



REPUBLIC OF NAMIBIA



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
MUNICIPALITY OF KEETMANSHOOP
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

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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 year ended 30 June 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.

WINDHOEK, July 2019

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 2017**

1. ADVERSE AUDIT OPINION

I have audited the financial statements of the Municipality of Keetmanshoop for the financial year ended 30 June 2017. These financial statement comprise the statement of financial position, statement of profit or loss and other comprehensive income, for the year then ended, and a summary of significant accounting policies.

In my opinion, because of the significance of matters discussed in the Basis for Adverse audit Opinion paragraph, the financial statements do not present fairly the financial position of the Municipality of Keetmanshoop for the financial year ended 30 June 2017 and its financial performance for the year then 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, 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 adverse audit opinion is expressed due to the following:

- The Municipality does not a have an acceptable reporting framework in place;
- The Municipality did not prepare a cash flow statement;
- Build together loan was overstated by N\$ 614 821 and no supporting documents were provided for any of the loans on build together listing;
- Leave pay provision is understated by N\$ 1 229 239;
- The water purchases from Namwater is overstated by N\$ 579 583;
- The incorrect accounting treatment on revenue from erven sold resulted in the understatement of revenue by N\$ 3 517 730;
- 5% rates and taxes expenditure was understated by N\$ 616 450;
- An amount of N\$ 11 423 434 relating to a southern electricity company was not accounted in the books of the Municipality;
- Inventory is understated by N\$ 116 475; and
- Depreciation expense amounting to N\$ 4 142 156 and additions to assets amounting to N\$ 7 419 178 were wrongly disclosed.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no key audit matters identified in respect of the financial Statement for the Municipality of Keetmanshoop.

4. OTHER INFORMATION

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with the 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 knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

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 Entity'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, whether due to fraud or error and to issue an 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, will always detect a material misstatement when it exists. Misstatements 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 of users taken on the basis of these financial statements.

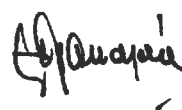
As part of an audit in accordance with the International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit.

- Identify and assess the risks 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 the purpose of 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. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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 of 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 my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

WINDHOEK, July 2019

MUNICIPALITY OF KEETMANSHOOP

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE

	Note	2017 N\$	2016 N\$
ASSETS			
Non-current assets			
Property, plant and equipment	3	57 439 366	54 162 344
Investments	4	7 030 367	12 186 280
Loans		4 271 295	4 408 173
Current assets			
Accounts receivable	5	22 518 245	9 248 244
Inventories		646 429	633 454
Cash and cash equivalents	9	2 538 269	1 936 359
TOTAL ASSETS		94 443 971	82 574 854
EQUITY AND LIABILITIES			
Funds			
Funds and accounts	2	113 713 549	105 167 571
Accumulated funds	2	(63 285 108)	(48 259 917)
Non-current liabilities			
Long-term liabilities	7	3 048 508	4 343 103
Current liabilities			
Accounts payable	6	34 027 534	19 849 010
short-term liabilities	8	6 939 488	1 475 087
TOTAL EQUITY AND LIABILITIES		94 443 971	82 574 854

MUNICIPALITY OF KEETMANSHOOP
STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE

	Note	2017	2016
		N\$	N\$
Income		86 800 434	67 919 937
Expenditure		(81 363 896)	(80 110 069)
Net operating profit /(loss)		5 436 538	(12 190 132)
Adjustments	10	(20 461 730)	(1 432 035)
Net Profit/(Loss) for the year		(15 025 192)	(13 622 167)
Appropriation account at the beginning of the year		(48 259 916)	(34 637 748)
Appropriation account at end of the year		(63 285 108)	(48 259 915)

MUNICIPALITY OF KEETMANSHOOP
NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE

	2017	2016
	N\$	N\$
2. FUNDS	50 428 441	56 907 655
Housing Fund	13 230 273	12 909 594
Capital Development Fund	30 672 740	30 672 740
Fixed Property Fund	17 339 427	13 955 583
Loans Redeemed	10 098 238	8 533 805
Revenue contribution	37 258 056	33 981 034
General Capital contribution	5 114 815	5 114 815
Accumulated surplus	(63 285 108)	(48 259 916)
3. PROPERTY, PLANT AND EQUIPMENT	57 439 366	54 162 344
Loan assets	15 066 495	15 066 495
General capital contributions	5 114 815	5 114 815
Loans	37 258 056	33 981 034
4. INVESTMENTS	7 030 367	12 186 280
Housing Fund	4 402 378	6 720 630
Capital Development Fund	2 627 989	5 465 650
5. ACCOUNTS RECEIVABLE	22 518 245	9 248 244
Consumers	84 825 095	60 691 192
Customer deposits	(3 838 705)	(825 188)
Less: Provision for bad debts	(63 173 311)	(54 516 129)
Value Added Tax	4 705 166	3 390 714
Sundry debtors	-	507 655

MUNICIPALITY OF KEETMANSHOOP

NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (Continued)

	2017	2016
	N\$	N\$
6. ACCOUNTS PAYABLE	34 027 534	19 849 010
Trade payables	32 149 934	12 791 378
Sundry creditors	277 086	5 618 879
Provisions	1 600 514	1 438 753
7. LONG-TERM LIABILITIES	3 048 508	4 343 103
Hire Purchase Loans	1 088 429	2 342 304
Government loans	1 960 079	2 000 799
8. SHORT-TERM LIABILITIES	6 939 488	7 093 966
Hire Purchase Loans	1 164 529	1 475 087
Government loans	5 774 959	5 618 879
9. CASH AND CASH EQUIVALENTS	2 538 269	1 936 359
Current bank	2 536 269	1 934 359
Petty cash	2 000	2 000
10. ADJUSTMENTS AND UTILISATIONS	(20 461 730)	(1 432 035)
Adjustments - relating to prior year	-	(1 432 035)
Adjustments - relating to current year	(20 461 730)	-

