



**REPUBLIC OF NAMIBIA**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE  
MUNICIPALITY OF KEETMANSHOOP  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**



**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 2019 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, December 2021**

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 2019**

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**1. ADVERSE AUDIT OPINION**

I have audited the financial statements of the Municipality of Keetmanshoop for the financial year ended 30 June 2019. These financial statements comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of cash flow for the year then ended, and notes to the financial statements including 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 2019 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 the audit 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 the 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 did not adopt an acceptable accounting framework and have no accounting policies;
- The auditors draw attention to the financial statements, which indicates that the Municipality incurred a net loss of N\$ (11 224 805) during the year ended 30 June 2019;
- The net loss for the year under review increased by a noticeable 56%. As stated, these events or conditions, along with other matters such as increase in accumulated deficit to N\$ (80 790 912) from N\$ (69 566 107), current assets vs current liabilities reflects a negative working capital;
- This further indicate that a material uncertainty exists that may cast significant doubt on the Municipality's ability to continue as a going concern.
- Depreciation for the year amounting to N\$ 4 142 156 was accounted for as a reserve in the statement of financial position instead of expense in the statement of comprehensive income. Depreciation for the year is an expense and should be accounted for in the statement of comprehensive income;
- The auditors were unable to perform fixed assets verification as the Municipality did not maintain a complete and accurate fixed asset register;
- Trade and other payables are understated by N\$ 12 681 660, which is the amount payable to Nampower;
- The auditors were not provided with the supporting documentation for trade and other payables amounting to N\$ 5 817 051;

- The bank balance in the general ledger is in overdraft of (N\$ 2 150 349). While the bank confirmed the balance to a credit balance of N\$ 16 575 376. This resulted in an understatement of the bank balance amounting to N\$ 18 725 725;
- The reconciliation of bank accounts remains a challenge, with reference to the First National Bank account;
- Cost of sales is overstated by N\$ 4 494 002, this is due to VAT being included in cost of sales;
- Revenue was overstated by royalties amounting to N\$ 1 000 000;
- The reasonability test performed by the auditors indicates that interest income is misstated by N\$ 2 551 353;
- Revenue from public sale is misstated by N\$ 1 127 164. This is because of the ECB (Electricity Control Board) and NEF (National Energy Fund) levies classified as revenue instead of other payables;
- Revenue from the sales of erven amounting to N\$ 7 689 279 was included in the reserves in the statement of financial position instead of being included in the statement of Comprehensive Income;
- Revenue from the sales of erven was misstated by N\$ 6 429 058. The schedule obtained for the sales of erven totalled to N\$ 14 118 337, whilst the total amount as per general ledger is N\$ 7 689 279;
- Revenue from the assessment levies was misstated by N\$ 4 829 099. The expected revenue from the assessment levies as per our calculation should amount to N\$ 29 011 934, whilst the amount as per general ledger is N\$ 24 182 835;
- Total revenue from the leasing of buildings and hoarding amounts to N\$ 1 019 476 as per general ledger. The auditors were not provided with a complete schedule of lease revenue. As a result, the auditors were unable to determine the completeness and accuracy of the lease revenue; and
- A possible loss amounting to N\$ 1 623 332 that may be paid to Redforce Debt Management was not disclosed in the annual financial statements.

### **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 do not have anything to report on this matter.

### **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 a 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 International Standards for Supreme Audit Institutions (ISSAI's), will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit, I also;

- 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 used 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 auditor's 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 auditor's 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.

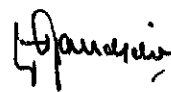
From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes 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.

## **7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

The financial statements for the financial year ended 30 June 2019 were submitted by the Accounting Officer to the Auditor-General on 10 February 2020, which is not in compliance with Section 87 (1) of the Local Authorities Act, 1992 (Act No. 23 of 1992).

## **8. ACKNOWLEDGEMENT**

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



**JUNIAS ETUNA KANDJEKE  
AUDITOR-GENERAL**

**WINDHOEK, December 2021**



## ANNEXURE A

**MUNICIPALITY OF KEETMANSHOOP**  
**STATEMENT OF FINANCIAL POSITION FOR THE ENDED 30 JUNE 2019**

	NOTE	2019 N\$	2018 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>79 186 778</b>	<b>75 226 085</b>
Property, plant and equipment	2	70 307 395	64 321 996
Investments	3	4 410 838	6 403 558
Loans		4 468 545	4 500 531
<b>Current assets</b>		<b>29 216 088</b>	<b>39 889 408</b>
Accounts receivable	4	25 089 850	37 648 397
Inventories		4 122 238	2 239 011
Cash and cash equivalents		4 000	2 000
<b>TOTAL ASSETS</b>		<b>108 402 866</b>	<b>115 115 493</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Funds</b>		<b>66 616 211</b>	<b>62 707 330</b>
Funds and accounts	1	147 407 123	132 273 438
Accumulated funds	1	(80 790 912)	(69 566 108)
<b>Non-current liabilities</b>		<b>3 411 453</b>	<b>1 871 512</b>
Long-term liabilities		3 411 453	1 871 512
<b>Current liabilities</b>		<b>38 375 202</b>	<b>50 536 651</b>
Accounts payable	5	35 705 679	40 149 743
HP loans- short term	6	519 174	7 175 550
Bank overdraft		2 150 349	3 211 358
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>108 402 866</b>	<b>115 115 493</b>

## ANNEXURE B

## MUNICIPALITY OF KEETMANSHOOP

## STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2019

	Note	2019 N\$	2018 N\$
INCOME		192 950 518	187 757 816
EXPENDITURE		(179 194 652)	(180 022 056)
<b>NET OPERATING PROFIT /(LOSS)</b>		<b>13 755 866</b>	<b>7 735 760</b>
INVESTMENT INTEREST EARNED		29 324	80 680
<b>NET PROFIT/(LOSS)</b>		<b>13 785 190</b>	<b>7 816 440</b>
ADJUSTMENTS		(25 009 995)	(14 097 439)
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>		<b>(11 224 805)</b>	<b>(6 280 999)</b>
APPROPRIATION ACCOUNT AT THE BEGINNING OF THE YEAR		(69 566 107)	(63 285 108)
APPROPRIATION ACCOUNT AT THE END OF THE YEAR		<b>(80 790 912)</b>	<b>(69 566 107)</b>

**MUNICIPALITY OF KEETMANSHOOP**  
**CASH FLOW STATEMENT FOR YEAR ENDED 30 JUNE 2019**

	Note	2019 N\$	2018 N\$
Cash Receipts from Customers		192 950 518	187 757 816
Cash Paid to Suppliers		(204 600 444)	(203 238 752)
Cash Generated / (Utilised) by Operations	7	(11 649 926)	(15 480 936)
Movement in Funds		15 133 685	18 559 890
- Funds Accounts		14 044 319	17 395 361
- Loans Acquired / (Redeemed)		1 089 366	1 164 529
Net Cash Flow from Operating Activities		3 483 759	3 078 954
CASH FLOW FROM INVESTING ACTIVITIES		(3 960 692)	(6 485 058)
(Increase) in Capital Value		(5 985 399)	(6 882 630)
Increase / (Decrease) in Loans		31 987	(229 237)
Increase / (Decrease) in Investments		1 992 720	626 809
CASH FLOW FROM FINANCING ACTIVITIES		1 539 942	(2 341 523)
Increase in Long-term Loans		1 539 942	(2 341 523)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		1 063 009	(5 747 627)
Cash and Cash Equivalents at Beginning of Year		(3 209 358)	2 538 269
Cash and Cash Equivalents at End of Year		<b>(2 146 349)</b>	<b>(3 209 358)</b>

## ANNEXURE D

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

	2019	2018
	N\$	N\$
<b>1. FUNDS</b>	<b>66 616 211</b>	<b>62 707 330</b>
Housing Fund	13 934 684	13 565 042
Capital Development Fund	30 672 740	30 672 740
Fixed Property Fund	35 206 667	27 517 387
Loans Redeemed	12 352 133	11 262 768
Revenue contribution	50 126 084	44 140 686
General Capital contribution	5 114 815	5 114 815
Accumulated surplus/deficit	(80 790 912)	(69 566 108)
<b>2. FIXED ASSETS</b>	<b>70 307 395</b>	<b>64 321 996</b>
Loan Assets	16 282 760	14 222 707
General Capital Contribution	5 114 815	5 144 815
Assets ex Revenue	48 909 820	44 984 474
<b>3. INVESTMENTS</b>	<b>4 410 838</b>	<b>6 403 558</b>
Housing Fund	3 876 108	3 752 871
Capital Development Fund	534 730	2 650 687
<b>4. ACCOUNTS RECEIVABLE</b>	<b>25 089 850</b>	<b>37 648 397</b>
Consumers	124 881 257	109 043 965
Customer deposits	(4 444 754)	-
Less: Provision for bad debts	(97 030 462)	(76 320 575)
Value Added Tax	1 355 313	4 322 157
Sundry debtors	328 496	602 850
<b>5. ACCOUNTS PAYABLE</b>	<b>35 705 679</b>	<b>40 149 743</b>
Trade payables	24 975 270	34 100 304
Customer deposits	-	4 081 943
Other payables	7 156 440	366 982
Provision	3 573 969	1 600 514
<b>6. LONG-TERM LIABILITIES</b>	<b>3 930 627</b>	<b>7 175 550</b>
Hire Purchase Loans	3 411 453	1 088 431
Government loans	519 174	6 087 119

**MUNICIPALITY OF KEETMANSHOOP**  
**NOTES TO THE FINANCIAL STATEMENT AS AT 30 JUNE (Continued)**

	<b>2019</b>	<b>2018</b>
	N\$	N\$
<b>7. CASH UTILISED BY OPERATIONS</b>	<b>(11 649 926)</b>	<b>(15 480 936)</b>
Net profit/(loss)	13 785 190	7 816 440
Adjustment on appropriation	(25 009 995)	(14 097 439)
(Increase)/ Decrease in receivables	8 476 601	(11 037 281)
(Decrease)/ Increase in payables	(7 018 495)	3 429 926
(Increase)/Decrease in inventories	(1 883 227)	(1 592 582)

