



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF KEETMANSHOOP
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016**

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REPUBLIC OF NAMIBIA



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Municipality of Keetmanshoop for the financial years ended 30 June 2016 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.

WINDHOEK, June 2017

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR - GENERAL
ON THE ACCOUNTS OF THE MUNICIPALITY OF KEETMANSHOOP
FOR THE FINANCIAL YEAR ENDED
30 JUNE 2016**

1. REPORT ON THE FINANCIAL STATEMENTS

1.1 INTRODUCTION

The accounts of the Municipality of Keetmanshoop for the year ended 30 June 2016 are being reported on in accordance with the provisions set out in the Local Authorities Act, 1992 (Act No. 23 of 1992).

The firm Strategis Chartered Accountants of Windhoek has been appointed in terms of Section 26 (2) of the State Finance Act, 1991, to audit the accounts of the Municipality on behalf of the Auditor-General and under his supervision.

Figures in the report are rounded off to the nearest Namibia Dollar. Deficits are indicated in (brackets).

I certify that, I have audited the accompanying financial statements of the Municipality of Keetmanshoop for the year ended 30 June 2016. These financial statements comprise the following statements submitted for the year then ended:

Annexure A: Balance sheet;
Annexure B: Income statement;
Annexure C: Cash flow statement; and
Annexure D: Notes to the financial statements.

The financial statements were submitted by the Accounting Officer to the Auditor-General in compliance with Section 27 (1) of the Local Authorities Act, 1992 (Act No. 23 of 1992).

2. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Section 86 of the Local Authorities Act, 1992 (Act No. 23 of 1992), and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

3. AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on the audit. I conducted the audit in accordance with Section 86 of the Local Authorities Act, 1992 (Act No. 23 of 1992), and relevant legislation, and for such internal control as management determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Powers and duties

Section 25 (1) (c) of the State Finance Act, 1991, provides that the Auditor-General should satisfy himself that:

- (a) All reasonable precautions have been taken to ensure that all monies due to the State are collected, and that the laws relating to the collection of such monies have been complied with;
- (b) All reasonable precautions have been taken to safeguard the receipt, custody and issue of and accounting for, the State's assets, such as stores, equipment, securities and movable goods; and
- (c) The expenditure has taken place under proper authority and is supported by adequate vouchers or other proof.

In addition, Section 26 (1) (b) (iv) of the State Finance Act, 1991, empowers the Auditor-General to investigate and report on the economy, efficiency and effectiveness of the use of the State's resources.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the qualified audit opinion.

4. ACKNOWLEDGEMENT

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

5. KEY AUDIT FINDINGS

5.1 GOING CONCERN

The Municipality incurred a net loss of N\$ 13 622 168 (2015: N\$ 26 235 711) and its current liabilities exceed current assets by N\$ 9 505 040 (2015: N\$ 6 575 166). The Municipality failed to service its Government loans and consequently loans amounting to N\$ 5 618 879 (2015: N\$ 5 306 719) were due and payable. Further, the Municipality reported an accumulated loss of N\$ 48 259 916 (2015: N\$ 34 637 748).

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the ability of the Municipality to continue operating as a going concern.

Recommendation

Appropriate measures should be put in place for the Council to generate or raise enough funds to run its operations.

5.2 BUILD TOGETHER FUND

The valuation of Build Together loan balances as at 30 June 2016 could not be verified due to lack of proper documentation.

Further the Build Together Loan balance as per listing of N\$ 3 793 239 differs to the loan balance in the financial statements of N\$ 4 408 173, hence giving an unexplained difference amounting to N\$ 614 934.

Recommendation

The Municipality should comply with all requirements regarding the managing of housing loans and have detailed records and lists available of outstanding balances. The Municipality is exposed to financial losses owing to poor record keeping as some beneficiaries may go on without paying back the loans. As a means of safeguarding this possible loss, this vital information should be captured on the FINSTEL system.

5.3 D3\92 OF 2015 CIRCULAR

The Chief Executive Officer of the Municipality of Keetmanshoop for the year under review did not submit statements as per the Auditor- General's Circular D3/2015.

Recommendation

It is recommended that the Chief Executive Officer should submit all annual report statements to the Auditor-General including Circular D3/2015

5.4 ACCOUNTING POLICY AND REPORTING FRAMEWORK

The Municipality did not provide the accounting policy and reporting framework used to prepare the financial statements.

Recommendation

It is recommended that the Chief Executive Officer should submit all annual report statements with accounting policy attached. Furthermore, the accounting officer must prescribe the reporting framework used.

6. BASIS FOR QUALIFIED AUDIT OPINION

- Going concern due to continuous losses being reported;
- Lack of proper documentation on Build Together loans; and
- Build Together listing could not agree to the general ledger amount with N\$ 614 934.

7. QUALIFIED AUDIT OPINION

The accounts of the Municipality of Keetmanshoop for the year ended 30 June 2016, summarised in Annexure A-D, were audited by me in terms of section 85 of the Local Authorities Act, 1992 (Act No. 23 of 1992), and read with Section 25 (i) (b) of the State Finance Act, 1991.

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Audit Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Municipality of Keetmanshoop as at 30 June 2016.



JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

WINDHOEK, June 2017

**MUNICIPALITY OF KEETMANSHOOP
BALANCE SHEET ON 30 JUNE**

| | Notes | 2016 N\$ | 2015 N\$ |
|-------------------------------------|-------|-------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | 70 756 797 | 67 997 858 |
| Property, plant and equipment | 3 | 54 162 344 | 48 404 300 |
| Investments | 4 | 12 186 280 | 14 459 969 |
| Loans | 8 | 4 408 173 | 5 133 589 |
| Current assets | | 11 818 057 | 7 357 251 |
| Accounts receivables | 5 | 9 248 244 | 6 714 942 |
| Inventories | 11 | 633 454 | 640 309 |
| Cash and cash equivalents | 9 | 1 936 359 | 2 000 |
| TOTAL ASSETS | | 82 574 854 | 75 355 109 |
| EQUITY AND LIABILITIES | | | |
| Funds | | 56 907 653 | 51 883 204 |
| Funds and accounts | 2 | 105 122 570 | 86 520 953 |
| Accumulated funds | 2 | (48 259 917) | (34 637 749) |
| Non-current liabilities | | 4 343 103 | 9 539 488 |
| Long term liabilities | 7 | 4 343 103 | 9 539 488 |
| Current liabilities | | 21 324 097 | 13 932 417 |
| Accounts Payables | 6 | 19 849 010 | 12 907 303 |
| Hp loans – Short term | | 1 475 087 | - |
| Bank overdraft | 7 | - | 1 025 114 |
| TOTAL EQUITY AND LIABILITIES | | 82 574 854 | 75 355 109 |

MUNICIPALITY OF KEETMANSHOOP
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE

| | <u>Note</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|---------------------|---------------------|
| | | N\$ | N\$ |
| INCOME | | 67 919 937 | 58 749 055 |
| EXPENDITURE | | (80 110 069) | (71 490 842) |
| NET OPERATING PROFIT / (LOSS) | | (12 190 132) | (12 741 787) |
| INVESTMENT INTEREST EARNED | | - | - |
| NET PROFIT / (LOSS) | | (12 190 133) | (12 741 787) |
| ADJUSTMENTS | 10 | (1 432 035) | (13 493 924) |
| NET PROFIT / (LOSS) for the year | | (13 622 168) | (26 235 711) |
| APPROPRIATION ACCOUNT AT BEGINNING OF THE YEAR | | (34 637 748) | (8 402 038) |
| APPROPRIATION ACCOUNT AT END OF YEAR | | (48 259 916) | (34 637 749) |

MUNICIPALITY OF KEETMANSHOOP
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE

| | Note | 2016 | 2015 |
|---|-------------|--------------------|---------------------|
| | | N\$ | N\$ |
| Cash receipts from customers | | 67 919 937 | 58 749 055 |
| Cash paid to suppliers | | (77 126 846) | (83 670 247) |
| Cash generated / (utilised) by operations | 12 | (9 206 909) | (24 921 192) |
| Movements in funds | | 18 646 617 | 22 986 749 |
| - Funds accounts | | 32 268 785 | 22 986 749 |
| - Loans redeemed | | (13 622 168) | - |
| Net cash flow from operating activities | | 9 439 708 | (1 934 443) |
| CASH FLOW FROM INVESTING ACTIVITIES | | (2 758 939) | (10 885 640) |
| (Increase) in capital value | | (5 758 044) | 15 196 543) |
| Increase / (decrease) in loans | | 725 416 | 259 926 |
| Increase / (decrease) in investments | | 2 273 689 | 4 050 977 |
| Cash flows from financing activities | | (3 721 297) | 2 333 616 |
| Increase in long term loans | | (3 721 297) | 2 333 616 |
| NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS | | 2 959 472 | (10 486 467) |
| Cash and cash equivalents at beginning of year | | (1 023 114) | 9 463 353 |
| Cash and cash equivalents at end of year | | 1 936 359 | (1 023 114) |

MUNICIPALITY OF KEETMANSHOOP
NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE

| | 2016 | 2015 |
|---------------------------------|-------------------|-------------------|
| | N\$ | N\$ |
| 2. OWN FUNDS | 56 907 654 | 51 883 204 |
| Housing Fund | 12 909 594 | 12 503 700 |
| Capital Development Fund | 30 672 740 | 22 672 740 |
| Fixed Property Fund | 13 955 583 | 11 523 103 |
| Loans Redeemed | 8 533 805 | 6 483 605 |
| Revenue contribution | 33 981 034 | 28 222 990 |
| General Capital Contribution | 5 114 815 | 5 114 815 |
| Accumulated surplus | (48 259 916) | (34 637 749) |
| 3. FIXED ASSETS | 54 162 344 | 48 404 300 |
| Loan assets | 15 066 495 | 15 066 496 |
| General capital contributions | 5 114 815 | 5 114 815 |
| Loans | 33 981 034 | 28 222 990 |
| 4. INVESTMENTS | 12 186 280 | 14 459 969 |
| Housing Fund | 6 720 630 | 6 744 259 |
| Capital Development Fund | 5 465 650 | 7 715 710 |
| 5. ACCOUNTS RECEIVABLE | 9 248 244 | 6 714 942 |
| Consumers | 60 691 192 | 52 717 653 |
| Customer deposits | (825 188) | (781 524) |
| Less: Provision for bad debts | (54 516 129) | (47 804 742) |
| Value Added Tax | 3 390 714 | 2 140 787 |
| Sundry debtors | 507 655 | 442 768 |
| 6. ACCOUNTS PAYABLES | 19 849 010 | 12 907 303 |
| Trade payables | 12 791 378 | 3 629 819 |
| Other payables | 5 618 879 | 5 306 719 |
| Provisions | 1 438 753 | 3 970 765 |
| 7. LONG-TERM LIABILITIES | 5 818 190 | 281 486 |
| External loans | 4 343 103 | 281 486 |
| Hp loans – Short term portion | 1 475 087 | - |
| 8. SECURED LOANS | 4 408 173 | 5 133 589 |
| External loans | 4 408 173 | 5 133 589 |

MUNICIPALITY OF KEETMANSHOOP
NOTES TO THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE (continued)

| | 2016 | 2015 |
|---|--------------------|---------------------|
| | N\$ | N\$ |
| 9. CASH AND BANK BALANCES | 1 936 359 | (1 023 114) |
| Current bank account | 1 934 359 | (1 025 114) |
| Petty cash | 2 000 | 2 000 |
| 10. ADJUSTMENTS AND UTILIZATIONS | (1 432 035) | (13 493 924) |
| Adjustments - relating to prior year | (1 432 035) | (13 493 924) |
| 11. INVENTORY | 633 454 | 640 309 |
| Stores | 633 454 | 640 309 |
| 12. CASH UTILISED BY OPERATIONS | (9 206 908) | (24 921 192) |
| Net (loss) profit | (12 190 133) | (12 741 787) |
| Adjustment on appropriation | (1 432 035) | (13 493 924) |
| Decrease in receivable | (2 533 302) | 1 502 948 |
| (Decrease) / Increase in payables | 6 941 707 | (70 288) |
| (Increase) / Decrease in inventories | 6 855 | (118 141) |

