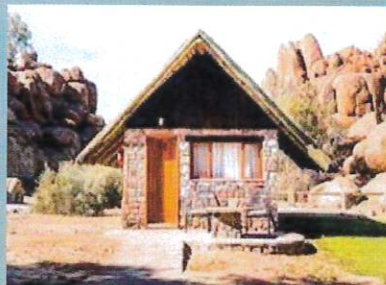




**REPUBLIC OF NAMIBIA**



**KARASBURG TOWN COUNCIL**



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE**  
**TOWN COUNCIL OF KARASBURG**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

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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 Karasburg Town Council for the financial year ended 30 June 2020, 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 No. 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, May 2023



**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF  
THE TOWN COUNCIL OF KARASBURG  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

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**1. DISCLAIMER OF AUDIT OPINION**

I have audited the financial statements of the Town Council of Karasburg for the financial year ended 30 June 2020. These financial statements comprise the balance sheet, income statement for the year then ended and notes to the annual financial statements.

Because of the significance of the matters described in the Basis for Disclaimer of Audit Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

**2. BASIS FOR DISCLAIMER OF 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 not sufficient and appropriate to provide a basis for my opinion.

A disclaimer of audit opinion is being expressed due to the following reasons:

**2.1 Absence of a Financial Reporting Framework (FRF)**

The financial statements were not prepared in accordance with the applicable financial reporting framework.

The Council is recommended to ensure that the appropriate financial reporting framework is adopted.

**2.2 Going concern**

International Standard on Auditing (ISA) 570 requires management to assess an entity's ability to continue as a going concern in preparation of the financial statements. The Council did not make an adequate disclosure of a material uncertainty in the financial statements.

The Council incurred a net loss of (N\$ 3 418 104) (2019: N\$ 4 226 992), as of that date, the Council's current liabilities exceeded its current assets by N\$ 5 777 635.

These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Town Council's ability to continue as a going concern.

### **2.3 Government Subsidy**

A government subsidy of N\$ 7 422 981 and the contribution from Road Fund Administration (RFA) of N\$ 741 387 were disclosed in the financial statement but not recorded in the general ledger.

An additional funds transfer of N\$ 360 258 from RFA was paid to the Council but not disclosed in the financial statement neither in the general ledger.

### **2.4 Provision for bad debts**

Provision for bad debts disclosed in the financial statements has increased to N\$ 18 000 000 from N\$ 6 000 000 (2019). The credit and debts control policy provided to the auditors does not contain information on how provision for doubtful debts should be calculated.

### **2.5 Water sales**

An unexplained difference amounting to N\$ 392 104 235 was observed between the amount disclosed in the financial statements (N\$ 393 215 258) and the total balance recorded in the general ledger (N\$ 1 111 023).

### **2.6 Prepaid Electricity**

Shortages on the sale of pre-paid electricity was observed per information provided by the System Administrator (Dilco Pty) in comparison with the vendor's deposits made. The total shortages on prepaid electricity amounts to N\$ 1 721 108.

A lack of controls was observed. Furthermore, the Town Council did not perform reconciliation to the prepaid electricity sold and the Vendors did not sign any contractual agreement with the Council.

### **2.7 Account receivables**

Differences amounting to N\$ 384 220 712 were observed between the amount disclosed in the financial statements of (N\$ 39 555 120) and the amount recorded in the trade debtors ledger of (N\$ 423 775 832) provided to the auditors.

Furthermore, N\$ 423 775 832 as per trade debtors ledger could not be relied on as there are transactions recorded with a description "payment received from customers" but were debited instead of being credited to reduce the outstanding balance.

### **2.8 Value Added Tax (VAT)**

Differences amounting to N\$ 7 445 233 was noted between the amount disclosed in the financial statements (N\$ 656 326) and the amount in the VAT ledger (N\$ 8 101 559) provided to the auditors.

Furthermore, for the year under review, no VAT returns were submitted to the Ministry of Finance for assessment purposes.

## **2.9 Adjustment on consumer debtors**

Unexplained difference amounting to N\$ 3 239 397 was observed between the amount disclosed in the financial statement (N\$ 3 921 209) and the journals provided amounting to N\$ 681 812 for adjustment made on consumer debtors.

## **2.10 Non-submission of supporting documentations**

Supporting documents for insurance of (N\$ 376 000), additions to property, plant and equipment (N\$ 3 162 685), and electricity of (N\$ 3 702 857) could not be provided at the time of the audit.

## **2.11 Consulting fees**

The Council was exempted to pay audit fees in order to capacitate their finance personnel. A payment of N\$ 223 800 was made to a consultant to prepare the financial statements.

## **2.12 Difference between the general ledger and payroll report**

A difference amounting to N\$ 1 675 749 was observed between the general ledger and payroll report.

## **2.13 Absence of fixed assets register and depreciation**

It was observed that the Council does not have a fixed assets register in place and no depreciation was charged and disclosed in the financial statements for the year under review.

## **2.14 Non-disclosure of capital projects in the financial statements**

Payment amounting to N\$ 5 717 067 pertaining to Capital projects was done and was not disclosed in the financial statements.

## **2.15 Differences on cash and cash equivalents**

Difference amounting to N\$ 8 281 476 was observed between the general ledger of (N\$ 6 288 171) and financial statement of (N\$ 1 993 305) on cash and cash equivalents. Furthermore, no bank reconciliations were performed during the year under review.

## **2.16 Dumpsite (landfill)**

The Council did not disclose the dumpsite as part of assets in the financial statements. Furthermore, no provision for the new landfill was disclosed in the financial statements.

## **2.17 Incomplete set of financial statements**

The Council did not submit the statement of changes in net assets, statement of cash flow and accounting policies.

## **2.18 Differences on closing and opening balances**

A difference of N\$ 1 000 000 was observed between prior year closing balance and current year opening balances in the financial statements on the vote for streets.

## **2.19 Property, plant and equipment disclosed in the financial statements**

The disclosure of assets is as per the Council votes. The Council did not disclose the Property, plant and equipment in the financial statements as per class of assets.

## **3. OTHER MATTERS**

Attention is drawn to the management on the following matters that relate to my responsibility in the audit of the financial statements, and excluding matters already disclosed by the Town Council of Karasburg in the financial statements. My opinion is not modified in respect of this matter.

I wish to draw your attention to a special investigation performed by the Internal Audit Division of the Ministry of Urban and Rural Development on alleged irregularities regarding the financial and administrative affairs of the Town Council.

In the investigation report, the Council was specifically requested to consider the findings and recommendations outlined in the report and to follow the laid down procedures in order to address the irregularities specified in the report and to hold staff members implicated in the mismanagement/maladministration accountable.

A plan of action indicating the actions that the Council intends or is taking to address the issues raised in the special investigation report was required.

I assessed and rely on the work performed by the Internal Audit Division of the Ministry of Urban and Rural Development. I urge the Town Council to attend all issues raised and ensure that all recommendations made are being implemented.

## **4. 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 Section 86 of the Local Authority Act 1992 (Act No.23 of 1992) and legislation and for such internal control as management determines is 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.



## **5. 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 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 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 to it in the audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the audit opinion. My conclusions are based on the audit evidence obtained up to the date of the audit 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 the 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 the 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.

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

The financial statements were submitted by the Accounting Officer to the Auditor-General in terms of Section 87(1) of the Local Authority Act 1992 (Act No.23 of 1992).

## **7. AUDIT OF PERFORMANCE INFORMATION**

I conducted an audit on performance information of the Town Council of Karasburg for the Strategic period 2017 – 2021, consecutively with the audit of financial statements for the year ended 30 June 2020.

It comprised of a review of the Strategic Plan, Annual Plans, Annual Performance Reports and other relevant documentation. In terms of determining the execution of set activities in the plans, the audit was concentrated on the work plan and outputs from the 2019/2020 period.

### **7.1 DESCRIPTION OF THE SUBJECT MATTER INFORMATION AND SCOPE**

A Performance Management System (PMS) is a systematic process for achievement and improvement in obtaining results from an organization and its staff members managing performance within an agreed framework consisting of objectives, outputs, key performance indicators (KPIs) and timeliness.

The primary function of the PMS is to enable Council to achieve success in fulfilling its mandate and provide improvements in service delivery to the public.

## 7.2 KEY AUDIT FINDINGS

- No indication in the Strategic Plan that Strategic objectives are aligned to any National High Level Documents (i.e.: Vision 2030, National Development Plan (NDP), Harambee Prosperity Plan (HPP) etc.);
- The Strategic Plan does not have clear defined KPI for the identified activities;
- No Annual Plan was in place to indicate the timeframe for achieving the activities indicated in the strategic plan i.e. weekly, monthly or quarterly;
- No Performance Agreements are prepared and signed between staff and supervisors;
- No quarterly reviews performed; and
- No Performance Report was in place.

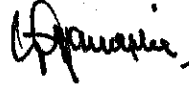
## 7.3 CONCLUSION ON THE SUBJECT MATTER

Because of the above key audit findings, I was not able to form a conclusion on the Key Performance Information of the Council.

## 8. ACKNOWLEDGEMENT

The co-operation and assistance by the management and staff of Karasburg Town Council during the audit is appreciated.

WINDHOEK, April 2023



**JUNIAS ETUNA KANDJEKE**  
**AUDITOR-GENERAL**

**TOWN COUNCIL OF KARASBURG  
BALANCE SHEET AS AT 30 JUNE**

	Note	2020 N\$	2019 N\$
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>50 113 716</b>	<b>45 376 306</b>
Property, plant and equipment	1	47 179 586	44 723 351
Investments	2	2 934 130	652 955
<b>Current assets</b>		<b>27 964 285</b>	<b>33 353 140</b>
Trade and Other Receivables	3	25 970 330	31 742 792
Petty Cash		650	650
Cash and Bank	4	1 993 305	1 609 698
<b>TOTAL ASSETS</b>		<b>78 078 001</b>	<b>78 729 446</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		<b>44 331 170</b>	<b>53 038 638</b>
Appropriation Account		(13 886 765)	(270 466)
Capital Outlay (Financing)	5	47 121 458	44 648 009
Fund and Accounts	6	11 096 477	8 661 095
<b>Non-Current Liabilities</b>		<b>4 911</b>	<b>14 747</b>
Long-Term Loans:	8	4 911	14 747
<b>Current liabilities</b>		<b>33 741 920</b>	<b>25 676 061</b>
Trade and Other payables	7	33 741 920	25 676 061
<b>TOTAL FUNDS AND LIABILITIES</b>		<b>78 078 001</b>	<b>78 729 446</b>

**TOWN COUNCIL OF KARASBURG  
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE**

		<b>2020</b>	<b>2019</b>
	Note	N\$	N\$
<b>REVENUE</b>	9	<b>40 924 209</b>	<b>35 062 675</b>
<b>EXPENDITURES</b>	10	<b>44 342 313</b>	<b>39 289 667</b>
<b>TOTAL SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(3 418 104)</b>	<b>(4 226 992)</b>

**TOWN COUNCIL OF KARASBURG**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE**

**1. PROPERTY, PLANT AND EQUIPMENT**

	<b>BALANCE 30/06/2019</b>	<b>RECEIVED TRANSFERRED</b>	<b>WRITTEN OFF TRANSFERRED</b>	<b>BALANCE 30/06/2020</b>
	N\$	N\$	N\$	N\$
<b>GENERAL</b>				
General Administration	708 559	82 258	158 700	632 117
Workshop	3	-	-	3
Fire Brigade	1 070 102	-	270 000	800 102
Public Buildings	800 911	1 106 888	100	1 907 699
Sport and Recreation	551 013	-	-	551 013
Streets and Roads	3 728 340	1 052 290	213 300	4 567 330
Natis	7 722	-	350	7 372
Parks	3	-	-	3
Abattoir	9 077	-	-	9 077
Commonage	28 336	-	-	28 336
Westerkim Housing	21 680	-	-	21 680
General Admin Westerkim	6 629	-	-	6 629
Sewerage	3 754 063	-	-	3 754 063
Sanitation	7 325 678	-	59 000	7 266 678
Lordsville Township	113 506	-	-	113 506
Electricity	14 171 162	921 250	-	15 092 412
Water	12 426 566	-	5 000	12 421 566
<b>TOTAL</b>	<b>44 723 350</b>	<b>3 162 685</b>	<b>706 450</b>	<b>47 179 585</b>

## TOWN COUNCIL OF KARASBURG

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

	2020	2019
	N\$	N\$
<b>2. INVESTMENTS</b>	<b>2 934 130</b>	<b>652 955</b>
Capital	18 851	18 851
Housing Fund	2 915 279	634 104
<b>3. TRADE AND OTHER RECEIVABLES</b>	<b>25 970 330</b>	<b>31 742 792</b>
Consumers General	33 975 956	23 694 935
Consumers Electricity	5 579 165	3 407 648
Housing Fund Debtors	3 758 884	3 909 798
Value Added Tax	656 326	6 730 411
Bad Debts Allowance	(18 000 000)	(6 000 000)
<b>4. CASH AND BANK</b>	<b>1 993 305</b>	<b>1 609 698</b>
Current Account	495 000	128 936
Current Account	1 498 305	1 480 762
<b>5. CAPITAL OUTLAY</b>	<b>47 121 458</b>	<b>44 648 009</b>
Loans Redeemed	102 154	159 940
Revenue Contribution	7 392 382	4 404 147
General Capital Contribution	39 626 922	40 083 922
<b>6. FUNDS AND ACCOUNTS</b>	<b>11 096 477</b>	<b>8 661 095</b>
Fixed Property Fund	1 442 596	1 440 809
Betterment Fund	695 398	687 179
Capital Reserve Fund	206 943	206 943
Renewal Fund	1 254 534	1 254 534
Housing Fund	7 497 006	5 071 630
<b>7. TRADE AND OTHER PAYABLES</b>	<b>33 741 920</b>	<b>25 676 061</b>
Trade Payables	32 357 666	25 045 873
Consumer Deposits	684 253	430 188
Provision for Leave	700 000	200 000

## ANNEXURE C

## TOWN COUNCIL OF KARASBURG

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

(continued)

	2020	2019
	N\$	N\$
<b>8. LONG-TERM LOANS</b>	<b>4 911</b>	<b>14 747</b>
Capital	290	7 287
Housing	4 621	7 460
<b>9. INCOME</b>	<b>40 924 209</b>	<b>35 062 675</b>
Council General Expenditure	10 748 948	5 253 681
Public Buildings	102 205	96 876
Commonage	-	580
Cemetery	28 665	28 486
Sanitation	5 242 849	4 765 531
Streets	790 008	1 165 763
Fire Brigade	116 108	108 698
Electricity	14 981 981	15 351 503
Water	8 913 444	8 291 556
<b>10. EXPENDITURE</b>	<b>44 342 313</b>	<b>39 289 667</b>
Council General Expenditure	9 620 054	6 890 565
Public Buildings	1 204 206	65 913
Commonage	309 467	873
Cemetery	155 109	198 697
Sanitation	1 775 976	3 137 540
Streets	3 886 475	2 891 909
Parks	130 152	158 232
Fire Brigade	433 437	421 265
Workshop	903 320	655 533
Abattoir	184 879	4 658
Electricity	16 187 173	17 966 367
Water	9 552 065	6 898 115

a) Opening balances not agreeing to prior year closing balance.