



REPUBLIC OF NAMIBIA



REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE

MUNICIPALITY OF KEETMANSHOOP

FOR THE FINANCIAL YEARS ENDED 30 JUNE 2020 AND 2021

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 2020 and 2021 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, September 2022

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

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

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**REPORT OF THE AUDITOR - GENERAL
ON THE ACCOUNTS OF KEETMANSHOOP MUNICIPALITY
FOR THE FINANCIAL YEARS ENDED 30 JUNE 2020 AND 2021**

1. ADVERSE OPINION

I have audited the financial statements of the Keetmanshoop Municipality for the financial years ended 30 June 2020 and 2021. These financial statements comprise the statement of financial position, statement of profit or loss, statement of cash flow and notes to the annual financial statements for the years then ended.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Audit Opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of the Keetmanshoop Municipality as at 30 June 2020 and 2021, its financial performance and its cash flows for the years then ended.

2. BASIS FOR ADVERSE 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. An adverse audit opinion is being expressed due to the following:

2.1. FINANCIAL REPORTING FRAMEWORK

The Municipality have not adopted the International Public Sector Accounting Standards (IPSAS) as the reporting framework for both financial years. This is in contravention with the circular from the Ministry of Urban and Rural Development (MURD) dated 13 September 2020 that local authorities should implement the International Public Sector Accounting Standards as a reporting framework from period ended 30 June 2019.

The Municipality's accounting policies and the breakdown of income and expenditure were not included in the financial statements.

It is recommended that the Municipality should ensure that it adopts a reporting framework as prescribed by the Ministry of Urban and Rural Development and the accounting policies and the breakdown of income and expenditure must form part of the financial statements.

2.2. GOING CONCERN

The auditors draw attention to the Statement of the Financial Position, which indicates accumulated losses for the past three years. An accumulated loss of N\$ 77 390 821 (2020: N\$ 68 326 036) was observed. The current liabilities exceeds the current assets by N\$ 199 831 in the 2021 financial year. These conditions indicate the existence of material uncertainties on the

Councils ability to settle its obligations in the normal course of business and to continue as a going concern.

It is recommended that the Municipality should assess its ability to continue as a going concern and disclose material uncertainties. Measures should be put in place to turn the Municipality into a going concern.

2.3. ACCUMULATED FUND

For the 2020 financial year, adjustments to the appropriation account amounting to N\$ 4 310 738 could not be traced to the supporting documents or the supporting schedules. The accuracy, completeness, and valuation of the above-mentioned balance could therefore not be verified. It is recommended that the Municipality should ensure that all adjustments made to the appropriation account can be traced to the supporting documents.

2.4. ACCOUNTS PAYABLE

- Listings provided by management for total creditors amounting to N\$ 29 069 700 (2021) and N\$ 18 079 468 (2020) differs from the trade payables balance per financial statements amounting to N\$ 32 552 485 (2021) and N\$ 18 544 793 (2020) resulting in a difference of N\$ 3 482 785 (2021) and N\$ 465 323 (2020).
- Supporting documents for payables amounting to N\$ 5 200 300 (2021) and N\$ 576 783 (2020) were not available for audit verification.
- Listing or supporting schedules for other liabilities amounting to N\$ 4 595 850 (2021) and N\$ 4 423 836 (2020) were not available for audit verification. No further audit procedures could be performed to verify the other liabilities balance at year end.

It is recommended that the Municipality should ensure that financial statement balances are reconciled to listing balances and supporting documents. Furthermore, the Municipality should ensure that supporting documents are provided for audit purposes.

2.5. VALUE ADDED TAX

Value Added Tax balance in the financial statements amounting to (N\$ 1 001 524) for 2021 and (N\$ 3 575 848) for 2020 does not agree to the recomputed balance based on returns submitted to the Receiver of Revenue amounting to N\$ 10 150 929 (2021) and N\$ 8 329 045 (2020) resulting in a difference of N\$ 11 152 453 and N\$ 11 904 893 in the 2021 and the 2020 financial years respectively.

For the 2021 financial year, Input Value Added Tax reasonability test indicated that Input Tax was over-declared by N\$ 10 363 893 and the Value Added Tax returns were submitted late to the Receiver of Revenue.

It is recommended that the Municipality should reconcile value added tax returns to the financial statements and ensure that all adjustments are reconciled accordingly. It is further recommended that the Municipality should submit returns on time and ensure that input value added tax are submitted based on actual expenditure to avoid differences with the Receiver of Revenue.

2.6. PROPERTY, PLANT AND EQUIPMENT

- The fixed asset register's closing balance amounting to N\$ 85 743 621 (2021) and N\$ 80 218 487 (2020) differs from the financial statements balance amounting to N\$ 76 402 298 (2021) and N\$ 74 089 017 (2020) resulting in a difference of N\$ 9 341 323 and N\$ 6 129 470 in the 2021 and the 2020 financial years respectively.
- All additions brought into use in the 2021 and the 2020 financial years were not depreciated for in their respective financial years. The recomputed depreciation and the financial statements depreciation had a difference of N\$ 1 851 751 (2021) and N\$ 1 760 673 (2020) which could be attributed to the matters highlighted above.
- For the 2021 financial year, the fixed asset register provided by management did not include the disposed assets to determine the carrying amounts and to calculate the profit or loss on disposal of assets amounting to N\$ 1 098 905.
- Furthermore, assets could not be traced to the fixed asset register as they are not marked. The above audit finding resulted in the amount of property, plant and equipment of N\$ 76 402 298 (2021) and N\$ 74 089 017 (2020) disclosed in the statement of financial position not being verified.

It is recommended that the Municipality should ensure that the fixed asset register are reconciled to annual financial statement and that the reconciling differences are resolved timely. Furthermore, the Municipality should depreciate all the additions and update the fixed asset register all the time.

2.7. INVENTORY

Inventory listings provided by management amounting to N\$ 2 111 279 (2021) and N\$ 26 663 928 (2020) does not agree to the financial statements balance amounting to N\$ 1 351 765 (2021) and N\$ 3 511 008 (2020), resulting in a difference of N\$ 759 514 and N\$ 23 152 920 in the 2021 and the 2020 financial years respectively.

It is recommended that the Municipality should ensure that it reconciles inventory listings to the financial statement.

2.8. TRADE RECEIVABLES

- Included in the debtors age analysis are amounts of N\$ 11 408 940 (2021) and N\$ 10 607 467 (2020) for other services and N\$ 2 623 282 (2021) and N\$ 341 116 (2020) for electricity for unknown debtors which are made up of direct deposits which were not cleared from previous years and the current years under review.
- Sundry debtors account balances at year end amounting to N\$ 15 806 294 for the 2021 financial year and N\$ 15 488 920 for the 2020 financial year include various accounts that are not reconciled, cleared at year end, and agreed to supporting documents.
- The Municipality incorrectly classified amounts relating to consumer deposits of N\$ 2 368 988 (2021) and N\$ 2 288 877 (2020) as well as Value Added Tax payable amounting to N\$ 1 001 524 (2021) and N\$ 3 575 848 in the trade and other receivables.

It is recommended that the Municipality should ensure that reconciliation of the trade receivable account is done regularly. Account balances should be correctly classified in the financial statements.

2.9. CASH AND CASH EQUIVALENTS

- For the 2021 financial year, the bank reconciliation had a significant difference of N\$ 3 407 542 due to inconsistent record keeping and accounting system processing. Bank reconciliations are not properly performed.
- The financial statements reflect an account balance of N\$ 6 323 465 in the 2021 financial year which does not agree to the bank statement balance amount of N\$ 8 933 287 resulting in a difference of N\$ 2 609 822.
- The commercial fleet card account amounting to N\$ 29 098 was omitted from the 2021 financial statements.
- The 2020 financial statement do not disclose an account balance amounting to N\$ 10 384 120. Furthermore, the bank reconciliation balance amounting to N\$ 1 224 364 does not agree to the financial statements balance amounting to N\$ 1 622 132 resulting in a difference of N\$ 397 768.

It is recommended that the Municipality should ensure that all bank balances are recorded in the financial statements, un-cleared deposits are cleared timeously and the bank statement balance is reconciled to the financial statements.

2.10. LOANS RECEIVABLE

The Build Together listing amounting to N\$ 9 649 101 (2021) and N\$ 9 053 167 (2020) differs from the financial statements balance amount of N\$ 5 076 567 (2021) and N\$ 4 975 744 (2020) resulting in a difference of N\$ 4 572 534 and N\$ 4 077 423 in the 2021 and the 2020 financial years respectively.

It is recommended that the Municipality should ensure that the loan receivables listing is reconciled regularly and balances recorded in the financial statements can be agreed to supporting documents.

2.11. EXPENSES

- Supporting documents for expenses amounting to N\$ 692 456 in the 2020 financial year were not available for audit verification. The auditors could not verify the accuracy and completeness of the expenditure balance.
- For the 2020 financial year, total invoices for electricity resale amounting to N\$ 59 155 155 was different from the financial statements balance of N\$ 59 872 940 resulting in a difference of N\$ 717 785.
- For the years under review the general ledgers for expenditure reflects N\$ 1 325 968 (2021) and N\$ 1 895 903 (2020) and the trial balance reflects N\$ 5 299 846 (2021) and N\$ 7 588 275

(2020) resulting in a difference of N\$ 3 973 878 (2021) and N\$ 5 692 371 (2020). The auditors could not verify the accuracy and completeness of the expenditure balance.

- Fixed assets additions amounting to N\$ 6 455 437 (2021) and N\$ 7 923 778 (2020) were recorded in both the fixed assets additions in the statement of financial position, as well as in the statement of financial performance it is recorded as an expenditure. It is recommended in terms of IPSAS 1 paragraph 17, that the Municipality properly disclose additions of property, plant and equipment under assets in the statement of financial position.

It is recommended that the Municipality should ensure that supporting documents for expenses are available for audit verification and that information recorded in the financial statements is reconciled to the general ledger.

2.12. INCOME

- Royalty fee income received from the Keetmanshoop Electricity Business Unit (KEBU), a department within the Municipality, amounting to N\$ 5 794 119 in the 2020 financial year was not reconciled against the payments made from KEBU resulting in the overstatement of income by the above-mentioned balance.
- For 2020, tariffs charged were not in agreement with the gazetted tariff schedule.

It is recommended that the Municipality should ensure that correct tariffs are used for services provided and that transactions between the departments within the Municipality are correctly accounted for in the preparation of the 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 the audit of the financial statements as a whole, and in forming an audit opinion thereon, and I do not provide a separate opinion on these matters. I have nothing to report in this regard.

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 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. 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 determines 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 of 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 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 the International Standards for Supreme Audit Institutions (ISSAIs), 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, 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 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.

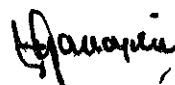
7. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (COMPLIANCE)

The financial statements for the financial years ended 30 June 2021 and 2020 were submitted by the Accounting Officer to the Auditor-General in compliance with Section 85 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 Keetmanshoop Municipality during the audit is appreciated.

WINDHOEK, September 2022



**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

KEETMANSHOOP MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE

	Note	2021 N\$	2020 N\$	2019 N\$
ASSETS				
Non-current assets				
Property, plant and equipment	1	76 402 298	74 089 017	70 307 395
Investments	2	8 686 190	8 797 235	4 410 838
Loan receivable		5 076 567	4 975 744	4 468 545
Current assets				
Accounts receivable	3	43 439 456	34 724 143	25 089 851
Inventory		1 351 765	3 511 008	4 122 238
Cash and cash equivalents	4	6 328 581	1 623 731	4 000
Total Assets		141 284 857	127 720 878	108 402 867
Funds and Liabilities				
Funds				
Fund and accounts	5	161 600 169	156 494 525	147 407 123
Accumulated deficit	5	(77 390 821)	(68 326 036)	(80 790 912)
Non-current liabilities				
Long-term liabilities	6	3 755 876	5 067 733	3 411 453
Current liabilities				
Accounts payables	7	51 257 217	33 952 332	35 705 679
Long-term liabilities – short term portion	6	568 352	532 324	519 174
Bank overdraft	4	1 494 064	-	2 150 350
Total Equity and Liabilities		141 284 857	127 720 878	108 402 867

KEETMANSHOOP MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEARS ENDED 30 JUNE

		2021	2020	2019
	Note	N\$	N\$	N\$
Income		201 304 541	209 014 754	192 950 518
Expenditure		(177 489 449)	(177 791 532)	(179 194 652)
Net Operating Profit		23 815 092	31 223 222	13 755 866
Investment Interest Earned		170 615	89 030	29 324
Net Profit		23 985 707	31 312 252	13 785 190
Adjustments	8	(33 050 492)	(18 847 376)	(25 009 995)
Net Profit / (Loss) for the year		(9 064 785)	12 464 876	(11 224 805)
Appropriation Account at the beginning of the year		(68 326 036)	(80 790 912)	(69 566 107)
Appropriation Account at end of the year		(77 390 821)	(68 326 036)	(80 790 912)

KEETMANSHOOP MUNICIPALITY
STATEMENT OF CASHFLOW FOR THE YEARS ENDED 30 JUNE

	Note	2021 N\$	2020 N\$	2019 N\$
Cash flow from operating activities				
Cash receipts from customers		201 304 541	209 014 754	192 950 518
Cash paid to suppliers and employees		(199 584 483)	(207 313 137)	(204 600 445)
Cash flow generated / (utilised) by operating activities	9	1 720 058	1 701 617	(11 649 927)
Movement in funds		5 105 644	9 087 402	15 133 685
Fund accounts		4 572 384	8 565 145	14 044 319
Loans redeemed		533 260	522 257	1 089 366
Cash flow from investing activities		(2 303 059)	(8 675 218)	(3 960 692)
Purchases of property, plant and equipment		(2 313 281)	(3 781 622)	(5 985 399)
Increase/ (decrease) in investments		(100 823)	(4 386 397)	1 992 720
Increase / (decrease) in loans		111 045	(507 199)	31 987
Cash flow from financing activities		(1 311 857)	1 656 280	1 539 942
Increase/ (decrease) in long term loans		(1 311 857)	1 656 280	1 539 942
Net movement in cash and cash equivalents		3 210 786	3 770 080	1 063 008
Cash and cash equivalents at the beginning of the year		1 623 731	(2 146 350)	(3 209 358)
Cash and cash equivalents at the end of the year		4 834 517	1 623 731	(2 146 350)

KEETMANSHOOP MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

	2021	2020	2019
	N\$	N\$	N\$
1. Property, Plant and Equipment	76 402 298	74 089 017	70 307 395
Assets ex revenue	53 555 605	50 499 755	48 909 820
Loan assets	17 731 878	18 474 447	16 282 760
General capital assets	5 114 815	5 114 815	5 114 815
2. Investments	8 686 190	8 797 235	4 410 838
Capital development fund	6 330 176	6 041 958	534 730
Housing fund	2 356 014	2 755 277	3 876 108
3. Accounts Receivable	43 439 456	34 724 143	25 089 851
Consumer debtors	171 514 755	144 386 463	124 881 257
Sundry debtors	15 806 294	15 488 920	328 497
Less: Provision for bad debts	(140 511 081)	(119 286 515)	(97 030 462)
Consumer deposits	(2 368 988)	(2 288 877)	(4 444 754)
Value added tax	(1 001 524)	(3 575 848)	1 355 313
4. Cash and Cash Equivalents	4 834 517	1 623 131	(2 146 350)
Current bank account	6 323 465	1 622 132	(2 150 350)
Petty cash	5 116	1 599	4 000
Overdraft account	(1 494 064)	-	-
5. Funds	84 209 348	88 168 489	66 616 211
Housing fund	14 388 163	14 255 094	13 934 684
Capital development fund	30 672 740	30 672 740	30 672 740
Fixed property fund	41 795 813	39 669 779	35 206 667
Loans redeemed	13 407 650	12 874 390	12 352 133
Revenue contribution	56 220 988	53 907 707	50 126 084
General capital contribution	5 114 815	5 114 815	5 114 815
Accumulated deficit	(77 390 821)	(68 326 036)	(80 790 912)

KEETMANSHOOP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 30 JUNE

	2021	2020	2019
	N\$	N\$	N\$
6. Non-Current Liabilities	4 324 228	5 600 057	3 930 627
External loans – long term portion	3 755 876	5 067 733	3 411 453
External loans – short term portion	568 352	532 324	519 174
7. Accounts Payables	51 257 217	33 952 332	35 705 679
Trade payables	32 556 856	18 544 793	24 975 270
Other payables	14 022 670	11 135 275	7 156 440
Provisions	4 677 691	4 272 264	3 573 969
8. Adjustments and Utilisation	(33 050 492)	(18 847 376)	(25 009 995)
Adjustments relating to prior year	(1 093 103)	3 408 677	(4 300 108)
Impairment of debtors	(31 957 389)	(22 256 053)	(20 709 887)
9. Cash Generated / (Utilised) by Operations	1 720 058	1 701 617	(11 646 927)
Net profit	23 985 707	31 312 252	13 785 190
Adjustment on appropriation	(33 050 492)	(18 847 376)	(25 009 995)
(Increase) in receivables	(8 715 313)	(9 634 292)	8 476 600
Increase / (decrease) in payables	17 340 913	(1 740 197)	(7 018 495)
Decrease in inventory	2 159 243	611 230	(1 883 227)