

28 March 2023

**ADVICE OF THE NATIONAL COUNCIL IN TERMS OF ARTICLE 74 (1)  
(b) OF THE CONSTITUTION ON THE INVESTIGATION AND  
CONSIDERATION OF AUDITED REPORTS OF THE AUDITOR  
GENERAL FOR VARIOUS FINANCIAL YEARS ENDING 31 MARCH 2018  
FOR THE REGIONAL COUNCILS AND 30 JUNE 2016; 2017; 2018 FOR  
LOCAL AUTHORITIES**

(Submitted by the Chairperson of the National Council to the Speaker of the National Assembly)

1. In terms of Article 74(1) (b) of the Constitution, the National Assembly referred audited reports of the Auditor-General to the National Council for investigation and advice for various financial years ending 31 March 2018 for the Regional Councils and 30 June 2016; 2017; 2018 for Local Authorities.
2. In order to exercise the above powers, the National Council referred the audited reports of the Auditor-General to its Standing Committee on Public Accounts and Economy to review, investigate, evaluate and report to the House.
3. The Standing Committee on Public Accounts and Economy reviewed, investigated, and reported its findings and recommendations to the house as reflected in the report hereto attached.
4. The report of the Committee was considered and adopted by the House on 14 February 2023 and based thereon the National Council is advising the National Assembly in terms of Article 74(1) (b) of the Constitution as follows:

**1. Summary of the Main Findings of the Report**

During the review and investigations, the Committee observed the following major findings on the audited reports of the Auditor-General:

- 1.1 Failure to keep accounting records as are necessary to reflect transactions by Regional Councils, as required by section 39(1) of the Regional Councils Act, 1992 (Act 22 of 1992) as amended.
- 1.2 Failure to keep accounting records as are necessary to reflect transactions by Municipalities, Town and Village Councils as required by section 86(1) of the Local Authority Act, 1992 (Act 23 of 1992) as amended.
- 1.3 Uncertainties on what Municipalities, Town and Village Councils should do to write-off pre-independence debt.
- 1.4 Failure to comply with applicable legislation, accounting standards and other mandatory reporting requirements approved by the Auditor-General.
- 1.5 Failure and/or inability to submit, in a timely manner, financial statements to the Auditor-General as required by section 87(1) of the Local Authorities Act, 1992 (Act 23 of 1992) and section 40(3) of the Regional Councils Act, 1992 (Act 22 of 1992).
- 1.6 Failure by Local Authorities to:
  - (a) Charge for the benefit of the funds of Regional Councils an amount equal to five percent of their rates in terms of Section 77 of the Local Authorities Act, 1992 (Act 23 of 1992) and/or;
  - (b) Inability and/or neglecting and/or failure by Local Authorities to pay over levied sum equal to five percent of their rates to regional councils; and/or;
  - (c) Failure by Regional Councils to request for the benefit of their fund, the sum equal to five percent from local authority councils within their regions.
- 1.7 Failure by Regional Councils, Municipalities, Towns and Village Councils to table and consider at their ordinary meetings the report of the Auditor-General and decide on

rectifying steps on irregularities revealed by the audit report in terms of section 40(3) of the Regional Councils Act and section 87(3) of the Local Authorities Act, as amended.

1.8 Lack of capacity on the part of Accounting Officers to compile financial statements as per requirement of the Act.

1.9 Failure by Regional Councils, Municipalities, Towns and Village Councils to submit complete financial documents as requested by the Auditor-General.

1.10 Failure by Regional Councils, Municipalities, Towns and Village Councils to implement recommendations of the Office of the Auditor-General as communicated in respective Management Letters.

## **2. Recommendations by the National Council**

In addition to the specific recommendations directed to each entity that appeared before the Committee at public hearings, the following general recommendations are foregrounded:

2.1 The Committee recommends that financial policies of local authorities must include the performance of monthly reconciliations on key accounts.

2.2 The Committee recommends that regional councils and local authorities should obtain ministerial approval before taking out loans, in accordance with section 28(j)(ii) of the Regional Councils Act, and section 30(1)(v)(i) of the Local Authorities Act, respectively.

2.3 The Committee recommends that regional councils and local authorities should ensure that staff are subjected to continuous professional development.

- 2.4 The Committee recommends that regional councils and local authorities should put measures in place to ensure data integrity (to prevent loss of data) during migration from one financial system to another.
- 2.5 The Committee recommends that all regional councils and local authorities adopt IPSAS reporting framework as per the circular (dated 13/09/2019) issued by the Ministry of Urban and Rural Development.
- 2.6 The Committee recommends that regional councils and local authorities respond to audit queries and observations timeously at the first granted opportunity, to avoid wastage.
- 2.7 The Committee recommends that regional councils and local authorities make the Auditor-General reports a standing item point on the council's agenda and refer such reports for review by Council.
- 2.8 The Committee recommends that regional councils and local authorities should always table the Auditor-General's audit report before Council in terms of section 87(3) of the Local Authorities Act and section 40(3) of the Regional Councils Act, respectively, in order to develop an action plan from the resolutions taken at Council.
- 2.9 The Committee recommends that the National Council Standing Committee on Public Accounts and Economy, Office of the Auditor-General, Ministry of Finance and Ministry of Urban and Rural Development should as a matter of urgency, find an amicable solution on the pre-independence loans of local authorities, because it negatively affects the financial status of the local authorities.
- 2.10 The Committee recommends that the Ministry of Urban and Rural Development should seriously consider Auditor-General's audit opinion expressed before proclamation of local authorities from village to town or town to municipality.

2.11 The Committee recommends that the Ministry of Urban and Rural Development, Ministry of Finance and Attorney General should review treasury rules to allow proceeds earned through selling off obsolete items at auctions be disbursed to the regional councils and local authorities which held/owned such obsolete items prior to it being sold.

2.12 The Committee recommends that, as a rule, the terms and conditions of contracts between consultants and regional councils or local authorities for assistance with the financial statement preparation should be discussed with the Ministry of Urban and Rural Development, Ministry of Finance and the Office of the Auditor-General for input and advice before entered into.

### **3. Conclusion**

2.13 The recommendations contained in the report are informed by the concerns and challenges the Committee observed during its interactions with the accounting officers invited to appear before the Committee at public hearings.

2.14 The Committee noted with concern that a number of Local Authorities are failing to submit a full set of financial statements as well as key accounting policies as per requirement of the international accounting standards, due to inadequate implementation of the International Public Sector Accounting Standards (IPSAS) reporting framework.

2.15 The Committee further noted that there are Regional Councils and Local Authorities that are not submitting financial statements to the Office of the Auditor-General as required by section 87(1) of the Local Authorities Act, 1992 (Act 23 of 1992) and section 40(3) of the Regional Councils Act, 1992 (Act 22 of 1992).

2.16 It is the wish of the National Council that this report will eventually reach the stakeholders that appeared before the Committee and those mentioned in the general recommendations contained in it, once it is adopted in the National Assembly.

2.17 Following the Committee's public hearings conducted in Oct/Nov 2021, the Committee engaged the following stakeholders: 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, on the poor financial reporting of the local authorities of Okakarara, Rundu, Gibeon and Eenhana from 22 August 2022 to 07 September 2022. The Copy of the stakeholder's engagement is attached as an addendum to this report.