the Council**

According to the Council, there is lack of capacity to perform bank reconciliation, particularly backdated bank reconciliations and Council have appointed a Finstel Administrator to assist Council with bank reconciliations.

### **Evaluation**

The Committee took note of the Council's response. However, the Committee noted with concern that at the time of engagement the Council lacks the required capacity and commitment to perform reconciliations monthly.

### **Recommendation**

The Committee recommends that Council must perform monthly reconciliations and provide quarterly management accountability report to the line ministry.

The Committee further recommends that approval be obtained from the Council before the appointment of the consultant.

## **3.7 Main Concern**

### **QUESTION 7: OMISSION OF INVENTORIES**

No inventory count and valuation were done at year-end as a result, inventories value were not disclosed in the financial statements though the Town Council always holds some inventories at any point in time.

Council was also asked to explain the current status of the inventory.

### **Response of the Council**

According to the Council, when items are bought are no record was kept by the Stock Clerk for the year under review, due to lack of capacity. Council further explained that the Stock Clerk signed the Delivery Note and also issued items without a Job Card.

However, the Inventory Sheet and Asset Register are currently in place and Council have appointed a Finstel Administrator to assist Council.

### **Evaluation**

The Committee took note of the Council's response. However, the Committee noted that there is no segregation of duties in handling of stock, because the same person who signs for receipt of goods is also the one who is issuing them. The Committee further noted that the inventory sheet and asset register provided were not sufficient.

### **Recommendation**

The Committee recommends that Council must establish a Risk and Audit Committee to minimise risk. The Committee further recommends that Council must have a fully-fledged Inventory Sheet and Asset Register in place as a matter of urgency. Furthermore, the Committee recommends that Council capacitate its stock clerk on the stock control system.

### **3.8 Main Concern**

#### **QUESTION 8: UNEXPLAINED SALARIES CONTROL ACCOUNT AMOUNTING TO N\$ 369 529**

The auditors explained that N\$369 529 was deducted for third party deductions from salaries. Council was asked to provide breakdown of the figure.

#### **Response of the Council**

According to the Council, manual entries resulted in the omission. Salaries are done on VIP and there is no interface between the VIP and Finstel. Hence, there is no proper reconciliation done by staff on Finstel in the absence of interface between the two systems. Going forward the interface has been created thus solving the problem.

#### **Evaluation**

The Committee took note of the Council's response. However, the Committee is concerned with the habit of the consultant and the Council in omitting relevant balances with significant amounts in the financial statements.

#### **Recommendation**

The Committee recommends that Council adequately capacitate staff operating financial systems in the Council to make full use of all the modules in the financial systems.

### **3.9 Main Concern**

#### **QUESTION 9: UNEXPLAINED DIFFERENCE AMOUNTING TO N\$ 324 052 BETWEEN THE GENERAL LEDGER (GL) AND SUPPLIER STATEMENT OF NAMWATER**

-Please provide the Committee with the supplier statement (Namwater) and how the Council rectified the unexplained difference of N\$ 324 052.00. Kindly provide proof thereof.

#### **Response of the Council**

According to the Council, no proper reconciliation was done between Namwater statements and the GL. Furthermore, Council failed to understand where the consultant picked up the amount of N\$ 324 052, because on their balance it was N\$ 227 244.60 on 29 June 2016. Hence, Council will seek explanation from the auditors and reconcile with Namwater.

Going forward Council undertakes to perform monthly reconciliation to avoid any omissions. Furthermore, Council is considering sourcing water from own boreholes.

#### **Evaluation**

The Committee took note of the Council's response. However, the Committee is worried with Council not engaging the consultant after completion of the financial statements prior to the signing-off of the financial statements.



## **Recommendation**

The Committee recommends that Council should perform monthly reconciliation to avoid any omissions.

Furthermore, the Committee recommends that Council must procure bulk water meter that can be installed at the reservoir immediately after the water meter of Namwater, in order to compare the units provided to the water quantity sold by Council. Furthermore, Council must acquire a water leakage detector to ensure there is no underground water leakage in their network. Council should also conduct an infrastructure audit.

## **3.10 Main Concern**

### **QUESTION 10: LACK OF BREAKDOWN FOR BUILD TOGETHER LOANS**

The Committee asked if Council can explain to the Committee how it manages the Build Together project.

It further asked Council to explain why interest was not charged on the Build Together loans.

#### **Response of the Council**

According to the Council, could only trace N\$ 4 million and not N\$ 5 million received from the Ministry. However, Council acknowledges that there was lack of amortisation table and proper filing.

As a remedy Council have appointed a dedicated staff to the Build Together Program. Lack of reconciliation occurred; hence interest was not charged on the Build Together loans.

## **Evaluation**

The Committee took note of the Council's response. However, the documents provided by Council to the Committee of N\$ 4 561 000 is contrary to the N\$ 4 million stated above.

## **Recommendation**

The Committee recommends that Council maintain proper records of the Build Together loans and avail to auditors upon request.

## **3.11 Main Concern**

### **QUESTION 11: UNDERSTATEMENT OF LEVY PAYABLE TO REGIONAL COUNCIL**

-Council asked why it contravenes section 77 of the Local Authorities Act, 1992 (Act No. 23 of 1992 as amended) which require Council to pay 5% levy of all rateable properties over to the Regional Council.

### **Response of the Council**

According to the Council, it acknowledges that the levy was not paid and neither was it created on the Finstel system, thus creating an understatement of N\$ 730 658. Council further responded that corrective measures will be to journalise the levy as a debt in the journal. Council entered into a repayment agreement of the outstanding debt by arranging quarterly payments of the levy. The initial amount should have been N\$ 2 267 591.00 for the year under review.

### **Evaluation**

The Committee took note of the Council's response.

### **Recommendation**

The Committee recommends that Council must adhere to budget conditions to pay over the 5% levy on rates and taxes to the regional council in terms of section 77(1) of the Local Authorities Act, 1992 (as amended). The Committee further recommends that the Auditor-General Office confirms the correction of the understatement during subsequent audit.

## **3.12 Main Concern**

### **QUESTION 12: NON-SUBMISSION OF SUPPORTING DOCUMENTS**

The Committee asked the Council to provide the missing supporting documents amounting to N\$ 2 154 132

### **Response of the Council**

According to the Council, it manages to locate some documents with amounts paid to Cango Construction cc (N\$ 1 385 130.33) and Ark Trading (N\$ 476 914) for construction work. However, these amounts are still not tallying up and Council will continue searching for the remaining missing documents.

### **Evaluation**

The Committee took note of the Council's response. However, the Committee noted that supporting documentation amounting to N\$ 292 087.67 are still outstanding and the Committee noted with concern that Council provide supporting documents partially during auditing process and to the Committee during public hearing.

### **Recommendation**

The Committee recommends that Council should ensure that all supporting documentation and vouchers are safeguarded and provided to the auditors upon request.

### **3.13 Main Concern**

#### **QUESTION 13: FAILURE IN TERMS OF DEBT COLLECTION**

The auditors explained that Council consumer debt increases annually. Some consumers were not paying consumer deposits, while others were not charged at the time of opening accounts. Council was asked to elaborate.

#### **Response of the Council**

According to the Council, it was not charging consumer debt and the amount is accumulative, however at the time of reporting it stood at N\$ 16 million, hence Council considered writing it off by passing a journal through a Council resolution. Going forward consumer debt will be charged monthly.

#### **Evaluation**

The Committee took note of the Council's response.

#### **Recommendation**

The Committee recommends that the Office of the Auditor-General verifies the existence and validity of the credit policy, if there is no credit policy in place, the Committee recommends that Council develop and adopt a credit policy.

## **ADDITIONAL ISSUES RAISED DURING THE ENGAGEMENT MEETING**

### **3.14 Main Concern**

#### **COUNCILLORS ACCESS TO COUNCIL'S FINANCIAL DOCUMENTS**

Councillors sought clarity on whether it was illegal for them to obtain from the CEO documents with financial implication to the Council.

#### **Response of the Council**

According to the Council, confidentiality issues sometimes hamper sharing of such documents.

#### **Evaluation**

The Committee took note of the Council's response. However, the Committee is not agreement with the administrators' position to withheld information from the Councillors on the basis of confidentiality. Hence, all documents with financial implication to the Council must be shared with the Councillors to allow them to take informed decisions.

#### **Recommendation**

The Committee recommends that Council must avail the requested documentation on condition that such information is not shared with third parties and remain confidential.

### **3.15 Main Concern**

#### **LEAVE CARDS**

The Committee wanted to know why leave cards were not completed.

#### **Response of the Council**

According to the Council, the Human Resources (HR) Officer is overwhelmed with duties, hence the incomplete Leave Cards.

#### **Evaluation**

The Committee took note of the Council's response. However, the Committee is concerned that incomplete leave records could result in leave days being paid in full to staff at the time of resignation or retirement.

The Committee further noted that the HR position has been filled under questionable circumstances and raises question of non-performance on the part of the incumbent.

#### **Recommendation**

The Committee recommends that Council keep proper records of leave days and adopts a resolution informing staff of cut-off number for leave days.

The Committee further recommends that Council's recruitment for HR position be evaluated by the line ministry.

### **3.16 Main Concern**

#### **OVERSTATEMENT OF THE INVESTMENTS BY N\$ 173 259**

The Committee asked Council to explain why vehicle loan was recorded as investment.

#### **Response of the Council**

According to the Council, they realised that the overstatement was a result of wrong information or absence of relevant information of the vehicle high purchase which was recorded as an investment. As corrective measure the investment is cleared and now become a liability as it was paid off.

#### **Evaluation**

The Committee took note of the Council's response.

#### **Recommendation**

The Committee recommends that Council pass a prior year error adjustment to correct the mistake in the current Financial Statements.

## **ENGAGEMENT MEETING WITH RUNDU TOWN COUNCIL**

### **OBSERVATIONS FROM THE AUDIT REPORT FOR THE FINANCIAL YEARS ENDED 30 JUNE 2016, 2017**

#### **4.1 Main Concern**

##### **QUESTION 1: AUDIT OPINION**

The auditors clarified that the 2019 financial statements were very late. Rundu Town Council (RTC) contravened the Act and did not request an extension. Furthermore, the 2022 financial statements were also outstanding. Therefore, the report under review (2016-2017) is the only report Council has submitted so far. Last management letter was issued in 2019 and Council never replied to it.

Council was, therefore, asked whether the Management Letter was tabled and discussed in Council.

And if discussed what was Council resolutions after discussing the management letter?

Furthermore, Council was asked why //Ae Gams Networks as a Systems Administrator was also given the responsibility to prepare financial statements.

##### **Response of the Council**

According to the Council, from 2014 to 2017 Council lost senior/key staff during that period. In addition, Council had capacity and skills shortage issues among staff at that time.

Council did not reply to the Management Letter and the Audit Report was only tabled in August this year before Council.

Council also indicated that since the Munsoft system used by Council is owned by //Ae Gams Networks consultancy, the contract between Council and the consultant will continue so long as RTC make use of that system.

##### **Evaluation**

The Committee took note of the Council's response.

##### **Recommendation**

The Committee recommends that Council must submit financial statements timeously to the Auditor General.

Furthermore, the Committee recommends that Council must table audit reports and management letter before Council and the discussion of the two items should be the only agenda point of the meeting.

The Committee further recommends that Council must assess whether the relationship with //Ae Gams Networks is adding value to RTC.

## **4.2 Main Concern**

### **QUESTION 2: NON-ADHERENCE TO ACCOUNTING FRAMEWORK**

Council do not have appropriate reporting framework, because the framework Council is using is not for public entity.

#### **Response of the Council**

According to Council, it has not started rectifying the financial statements based on IPSAS. In the meantime, they have engaged /Ae Gams consultant to assist with capacity training on bank recons.

Council wrote to the Auditor General to request withdrawal of the previous financial statements prepared based on Generally Accepted Accounting Principles (GAAP). Council also asked extension to do the 2018-2022 financial statements based on IPSAS.

Council also noted that the IPSAS was introduced without capacitating staff in the framework. It was only in 2022 that capacity was provided to staff.

#### **Evaluation**

The Committee took note of the Council's response. However, the Committee discourages Council to make use of consultant to prepare Council financial statements.

#### **Recommendation**

The Committee recommends that Council must prepare its financial statements through the IPSAS framework.

The Committee further recommends that approval be obtained from the Council before the appointment of the consultant and transfer of skills must be a precondition in the contract between Council and the consultant.

## **4.3 Main Concern**

### **QUESTION 3: NON SUBMISSION OF SUPPORTING DOCUMENTS:**

- TRADE AND OTHER PAYABLES AMOUNTING N\$ 3 288 911
- VAT PROVISIONS
- PROVISION FOR LEAVE PAY
- SURCHARGES ROYALTIES
- EXPENDITURE VOUCHERS

Council was requested to provide the supporting documents which were not provided during the audit.

## **Response of the Council**

According to the Council, it could have been due to some of the documents not being in their rightful place. The audit happened when there was a tax audit for tax assessment that was being carried out on Council's books by a company, hence documentation was in a disarray during that process.

According to the Council, the Council do not have a policy for leave provision in place. However, Council uses staff rules to provide for leave.

According to the Council, the old arrangement was for Northern Electricity Distributor (NORED) to pay the differences after offsetting electricity sold to RTC and surcharges due to RTC. However, the offsetting approach is not being used anymore.

## **Evaluation**

The Committee took note of the Council's response. However, the Committee questions the supervision and handling of Council's documentation during the tax audit.

However, the Committee noted that Council makes provision for leave pay for days more than the 60 days' limit, thus increasing its liability.

However, the Committee explained to Council that offsetting has the risk of double payments because it is done only through a letter and not journalized.

## **Recommendation**

The Committee recommends that Council should ensure that there is absolutely someone responsible for handling of files whenever they are requested.

The Committee further recommends that Council capacitate its staff in record keeping and management.

The Committee recommends that Council obtain a historical record indicating from whom VAT was collected.

The Committee recommends that Council makes provision for the 60 days' limit as that can cause an adjustment to the \$7million thus reduce RTC liability.

The Committee further recommends that Council do a reconciliation of leave days then pass journals and present it to Council for a resolution to write it off or decide otherwise.

The Committee recommends that Council always insist on a Credit Note and invoice from NORED so that transactions are reflected in RTC books through entries. These will also enable RTC to know its investment in NORED.

## **4.4 Main Concern**

### **QUESTION 4: UNDERSTATEMENT OF PAYROLL EXPENDITURE**

Council was requested to explain the understatement of the payroll expenditure.



Council was further requested to explain the current processes in place regarding payroll (same with processes around payments received by cashier).

### **Response of the Council**

According to the Council, they are unable to provide a report.

### **Evaluation**

The Committee took note of the Council's response. However, the Committee noted with great concern the inability of RTC to provide a report explaining the understatement of the payroll expenditure.

The Committee further took note of the training provided to capacitate the Divisional Head of HR and SE: Corporate services on payroll, yet nothing has been put into action emanating from the training.

### **Recommendation**

The Committee recommends that Council revisit the payroll in bank statements of those years and provide explanation of the understatement.

## **4.5 Main Concern**

### **QUESTION 5: UNDERSTATEMENT OF GOVERNMENT SUBSIDY WITH N\$ 2 444 597 and N\$ 5 021 688**

Council was asked to explain what the total subsidy was and what it was intended for. Council was further asked to provide a breakdown of the government subsidy.

### **Response of the Council**

According to the Council, the staff might have wrongly receipt to the wrong account instead of to the government subsidy account. Therefore, when the monthly report is printed, it will just reflect the balance. Council has an account called unknown debtors.

### **Evaluation**

The Committee took note of the Council's response. However, the Committee noted that instead of providing the breakdown of government subsidy, Council provided a breakdown of an account called unknown debtors.

### **Recommendation**

The Committee recommends that Council provides a detailed explanation of the understatement of the government subsidy.

#### **4.6 Main Concern**

##### **QUESTION 6: UNDERSTATEMENT OF REVENUE**

Council was asked to explain why it charged incorrect/old tariffs on municipal services compared to gazetted tariffs.

##### **Response of the Council**

According to the Council, it was either an oversight or supervision error. Most tariffs of the Council are gazetted around September. The person responsible to update the system failed to do so, hence the system continued to operate on the old tariffs.

##### **Evaluation**

The Committee took note of the Council's response. However, the Committee is concerned with the failure to update the new tariffs on the system and its implementation.

##### **Recommendation**

The Committee recommends that Council must always ensure that the approved rates are implemented and paid in full by residents.

#### **4.7 Main Concern**

##### **QUESTION 7: UNDERSTATEMENT OF REVENUE BY CHARGING INTEREST ON ARREARS LESS THAN 20% ON OUTSTANDING BALANCES.**

Council was asked to explain the understatement.

##### **Response of the Council**

According to the Council, the 20% changed when Council brought in the services of a debt collector who is paid the 12% on the accounts collected.

Therefore, Council have parked interest (i.e. putting them on hold) given that in the end clients will be liable for the debt collection fee of 12%.

The parking of interest did not carry a Council resolution but was rather an agreement entered into with the debt collector so as not to double punish the residents.

##### **Evaluation**

The Committee took note of the Council's response. However, the Council's decision of not burdening the consumers with the 20% interest charged is a concern, because it was taken without Council's resolution.

##### **Recommendation**

The Committee recommends that whenever Council has decided to park interest charged on arrears it must be done through a Council resolution.

#### **4.8 Main Concern**

##### **QUESTION 8: WATER CARDS NOT UPDATED DURING THE YEAR UNDER REVIEW**

Council was asked why water cards were not updated during the year under review.

##### **Response of the Council**

According to the Council, they resolved to have an agreement to pay the outstanding debt with Namwater.

Currently readings are done by Meter Readers and submitted to a Clerk (standing in as a supervisor), it is captured into the system by the Clerk at month-end.

A report is printed out which indicates the abnormalities of more than 50% which are further investigated to verify high consumptions and any other abnormalities.

##### **Evaluation**

The Committee took note of the Council's response. However, the Committee noted with concern that the decision to outsource the water cards to a third party did not yield the desired results, and payments to the institution could thus be regarded as wasteful expenditure.

##### **Recommendation**

The Committee recommends that Council should guard against wasteful expenditure and should bring back the water card system as a matter of urgency.

#### **4.9 Main Concern**

##### **QUESTION 9: DSA ADVANCE AND CLAIM FORMS NOT SIGNED**

Council was asked why DSA Advance Forms were not signed by all relevant parties and claim forms not submitted after trip has been undertaken.

##### **Response of the Council**

According to the Council, they completed advance forms although they were not signed or approved by the relevant supervisor. Claims were never completed because they did know about completing it.

##### **Evaluation**

The Committee took note of the Council's response. However, the Committee is very surprised that someone in a managerial position do not know the processes of claiming advance and completing your trip after the trip.

## **Recommendation**

The Committee recommends that Council should ensure that advance forms are signed by all relevant parties before any payment is effected and claim forms are completed, signed and submitted after trip has been concluded.

## **4.10 Main Concern**

### **QUESTION 10: FIXED ASSETS**

Council was asked why fixed assets were not marked with unique identification marks.

### **Response of the Council**

The Council failed to provide a satisfactory response.

### **Recommendation**

The Committee recommends that Council must ensure all assets are marked with a unique identification number and that a complete Fixed Asset Register be developed.

# **ENGAGEMENT MEETING WITH EENHANA TOWN COUNCIL**

## **OBSERVATIONS FROM THE AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

### **5.1 Main Concern**

#### **QUESTION 1: AUDIT OPINION**

The Committee observed that Eenhana Town Council received a Disclaimer audit opinion for the year 2018. The Committee then asked Council to:

- Explain their understanding of a Disclaimer audit opinion and its impact on the performance of your Council.
- Explain, with proof of evidence, the remedies Council has put in place to improve the audit opinion.
- Explain whether Council has a fully-fledged finance department.
- Indicate who is preparing the financial statements for the Council.
- Provide proof of the training which was provided for the finance staff utilising the exemption provided by the AG's office.
- Indicate whether Council submitted all outstanding financial statements.
- Explain whether the audit report and ML were tabled before Council.

#### **Response of the Council**

According to the Council, an adverse audit opinion puts Council in an awkward position, in terms of public opinion, and how banks and stakeholders perceive Council's financial status.

It further means stakeholders cannot rely on Council's annual financial statements as it gives a negative sign regarding Council's operations.

It gives the impression that there are risks of irregularities, and that fraud can easily be carried out, because documents are not in place.

#### **REMEDIES PUT IN PLACE ARE THE FOLLOWING:**

- N\$ 150,000 budgeted to improve filing.
- All staff are included in preparation of financial statements (Council also make use of casuals or temporary staff).
- Council will prepare financial statements using IPSAS framework and staff will be trained to use IPSAS.

- Council is planning to fill vacant positions.
- Council have started preparing financial statements in advance before due date.
- Council is avoiding the use of consultants.
- Council will discourage staff going on leave when auditors come to conduct annual audit.
- Staff turnover is still a challenge (there are 5 vacant posts).
- Although Council has not seen the Management Letter, it has however tabled the audit report on 2<sup>nd</sup> September 2022 before the Management Committee only.

### **Evaluation**

The Committee took note of the Council's response. However, Council did not comply with section 87(1) of the Act stipulating that financial statements should be sent to the office of the Auditor General for auditing, 90 days after the end of the financial year.

Furthermore, the Committee noted that the audit report was tabled before Council's Management Committee meeting on the 2<sup>nd</sup> September 2022 and never before the full Council, which is very disappointing considering that it happened almost a year since the Committee had a hearing with Eenhana on the same report.

Additionally, the Committee noted with concern that Council is still not in possession of the Management Letter, which means the CEO never bothered to take the responsibility to obtain a copy of the ML from the OAG since the time of the public hearing held in 2021.

### **Recommendation**

The Committee recommends that Council must always adhere to section 87(1) of the Local Authority Act, 1992.

The Committee also recommends that Council calls a special Council meeting to discuss the audit report and management letter and adopt remedial action to improve performance and audit opinion, of which the audit report and ML are the only agenda items for discussion.

## **5.2 Main Concern**

### **QUESTION 2: NON SUBMISSION OF GENERAL LEDGER**

The Committee requested Council to provide the following documents which were not provided during the audit:

## **2.1 General Ledger**

### **Response of the Council**

According to the Council, the GL was available and would be provided during the engagement meeting.

### **Evaluation**

The Committee took note of the Council's response. However, the Committee noted that although the GL was readily available, it is however a concern that it was not provided to the auditors at the time of the audit.

## **2.2 Additions amounting to N\$ 13 235 843.00**

### **Response of the Council**

According to the Council, the vouchers for assets additions were available and would be provided during the engagement meeting.

### **Evaluation**

The Committee took note of the Council's response. However, the Committee noted that although the vouchers were readily available, it is however concerning that these documents were not provided to the auditors at the time of the auditing. Further, the Committee noted that the additions were not capitalised.

## **2.3 VAT return amounting to N\$ 4 236 389.00**

### **Response of the Council**

According to the Council, the vouchers for assets additions were available and would be provided during the engagement meeting.

### **Evaluation**

The Committee took note of the Council's response. However, the Committee noted that although the vouchers were readily available, it is however concerning that these documents were not provided to the auditors at the time of the auditing.

## **2.4 VAT refund amounting to N\$ 2 986 003.00**

### **Response of the Council**

According to the Council, there are some of the reconciliations that council have to get from the auditors because the council reckons are having N\$4.2, and that is a different amount. There's a slight difference between what is stated in our financial statements and what is indicated by the auditors.

### **Evaluation**

The Committee took note of the Council's response.

## **2.5 Net movement of Investment amounting to N\$ 8 225 872.00 - Note 4; Investment confirmation amounting N\$ 2 160 850.00 and N\$ 2 585 273.00**

### **Response of the Council**

According to the Council, schedule for the movement of investment amounting to N\$ 8.2 million is available.

### **Evaluation.**

The Committee took note of the Council's response, however the Committee is concern that the Council has shares at NORED but they don't have a share certificate as well as the financial statements,

## **2.6 Build Together loans receivable listing amounting to N\$ 7 072 868.00**

### **Response of the Council**

According to the Council, the loan receivable listing for build-together was submitted to the Committee

### **Evaluation**

The Committee took note of the Council's response.

## **2.7 Incomplete projects amounting to N\$ 694 710.00 (Council must also provide completion certificates).**

### **Response of the Council**

According to the Council, the Financial Manager is still looking up for the Completion Certificates. The Council further indicated that it's not even aware of which project where they.



## **Evaluation**

The Committee took note of the Council's response.

### **2.8 Erven loans amounting to N\$ 2 031 940.00 (Council must also provide the list of beneficiaries).**

#### **Response**

According to the Council, the Council indicated that the list of beneficiaries is available among the documents provided to the Committee at the time of the engagement.

#### **Evaluation**

The Committee took note of the Council's response.

### **2.9 Fund movements for receipts amounting to N\$ 15 984 871.00**

#### **Response of the Council**

According to the Council, the Council is still looking up for the receipts linked to the fund movement. The Council further indicated that the bank statements are there now but the movement and the reconciliations are the ones that they are struggling to find but they are unable.

#### **Evaluation**

The Committee took note of the Council's response, with concern because the Council cannot find the receipts with such big amounts which is can be translated into fraud.

### **2.10 Fund movements for expenditure amounting to N\$ 12 314 215.00**

#### **Response of the Council**

According to the Council, the Council is still looking up for the receipts linked to the fund movement. The Council further indicated that the bank statements are there now but the movement and the reconciliations are the ones that they are struggling to find but they are unable.

#### **Evaluation**

The Committee took note of the Council's response, with concern because the Council cannot find the receipts with such big amounts which is can be translated into fraud.

## **2.11 Consumer deposits amounting to N\$ 1 013 950.00 {see D2, P1}**

### **Response of the Council**

According to the Council, Council agreed that they will come up with a technical team to get statistics and see how much evidence they have on consumer deposits, with all debt evidence of all the places that are currently in Eenhana.

### **Evaluation**

The Committee took note of the Council's response.

## **2.12 Unknown deposits amounting to N\$ 1 874 605.00**

### **Response of the Council**

According to the Council, the unknown deposits, continue to be a problem because what are there are some of the amounts which are old amounts the people deposited. For Council to get some of the references is a problem but the Finance Manager has tasked finance staff to go and see who paid those accounts. Some people might have claimed but now because their things were not reconciled, their statement was not reconciled back and therefore It won't reflect the correct amount.

### **Evaluation**

The Committee took note of the Council's response, however the Committee urged Council to go back and identify the unknown deposits (which council said most are Ministries)

## **2.13 Revenue listing for revenue accounts amounting to N\$ 2 044 732.00**

### **Response of the Council**

According to the Council, the Council cannot find revenue listing for revenue accounts amounting to N\$ 2 044 732.00

### **Evaluation**

The Committee took note of the Council's response.

## **2.14 Unconfirmed expenditure amounting to N\$ 26 008 117.00**

### **Response of the Council**

According to the Council, the Council is not sure as to what was the amount for, the Council further indicated that they need the reconciliations from the audits. So that once those breakdowns are obtained from the auditors then one can try to match the expenditure documents to what is making up this amount.

## **Evaluation**

The Committee took note of the Council's response with great concern because the N\$ 26 million was used but the Council can't account for it.

### **2.15 Journals (Council must provide supporting documents for the journals for the year under review).**

#### **Response of the Council**

According to the Council, the Council indicated that there are no supporting documents for the journals for the year under review still

#### **Evaluation**

The Committee took note of the Council's response with great concern that there are no supporting documents for the journals for the year under review still which can easily be translated into hidden fraud.

### **2.16 Fixed assets register – please provide the Committee with the updated fixed asset register.**

#### **Response of the Council**

According to the Council, updating the Fixed Assets Register is a bit of a challenge, but they have started. Council have managed to put in the new format of the Asset Register that would meet the required standard of the reporting of the asset registers so the assets will be grouped as per their class; be it asset under construction buildings, land, computers, infrastructures. Council has so far issued out a Purchase Order to one of the suppliers that can assist the Council with asset tags so that the assets can be tagged. This will be easier those tag numbers or asset tag numbers to also form part of the asset register, when Council will be able to have the name of the asset, in which department is that asset, the type of asset is it, when was it acquired, what is its useful life and going ahead with what is accumulated depreciation and depreciation itself. The tags are expected soon.

#### **Evaluation**

The Committee took note of the Council's response

### **2.17 Council asked to provide the Committee with Inventory listing amounting to N\$ 1 022 114.00 for the year under review and to explain whether the OAG's office was invited to attend stocktaking.**

#### **Response of the Council**

The Council could not provide a satisfactory response.

## **2.18 Underestimation of provision**

Council asked to explain to the Committee why provision for bad debts were underestimated with an amount of N\$ 1 693 836.00.

### **Response of the Council**

According to the Council, the provision made was just for 120 days plus for those debts so the 120 days and 90 days, is what makes up the figure of 1.6 million, therefore these figures will form part of subsequent year financial statement.

### **Evaluation**

The Committee took note of the Council's response, however the Committee noted with concern that the Council does not have a bad debt policy in place, which raised a question of what was used when the provision was made.

## **2.19 Bank reconciliation**

The Committee asked Council to provide to the Committee the bank reconciliation for the year under review amounting to N\$ 1 653 051.00 and the current bank reconciliation.

### **Response of the Council**

According to the Council, the council is currently doing bank reconciliation for the year under review, everything is now reconciled and all items are aligned.

### **Evaluation**

The Committee took note of the Council's response.

## **2.20 Unrecorded liabilities amounting to N\$ 900 492.00 – please explain to the Committee why it was not recorded at year end.**

### **Response of the Council**

According to the Council, the amount possibly is recorded but it was recorded in the next financial year, therefore what has to be done is to consult the person who prepared the financial statements at that time. Council could not properly obtain evidence of these unrecorded liabilities but OAG Auditors will have to check at OAG office registry and communicate to the Financial Manager on what exactly it was.

## **Evaluation**

The Committee took note of the Council's response.

### **Recommendations for Eenhana Town Council**

The Committee recommends that Council should always adhere to the provisions of section 26(1)(b)(i) of the State Finance Act, 1991 (Act No 31 of 1991) stipulating that... "the Auditor-General or any competent person shall have access to all books, vouchers, other documents, money, stamps, securities, forms having a face of potential value...and other moveable goods owned by the State...in the possession or under the control of any person and which the Auditor-General deemed necessary..."

Further the Committee recommends that Council:

- Should capitalise additions to assets.
- Submit management and accountability reports to MURD as required on a quarterly basis.
- Adheres to laws and regulations set by honouring 5% payments to Regional Council as required annually.
- Write a letter to OAG as soon as possible requesting for an extension to submit the financial reports.
- Engages MURD for assistance with debt collection owed by government institutions.
- Implement policies to rely on such as debtor's policies, leave policy, creditors policy etc.
- Must go back into their system and just ensure that all those journals that were passed have supportive documents and provide each journal in order to prohibit fraud.
- Ensure that all the Council assets are tagged with unique identification marks and make sure inventory sheets are in place.
- Develops and adopts Asset Management Policy and Depreciation Policy.

## CONCLUSION

The Committee expressed its dissatisfaction with the performance of the Gibeon Village Council. The Committee noted lack of cooperation among the Council and the technocrats; information regarding the running of the Council is not being shared with the Council Members and treated confidential. The Committee further noted lack of capacity due to positions being filled by officials with no appropriate qualifications and experience to run the affairs of Council. Many critical vacancies are also not filled and the finance department is not fully functional due to the Finance Manager being unable to perform assigned tasks, including basic reconciliation of key accounts.

Regarding the Okakarara Town Council, the Committee concluded that there is a communication gap between the staff in management and the Council as a whole. The Committee noted that there are instances where management takes decisions, without basing them on resolutions passed by Council. The Committee further noted lack of capacity and non-performance due to unqualified staff in crucial positions, specifically Human Resource position. The Committee also observed that Okakarara Town Council have not been submitting financial reports on an annual basis for several years, and for every non-submission Council never bothered to request for an extension from the Office of the Auditor-General.

During its engagement with the Rundu Town Council, the Committee noted with serious concern the non-submission of financial reports to the Office of the Auditor-General, ninety days after the end of each financial year as stipulated by law. The Committee noted that RTC has not submitted financial statements for auditing for a period of five financial years. Human Resource issues were a matter of concern to the Committee. The Committee noted that wrong calculation of staff salaries led to underpayment for a period of five years. The Committee noted that senior managers are highly qualified, but yet the institution was not benefitting from those high qualifications, because performance and qualifications were not commensurate.

For Eenhana Town Council, the Committee also noted that Council was failing to comply with the provision requiring them to submit financial statements for audit to the Office of the Auditor-General, ninety days after the end of each financial year. The Committee further observed that the debt collection measures in place were not ensuring meaningful revenue collection in favour of Council. The Committee also noted lack of coordination between the Council Members and the staff when it comes to running the affairs of the Council.

Nevertheless, the Committee is happy to indicate that the engagement meetings were worthwhile undertakings that afforded the Committee Members, the stakeholders and the concerned local authorities, an opportunity to address the challenges faced by the four local authorities. Many of the participants acknowledged that the engagement meetings were indeed an eye opener and has put them on the right trajectory towards rescuing the local authorities in terms of public finance management.

## **GENERAL RECOMMENDATIONS**

### **1. MINISTRY OF FINANCE (MoF)**

- 1.1 The Committee recommends that the Government Internal Audit should be tasked to conduct regular audits to assist local authorities with the improvement of internal controls.
- 1.2 The Committee recommends that MoF should use its Internal Auditors to conduct inspection of filing systems at all the local authorities on annual basis as per section 14 read with section 15 of the State Finance Act.

### **2. MINISTRY OF URBAN OF RURAL DEVELOPMENT (MURD)**

- 2.1 The Committee recommends to MURD to develop standardised framework or policies such as depreciation policy and strategic plans for local authorities.
- 2.2 The Committee recommends to MURD to institute measures to control funds collected through revenue by cashiers in local authorities.
- 2.3 The Committee further recommends that MURD should hold all the trained staff in the finance departments accountable for failure to prepare financial statements.
- 2.4 The Committee recommends that when financial managers are recruited it should be a requirement for a financial manager to have the capacity to prepare financial statements.
- 2.5 The Committee recommends that MURD should look at the going concern of the local authorities and the non-use of allocated funds for intended purposes.
- 2.6 The Committee recommends that MURD should use its Internal Auditors to conduct inspection of filing systems at all the local authorities on annual basis as per section 14 read with section 15 of the State Finance Act.
- 2.7 The Committee recommends that whenever an Accounting Officer resign or is suspended, the process of replacement should be fast-tracked to avoid that irresponsibility, unaccountability, lack of transparency and transgressions leading to mismanagement of Councils' resources become the order of the day.
- 2.8 The Committee recommend that before a CEO is appointment in a new position elsewhere, they ministry must assess their performance in previous position.
- 2.9 The Committee recommends that the line ministry should hold former Accounting Officers accountable for anomalies created during their time of office as CEOs.

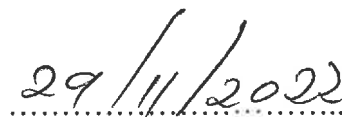
### **3. LOCAL AUTHORITIES**

- 3.1 The Committee recommends that local authorities must procure recording devices for Council's meetings.

- 3.2 The Committee also recommends that local authorities must also appoint minute taking clerks and not rely on the accounting officer to take minutes, who should be concentrating on advising the Council on procedural matters.
- 3.3 The Committee further recommends to all local authorities to avoid overstatement of provision of leave pay, so as to avoid increasing their liability.
- 3.4 The Committee recommends that local authorities should ensure transfer of skills takes place when making use of consultants.
- 3.5 The Committee further recommends that the use of consultants by Councils should be annually assessed by measuring progress made in terms of improved audit opinion, transfer of skills, reduced errors made in the annual financial statements.
- 3.6 The Committee encourages good working relations between local authorities and regional councils as contemplated by section 28(1)(f) of the Regional Council Act, 1992, through regular meetings and consultations on issues such as budgeting (including the 5% levy as provided for by section 77(1) of the Local Authorities Act, 1992 (as amended)).
- 3.7 The Committee recommends that the Accounting Officer must ensure the Management Letter and audit report are tabled before Council and that Council resolute on remedial actions.
- 3.8 The Committee recommends that local authorities should, where applicable, respond to the Management Letter because if adequately responded to it can lead to findings being eliminated from the audit report before it is finalised and signed off.



**Hon. P.K. Kazongominja**  
Chairperson



**Date**