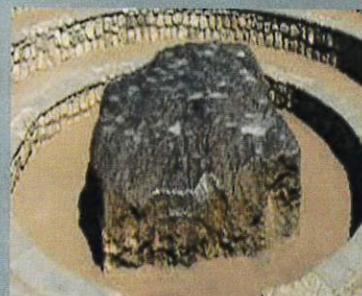




REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MUNICIPALITY OF GROOTFONTEIN

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2017 AND 2018

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 Municipality of Grootfontein for the financial years ended 30 June 2018 and 2017, in terms of Article 127(2) of the Namibian Constitution. The report is transmitted to the Honourable Minister of Finance in terms of Section 27(1) of the State Finance Act, 1991 (Act 31 of 1991) to be laid upon the Table of the National Assembly in terms of Section 27(4) of the Act.

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, September 2021

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF GROOTFONTEIN
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2017 AND 2018**

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Municipality of Grootfontein for the financial years ended 30 June 2018 and 2017. These financial statements comprise the balance sheet, the income statements, statement of cash flows for the years then ended and a summary of significant accounting policies.

In my opinion, because of the significance of matters discussed in the Basis of Adverse audit Opinion paragraph the financial statements do not present fairly the financial position of the Municipality of Grootfontein for the financial years ended 30 June 2018 and 2017 its financial performance for the years ended.

2. BASIS FOR ADVERSE AUDIT OPINION

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. The audit opinion is expressed due to the following:

2.1 NO FINANCIAL REPORTING FRAMEWORK ADOPTED

For the years under review, the Municipality did not indicate the financial reporting framework adopted to prepare the financial statements.

2.2 NO DEPRECIATION CHARGED

For the years under review, the Municipality did not prepare detailed notes for property, plant and equipment and no depreciation was charged.

2.3 INCOMPLETE FINANCIAL STATEMENTS

The Municipality did not prepare statements of changes in equity for all the years under review.

2.4 PROVISION FOR DOUBTFUL DEBTS MISSTATED

Based on receivables for 90 days and older, the Municipality made a provision for doubtful debts of 2018: N\$ 74 499 586 in the financial statements while auditors calculated an amount of N\$ 87 499 500, thus provision was understated by N\$ 12 954 915.

2.5 LOAN AMOUNT OMITTED IN THE FINANCIAL STATEMENTS

A long term loan from the bank amounting to N\$ 2 616 325 was omitted in the financial statements.

2.6 NON-SUBMISSION OF SUPPORTING DOCUMENTS

- a) Auditors were not provided with a share certificate to verify investment in CENORED amounting to N\$ 8 656 573 for total amount of N\$ 28 804 555 of investment disclosed in the financial statement only N\$ 20 147 982 certificates were confirmed.
- b) The Municipality could not provide supporting documents for adjustment amounting to N\$ 7 347 902 made in the appropriation account.
- c) The Municipality was unable to provide the supporting documents thus, external loans amounting to: (2018) N\$ 1 659 127 (2017): N\$ 1 819 969 could not be verified.

2.7 DIFFERENCES ON FINANCIAL STATEMENTS AND BUILD TOGETHER REPORT

A difference amounting to 2017: N\$ 317 915 was observed between financial statements of N\$ 13 172 023 and build together records of N\$ 12 854 108 for loan receivables.

2.8 INTEREST ON INVESTMENT MISTATED

Interest on investment was overstated by 2017: N\$ 693 507, this was observed between the amount disclosed in the financial statement amounting to N\$ 1 459 859 and the auditors recalculated amount of N\$ 766 352.

2.9 DIFFERENCES ON FINANCIAL STATEMENTS AND SALARY REGISTER

The Municipality was unable to explain the difference amounting to 2017: N\$ 753 793 noted between the salary register of N\$ 35 532 317 and the financial statement amounting to N\$ 34 778 524.

3. MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

I draw attention to the financial statements, which indicates that the Municipality incurred deficit of N\$ (3 225 539) and (11 120 282) during the years ended 30 June 2018 and 2017 respectively, the Municipality's current liabilities exceeded its current assets by N\$ 3 413 488 and 5 344 712. An increase in borrowing (bank overdraft by N\$ (2 244 304) was noted, all these matters with other conditions indicate material uncertainty exists that may cast significant doubt on the Municipality's ability to continue as a going concern. The Audit Opinion is not modified in respect of this matter.

4. OTHER INFORMATION

Management is responsible for the other information. The auditor's opinion on the financial statements does not cover the other information and, accordingly, the auditor does not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with legislation and for such internal control as management deems it necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

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

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

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

As part of an audit in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I exercise professional scepticism throughout the audit.

- Identify and assess the risk of material misstatement of the financial statements whether due to fraud or error design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion forgery intentional omissions misrepresentations or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies uses and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. I conclude that a material uncertainty exists I am required to draw attention in the report to the related disclosures in the financial statements or if such disclosures are inadequate to modify the opinion. My conclusions are based on the audit evidence obtained up to date of the report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation structure and content of the financial statements including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit and significant audit findings including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable related safeguards.

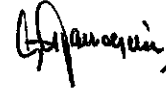
From the matters communicated with those charged with governance I determine those matters that were of most significance in the audit of the financial statements at the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or when in extremely rare circumstances I determine that a matter should not be communicated in the report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accounts were submitted later than required by the Accounting Officer to the Auditor-General on 7 July 2020 in terms of Section 87 (1) of the Local Authority Act, 1992 (23 of 1992).

8. ACKNOWLEDGEMENT

The co-operation and assistance by the management and staff of the Municipality of Grootfontein during the audit is appreciated.



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, September 2021

MUNICIPALITY OF GROOTFONTEIN
BALANCE SHEET FOR THE YEARS ENDED 30 JUNE

ASSETS		2018	2017	2016
	Note	N\$	N\$	N\$
Non-current assets		153 906 250	144 972 831	172 884 348
Property plant and equipment	2	78 681 211	74 345 142	63 667 823
Investments	3	39 892 754	40 878 088	50 738 568
Loans receivable	5	35 332 285	29 749 601	58 477 957
Current assets		4 909 699	4 877 675	14 931 032
Trade and other receivables	6	4 412 244	4 403 522	13 484 294
Inventories		496 925	473 593	559 398
Cash and cash equivalent	8	530	530	887 340
TOTAL ASSETS		158 815 949	149 850 476	187 815 380
FUNDS AND LIABILITIES				
Funds and reserves		143 713 855	135 185 082	132 042 753
Capital outlay	9	71 185 620	64 736 448	61 577 921
Funds and accounts	10	108 045 629	102 740 489	91 636 405
Accumulated deficit	14	(35 517 394)	(32 291 855)	(21 171 573)
Non-current liabilities		8 323 187	10 222 387	53 231 148
Long-term loans	11	8 323 187	10 222 387	53 231 148
Current liabilities		6 778 907	4 443 007	2 541 479
Trade and other payables	12	2 008 836	1 917 240	2 541 479
Bank overdraft	8	4 770 071	2 525 767	-
TOTAL FUNDS AND LIABILITIES		158 815 949	149 850 476	187 815 380

MUNICIPALITY OF GROOTFONTEIN
INCOME STATEMENT FOR THE YEARS ENDED 30 JUNE

	2018	2017	2016
	N\$	N\$	N\$
Income	68 419 498	57 517 116	59 882 828
Expenditure	64 306 257	60 699 510	58 121 503
Operating surplus/(deficit)	4 113 241	(3 182 394)	1 761 325
Other Income	-	-	168 099
Net surplus (deficit) before interest	4 113 241	(3 182 394)	1 929 334
Interest on investment	1 923	1 459 869	(2 043 164)
Net surplus/(deficit) after interest	4 122 364	(1 722 535)	(113 830)
Appropriation account	(7 347 903)	(9 397 747)	(6 263 065)
Net deficit for the year	(3 225 539)	(11 120 282)	(6 376 895)

MUNICIPALITY OF GROOTFONTEIN
CASHFLOW STATEMENT FOR THE YEARS ENDED 30 JUNE

	Note	2018 N\$	2017 N\$	2016 N\$
Cash flow from operating activities				
Cash receipts from customers		68 419 498	57 517 116	59 882 828
Cash paid to suppliers		(71 594 618)	(61 554 919)	(74 518 027)
Net cash flow from operating activities	15	(3 175 120)	(4 037 803)	(14 635 199)
Cash flow from investing activities				
Net capital expenditure		(4 336 069)	(10 677 319)	(3 320 133)
Change in investments	3	985 334	9 860 480	(970 458)
Change in loans receivable	5	(5 582 684)	28 728 356	(38 043 133)
Net cash flow from investing activities		(8 933 419)	27 911 517	(42 333 724)
Cash flow from financing activities				
Increase in Capital outlay	9	6 449 172	3 158 527	9 865 718
Interest received		9 123	1 459 859	(2 043 164)
Increase in Fund accounts	10	5 305 140	11 104 084	4 670 370
Change in long-term loans	11	(1 899 200)	43 008 761	43 981 968
Net cash flow from financing activities		9 864 235	(27 286 291)	56 474 892
Net decrease in cash and cash equivalents		(2 244 304)	(3 412 577)	(494 031)
Cash and cash equivalents - beginning		(2 525 237)	887 340	1 381 371
Cash and cash equivalents - end	8	(4 769 541)	(2 525 237)	887 340

MUNICIPALITY OF GROOTFONTEIN**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE****1. ACCOUNTING POLICIES****1.1 Introduction**

The annual financial statements set out in Annexures A to C were prepared on the historical cost basis and incorporate the following principal accounting policies which are consistent in all material aspects with those applied in the previous year.

1.2 Property, plant and equipment

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

1.3 Inventory

Fuel inventory is valued at cost on the first-in first-out basis. Consumables are valued at the average landed costs.

2. PROPERTY PLANT AND EQUIPMENT

	2018	2017	2016
	N\$	N\$	N\$
	78 681 211	74 344 142	63 667 823
Loan assets	22 669 657	22 883 560	19 654 387
Income assets	55 441 273	50 879 456	43 419 465
General capital assets	570 281	582 126	593 971

3. INVESTMENTS

	39 892 754	40 878 088	50 738 568
Commercial banks	11 088 199	12 073 533	21 934 013
CENORED	28 804 555	28 804 555	28 804 555

4. ALLOCATED AS FOLLOWS

	39 892 754	40 878 088	50 738 568
Build Together Fund	10 720 033	11 919 270	21 934 013
Capital	368 166	154 263	-
Revenue	28 804 555	28 804 555	28 804 555

ANNEXURE D

MUNICIPALITY OF GROOTFONTEIN

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE
(continued)

	2018	2017	2016
	N\$	N\$	N\$
5. LOANS RECEIVABLE	35 332 285	29 749 601	58 477 957
Property loans	12 591 010	13 193 924	18 254 315
Vehicle loans	46 457	46 457	2 095 224
Clubs and societies	59 589	59 589	27 721
Internal loans	22 635 229	16 449 631	38 100 697
6. TRADE AND OTHER RECEIVABLES	4 412 244	4 403 522	13 484 294
Services rendered and assessment rates	77 544 064	70 094 717	67 364 614
VAT receivable	861 802	456 379	-
Sundries	600 964	619 730	11 234 588
Provision for bad debts	(74 594 586)	66 767 304	(65 114 908)
7. INVENTORIES	473 593	559 398	559 398
Stores and fuel	473 593	559 398	559 398
8. CASH AND CASH EQUIVALENT	(4 769 541)	(2 525 237)	887 340
Petty cash	530	530	530
Bank account	(4 770 071)	(2 525 767)	886 810
DISCLOSED AS FOLLOWS:	4 770 601	2 526 297	887 340
Cash on hand	530	530	887 340
Bank overdraft	4 770 071	2 525 767	-
9. CAPITAL OUTLAY	71 185 620	64 736 448	61 577 921
Loans redeemed	15 174 066	13 274 866	17 564 485
Revenue contributions	55 441 273	50 879 456	43 419 465
General capital contributions	570 281	582 126	593 971

MUNICIPALITY OF GROOTFONTEIN

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

(continued)

	2018	2017	2016
	N\$	N\$	N\$
10. FUNDS AND RESERVES	108 045 629	102 740 489	91 636 405
Leave Reserve Fund	4 983 137	4 928 542	1 169 679
Capital Development Fund	1 992 653	1 757 935	2 989 749
Housing Funds	53 730 869	52 576 271	51 306 717
Bonus Reserve Fund	6 210 066	6 309 842	75 430
Insurance Reserve Fund	862 864	833 016	803 168
Personnel Housing Fund	3 104 523	3 104 523	3 104 523
Motor Loan Scheme Fund	2 167 009	2 167 009	2 141 680
Loans to clubs and societies	81 150	81 150	87 310
Fixed Property Fund	6 778 759	6 631 005	6 831 545
Betterment Fund	9 184 800	6 520 816	5 921 183
Renewal Fund	18 949 799	17 830 380	17 205 421
11. LONG-TERM LIABILITIES	6 664 060	10 222 387	53 231 148
Capital outlay	1 659 127	1 819 969	2 089 901
Housing Fund	459 430	459 430	-
Internal loans	6 204 630	7 942 988	51 141 247
12. TRADE AND OTHER PAYABLES	2 008 836	1 917 240	2 541 479
Trade payables	547 848	506 852	831 290
Provisions and accruals	78 495	78 495	78 497
Suspense accounts	264 371	267 998	261 986
Consumer deposits	1 118 122	1 063 895	971 344
	-	-	398 362

MUNICIPALITY OF GROOTFONTEIN

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

(continued)

	2018	2017	2016
	N\$	N\$	N\$
13. APPROPRIATION ACCOUNT	(7 347 903)	(9 397 747)	(5 860 168)
CEPM Professional fees for 2016	-	(537 636)	-
Cell phone charges for deputy Mayor	-	-	(6 250)
Clearing suspense for NHE	-	-	(2 752)
Correction of interest	-	-	(35 400)
Correction of Municipal services	-	-	(180)
Correction of overcharges	-	-	(1 710)
Correction of slaughtering fees for 2015	-	(12 502)	-
Correction on investment	-	(2 552 449)	-
Courier services prior year	-	-	(1 665)
Daily report fault	-	(267 597)	-
Debts written off elders	-	(190 225)	(113 250)
Deposit refund	-	(1 312)	(234 888)
Fuel pump for 2016	-	(8 864)	-
Legal cost for 2016	-	(4 025)	(127 183)
Ministry of Works premises levies - 2014/2015	-	200 465	-
Ministry of Works premises levies - 2015/2016	-	211 565	-
MURD 5 years bonus	-	325 150	(29 304)
NTA levy	-	(120 459)	-
	-	-	(32 126)
Over charge	-	-	(2 369 787)
Over charge on Municipal services	-	-	(5 344 388)
NTA levy - BS item for 2016	-	58 564	168 009
Provision for bad debts	-	1 728 152	-
Provision for bonus	-	(6 308 728)	-
Provision for leave	-	(2 111 447)	(58 564)
Provisional balance transfer	-	268 203	(276)
Regional Council 2016	-	35 400	-

MUNICIPALITY OF GROOTFONTEIN

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

(continued)

	<u>2018</u>	<u>2017</u>	<u>2016</u>
	N\$	N\$	N\$
13. APPROPRIATION ACCOUNT			
(continue)			
Sinclair material for 2016	-	(2 070)	-
Surcharges due by Cenored	-	613 880	-
Suspense item for 2015/2016	-	(10 150)	-
Swanam for 2016	-	(32 583)	-
Unclaimed debt refunds	-	20 736	-
Unknown adjustments	(7 347 903)	(29 194)	3 258 560
Vat adjustments	-	(670 621)	(929 014)
14. APPROPRIATION ACCOUNT			
Net operating (deficit) surplus	4 113 241	(3 182 394)	1 761 325
Interest on investments	9 123	1 459 859	(2 043 164)
Net deficit after interest	4 122 364	(1 722 535)	(281 839)
Appropriation account adjustment	(7 347 903)	(9 397 747)	(6 095 056)
Net deficit after appropriation account	(3 225 539)	(11 120 282)	(6 376 895)
Revenue account - beginning of the year	(32 291 855)	(21 171 573)	(14 794 678)
Revenue account - end of the year	(35 517 394)	(32 291 855)	(21 171 573)

ANNEXURE D

MUNICIPALITY OF GROOTFONTEIN

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

(continued)

	2018	2017	2016
	N\$	N\$	N\$
15. CASH UTILISED BY OPERATIONS			
Net operating (deficit)/surplus before interest	4 113 241	(3 182 394)	1 761 325
Adjustments for:			
- Adjustments to appropriation account	(7 347 903)	(9 397 747)	(6 095 056)
OPERATING DEFICIT	(3 234 662)	(12 580 141)	(4 333 731)
CHANGES IN WORKING CAPITAL			
Change in trade and other receivables	(8 722)	9 080 772	(11 576 114)
Change in inventories	(23 332)	85 805	159 485
Change in trade and other payables	91 596	(624 239)	1115161
	59 542	8 542 338	(10 301 468)
CASH UTILISED BY OPERATIONS	(3 175 120)	(4 037 803)	(14 635 199)